



“Emmbi Industries Limited
Q1 FY20 Earnings Conference Call”

August 13, 2019



Management: Mr. Makrand Appalwar – Chairman & Managing Director -
Emmbi Industries Limited

Mrs. Rinku Appalwar – Executive Director & Chief
Financial Officer - Emmbi Industries Limited



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Moderator: Ladies and Gentlemen, Good day and welcome to the Emmbi Industries Limited Q1 FY20 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions, assumptions and expectations of future events. The company cannot guarantee that these are accurate or will be realized, the company's actual results, performance or achievements could thus differ from those projected in any forward-looking statements. The company assumes no responsibility to publicly amend, modify or revise any such statements on the basis of subsequent developments, information or events.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

I take this opportunity to welcome the management of Emmbi Industries Limited represented by Mr. Makrand Appalwar -- Chairman & Managing Director and Mrs. Rinku Appalwar -- Executive Director & CFO. We will begin the call with a brief overview by the management followed by the Q&A session. I now hand the conference over to Mr. Makrand Appalwar. Thank you and over to you, sir.

Makrand Appalwar: Thank you Neerav. Good Morning and Good Day to everybody on the call. I really thank you very much for being with us and being on our call and let me give you a brief of what has happened in this quarter. Being a first quarter, it was always being one of the lowest quarters for all historically and because it is being in India hot weather, low of workers and shortage of all sorts of comforts during the manufacturing always create kind of a lower outputs in the first quarter. So, it was a similar trend also which happened in this year, but by and large we could continue to remain on its stage and we could crank a very little but little bit of growth though. So, this quarter was also had some exciting announcements to make. Historically, as we have been always talking that in the Avana or in the pond-lining field, we will be extending our footprints from Maharashtra and Rajasthan to some more states. So, I am glad to announce that we have added two more states into our ambit and we have initially added Karnataka and Madhya Pradesh as operating state for Emmbi and in last three months we already had a distribution and dealership network setup in 6



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districts of Karnataka and 4 districts of Madhya Pradesh. So, that has been a net addition.

Apart from these very interesting phenomena which has happened is as you aware this is the lining or the pond lining which is a kind of a product which stores or kind of conserves the water. So, primarily it was always being used in the agriculture field, but now in the last quarter we were successful to convince the Shrimp farmers or the Shrimp growers in Maharashtra coastal as well as the Telangana and Andhra coastal area. So, we also created some Shrimps farms or Shrimp ponds. So, this opens a substantially new market which is like between combined between Andhra and Telangana there are around 2,50,000 Shrimp ponds available there and that also becomes one of the new markets. I hope you had a chance to run through the presentation which was also already uploaded along with the results. So, you must have seen that one of the very interesting development pond liner or the water conservation products of Avana has been awarded as one of the best CSR ideas of the year in Delhi on 9th of this month. So, that is another way which opens the new avenues for company to make the inroads for the growth of pond lining as well as water conservation business. During last year our average run rate for making ponds was somewhere around 8 pond a day which has been moved upwards to around 12 pond a day. Our targeted run rate for this year was around 11 we have already achieved and crossed that and we intend to maintain or slightly improve this run rate during this year of the operations.

Talking about the other businesses which is pertaining to packaging and advance composites both the businesses are doing well. We had a stable outlook for the entire year and we consider or we were targeting about 15% to 20% normal growth, but looking at the situations what are there in the domestic market probably we would not be assuring that the same level of growth would be there, but we will try our level best to match the growth which has been spoke in the past by us. So, by and large this quarter has been little bit gloomy because of the economic situations in the country and around, but company has kept its all promises we could add to the operational improvements of the areas, we could add in the new dimensions of the pond lining, the water conservation business is growing probably the growth is good and I mean if you see from 8 ponds to 12 ponds almost 50% plus growth. So, that is growing at a very good and stable pace and we intend to keep and maintain that part of the business. The other businesses which is pertaining to the food grade that is doing very well.



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We have been adding consistently the newer customer into the food grade ambit and that would be happening. So, by and large this quarter was little bit I would say influenced by the economic situations, but still we could maintain the growth not a very big one, but we could at least get the thing running. The little bit of reduction in the profits are because of the changes as the employment or the expenses which were made was pertaining to the higher or 10% to 15% growth transactions and which did not actually materialize during this quarter, but we are hopeful and we can promise that we are doing our best efforts to put into the situation where we will bring back the same levels. So, this is initially about my commentary. Now I will open the floor for the questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question from the line of Anuj Choksey an Individual Investor. Please go ahead.

Anuj Choksey: We are very glad to hear the expansion of your pond liners at Karnataka and MP and going forward the Shrimp pond which you just spoke about of course that is also a new area which you would be exploring. I am sure going forward the company will be doing very well and given the economic situation as you rightly said and comparing it to the other aspects of the industry. The performance per se has not been bad at all and I am sure confident enough that as always promised looking forward to that 15%, 20% growth even if it is not achieved in this financial year it will continue to grow at a steady pace that is all I wanted to comments as I have been following the company closely.

Makrand Appalwar: Thank you very much sir. I really appreciate your trust in all and yes we will try our level best and as you rightly said adding the Shrimp farming will definitely add to the new dimension and we will try our level best and you know that as you rightly said that the days are not very easy for companies in India, but I am sure this is the testing time for any management we will try our level best and do justice to the trust which you have shown.

Anuj Choksey: Absolutely I mean we have seen that how you have overcome in the past also such cycle so we are confident and being a shareholder from last many years with you all so I am sure about and confident.

Moderator: The next question is from the line of Priyank Chedda from Chedda Shares and Securities Private Limited. Please go ahead.



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Priyank Chedda: So, just wanted to understand do you want to call off any one off in the current result in terms of be it revenue or operational performance. I am sure this results are below your even your internal expectation so any one off that you would like to call off?

Makrand Appalwar: Yeah I think I will say couple of things like domestic market specially domestic packaging business there is a largely our customer ships are in the fields of FMCG and automobile and both the sectors actually underperformed in last three, four months and that directly impacts our volumes and if the volumes come down then the operational efficiencies and in turn the operating results go down. So, basically, these two sectors not performing so well has given us frankly there was never such a severe FMCG or automobile slump in India in last 10 years. So, definitely we geared up now for taking care of this, we switched the production, we moved it to exports and other thing, but for that particular two, three months' time it was a shocker. We would not be expecting it so the course correction took couple of months. So, that now the course correction has been done so I hope I mean quarters would not be so much hit about that.

Priyank Chedda: Sir anything on the export business or was it there in the normal things as usual?

Makrand Appalwar: Our export is by and large okay like I will not say there is a decline or export is always low in the first quarter because of the lack of labor that is not a challenge and that has been taken care. So, now from second quarter onwards you would see the same level of exports what it was there because the order book is full and we are booked till now end of September so that is not a challenge part of it. So, exports are not a worrying thing probably Indian domestic packaging side is little bit of a concern to us. So, what we did is moved that capacity to the export so probably you might see some more exports and less of the domestic during this year.

Priyank Chedda: Sir one more thing I wanted to understand the subsidy portion of the government which is compensated by government for the each pond is paid within how many days to Emmbi?

Makrand Appalwar: No it is not collected by us. We do not collect the subsidy from government. We arrange bridge loan between government and banks and bank payers before or the buyer of the pond pays us before and generally once the pond is done, they get subsidy in 3 to 6 months. So, for us everything is cash and carry sale. We do not give them credit against subsidy or anything like that.



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Priyank Chedda: So, how has been the response in terms of the loans financing tie up that you had from banks for the pond liner has that the percentage of the loans financing for ponds gone up?

Makrand Appalwar: I look at that now people are getting hang of it. Initial first 6 months we are not greatly result driven because there were lot of hiccups pertaining to paperwork and how to do it and other things. Now slowly it is picking up, but the good thing is popularity of ponds is increasing more and more and the crazy weather cycle which were happening is actually foreseeing people to think more and more about storing the water. So, unfortunately, I will not say that it is a good thing to happen that weather situation is bad, but this bad weather situation is becoming a market for us. So, yes slowly people are moving towards getting finances and as you must have seen that our average run rate per day for making ponds which were around 8 last year has moved to around 12 during very first quarter itself. So, that is helping there are multiple ways to help and improve the performance of company that is one of them.

Moderator: The next question is from the line of Ankit Marchant from SMC Global. Please go ahead.

Ankit Marchant: I believe the numbers are pretty much in line with our expectation just wanted to know few thoughts one is basically we have seen Maharashtra being impacted by flood and it is very severe right now, so what is your comment and can see certain I mean a business getting affected because of that, that is the first question?

Makrand Appalwar: Well you have to see this way Ankit whenever you have abundance of shortage of any resource the human have a tendency to store. So, now this floods have created an imbalance kind of so much of precipitation has fallen in a very short period that this water could never be now stored it has gone back to the sea everything like what happened in Bombay in last probably one month like in the month of July where we have seen unprecedentedly higher range in last 112 years, but if you see the net disburseable water which the city can store was very restricted or whatever you must have also heard in newspaper that whatever storage reservoir we had are almost near to full now Bombay, Vaitarna or Tansa or any other things. So, whatever rainfall happens in August or September is going to go waste. So, this kind of things will definitely trigger or make people understand the importance of creating a makeshift reservoir or auxiliary storages. So, yes definitely for a temporary days of one week or



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two there will be excess water and people will not be able to handle it, but if you see a window of probably 4 month or 6 month this year will be one of the years where you will see a very excessive drought like situation because entire precipitation has fallen in the days 8 to 10 or 20 days. So, everything has gone back to sea it has not got underground and drought like situation would further escalate which was there quite substantially last year. So, these kind of situations or extreme weather patterns happening in any direction whether drought or over rainfall causes a requirement of a steady storage and probably that is our business creating a steady storage for people. So, I feel these kind of situations will further prompt farmers or governments to create a steady reservoir places and that would help us to grow our business because apart from pond you must also remember that we are big way into the percolation tanks like in last year we have created more than 200 percolation tanks across the states. So, that is one of our large businesses now happening in this. So, these kinds of situations definitely prompts governments or various NGOs or various private bodies to create the percolation tanks where they can store the water and let it percolate on the decided or targeted area so that underground water tables are increased or the depletion is reduced.

Ankit Marchant:

And just a follow up sir do you see then demand getting impacted because of this flood because I mean I am just trying to evaluate for us?

Makrand Appalwar:

As of now no like probably the first quarter results are already out and in the second quarter we are marching little bit ahead of the first quarter when it comes to the water conservation products. So, because the floods were only concentrated in the two districts right now in Maharashtra that is Kolhapur and Sangli while Maharashtra total operation is in 32 districts. So, still Marathwada is actually water deficient. As of today, if I see the districts like Ahmednagar or Aurangabad or Jalna or Dhule or Nandurbar everybody is actually water short. So, that floods were concentrated on certain area, but still the larger area of Maharashtra is still under water.

Ankit Marchant:

I mean the region which has got affected I believe we do not have much presence is it is very negligible?

Makrand Appalwar:

Presence was there but I will not say that Kolhapur because of the sugarcane belt. Kolhapur was not the biggest of our buyers. Sangli was one of a good buyer I will not say that area where there is a great belt that was a good area, but I guess those areas will still continue because this flood will not create a reservoir, flood has come so



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water has fallen, but it will not stay it will just recede it will go away. So, that water is not our great use to them. So, this would not discourage them from making ponds or lining the ponds.

Ankit Marchant:

Sir another has been we have been closely falling the rainfall pattern also, but the Eastern region of India specifically West Bengal and even Jharkhand, Orissa and to some extent of UP also have not received such good rainfall, so do we intend to go and grow in this particular states considering that this particular states in this particular year is going to face drought like issues?

Makrand Appalwar:

I do not think in this year we have a bandwidth to go there because we have already entered into Karnataka and Madhya Pradesh because those were one of the clusters where the farmers have already accepted the product and we have started moving in this, but we are experimenting in all this states. So, we have started putting 1, 1, 2, 2 ponds as a demo ponds right up to the North Eastern states. We are going into up to Meghalaya actually we are working with Meghalaya government or some experimental pond making with collection of hilly water and other things. So, we are creating a kind of bridge work, but till 2021 probably we will focus on this 4 states and 2 more states that is Telangana and Andhra for the Shrimp pond farming. So, till 2021 probably we will concentrate on this 6 dates and not enter into new, but during that period we will be creating a marketing activities and awareness campaign letting people aware and that is the time where we would be going for the probably Pan India moment as we always been speaking that is the time where 5 years will complete and that is where we will try to take this business to the next level.

Ankit Marchant:

I just have two more questions relating to finances so this is the first time we have seen the EBITDA margin have contracted and primary reason for this has been the other expenses which has gone up, so I am assuming this is more of the spending done towards the advertising of the products?

Makrand Appalwar:

It is couple of things it is spending done to the advertising product and basically you see that targeted growth did not happen as it was targeted. So, generally, April is the increment time where people get their increments and you expect that targeted growth of around 15% would come, but the domestic economy did its own toll. So, all this thing compounded together we did not had a enough I would say scope to maintain the margins because certain level we have to comprise on certain things and naturally as the two new states have been added that initial expenses of adding a state



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is comparatively quite taking the permission, setting up the offices, setting up the ground work, creating all sort of collaterals all these things you know its own cost and it does not result into any operating benefit for first probably 3 to 9 months so that has also coupled together. So, it would not have been so prominent if the top line would have been grown by 15%, it could have still managed to take it ahead, but the overall economic slowdown in India probably resulted into this net reduction in the EBIDTA.

- Ankit Marchant:** And what is the debt the total debt because the finance cost has also gone up for us?
- Makrand Appalwar:** I would say that these details numbers I would be able to give you in separate format, but it has not increased anything, it has not substantially decreased because people are paying little sluggishly so the working capital has little bit got extended, but term debt has not increased anything. It is on the similar level.
- Ankit Marchant:** And sir how is the new FIBC utilization going on new plant which we had put up?
- Makrand Appalwar:** I think we have almost been there in 55%, 60% now with the good grade. At the end of the last year we were around 40%, 45% so it has increased in last 3, 4 months. So, we are in the range of 55% to 60% when it comes to the food grade utilization.
- Ankit Marchant:** And that is more than compensated for the domestic fall which you have received?
- Makrand Appalwar:** I will not say it has more than compensated but it has just compensated because more than would have been at least 15%, 20% growth.
- Moderator:** Thank you. The next question is from the line of Ravi Naredi from Naredi Investment Private Limited. Please go ahead.
- Ravi Naredi:** Sir how many pond order we are expecting from aqua activity this year?
- Makrand Appalwar:** Around 5,500 to 6,000 ponds we are targeting this year.
- Ravi Naredi:** And sir any slowdowns are we facing in the agriculture sector or in which we are doing the work?
- Makrand Appalwar:** There is overall bad sentiments are there across I would not say that sentiments are not bad, but we are in one of the sectors where it is extremely dire and this particular planning if somebody wants to you know like making a pond is like a couple of years



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planning for the farmers it is like when you intend to buy a house like you can compare it with urban man he was trying to buy a house. He plans for one or two years and then he gathers all the resources and at one point of time he comes ahead and go ahead and buy it. So, this short term problem which we are seeing today is not directly impacting their decision making. So, I would not say that the numbers or rather I would say because of this extreme weather situations which are happening in India it is rather pushing them or making their decision little bit quicker that they need to go ahead with this. So, answer your question this economic slowdown is not resulting into the impact of buying decision for our product, but overall sentiments in the rural area not super positive they are kind of slightly lethargic.

Moderator: Thank you. The next question is from the line of Nitin Awasthi from ITI Securities Ltd. Please go ahead.

Nitin Awasthi: So, basically I have three questions one on your new products I will start with that one, so these Shrimp ponds that you have setup are these for corporate farmers or are these for standalone farmers that you have setup these ponds?

Makrand Appalwar: No actually we have sent one for the company and one for there are separate product line I would say. So, the one product line which is there for the companies is basically much larger in size and much tardier which can be used again and again and the one which is for the individuals are comparatively lower cost so that they can bear the cost and they can quickly change it. So, there are I would say two offerings when it comes to Shrimp farming products. So, it can used by both because the need is very generic it is not necessarily whether it is a company or a individual both has a similar requirements when it comes to farming of Shrimp. So, it can be used by both the kind of customers and we have created two product lines in that. One for the individuals and one for the companies or like rather I would say one is a little bit of a lower end and one is a higher end. So, it can be like if somebody has more money, he still can buy an individual also can buy a long term product or a company does not want to invest too much right now can also buy a lower end product, but generally both the products are available now.

Nitin Awasthi: And sir for this product what did the farmer use before this product because if I am not wrong we have visited a few of these sides we already had some sort of material that they were using before, so was that an Indian competitor or was that an importing material?



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Makrand Appalwar: Sometimes it was like corporate were importing and that is what we use sometime they used to line it with the concrete or with the cement concrete so either of that, but there were not too many Indian competition at that juncture and like we have created a very simple and very effective. If you had a chance to run through the presentation we have given one picture in that where we are given a underground pit inside the pond and there is one separate pond so it can suck out like this operation of Shrimp farming is little different than the agricultural farming. So, they have to remove the water in around 45 days to 50 days so that one cycle is this and this lining the focus is little different because here the lining is more to protect or reduce the mixing of fish feed or a prawn feed from the mud and the movement of water is ore faster so the growth is much quicker. So, the applications are little different. So, we could create a product which is exactly required for the Indian conditions so that is a good part of our product I would say and that is because it is produced in India in the Indian overheads the cost is also reasonable vis-à-vis the international cost.

Nitin Awasthi: Sir secondly coming to your tax rates because you are a certified R&D company you pay a lower tax rate and now there has been a provision where you also come under coverage where your top line hits bracket where your tax rate is again lower, so what is your tax rate going to be in the future?

Makrand Appalwar: I would say considering this like I cannot say the future I would not make the futuristic comment two, three years down the line, but this year either if we do we sit within the R&D bracket or we do not sit within the R&D if we sit within the R&D bracket it will be around 22.8% which comes as a MAT and if we do not sit in the R&D bracket then it will be 25% which is a regular tax rate for the companies below 400. So, considering this situation we might be considering that 25% bracket because last two, three years we had around 10 crore plus expenses pertaining to the capital expenditure towards the R&D and if there is a slowdown process then probably we will like to control our capital expenditure towards R&D and only do the operational expenses whatever they are. So, that the new products can be developed, but no new CAPEX might be there. So, I do not know whether we would be able to get this benefit of R&D certified company and bring it in the MAT, but in both the cases the tax rate will not exceed the 25% of the bracket.

Nitin Awasthi: Sir just the last question on your raw material front, so what we have been hearing is that a lot of these prices of the polymers has been coming down and one is that true



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that they have been hitting multi year lows and two if that is true how does it affect the company?

Makrand Appalwar: Frankly speaking this has been always a question to ask that what is the impact of raw material on our operations, so apart from reducing little bit of a working capital there is no direct impact on us because we work on the completely hedged situation where we have a tendency or ability to pass on all the benefits or shocks or I would say benefits or negatives to the customer. So, we might some benefit in the B2C segment because of the less of the raw material cost which is not right now last year it was around 16% this year we are targeting anything between 20% to 22% this year. So, that segment might get little bit of help because of reduction in raw material prices, but our B2B business is actually a pass-through mechanism raw material goes in any side neither we get benefit nor we get loss because of that. So, by and large overall business if you see we might get some gain because of the reduced raw material prices but it is not going to be anything windfall.

Moderator: Thank you. The next question is from the line of Vinay Pai an Individual Investor. Please go ahead.

Vinay Pai: First question is when is your annual report would be uploaded on to your site?

Makrand Appalwar: I think on 21st or 22.

Vinay Pai: Could it be preponed in the next couple of succeeding year because we are already into the middle of August so could be say in July or something because companies upload their balance sheet pretty fast?

Makrand Appalwar: I will just note this down and pass it on to our secretarial department that they should do some better job and try to bring it little bit ahead next year and I am sure they will do that.

Vinay Pai: The second question is I was wondering whether your farmers are getting the message of MD why are their local radios and local TVs in their local language is that sort of an effort there or is it not there I just curious about it?

Makrand Appalwar: Frankly speaking we are still not reached a level where we are using TV or radio as our communication medium, but whatever collaterals we are having either we are doing the communication pertaining to the local printing matter or we are doing the



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communication through van campaign or we are doing communication through WhatsApp then we are using the local languages like in Karnataka we use the Kannada in Rajasthan we use the Marwari supported Hindi or in Maharashtra we are using Marathi. So, they we are doing all collaterals are created in the regional language. We are not depending at all on the Hindi or English as a common language.

Vinay Pai: Because you know from my experience in going to the villages people mainly their connect to the outside world is through radio channels and TV channels in the regional languages and that will help Emmbi in much in your marketing effort?

Makrand Appalwar: We have absolutely noted that and we do create a collaterals only in the local languages so that people should have a better chance. Actually I remember even when we had a launch campaign in the Belgaum district there is a place called Athani you might be aware also it is in your states only. So, when we had a large pond made there and there was a big I use actually a interpreter or a translator while I was giving the speech so that whatever I was speaking in Hindi he was converting it into the Kannada and speaking it with people.

Vinay Pai: That is the only request I mean if you can communicate by a local radio stations in my opinion things would be better.

Makrand Appalwar: Absolutely we will definitely remember this and whenever we will have a budget and spent pattern of using radio and TV we will ensure that we will ensure that we use the local languages always.

Moderator: Thank you. The next question is from the line of Sachin Pal from MC Research. Please go ahead.

Sachin Pal: I had two questions actually one is on the demand pattern so our Q1 was impacted by domestic slowdown which we just said especially on the FMCG and the automobile side, so how has things planned out since the Q1 in terms of demand pattern still on slow lane?

Makrand Appalwar: No I would like you to repeat the question because it is very hard to hear you.

Sachin Pal: So, I was just saying that on the FMCG and the automobile side is the demand still continuing on the slower side or this has something picked up in Q1?



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Makrand Appalwar: Frankly the answer is not very positive like means automobile answer is a big no and even in FMCG answer is not very positive but because we have a good fungibility in making the products. Only what we could do is we could shift some of our existing production facilities to other products which were not pertaining to this industry of course it took its own sweet time to make it happen, but yes that could happen and to answer your question in flat one language no I have not seen any positive things still happening in this sector, but I think government is taking measures and finance minister has recently announced that they are likely to do something very I would say supportive for these industries or for this sectors and I am sure they are very wise people they will do it quickly and we would revive very fast that is what I would say expectations from the government.

Sachin Pal: On the second question I have was basically on the Shrimp pond liner that you have so I just wanted to know which stage we are in terms of setting up and what would be the commercialization time line for the same?

Makrand Appalwar: No it has already started like we have already started making the ponds. So, now in order to get the whole thing operational probably we are setting up a people because you know it is a very typical way of setting up a network like you need to have a person who has a knowledge and understanding about Shrimp farming and you still speak local language till he have a attitude and understanding about polymer processing. So, it is a combination of people gathering, coming together light minded people who has a development and attitude so we are in that phase where we are collecting people making the teams better. So, I would say that probably this initial growth period would happen in next 6 to 9 months and from next financial year you would see that more number of Shrimp like that would really start what you see today, what is agricultural ponds are contributing to the numbers of the balance sheet that would start contributing those numbers in probably coming 9 months or 12 months.

Moderator: Thank you. The next question is from the line of Priyank Chedda from Chedda Shares and Securities Private Limited. Please go ahead.

Priyank Chedda: Sir, just wanted to know how has been the working capital days performance I think I heard that it was not that great managed during the quarter?

Makrand Appalwar: It has slightly deteriorated but I think 3 or 4 days not a biggest of this. We have come down to 105 days it has gone back to 108 days.



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- Priyank Chedda:** And still we have a target of reducing it by 10 days?
- Makrand Appalwar:** I would like to go anything between 90 to 100 days that has been our effort. So, if the things continue to be well then, I think within next one or two quarters we will be seeing it in the range of around 90 to 100 days.
- Priyank Chedda:** And sir one more thing are we planning to add any capacity by any de-bottling during there or we are working with the 25,000 million tons capacity debt we have?
- Makrand Appalwar:** No as of now there is plans of adding any capacity probably, we would exhaust our capacity by end of 2021 and that is the time where we will be adding the capacity. So, for next probably year and half no.
- Priyank Chedda:** Sir any targets you would like to share with us with respect to the number of districts that you would cover say in Karnataka, MP looking at the kind of number of districts that this state has the potential is immense?
- Makrand Appalwar:** Well I do not think so we have setup a very I would say the targets would be very difficult to say, but Karnataka we are targeting around 8 to 10 districts this year and MP we are targeting about 6, 7 districts this year so that is what is by and large between the two of them around 15, 16 districts we would be going to add in this year.
- Priyank Chedda:** Sir would you be able to share what was the operating cash flow generated during the quarter/
- Makrand Appalwar:** I do not think so I have those numbers here, but we would be able to share with you off line if you want you can just give a call, we can give you this.
- Priyank Chedda:** And sir one more suggestion I have if we can go ahead in the quarter wise presentation if we can share the segment wise growth that we are present and what has been the growth in those segments it would be great?
- Makrand Appalwar:** Sir we will consider this in the coming time.
- Moderator:** Thank you. The next question is from the line of Ashok Shah from LFC Securities. Please go ahead.



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Ashok Shah: Sir while going through just results one-month back sir our result is weak so does it indicate the next three-quarter situation going to come?

Makrand Appalwar: Can you ask this I am understanding it difficult.

Ashok Shah: No, going through the results just I have gone through result is weak after-tax profit and sales is also down, so does it indicate the three quarter situation also or what is the reason for weak result this quarter?

Makrand Appalwar: No I think results means the sale is not down sale is still up means considering the time of last quarter sale is still up, but the profits are little down because of the economic situation of course as you know our facilities are fungible and we can swing from one product to another product, but it takes some time. So, that alignment time is happening so I will not probably say that this is going to be the trend of coming year or something, but yes of course we are keeping our fingers crossed that economies will improve and we would have a chance to cope up or do better in the coming days.

Ashok Shah: Sir, what was the ratio of the B2C sale in first quarter?

Makrand Appalwar: We were somewhere around 18%, 19%.

Ashok Shah: And second most important thing is that this is not a question but a suggestion today there are more than 1,000 results and more than 50 AGMs and also today there are almost a 48-conference call. Sir you have put out the result on 2 o'clock and by 3:31 you have put out the investor presentation. I do not think anybody has gone through this results and presentations fully, so to ask the question and to understand the result it is very difficult. My suggestion to take hold the 8 meeting one is after the result at least possible or hold the meeting at least in advance.

Makrand Appalwar: We can do that it is a good suggestion. So, next time onwards we will do that if we keep the results and presentations today then we will arrange the conference call after 1 day so that people have a opportunity to see and study that and then we can meet. So, next time onwards we can consider that. This time because of the crazy holidays in this week like yesterday was a holiday again day after tomorrow is a holiday and last day is a holiday. So, this week was kind of cramped and we had no option but to do it on the same day, but yeah it is a good suggestion and we will implement in coming days.



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Moderator: Thank you. The next question is from the line of Shanu Bansal an Individual Investor. Please go ahead.

Shanu Bansal: My question is to do with you know actually we have not touched too much on the export side of the business and you mentioned that there has been decent sort of decent follow through there and you have been shifting lines to FIBC business, but we are reading in the paper than hearing about the trade war and also especially the US agriculture sort of market getting affected, so considering 40% of our exports in US almost 10% is UK how do you see that panning out in the next quarter or the next two years you are not seeing any problems or initial red flag coming up here?

Makrand Appalwar: Okay it is a very interesting question, so you need to understand the demographics of our business like the entire FIBC as a sector if you see. So, if you see out of the global manufacturing of FIBC around 42% of the FIBCs are produced in India and roughly 30%, 32% FIBCs are now exported by China like 42% exported by India and 32% exported by China and balance are from the Turkey, Vietnam, Bangladesh, Mexico and others. So, what is happening is that larger part of the trade war like if you see whose hit more by trade war whether it is India or whether it is China the answer will be very clear that it is not India it is China and if you see that recently Trump has announced that any case nothing works out between two of them from the starting from 1st September every product which is coming out of China would have an additional duty of 10%. So, what is happening it this entire trade war between China and America is actually result into a betterment of a benefit to India. So, by and large if the as of now the duty difference between India, China is just 1% that Chinese product is having a 1% higher duty than Indian product in United States. So, that would have straightaway 11% of the gap. So, probably that would be interesting for Indian manufacturers to go ahead and get the benefit. So, as the India enjoys such a monumental manufacturing share or monumental share in the total global market that is 42% it is very difficult in any other part of the world that suddenly some new manufacturing capacities come up and they knock off India because of some trade related restrictions because this product it takes hell of a time to understand manufacture, master the manufacturing get the economics of scale or economics of operations so that really does not worry me too much rather we are actually waiting what happens between China and America and if at all they does not come to any conclusion and China product get additional duty of 10% than probably India would have much better situation to offer than Chinese peers. So, that is coming in favor of India and now because India has been historically very predominant in producing



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these products lot of ecosystem in production of these products is already created in our country. So, it will not be very easy for any other country to replicate it very soon and till the time they do it probably our government would also react to this reaction go ahead like if you see few days back countries GSP generalized system of preferences was discarded by United States, but then it was not only discarded for India it was discarded for everyone. So, again everyone came at the same level so if there is a disparity between the two suppliers. Let us say they say that okay India is not a favorable country and add a duty on Indian products then we will come in trouble and where come in question mark, but what they are saying right now is add product means duties on the Chinese product in specific and in general on everyone. So, if they do it in general on everyone then again everyone is on the same platform what America pays is a higher there is no differential. We are not competing with products which is produced in America. If somebody is competing with the product which are produced in America then there is a problem. We are competing with the product which are produced with other countries in the world and sold in America. So, whether it is India or say Vietnam or a Bangladesh when everybody got a small duty structure increase again the level of competency remains the same. So, this is not the biggest of worry as of now unless and until there are some new dimensions coming into a picture which I do not know as of now it does not seems to be on the corner so unless and until that is there I guess we need not worry much about it.

Shanu Bansal:

I am just little concerned about the fact that maybe trade volume would also get affected just like how in India things has come to a slowdown not so much about the pricing necessarily, but also about volumes getting affected, but from what you are saying like even if the volumes do get affected we will probably still gain market share over China and hence I mean India side of the business sort of Indian manufacturer should not get impacted as such?

Makrand Appalwar:

That is what like first of all I am not in a complete agreement with your statements that volumes in United States are likely to drop because it does not seems to be reason as of now because their economics are doing all right, their capital markets are doing all right their overall sentimentally it is not a very like they are not very disturbed and situation does not seem to be as gloomy in United States as what we see this part of the world. So, one is a question market itself on the volumes whether really volumes would come down I feel may not, but if at all volumes will come down still because in case China get differential treatment and if you really the 10%



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duty added into the Chinese product then probably that would be a net gain to India then actually loss to India.

Bhanu Bansal: That is on the US and secondly on Europe and UK as well I mean anything that you are seeing there?

Makrand Appalwar: Well I would not like to comment anything on Brexit because frankly speaking it is now really become a kind of mismatch cow that which way it is heading nobody knows. So, commenting anything on Brexit will be not a smart thing. Europe is by and large is steady it is not really going up like America, but it is not either very depressed or anything, they are running as they used to have they will have 2%, 2.5% growth and they are standing. But simply the size of economy is so large that even though Europe as a whole have 1%, 1.5% growth in their economy that is almost 20% of the growth when it comes to economies like us. So, probably Europe is steady America is bullish.

Moderator: Thank you. As there are no further questions, I will now hand the conference over to Mr. Makrand Appalwar for closing comments.

Makrand Appalwar: Yeah thank you so much Neerav and we really appreciate everybody being on the call and giving your time for our company as well as this conference call. If you need any further information or any knowledge please feel free to talk to us, we are always there to help you and we really appreciate your time. Thank you so much. Have a nice day.

Moderator: Thank you very much. On behalf of Emmbi Industries Limited that concludes this conference. Thank you for joining us you may now disconnect your lines. Thank you.