



“Emmbi Industries Limited Q1 FY2018
Earnings Conference Call”

August 14, 2017



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Moderator: Good day, ladies and gentlemen and welcome to the Q1 FY18 Earnings Conference Call of Emmbi Industries Limited, hosted by KR Choksey. 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ankit Merchant, Equity research analyst from KR Choksey. Thank you and over to you Mr. Merchant!

Ankit Merchant: Thank you. Good evening everyone. On behalf of KR Choksey, we welcome you all for Q1 FY18 Conference Call of Emmbi Industries Limited. I take this opportunity to welcome the management of Emmbi Industries represented by Mr. Makrand Appalwar, Managing Director and Mrs. Rinku Appalwar, Chief Financial Officer. We will begin the call with a brief overview by the management followed by the Q&A session. I now hand over the call to Mr. Makrand Appalwar for his opening remarks. Over to you Sir!

Makrand Appalwar: Thank you very much Ankit and welcome everyone. Good afternoon and whatever is the appropriate time in the time zone you are. Welcome to the Emmbi Conference Call for the first quarter of the year 2018. Thank you very much for joining in. I would just run you through some points. I am sure by now you must have received our result presentations and investor presentations and taking into continuation from that. The year-on-year growth and the revenue were to the tune of around 13% and as we expected there is improvement in the profitability by around 21%. PAT and EPS have gone up and you can see that EBITDA has also slightly moved up by around 39 bps, so I think this was largely as per the plan what it was happening and what it supposed to work the way.

Second was the capex program. I am very happy to confirm that last year we have spent around Rs.22 Crores nearing to around US\$3 million and they were pertaining to the two major investments we were looking into. One was a positive pressure clean room, which is specific environment based facility, which is going to be manufacturing a food and pharmaceutical grade packing material and the support material for the various western countries and second was a dedicated manufacturing facility for the water conservation products like Jal Sanchay pond liners and others, so I am happy that both have been commissioned and functioning properly and I am sure in the next couple of quarters like next two to three quarters you would be able to see some very positive results because this was a very first quarter the impact is not so substantial, but in the coming time that would happen and I am glad to also inform you that the spread, which was almost 97:3 in B2B and B2C has been moved up and this particular quarter we can almost get a consumer market or B2C to up to 7.2% while our target for the consumer market during this year remain anything between 8% to 9% at the end of the year. Last year it was around 3% now it has gone to around 7% and that is very exciting.



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Regarding the innovation as you are aware Emmbi Innovation Lab, which is one of the very active R&D arm of Emmbi Industries and which is always busy in taking out new and better need based products for our customers as well as market, so we were happy to launch a brand new product called wool pack. Basically raw wool, which is generally produced in most of the oriental countries like Australia and New Zealand and which gets exported all over the world, so till today people used to use nylon as a principal packaging for export of raw wool because of the certain properties present in nylon, so at Emmbi during the last few quarters we were working on this and we were able to create a blend out of some newer comparatively lower cost polymer, which functions exactly like nylon and which gives all the properties, which are required for the woolen or a raw wool packaging and which is estimated to be at almost half the cost as the nylon cost and we are estimating that market is around in the range of around US\$360 million at the total market size, of course it is going to take some time to reach slowly into that region, but that is a very fantastic opportunity and that gives me immense pleasure because that reduces the global footprint of the carbon to a substantial level. We are able to deliver something much smarter and much better than what world was doing till today.

On the compliance side, I am happy to tell that the GST startup things are almost on track and company is now GST compliant as it was expected and barring some initial I think week long hiccups regarding all sorts of procedural and kind of statutory understanding and I can say various software related issues, things were quite smooth and alright. Regarding the change in the standards, as you are aware the accounting standards for the listed companies in this year has been changed from the original standard years. From AS to IndAS and we are compliant to the IndAS standards, so that was one of the time where results was actually about a week delayed because every single thing has been doubly checked and ensure that everything falls under the purview of the IndAS standards.

As a routine I would like to comply that we have been very focused now on creating the right brands for the company and apart from creating a very precious couple of brands like Jal Sanchay and Krishi Rakshak, which are our flagship brands for B2C market. We also focused on creating 15 base brands like for the entire positive pressure clean room operation we have created a brand called clean tech, which is going to be representing the positive pressure operation and it is going to be called as a contamination free production system, so we would be advertising, modeling and everything will remain into the clean tech zone and this is with the specific purpose that management believes that replication of product is comparatively easier than the replication of systems, so we would like to create a system based branch like clean tech, which we have created and we also create another brand, which was launched actually about a couple of quarters before that is Emmbi Innovation Lab, so both the systems would now be named and they will be operating within the umbrella of Emmbi Industries and they would act independently as a brand and because that would create a kind of cultural identification to themselves the people who are working there and they would be able to focus on certain specific demand or need of the market and that is the reason why we thought creating a branded systems within the company would be interesting and helpful.



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I was very excited to also inform you regarding the global recognition. We also shared some newsprints and slides in our presentation, which I am sure with the global magazine or there is a publication called market insider, they reported the pond liner market and this world is pond liner market and Emmbi is only Indian company, which is featured in it, so they have featured the companies all across the globe starting from United States right going up to the New Zealand and we are the only Indian company to get featured in it as one of the significant pond lining manufacturing company across the world. That creates a very good joy and happiness that the new product, which was a pond lining, which has been launched about a year-and-a-half back has been now at least recognized by the world and the company has been recognized as a significant players in it, so that definitely makes much bigger sense for us as operating, so considering all this, this is what happened in future past and let me tell you some very simple things, which we again intend to focus in the next coming few quarters as I initially mentioned the brands and building the brands for the product as well as the system would remain in the forefront of our mind.

Building the innovation pipeline because that is one of the very important function at Emmbi and we believe that continuous creation of a new and better products would continually help us to retain the sustainable profit growth because as a part of the sustainability activity, a sustainable growth and profit as well as topline is very important for us and we feel that by creating a nice and long and deep innovation pipeline that is the only way to happen, so our focus would remain on the innovation side. Apart from that, few of the very important initiatives in the terms of manufacturing will be the lean manufacturing technique and balanced scorecard mechanism, which we already initiated the operation and company is moving almost toward the Six Sigma level when it comes to the operating side would be still focused and we would like to improve on our operating performance to the next level in the coming few quarters. With all this I thank you very much for joining you and wish you a very happy independence day, which is coming tomorrow and now I would like to open the floor for questions and answers. Thank you so much.

Moderator: Thank you very much. We will now begin with a question and answer session. The first question is from the line of Murad Shaikh, he is an Individual Investor. Please go ahead.

Murad Shaikh: Congratulations on the result and looking forward that we have more better quarters coming even after the GST impact.

Makrand Appalwar: Last one week to 10 days were really everybody was kind of lost what is happening nobody knew, so that impacted a little bit, if that would not have been there I think picture would have been a little bit more better here.

Murad Shaikh: I have few questions to Rinku Madam. Just going on the annual reports of Emmbi Industries I just want to understand like I am doing some calculations regarding the receivable days and the inventory

turnover, for example if I add these receivable days as around I think two months and the inventory turnover is around three months, so looking at the business size of Emmbi it does not look like this is quite really on higher end, the company would be taking more debt?

Makrand Appalwar: Like if you see because as you are referring to the old reports I would like to just run through so what happened was when there was a very high expansion in the initial days for this, so our total working capital days actually went up to 170-172 and then slowly if last three years you are observing they are consistently coming down the cycle days have now come down up to the range of around 120 days, so initially that phase was there and now it is every year we have been very specifically working to bring down at least 10 days per year and we have been very, very successful in doing that. Last year we have come down to around 120 days and this year we expect anything from 100-105 days and we expect that this would set us somewhere around 90 days because that is the thing, which we have a comfort on because we are building up a order pipeline of around eight weeks to avoid any speculative nature of business we would like to have a material in any form whether it is in the form of raw material or working process or whatsoever to that tune so we would be comfortable to have kind of a working capital overall cycle days to the tune of 90 I think this we would be able to achieve in next kind of about two years.

Murad Shaikh: I was just even referring to the report, which got issued on March 15, 2017 the working capital related one I just read the report I think the working capital is still around 152 days for FY16?

Makrand Appalwar: I think you should refer to the latest one, which is FY17 report and I think that would clarify few doubts there.

Murad Shaikh: I will do that. Because I was just curious to know because you are making a payment to your supplier to Reliance, is Reliance giving you really good big discounts because you are not, may be the company is not switching to another supplier or something?

Makrand Appalwar: No, it is not like that. You have to see it. Nowadays there is no monopoly. There are so many suppliers in India like Reliance, Indian Oil Corporation or ONGC or MRPL and so many, so pricing wise and grade wise, we are not in a commodity plastic that we have to buy everything from one or we have lot of choices. Lots of our grades are very..

Murad Shaikh: Because your payment terms are in advance?

Makrand Appalwar: Yes, but that helps us to get the polymer at a better pricing, so I think that as a policy we would prefer to stay in that mode where we pay the money and buy the polymer and if needed there is always credit limits are available because we feel that if we have to borrow it is better to borrow from banks than borrowing from the suppliers.



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- Murad Shaikh:** Would you be able to share how much is the pricing and all something from the bank?
- Makrand Appalwar:** You want to say the pricing of borrowing rate?
- Murad Shaikh:** Yes when you are purchasing the material from Reliance, so you must be paying some amount right on a metric tonne wise you can tell?
- Makrand Appalwar:** That really I will not like to make it public at what cost I am buying and what discounts we get offered.
- Murad Shaikh:** I just wanted to know the last concall when we had I think regarding the FMCG Pharma related players have you added any customers from the American or the European part?
- Makrand Appalwar:** Yes we did.
- Murad Shaikh:** Any long term contacts?
- Makrand Appalwar:** See frankly our businesses work on kind of repeat orders like especially as you are mentioning regarding the clean tech facility, so it is not that somebody buys one time and then he goes away. Most of the time it is all the repeat orders and once they approve the facility then they keep on buying, so we already have couple of companies who have approved us and they have already started buying from that facility and slowly it will go up.
- Murad Shaikh:** Just last two more questions. Can you just explain me regarding the incorporation of the Emmbi Watcon?
- Makrand Appalwar:** Yes post GST regime basically Emmbi Watcon has been done as a wholly whole subsidiary of Emmbi Industries purely to take care because we have another part of the Jal Sanchay or the water conservation business is one of them we do is a canal lining, so in canal lining when we do it, it is a subsurface lining, so there is some excavation part also involved into it like we have to dig some canal and then lay the lining and then again recoat it with the same earth, so we do not do personally like Emmbi does not involve directly into the earth work activity we work on the rural entrepreneur model where we develop local entrepreneurs and they do it. So now with the new system of GST the higher rate thing has to be charged by GST, so we wanted to create and we have separate entities where there is a kind of a joint venture agreement with every single order with the digging and excavation company. Now I did not want to involve the larger Emmbi Industry being a listed company creating a JV for every single contract, which is in the tune of around Rs.25 lakhs to Rs.250 lakhs was very cumbersome that is how we have to open LLP, which is comparatively easier for us to make this JVs per contract and then using those contract model that was the reason and that is why Emmbi Watcon LLP is 100% owned by Emmbi Industries, so there is no financial gain or loss because of the creation

of that particular subsidiary. It is purely operational comfort being created for the company to operate during that.

Murad Shaikh: Just last question regarding the remuneration part I was just doing a small calculation the FY16 remuneration was around 1.5 Crores am I right?

Makrand Appalwar: Remuneration of whom?

Murad Shaikh: The promoters, I was just taking the profit after tax, so it comes to around 14%, so do not you think 14% is a bit on a higher end, there is always a cap of around 10%, which happens as per the company's act, so 14% and then FY15 was around 18.4%?

Makrand Appalwar: I do not think it is anyway violating company's act and secondly you have to see this way that if you see our experience and our possibilities like both of us are more than 25 years experience postgraduate professionals probably from one of the finest international or in domestic business schools, so if company has to probably take and use our knowledge then it has to pay for our, Rinku is from IIM Bengaluru and I am from Sloan School, so if we would not have been working in Emmbi probably we would have been earning at least twice than what we were earning and I do not think we are bypassing any and there is nothing like putting it together. It is two different professionals working on the full day basis and I personally feel our salary does justify the amount of growth innovation and consistency to the business what we are offering.

Moderator: Thank you Sir! I would request Mr. Shaikh to come back in queue for followup questions. We will move to our next question, which is from the line of Joshua Zhang from Eden Champions Fund. Please go ahead.

Joshua Zhang: Thank you for the results and wishing you at once India's Independence Day. What I would like to ask is regarding I think you are mentioning in your presentation that Emmbi has appointed distributor for pond lining, crop protection products, we would like to ask if we have considered partnering some of the already established players in the agro industry with complementary products to leverage on the distribution network companies like Jain Irrigation, Sharda Cropchem, Dhanuka Agritech, PI Industries just to name a few?

Makrand Appalwar: Frankly we do not like to exactly replicate the model or the people like Jain Irrigation as you mentioned because their people are already quite active and busy on the particular product and I would like some such people who has some experience and understanding and zeal about our products, so what we are doing is we are combining a kind of a balance of some of our distributors are doing like one of our distributors is also a distributor of Jain Irrigation in one of the districts, so there is a bunch of a mix that we are targeting the people who are already doing the jobs of these companies and bunch of the people are all fresh so that they are coming up with the newer ideas especially the

districts where there is a completely new businesses and there is no dominance of old people there we are choosing the new people, so to answer your question the answer is yes some of our distributors are shared between this already present companies in the agriculture and distribution sector and few of them are new people who are being selected from the rural employment development model where we select the right kind of a people or right attitude based people who would create a completely Greenfield distribution networks in the areas, which are extremely new and growth prone.

Joshua Zhang:

I think in your last conference your innovative product was the specialty packaging aroma lock for the coffee and for this time around it is quite interesting that you have come out with a new product they are very quite efficient wool pack. I just want to understand how do you sense them what are the needs on the market and what are the needs that need to be sort and what are your guidance on your innovation roadmap in the future?

Makrand Appalwar:

To answer your first question how do we sense the need, so as you know as Emmbi Innovation Lab we have a team of around 34 people who are working in that work group, so two of them are actually tagged along with our sales people exactly the people who go on the road and start selling the material. So these people generally tag along with them all over the world and whenever they are meeting our existing customer they will just observe what is happening and what he is asking for, what is the possibility, what are the new things, and many people worldwide does not have in-depth knowledge about which are the polymers, how are they processed, so they kind of identify all polymers as one thing then they call it plastic, so they just define that okay this looks like a plastic, so are you going to make this and that is one of the way we get a clue okay for him nylon is also a plastic and polyethylene is plastic and polypropylene is plastic and then we start asking that okay, but you already have this issue or this product, so why do you want something different. Then they come up with some idea oh yes it is there, but this company is very expensive, so we are looking for something new and more affordable and then they bring it back to us and then we figure out that if somebody is using nylon based packaging for wool and why is he doing that then you come to know okay they are looking for these properties, so what we do is then we toss the coin to our innovation guys and tell them that you design a blend of polymer, which has these properties, but much lesser the cost and then their work starts. They start working on the property based activity and once they reach that okay fine we are able to deliver this properties and the cost has been optimized to this level then we actually create the product and launch it back to those guys that in last meeting that you mentioned you would like something cheaper in that, but we just created the similar thing, but it is not exactly the same, but it can function just the same and it will cost a little less to you and then the ball starts rolling. So that is a typical innovation or a need identification model we observe because being a comparatively company with humble R&D spend or a very limited R&D financial supply we cannot go on random development of products and then expect that somebody in the market would like our product and they would start buying it, so most of our R&D remains extremely focused that okay if there is already a need in the market and then let us focus on that, so that is how the R&D model

works. Regarding the pipeline of innovation typically there are two things, which drives the innovation, one is this needs in the market and secondly like typically now couple of more products has been getting launched in the water conservation range, which are actually supplementary products to the pond liners, so when we launched pond liners we understood that there is also the needs of these few things, so I think in the next month or so you would hear some more announcement regarding the ancillary things, which are happening in pond lining, so I can say those are like a build up that once you have a principal product you start building up around it like let us say if you have a car and you also have seat covers and music system and door flaps and special kind of a rear view mirrors and all, so that is how also it works that some product gets created because your principal product get liked by the market and they expect that there can be some buildup over that, so these are the two principal way, which drives our innovation.

Joshua Zhang: In the market, I also see quite a lot of innovative companies going on. Recently Time Technoplast launched a recent MOX film crop cover compared to that?

Makrand Appalwar: It is a nice product like I went through it and it is a decent product. I would say they have done a good job in doing that product and probably we have very similar product already in our fleet, so it is a good thing that more companies are coming into it because unless and until there is a proper companies are into it there would not be a market because these kind of things are going to need a lot of efforts to create market in India and unless and until you do not have a market you would not see a market leader, so I am very, very excited about more companies getting because the market sizes are so mammoth and so extremely, extremely large that no one or two or 10 companies can really take care of them, so it is a good idea that Time Technoplast has decided that they want to venture into crop protection and they want to do something like this with the opportunity, which we saw is I think excited about year and a year-and-a-half back I think that is a good thing and I am happy about it and that would help us to convince more farmers, more people that there can be organic or non-chemical based crop protection because it is all about whole new concept getting sold. It is all about stopping the use of pesticide, it is all about a good health, a healthy food or nutrition, so more people are there or may have reduced.

Joshua Zhang: It is very nice to hear that you have a blue ocean strategy. I saw from one of your brands Emmbi AQUA SAVE could you elaborate more on this saving of the loss of water product?

Makrand Appalwar: It is basically AQUA SAVE is more of the name because the Jal Sanchay is very Indian name. Internationally we market the product in the name of AQUA SAVE and it is mainly focused on subsurface lining. In India still the concept is to line on the surface while globally it is subsurface like means frankly we dig about a feet of the surface and then we bury the lining in it and then again we cover it with clay and earth and that stays below the surface of the earth for around 30 odd years, so it has phenomenally longer lifespan attached to it and because it is subsurface it needs some different



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antioxidants so that the conditions or microbiomes or other microorganisms, which are under the surface of earth does not impact it, so the purpose of the growth products are exactly the same. It is to save the percolation loss while storage of water, but because the application is different the product need to be prepared in a different way.

Joshua Zhang: Just one last question that I have. I saw that in your revenue breakdown you have significantly increased over the year's contribution from more niche innovative packaging and currently specialty packing comprises about one third of your sales and I can see that you are constantly wanting to increase the rest, I just want to understand how much of commodity product is this specialty packaging and how vulnerable it is price pressure currently?

Makrand Appalwar: To answer your first question regarding the revenue. I would like you to see instead of seeing it quarter-on-quarter you should see it year-on-year because typically if you see the Indian manufacturing style our first quarter is one of the weakest quarters in the last so many years like probably if you see your last 10 years operation also Q1 is always the most humble because of a very high temperature during the first quarter and another something called our wedding season very special lot of people like to take lot of holidays and they remain absent, so always there is a challenge getting the right outputs in the first quarter, so quarter-on-quarter if you see actually we are not down we are up and second question was regarding the vulnerability of commoditization, I think yes it is vulnerable for commoditization to a certain level because slowly more people and that is you can say a game plan where we like that the products, which are becoming more and more easier for other manufactures to copy and make them easily. We always like to move up the value chain and get out of those products so soon. So I think barring some specific customers, which will remain with us throughout because they have been extremely supportive and well paying in the past and they kind of act like an anchor supporter, so when we understand that the commoditization has started our efforts to develop new customers in that market goes on, so we do not want to develop anybody new in specialty packaging segment, so all the efforts will be put to develop the people in a newer market and slowly we would be using the product in the specialty packaging just as a filler or to keep on the operating leverages at the higher end because we are very expert in making them we can produce them even at the midnight people can do it effortlessly, so the chance that it goes wrong is very, very low and negligible, so those products are used typically for filling in purpose and keep the operating leverages high till the time the other products catch up and get us to the same level.

Joshua Zhang: So currently this specialty packaging is about one third of your total revenue are you looking to bring it below 20%?

Makrand Appalwar: Well I think I might not be able to bring it so soon below 20%, but if you see our presentation we are guiding it in the range of around 25% to 28%.



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- Joshua Zhang:** Thank you very much.
- Moderator:** Thank you. We will move to our next question, which is from the line of Srinath Sridhar from ICICI Securities. Please go ahead.
- Srinath Sridhar:** Just wanted to get a sense now since the currency has appreciated quite a bit, so how does it impact us or have all passed through contacts with the customers?
- Makrand Appalwar:** As we always spoke like again we would like to reiterate our kind of a non-speculative policy. I always told you that we really do not bother much about what is happening on the speculative side and we are able to pass on this whatever orders or whatever the material is already sold or orders already taken that much is already hedged and the new orders, which we are taking are as per the present market rate, so we actually on every morning our people from finance department alerts our sales department that what are going to be the rates for the day of sale, so effectively we never remain exposed to international currency risk and more than half of it remains hedged as to whatever is our raw material cost is always remain hedged, so this is not directly going to impact either way. If rupee becomes weaker, we would not have a windfall profits or if it gets very stronger we are not going to lose too much of money.
- Srinath Sridhar:** Secondly what will be the exact commission rates for both the facilities as in pond liners and pharma grade FIBCs what are the utilization levels currently?
- Makrand Appalwar:** Pond liner is working on decently exactly because we could not calculate. It is too new to give you the percentage. I think most of them were initial current runs and I would probably say pharma grade would be treated as saleable pharma product once it gets certified. I am expecting a certification from the BRC and ISO 22000 because it needs three months of operative experience to get the facility certified, so they are right now running in full, but they are not running as a pharmaceutical grade saleable facilities, so in first week or second week of October we could be probably certified that is what we are seeing the outlook some time in the month of October and then that would become a certified food grade facility because that will be required to run at least three months minimum before it gets certification, so that we can prove that all systems are working in place. In case in the next quarter result we would be able to give you some idea about what are the percentage utilizations of those facilities in individual level.
- Srinath Sridhar:** Have we started production at that facility as of now?
- Makrand Appalwar:** We have already started production in both the facilities.
- Srinath Sridhar:** So that optically your September balance sheet will have high inventory because it will have high amount of finished goods unsold right?

- Makrand Appalwar:** I do not think so because the provision what we are taking in pond liner we are not anyway creating any inventory because it is getting sold whatever and in the food grade whatever we are producing right now we are producing it in the food grade standard and selling it as a non-food grade, so we are not retaining the inventory we are not kind of keeping that it will get because we need a certification till that time we do not have three months operating track record we cannot get certified, so in order to do that non-food grade material is produced in that facility and sold.
- Srinath Sridhar:** Secondly there is a good amount of sharp uptake in your employee cost, so it always remains under 3% to 3.5%, but for the quarters across 4% benchmark, so any colour that you would like to throw on that front?
- Makrand Appalwar:** No, I think it has to be related with a little bit of a drop in sale because of GST. See people are there, your percentage mapping gets connected to the sales. While expenses are not mapped with the sales they are mapped with the actual number of people who work for the day, so sales got dropped, but while the people were always they are working, so I think there is a small change here and there is going to happen.
- Srinath Sridhar:** Previously it has been seen that all the salary that promoter used to draw they used to draw back in the company in terms of keeping acquisition increasing the stake, so any colour on that front present?
- Makrand Appalwar:** I think we are still bullish on that and we are on the similar way. Most of our dividend or other earnings get ploughed back in the company.
- Srinath Sridhar:** If I have few more questions I will get back in the queue.
- Moderator:** Thank you. The next question is from the line of Sangeeta Purushottam from Cogito Advisors. Please go ahead.
- Sangeeta Purushottam:** My question was maybe I joined the concall a little late, so you may have already answered this, but you guided to about 18% to 20% growth for the whole year and in terms of the topline and in the first quarter we have had about 12% to 13% is this because of GST, how much of an impact has been there?
- Makrand Appalwar:** I think a couple of 3% to 4% of it is partially because of the GST and generally first quarter is always little bit slower than the other three. That has been historically like that and actually this time it added because of the GST.
- Sangeeta Purushottam:** Also could you give a little bit of terms of how the agro business, which is pond lining, canal lining, etc., has moved on a quarter-by-quarter basis and is there seasonality there also, so how should we really look at this business that was one question? The second question is that the MOX film, which

has been launched by Time Techno, which of your products is it comparable to, is it comparable to the pond liners or where does it actually fit if we were to look at your product basket and that where would it fit in?

Makrand Appalwar: One regarding the seasonality and availability of our markets across the year probably I do not find this market is going to be seasonal because this is the fifth quarter we are operating into the pond lining and canal lining business, which is a part of our water conservation and all the quarters has been consistently performing and increasing. So I do not think frankly I have to use this word I do not think because even my experience in this market is only five quarters and this has not been so seasonal till now. It has been consistently growing and if you must have seen our B2C has moved to almost 7% to 7.5% during this and that to we are only focused in two states where there is a less chance of season mapping. If we kind of make it a national business the rain tie up and the cropping pattern and everything is different in different states, so it can be definitely made all year round business. This is one of my beliefs and I think Time Technoplast product you have actually mixed up two range, you said agro and then you spoke products in the water conservation range. They have some synergy with our products, which are again the new concept is coming, so let us not only talk about the product let us understand the philosophy everybody is trying to promote nowadays. It is all about crop protection at the physical level or derisking the farmers at a different level, so it is all about each one of us whether it was the fertilizer company or it is a pesticide company or a chemical fungicide company. They all are trying to derisk the farmers from various uncertainties like pest attacks and other things, so you have to classify for us it is agro polymer division what we call it or agro polymer products and we are all trying to derisk people or farmers from some sort of uncertainty, so they can be compared with our agro polymer activities for their products like MOX.

Sangeeta Purushottam: Given that even with 12% to 13% growth topline we have actually seen an improvement in margins right, are you being a little conservative in your guiding that bottomline will grow in line with a topline growth of 18% to 20% because should not it actually be growing faster given the product mix change and leverage?

Makrand Appalwar: Generally I had given a guidance that if we increase average growth if it is by 20% then bottomline goes by around 30%, so I think that is what I feel and some time you get an additional incentive or bonuses, which you did not expect and because again being just a five quarter old when it comes and you must have seen that there is a sharp increase in the consumer sale like straightaway from 3.2 to 7.2, so almost it is more than doubled and we are expecting that within this year we should be in the range of around say anything between 8% to 10%, so I guess yes it would automatically would improve certain amount of benefits or the net money, which is left out with company. At the same time, you must have observed that there is a reduction in interest cost. The borrowing cost has gone down because the capex has completed, operational leverages are improving and frankly this particular quarter I will not really give a big credit to the last year's capital because there were just

breathing in this quarter, but couple of quarters more coming down things would like to improve on them.

Sangeeta Purushottam: Great. Thanks and all the best.

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

Vinay Pai: Just one question from my side that is what I understand is that the pond lining business the opportunities are much, much more than Emmbi can supply to the market is it right am I saying the right thing?

Makrand Appalwar: Yes as of today if you ask me what is our facility and what is the amount of material we can produce and what is the market size yes you are absolutely on bang my point.

Vinay Pai: So if that is the case then you should today expand to other states also like you can set up a pond lining facility in a factory, which manufactures the pond lining facility in Odisha or say Tamil Nadu or Karnataka or something are you thinking in those lines or how is it?

Makrand Appalwar: We already initiated a thought process in that line and as a part of sustainable business operations like you must be wondering that when you started thinking that why are you not working on it, so actually it is not the case. We have already started working on it and the main problem or main point is because we have promised you a sustainable and a consistent growing business I must learn because all these years we have been our company has been engaged in B2B activity, so our knowledge as a base to B2C is comparatively younger and newer and this product as a whole is new to this country, so it is changing very rapidly. The metamorphosis is very strong, so I think it would be smart of us, so what we are targeting is next two years bring this to about at least Rs.100 Crores level in the next couple of years and once you are through with couple of seasons by then though your team seasons would have been already done at least three monsoons and three summers would have gone over the product, so that any chance of failures because this is like it is a warranted product and you are kind of assuring people who are comparatively tightly cashed position and they have done lot of efforts to buy this pond liners and a substantial amount of portion of their annual earning has been given to this, so it becomes a job of very higher responsibility that till the time you are not perfectly sure you cannot put on booster engine. So to answer your question yes we are completely gearing up, we are designing a system, creating a complete steel framework in such a way that it can be module added and that is the reason we have started building the organization within us. We have started expensing on the software, we have started a separate marketing department with three people who are going to take care independently only market Jal Sanchay products has been created, so all these things, which are required for the growth expectations what is there in your mind has been completely identified by the management and we are working on it. Only we are waiting for this say three years of experience

to get enriched ourselves and that is the point where we would like to trigger. I think before that at least two more states will definitely add like every here and onwards say average six to nine months you would say at least one state getting added to our distribution network and by say 2020 we should have another substantial expansion program, which would be required to take care of the much larger opportunity size and by then I think if you have noted this time presentation we have also showed you that even the world has started acknowledging us as one of the substantial companies in pond lining, so that is becoming interesting. Everybody is understanding our efforts in this business. So I guess that would pay and taking the suggestion from you or taking the hint from your information we would like to go ahead and capitalize this opportunity to the earliest possible time.

Vinay Pai: Do not you think Sir that competition is going to catch up because if you wait for three more seasons or four more seasons somebody else may come in and upset the game this is just my guess?

Makrand Appalwar: See one thing as I always say the market is so large that no one player can anyway take over this kind of markets, but it is everywhere it is a Pan India activity and market sizes are absolutely endless like I have been visiting and it is so overwhelming that such a big market opportunities are there and the three seasons, which I said out of that around 1.3 or 1.4 years has already gone and 1.6 years is required. Now we are not saying that hereinafter or waiting for three seasons, we would like to wait for a total of three seasons and even let us say if new manufacturer or anybody comes unless and until they are willing to take some rash risks or some risks, which are unprecedented, nobody in the world has some such technologies that we can simulate this kind of activity, so if you are willing or if you are open to taking a very high risk, which at this juncture I do not think I am, I feel we are decently placed. We are able to market whatever we are producing and we are able to even without doing anything rash we would be able to get you a nice 20% odd growth in the long term, so why should we do something, which is very difficult and rash because I am trustee to so many people's money, so it becomes a very big responsibility for me before taking any decision.

Vinay Pai: Right Sir! Just another question is how far are we placed in the price point say supposing if I import X square feet of material from Owens Corning say in Mumbai Port and vis-à-vis your product at the same point, which will be more competitive?

Makrand Appalwar: Frankly as you mentioned Owens Corning, Corning has a manufacturing facility right in India itself and they are producing in India and selling it abroad and it would not be a very viable trade for foreigners to sell in India because we would be almost half their cost because our cost in India is way to more lesser and our blends are way to more superior because comparatively we are newer companies. We are more recent ones with the latest machinery, more modern technologies, and everything like our refineries are more modern. Our catalysts are more modern, so in the polymer frankly India is one of the leading manufacturing countries like what happens with software typically

Indian software companies are always ahead of most of the other companies in the world. Something similar is also in the polymer processing.

Vinay Pai: Sir you mean that Owens Corning is manufacturing in India, but still Emmbi products will be more competitive than Owens Corning?

Makrand Appalwar: No, what I am saying are you asked import parity, so let me explain import parity wise they can never compete with us. If somebody from let us say Germany or America or whatever country want to sell in India they cannot be competitive to us, but as you again mentioned Owens Corning, so I told you actually Owens Corning also produce in India.

Moderator: Thank you. I would request Mr. Pai to come back in queue for followup questions. We will move to our next question, which is from the line of Ankit Merchant from K R Choksey. Please go ahead.

Ankit Merchant: Thank you for the opportunity Sir! Sir just wanted to confirm on this pond liner business what is the run rate per day, which we are doing I believe at the time of demonetisation it had fallen to two per day what is the current?

Makrand Appalwar: We are in the range of around four ponds roughly.

Ankit Merchant: What are the impacts you have seen due to the farmer agitation in Maharashtra as such, so did you face any problems regarding that?

Makrand Appalwar: Not to a very severe level because frankly that was a post harvest agitation activity like they were more troubled in the post harvest thing while we are the preharvest activity, so that agitation, it did not really too much bother for us because if they want to have a good harvest they need to harvest.

Ankit Merchant: Nothing related to payment issues right?

Makrand Appalwar: From the farmers?

Ankit Merchant: Yes.

Makrand Appalwar: We do not sell them on the credit. It is 100% advanced sold product.

Ankit Merchant: Great. Thank you.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Ankit Merchant for closing comments.



Emmbi Industries Limited
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Ankit Merchant: Thank you everyone for joining the Q1 FY18 earnings conference call. The management will remain posted for any more queries. Thank you so much for joining.

Makrand Appalwar: Thank you very much.

Moderator: Thank you. On behalf of K R Choksey that concludes this conference. Thank you for joining us and you may now disconnect your lines.