



“Emmbi Industries Limited
Q4 FY2019 Earnings Conference Call”

May 27, 2019



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

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Moderator: Ladies and gentlemen, good day and welcome to Emmbi Industries Limited Q4 FY2019 Earnings Conference Call. This conference call may contain forward looking statements about the company, which are based on the beliefs, opinions, assumptions and expectation 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 "*" 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 for his opening remarks. Thank you and over to you Sir!

Makrand Appalwar: Good day ladies and gentlemen. I am Makrand Appalwar welcoming you on the conference call of earnings for the financial year completing on March 2019.

Thank you very much for being with us all this year and it was a wonderful supporting year, so the year was good. We had a topline growth of around 13% and our bottomline has grown by around 17%, so this is one of the year where we have seen a lot of ups and downs changes, turbulences, different things happening and we concluded that this could only happen because of the wonderful people who are working with us and the way everybody performed, the way everybody supported.

So coming from this year, next three years the team at Emmbi we have decided that we are going to a keep theme of people, planet and profits. So I mean people, I mean people who are connected to us by any different way either they are our employees, either they are our shareholders, there are our suppliers, there are our customers, there are people who are

anyway connected to this company, so we want to make in next three years this whole place more brighter, more effective, more happier for them.

When we say that we are talking about the planet, we are talking about the sustainable business model by creating or designing products, which are recyclable, which are biodegradable, which are reusable by which we will load this planet with the minimum carbon footprints and of course profits, which are one of the most important part of any commercial business. We are very, very focused on the profit. I can easily say that I am very patient about topline, but I am not going to be very patient our bottom-lines and you would see that happening in these results also, so that is one of the initial parts of this discussion I would like to open.

Let me brief you a little bit about the innovations of the year. There were four major innovations we had, which had already given in the presentation and I hope you had a chance to run through them, so the first presentation or the first innovation was regarding the rodent repellent technology. This is a very unique technology used for creating a food packaging where it augments our investment two years back, which we did for food and pharmaceutical grade manufacturing unit, so this goes in very nice energy with that and what we could create is the kind of packaging where the rats or the rodents can come close to it, but they cannot actually bite the bag and create the wastage or break the bag and by that the wastage gets created or losses are there.

The second innovation was pertaining to the process or the system, you know, one of our important product pond liner that had a large channel when we were experimenting that there is a large challenge of funding to the farmers, so we debottleneck that by creating specialized scheme for Emmbi Jal Sanchay product we collaborated with four different banks and time and again we have been communicating and that is showing a wonderful result by almost doubling the sale in that particular vertical during this year, so that was one of the very important process innovation I would say for the year.

Third innovation is also in connection with the same product, which is the pond lining. What we did is in order to improve the ability of a farmer to make more money in order to make him more cash rich we have created a possibility that the pond, which was originally designed or originally being thought for storing water, which is going to be used for the irrigation purpose that can also be used for the purpose of breeding fish and growing fish into it, so the

challenge was basically the pond lining in India as per higher standards need to have a certain amount of carbon black embedded into it, but once you put the carbon black, the whole colour of that lining becomes black and that is how the reflection gets extremely low and the fishes cannot grow, so challenge was getting it in a color, which is a similar to the natural habitat, so we use the particular technology called habitech technology where we created a natural habitat for the fish and by that the fish now can grow into this pond, which is used for the irrigation purpose and that extra income source would help them, so it has again a connection with banking, it has got another connection with ability to payback quicker in turn banks are more comfortable lending the farmers and in turn farmers are it is more easier for them to buy this product, so though it sounds very peculiar in the part of innovation, but it is very important to improve all fuel purposes and the last fourth quarter innovation was regarding in the fire retardant technology. So plastic by and large has been understood that it catches because it is a bio-product of hydrocarbon or I would say petroleum byproduct. It is a tendency to spread the fire very fast. Especially last year in the world DGCA has announced a guideline that whatever cargo or the air cargo, which is going in the airplanes and in the ships has to be transported, they have to have all the things, which is not spreading the fire or fire retardant thing, so we created a specific substrate, which actually stops and using that substance we created some certain amount of packaging for this air cargo operating companies and it is already being in the market, it is already certified, it is in the market, it is certified by some European agencies and it is making a great amount of sense for the people and their safety.

So this was one of the very I would say important year and the best part let me tell you that all the four innovations, which has been innovations of the last four quarters has been changed into actual products and been monetized, so they are not just sitting on the shelf or they are not just done for certain kind of ideas on interest, but they are being monetized, they have been used in actual real life from the day 1 when they have been invented, so that was the best part of this.

Let me also give you a wonderful things what happened in the, one I hope you had a chance to view the one as brand new website and the remarkable improvement what they deal, they almost doubled their business share during the last one year, more than 3000 ponds were constructed helping absolute endless number of people. One more very important product line or the production application I would say has been devised during the last year and that is called the percolation tanks, so what we could do is we could create a very specialized

geomembrane, which is very similar to pond lining, but having certain and extra properties, which is used in the percolation tanks and then during the last year we could create 70 such percolation tanks from various districts in Maharashtra and the best part I am sure you would be happy to know that typically in those districts the open wells or bore wells used to go dry by the end of the month December or maximum early January.

Using our product all the 70 tanks and around the wells we are having the water till almost May 20, so we could almost add an extra four months of water to those communities using our product and more than 200 billion liters of water was conserved and the underground water table was forced to increase and that is one of the very important part, so I think company is very, very focused on creating this augmented storage solutions, which have been typically being used for people at a most economical cost for storing the water.

Right now the cost at which we are offering is very, very economical and very, very affordable and we are very much bullish about this increase. Let me also inform you officially that during the amount of money what we spent in the small capacity I would say capital expenditure which we made which is not to a very extent, but we could debottleneck some extra capacity and additional capacity of 840 metric tonne was added to our existent capacity of 24,200 tonnes. So now at the end of the financial year March 31, 2019 our new capacity we are very happy to declare is 25040 metric tonnes, so net addition of 840 metric tonne has been done during this year through a small capital expenditure, which was used through the debottlenecking expenditure.

I would also like to welcome Maithili to our company. Maithili is my daughter and she has been educated from United States Georgia Institute of Technology, so I am requesting her to come on the line and give you a small brief about her presence and what is she going to be doing in next coming two years and taking our theme of people, planet and profits ahead what is going to be her role.

Maithili Appalwar:

Good afternoon everyone. My name is Maithili Appalwar. I am a pretty recent graduate from Georgia Tech where I studied industrial engineering and psychology. In the past few months that I have been at the company, I have been dipping a little bit in all of the different departments, getting trained under a lot of people that we have had here for a long time, but also specifically leading our retail business, which is called Avana as lot of you might know. I am really hopeful about Agri business in this country as a growing sector and very important

with the people, planet and profit theme that we have this year. It is important to note that a lot of the people that we serve through Avana are farmers right at the bottom of the pyramid, so it is important that by giving them products that are affordable and products that serve them well and improve their returns, but also it is one of a highest margin businesses, so I am extremely bullish about how much it can add to the company in the future and I am really excited to be here to learn more. Thank you so much.

Makrand Appalwar: With this I would like to open the floor for the questions. Thank you.

Moderator: Thank you Sir. Ladies and gentlemen, we will now begin the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. We have the first question from the line of Ravi Naredi from Naredi Investment. Please go ahead.

Ravi Naredi: Makrand, you are doing a very fine job for the company. Sir will you tell capex plan for current year and growth targets? Is there is any margin expansion you expect from company this year?

Makrand Appalwar: Well, you must have seen the past performance also, so consistently in last five years, our margin has been expanding, if you see the movement of our margin the PAT has come, in 2015 our EBITDA levels were at somewhere around 10%, 9.67% I think to be precise or somewhere around 10% and it has moved to around 14%, 14.5% during this five years and even the margins also moved from around I think 3.2% to around 6%, 6.5% during this year, so consistently it is improving quarter or quarter or I will say year over year, so you had a two questions embedded that whether what the capex plan, so for next two years we do not have any substantial capex to be planned, some debottlenecking capex in the tune of around of Rs.7 Crores to Rs.8 Crores would be done, but there is no major capex we are planning during those two years. The capacity which we have told is going to be okay or it is going to be sufficient for us for the growth required during next probable 18 to 24 months considering a similar growth speed what we had in the past, so no big capex and yes because of the change in the product lines or the product distribution I believe that you would had had a chance to look at our presentation and what kind of a guidance we have given, so we are considering that guidance I think we are quite bullish that on year-on-year generally on the EBITDA level we have around 30 to 40 basis point increase on the EBITDA level margins on the annual basis, so we were targeting by 2020, 2021 that is our, we have been giving this guidance, so

we would stabilize somewhere around 15.5% to 16% on the EBITDA level during this period of probably next 18 to 24 months that is what it looks like.

Ravi Naredi: Where you see more growth from domestic front or international?

Makrand Appalwar: Well, I would say the growth is a combination because domestic market certain businesses or certain product lines are not really our focus, but the others like water and agro we are very bullish about the water and agro side of this business because as you are aware this new, I mean now the existing government and the new government both have a major focus on doubling the farm income, so it is very, very important for this government and the major fund allocation which they have announced during last probably three years and next five years announcements if you see a lot of funds are getting allocated for the water conservation or creating a water storages or in helping the farmers to growth their income and that is one of our major businesses, which is happening, so I am sure you had a chance also to look at the improved share of B2C business during past year. We are almost doubled that and almost 15% or 16% of our business is now coming to from the B2C, so that is very, very brand driven business. That is very, very business, which is more money driven, brand driven, so that is one side and it is growing very fast. We had almost 100% growth on water business in the past year. Same time exports, exports are grown 23% during last year. Last one year we had a growth of 23% in our export business, so export is also doing very, very good. The money, which we spent two years back for building a very state of the art, food and pharmaceutical grade manufacturing capacity has been put to the right use, it is creating good amount of turbulence and waves in the international market and we are able to probably distribute our products all around the world more efficiently, so I think the growth will be more stable, growth will be more holistic, both the markets were focused. Government luckily is very, very focused on helping exporters to grow well. I am with this kind of presence of the new government, which is going to be very stable for next five years. I think these are going to be a great years for the business to continue.

Ravi Naredi: Sir last AGM I attended in the plant and I have seen what you are doing very wonderful business and all the best Sir.

Makrand Appalwar: Thank you very much Sir. I really appreciate. Please come to the AGM this year also.

Ravi Naredi: Yes definitely.

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

Nitin Avasthi: Firstly congratulations for the excellent numbers delivered by the company. Sir two questions from my front. One was Sir, what was the current working capital days during this year and what has been the change from the previous year?

Makrand Appalwar: The working capital days has been reduced, the cash conversion cycle actually reduced, we were at around 120 days last year, a year before this and it has come down to around 114 days this year and as I have been telling in all my con calls before that our target is to reach somewhere between 90 to 100 days because that is the most comfortable level we would like to keep that helps us to remain kind of insulated from the shocks because as we are part of exporting community, we are part of the hydro chemical or hydro carbon connected community, so it is always a good idea for us because we generally carry our order book of say around 8, 9 weeks, so if 8, 9 weeks of the inventory and order book and everything is with us it is most comfortable, so we are marching towards that. We are slowly cutting down our operating cycle. We are now down at 114, 115 and I think during next two years we would go below 100 that is what is the plan, that is what how it looks like.

Nitin Avasthi: It sounds good. Sir the second question was you have created a separate unit for your canal liners business if I am not wrong?

Makrand Appalwar: Yes.

Nitin Avasthi: Could you shed some light on why the special unit was created and some clarity was sought in because when I read about it, it said that would you get into the business of creating canals or how does it work?

Makrand Appalwar: No, I think, are you talking about Emmbi Watcon or you are talking about Avana?

Nitin Avasthi: No, I am not talking about Avana, Emmbi Watcon?

Makrand Appalwar: Emmbi Watcon was basically what happen when we started making this canal lining activity it was initial days we had to do in many places a lot of actual contractual works like because government was unaware of this new technology, so we have to actually demonstrate them by doing it, by like we take an EPC contract actually, we have to dig the canal, how do you

line it, how do make it, so what we used to do is we used to make a joint venture for that particular project using Emmbi Watcon as a vehicle and using some local contractor and do the project, so that was kind of an initial platform we wanted to use in order to demonstrate the strength of this product. Now once this product has been established, once this product has been accepted there is no bigger role for Emmbi Watcon to play because now our role is to create the lining material and now that particular lining material government has started putting into their specifications of making the canals, so our intention is not to make canals. Our intention is not create a contracting company, which is going to make canals or anything like that. Our intention was in order to create the awareness and in order to create or demonstrate the strength of this product we wanted certain projects to be implemented in our way, so instead of having an independent contracting company or making Emmbi the main company contractor we created this 99.99% owned subsidiary of Emmbi, which was used as a joint venture vehicle to give or to propagate the knowledge or to propagate the concept to the government and now the job of that particular vehicle is almost over, so now most of the time we are not actually taking the contract for lining, we are just supplying the lining material, basically which is our forte.

Nitin Avasthi: Sir the pass through like you mentioned now the government is saying that this material has to be used in the canals, this canal making is mostly a state government driven mechanism as far as I know, so is that, how many states this theme taken to?

Makrand Appalwar: We did it in mainly almost five states we did and it is now basically, this is used in multiple levels in canal. Actually tomorrow again we are demonstrating on some last mile connectivity or command area development related things in Ahmedabad to the government, so basically this is a three stage operation, so in a large canal this particular product is used for taking care of the bridges or the emergency repairs. In the clay canals it is used for lining to reduce the percolation losses and the last mile that is all the command area network development, this is used as a principal canal or a capillary tubes, so right now we have demonstrated in five states, and they are taking it slowly, so we are quite hopeful that once this concept goes into their probably DNA and it is helping, it is much more cost effective. The things would pickup much better on the canal lining side from there.

Nitin Avasthi: Okay Sir. Thank you so much for answering the question.



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Moderator: Thank you. The next question is from the line of Dipan Shanker from TrustLine PMS. Please go ahead.

Dipank Shanker: Good evening everyone and thanks a lot for the opportunity and congratulation for innovating more new products. First of all this fire retardant, this product looks interesting, so what is the kind of opportunity size we can cater to and what kind of growth we can expect from this product?

Makrand Appalwar: You have to understand the importance of this product, which as you said it looks promising. The best part is polymer is basically a hydrocarbon derivative, so it has a tendency to spread the fire very fast. Now when any air cargo or the ships get loaded with certain kind of material and unfortunately God forbidden if there is a fire and if that fire has been put on this, so it spreads very fast, so now the global aviation airlines has been amended and there are now implementation. The implementation compulsion is starting from 2025, but the guidelines have come, so we are already started working with the two postal companies in Europe for the importance of importance of secrecy I will not name the countries for which we are operating, but two country force has been already our customer and they are buying this for their internal air cargo or the air cargo, which is, so by 2025 everything, which is going into the aeroplane will have to be fire retardant, whether it is packaging, whether it is going to be there, drapes or carpet, so this new rule would create quite a substantial opportunity. Now giving the number would be very difficult as of now, probably it is going to take another year for us to understand what is the real potential and how much it would help us to improve on this, but as a technology it was quite an interesting breakthrough and that was quite helpful for a human safety like basically we made the aeroplanes little bit more safer than what they were before, so that is very important part for me and that is I think goes very much as a synergy with the kind of thoughts or the kind of principals we are operating this company on.

Dipank Shanker: Okay that was really helpful Sir and on this water conservation, so we have seen that even though B2C has grown well from 10% to 15% kind of contribution. This B2B segments seems to have some negative growth that is why the overall water conservation has not grown much, so any key reasons for that?

Makrand Appalwar: I think overall water conservation has also grown, like if you see last year the contribution of overall water conservation was around 20%, this year it is around 19.23%, so it is similar, but the topline has grown, so I would not say that the growth was not there. There was a

growth. It was not as aggressive as B2C side. That is because initially we were doing the projects on our own. This is the time now we expect that government should fuel their own projects change to I mean this is kind of a like handing over time. First we did, as a company we went ahead and started doing our project like the Watcon the previous question which was there, we were implementing the project, now that is the time and unfortunately last year because of this election rush and everything larger projects or the other things were kind of kept on the abeyance and they are happening. So I think we would see some good growth this year also we have a quite bullish and it is happening, so it is not degrown, it has grown, but speed of growth was limited because now this is the handover time because as a manufacturing company our forte is creating the wonderful product not actually put it in on the application. So we did it in the past that is why the numbers were getting that way, but now is the time where we have to hand over that, so that is this transition period what you are seeing there.

Dipank Shanker: The ponds almost we have reached now I think eight ponds per day on an average full year, so when we will be able to reach this 24 ponds per day target for us?

Makrand Appalwar: I am quite hopeful, but I think it is very difficult to put it exact year, but our target is that probably 24 to 30 months we should be able to get that number.

Dipank Shanker: Okay, so till then we do not need any extra capacity even for Pond lining for achieving this 24 Ponds per day?

Makrand Appalwar: Yes, we will need some small debottlenecking equipment like fielding machines and on-field feelers and those things, but not hell of a lot expenses like that.

Dipank Shanker: And one more thing this realization per pond that seems to be coming down like last year when you compare this year, so is that average pond size is reducing or how is it?

Makrand Appalwar: What is happening, because the numbers of ponds are going up as a transactions are increasing, the average sizes will keep on changing, because the smaller, bigger every will start coming, so we will never be able to actually connect this to numbers, realization as we will add more territories, always test ponds are always small like large ponds happen once the concepts are clear, so now this year we added lot of ponds in our two neighboring states Madhya Pradesh and Karnataka, so initial days the things are always kind of it starts from

slow then it goes to mid size and then it goes to the larger side, so as we keep on adding the territories or adding the number of states, our realization per pond would keep on changing, but I think we need not worry on that realization per pond, because does not impact any of the financial we should worry about cost per square meter and I think that is better when the ponds are smaller.

Dipank Shanker: Thank you Sir and all the best.

Moderator: Thank you. The next question is from the line of Priyank Chedda from Reliance Securities Ltd. Please go ahead.

Priyank Chedda: Congratulations for wonderful set of numbers. My first question is on Sir, what was the utilization for whole year FY2019?

Makrand Appalwar: It was around 80%. I am sure you had a point to note that we have added 840 tonnes of capacity and you are also aware that when we say the utilization or when we talk about the capacity we have always about the usable capacity, we never say about the installed capacity, so still around 20%, 22% high of capacity, so we would be able to reach it to our targeted topline of around Rs.420 Crores using the same capacity.

Priyank Chedda: Alright, wonderful, also goes to the operating cash flow guidance of Rs.30 Crores, Rs.35 Crores for the coming year right?

Makrand Appalwar: Last year also if you see our operating cash flow has been very, very consistent and we could again deliver around Rs.33 Crores in the operating cash and entire cash flow cycle has remained very positive I think we are comfortable on that and we should be able to maintain the healthy cash flows during the coming time also.

Priyank Chedda: Okay, we would like to know how has been the response from the financing tie up that you have had with the banks. Will it lead to reduction in for the working capital reduction or how has been the general response?

Makrand Appalwar: Frankly the tie up with banks and working capital are not really connected directly, because anyway we were not giving credit to farmers, tie up with bank is going to change the number of ponds being made, the more people will be on-boarded because they will have ability to buy, yes because the share of cash business will go up in the total, some part of working

capital will go down, but it is not that earlier as to give some credit and now the banks are giving, so working capital will directly come down, you have to see that because there will be larger share of the cash business, some reduction in the working capital can be seen.

Priyank Chedda: How has been the earlier response in that? Does that motivates farmer to by more pond liners?

Makrand Appalwar: Yes, it is happening like more people are on getting on boarded because frankly there is nobody in the world today either you are on army, nobody of us will debate whether water conservation needs to be done, it is a very, very inherent need and I think everybody on the back of earth as agreed on this fact that water needs to be conserved, so there were two main problems. One, many people did not know how to do that, how to conserve the water, we all agreed that water should be saved, but in urban sector if you see I have asked it is okay agreed how to save probably it is very difficult for you to tell me that okay what this is the okay to safe substantial water, by creating this product, we gave this answer that how the water has to be saved and once that has been accepted that okay this is the way water can be saved then what are going to be resources, so what we did is in first step we gave the answer how it is to be saved and in the second step we gave them as resource that okay in order to do this, these are the resource available, so now it is catching the fire slowly they are understanding okay, this is the money available, so they were already convinced that ponds makes sense, now in order it make sense but then who will fund it from where the money will come, how will I get the money what will be my payback period, so that is coming now, as that it is started coming back it is getting more and more traction.

Priyank Chedda: It is very encouraging Sir, can you just share how has been the response from venturing into new states and do Maharashtra and Rajasthan still contribute significant to our revenues?

Makrand Appalwar: Yes definitely, I think Maharashtra and Rajasthan contribute around 95% of the revenue. The other two states are just entered, so they are just I would say in that start up time where people are in the shock and awe whether this can also happen that level they are there, so they are going to take from time to compete with probably Maharashtra is one of the largest contender than it would keep on growing because simply the numbers and the progressiveness of Maharashtra farmer is so high that they always set up a very good example for this country and they are still continuing to do that so I would say that getting the substantial contribution to new states will take sometime.

Priyank Chedda: Does that government financing stop us entering into the new states, is it to do with that partially?

Makrand Appalwar: No, government is actually anywhere frankly government at every level or every state is very, very supportive when it comes to any of the water conservation related products or distribution or theories, they are not at all hindrance to your work, they are rather helping, it is all about people accepting like even in Maharashtra or Mumbai the rooftop water conservation is one of the new theories and it has been everybody speaks about it, but if you actually go ahead and start looking how many societies they have really done it, then it is kind be just counted on hands probably or fingers that these many, so it is on the initial period people take sometime to understand and appreciate and then move ahead to the next level that is happening in the new states, so that is couple of season has to go one or two season they have to see the farmers which had upon, who had a stored water, how he was benefitted, how the crops was, how is cattle did not die because of the shortage of water, how they could make more money, once that get established then I would say everything starts moving ahead.

Priyank Chedda: Just last question, it has been great that the way that you have been achieving your own projections than own targets that you had checked for FY2019, so would it be realistic to assume the same revenue growth would continue even for FY2020?

Makrand Appalwar: I would say we are quite optimist about what it is going to, so anything between somewhere around 15-ish probably give and take some basis points here and there, but things should be similar.

Priyank Chedda: Thanks a lot Sir. That is it from my side.

Moderator: Thank you. The next question is from the line of Animesh Yadav from Satco Capital. Please go ahead.

Animesh Yadav: Congratulations for a good set of numbers. First thing is what is the current capacity only for the pond liners?

Makrand Appalwar: Considering the average size of the pond as 1850 square meter, the installed capacity in the current situation is around 24 ponds a day, so we have square capacity available almost twice has what we are actually operating right now, so that is with us.

- Animesh Yadav:** What is the current utilization if you have to give?
- Makrand Appalwar:** Last year 8 ponds a day.
- Animesh Yadav:** Second question is I was just going through the balance sheet and there is other equity which has increased by 20%, so would you like to give the confidentiality of that?
- Makrand Appalwar:** Other equity, basically you are talking about reserves and surplus?
- Animesh Yadav:** That has increased by 20%.
- Makrand Appalwar:** Last year profit goes into the reserves and surplus get increase?
- Animesh Yadav:** That is nothing else, we are not raised any equity.
- Makrand Appalwar:** No, other equity is a new terminology by the new accounting standard for the very standard word we use to call reserve and surplus in the historic time.
- Animesh Yadav:** Okay, got it Sir. I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Ashok Shah from Elixir Securities. Please go ahead.
- Ashok Shah:** Thanks for taking my question. As per the presentation given on page no.16, we are planning to grow water conservation business by 30% in the current year and also agro polymer business by 50%, so can you throw some light how we are planning?
- Makrand Appalwar:** 30% and 50% anything from like 2019 we have completed 3.2% of Agro we are projecting it to 5% and in 2019, we had 19.23% of the water, we have projected it to 24%. This is what it looks like on the pie. Simply by kind of a growth what we are receiving in various sectors of water and this we are quite optimistic that we would be able to reach there, because now the team is also extended, we have more focused people operating in this, the team has grown, the company's brand has been very well accepted in the market, so yes I am quite hopeful that we should be able to deliver something like this.
- Ashok Shah:** So how we are going to plan or grow at 50% in water conservation, because these are the more profitable business, it involves B2C category?

Makrand Appalwar: It is a multiple level activity, how we are planning is through basically adding the territory, this is the first thing, more territories to be added. Secondly, very aggressive campaign and a very aggressive marketing, basically we are not only doing the self job, but we are creating lot of awareness, you must have seen our material when it comes to various films and various brochures and stories, so we are reaching up to very large number of people, we are going ahead meeting, tying up with more and more social as well as NGOs to create awareness, because what I was responding to my previous question that in today's time nobody has a doubt in their mind that whether water conservation needs to be done. Everybody is actually not able to understand how it has to be done, so we are reaching to government. I was telling you about other product which is Perco plus or which is creating the percolation tank, so till last one year we have created 70 different percolation tanks, so that particular product is going to really change a lot of dimensions, if you go to five, six slides down on the same deck, slide called saving water and there is one picture in that particular slide, if you see that particular picture, it is a manmade reservoir though it looks like natural, it has got our product embedded into it, so what is happening is, the things are changing in a very drastic way, so even another last in the same presentation slide before the appendix you can see three big ponds lined up there, those three are also, actually they look very much like a natural pond, but they are also manmade pond by as an Emmbi, so like there are different dimensions we are trying to push, our thought is whether below the tar or above the earth, something should be done and water should be captured and water should be stored, so whatever is required or whatever new technologies and theories are required to capture every single drop which is falling from the sky before going to sea, it has to go through some very utilizable or very usable purpose that is the focus at Emmbi and we are doing all new products possibly happening, so that is why we are quite bullish that it will happen.

Ashok Shah: How many ponds we have had currently selling or making eight ponds per day, so how many ponds financing passed through the banking methods?

Makrand Appalwar: Around 8% to 10% of the people are now using the financing methods.

Ashok Shah: So out of the eight ponds in a day, one or two ponds go through the banking...

Makrand Appalwar: Less than one pond, they are 8% to 10% roughly about a pond or you can say or little less than a pond.

Ashok Shah: Pond liner and these agro based polymers is GST, is 80% still?

Makrand Appalwar: Yes.

Ashok Shah: So this is being water conservation and agriculture related work basically. So currently election is over, government is planning for next budget, so are we as a group of manufacture or planning to approach the Finance Ministry to reduce the GST, because this is being a water conservation and energy saving and anyway it is good work because India is passing through the farmer problems and everything?

Makrand Appalwar: We are constantly representing on all the levels. We are representing on the state level, we are representing on the national level, but still the contribution of this product in front of the nation's total taxation is so low that probably government is taking its own time to understand or take its attention to this. I am sure sooner or later they would be focusing on this and wherever it is possible we are going ahead and representing ourselves.

Ashok Shah: Thank you Sir.

Moderator: Thank you. The next question is from the line of Sangita Purushottam from Cogito Advisors LLP. Please go ahead.

Sangita Purushottam: Good afternoon Makrand. My question really was that you mentioned earlier that our overall growth was about 13% odd and the exports have done really well this year, they have grown by 23%, so does that mean that domestic growth which really growth much lower and if that is the case why is that that is my question? The second question I have that given that we have so well balanced between domestic market and exports, do we have the possibility that one market is slow we can ramp up on the other side, because whatever I understand I have been talking to some unlisted players who also export a number of packaging products and the market is actually being quite buoyant and from many of these people the products and nowhere has innovated or give me as what you make, so I just wanted to understand how you are looking it, because it is so exciting to hear about your products and when I try to correlate that the kind of topline growth which would be seen according to me it should be growing a topline it reach 20% per annum, so my question why is that not happening?

Makrand Appalwar: I would break your question into couple of them like first question was when export growth was 23%, overall growth is 13%, so was the domestic growth smaller? So the answer is yes.

The domestic growth was comparatively subdued than, but Sangita Ji you have to see the reasons and the focus like two years back we had invested so much of money in creating food and pharmaceutical grade facility that particular product comes quite heavy on the cost and Indian companies are free, right now frankly not willing or ready to accept that cost increase and for us as this answers your two questions that yes, the capacity is fungible. It can either be sold in India as a specialty packaging or with some changes or additives we can sell the same similar product, I will not say same product, similar products abroad in the advanced composite range, because the manufacturing setup remains the same, manpower remains the same, the inputs keep on change it and then it can be with, so even the share if you see it is almost happen but it has gone up by almost 5%. 6% when it comes through export during this year between domestic and export, so to answer your question yes, whatever is more paying in whichever market that is going to be our focus in time to come to remain probably and as I told you that I can be a little bit of patient and I can be a little bit of peaceful when it comes to topline growth, but we are not willing to compromise on our bottomline side, so that is why we can get that 20% growth if we are willing to sell it in Indian market, we allowed if people are not willing to pay and as you know that last three, four months or last three or six months Indian market has been little bit subdued especially packaging sector of the Indian market has been little bit peaceful. We could achieve that growth whatever we have seen Indian market is purely because of the water side of the business. If you see the packaging side, the business is not really doing that great in the last three, four months in India overall like FMCG is very silent, the steel sector is not doing great, so lot of films which goes into the steel or has been one of the challenges, so domestic market has been the challenging in the last six months, so we could move our products to the international market and that is what you see that we maintained our bottomline and moved the topline may be we allowed it to little bit subdued, but we did not compromised anything on our bottomline and moved to the international market because we could create a better justice to the capacities we have spend money on or the factories which we invested in, so I thought that makes a better sense that may be will grow percent or couple little less on the topline, but ultimately we will make the same money or better money.

Sangita Purushottam: Right, so my overall question is that as a company, is it possible for us to say grow a topline on a consistent basis at say about 20% given that we have very good products for the export market, we also had very exciting products for the agro side and therefore look at may be 20%, 25% kind of a bottomline growth on a consistent basis or is it that we are likely to be over a five year period more of a 15% topline in may be 18%, 20% bottomline kind of

company where would your aspirations and where would your sense be as to what we are likely to do?

Makrand Appalwar: If you ask me what is my aspiration, I will say that your first part is what is my aspiration, but now how my aspiration get supported by the situations or the external things which were happening, if both everything falls in place and if the economy, domestic parameters when the international economy yes getting that kind of a growth is not going to be a challenging thing, because we have all the very well accepted topline and if you remember our last discussion I always told you that consistently we would be growing our EBITDA level margins and we managed to do it, we could get, if you see our five year numbers some of them are very interesting like if you see our EBITDA is almost doubled in the last five years, we had almost 57% of the topline growth in the last five years. Our PAT has gone three times in the last five years, our gross cash values have gone almost 2.6x and tangible networth has grown by 72%, so if you see this number, we have been consistent performer, as a company, we have been not a very I would say static, or we do not go up and then come down and then go up that would not happen, so effectively aspiration is the one which you said in your first half of the discussion that is definitely company is geared to do this, but external factors sometime pushes back.

Sangita Purushottam: Right, so in the next two to three years, how do you see the environment? Do you think is it likely to be little more supportive and are we also given that the domestic market was a little soft on the packaging side, in the coming year are we focusing a little more on the export side to make up for that?

Makrand Appalwar: Yes, that is the plan like whatever we are going to have pressure from the domestic packaging market that would be taken care either by water conservations, extraordinary growth and exports growth. Like even after so many years we have been exporting and growing even last year it was 23% and water conservation, the new business was 100%, so we have ability to deliver provided market is portfolio.

Sangita Purushottam: Thank you very much.

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

Vinay Pai: Good evening Sir. Just one question whatever doubts that I had has been already covered. Just a question that in the Andhra Pradesh and Odisha states there are lots of aqua culture in these industries which also used pond liners, so do not you have a market there?

Makrand Appalwar: We have a market there and we have started doing some aqua culture activities already and soon you would see, because like again whole concept development and product creation and product stabilizing time is around six months, so we already installed more than 10 ponds in the aqua culture, so right now we are in that phase where how much the prawns are going to eat this fabric, is there going to be any problem there, is there any migration issues, because when there is a live animal and prawn is a very typical creature, it has got tendons, bottom feeder, so it has got typical tendency to scratch the surfaces whichever there, so what kind of scratching or damages are going to happen, so the process is on, you would see probably some information in the next three to six months coming out.

Vinay Pai: This experiment that you are doing is in your side or Andhra Pradesh that side?

Makrand Appalwar: It is more in Maharashtra and Gujarat, because in our area also there is a pond lining belt, if you know from the Konkan side going up to the Valsad, there is substantial seafood manufacturing companies and pond liner, this ponds getting created for the brackish water aqua culture.

Vinay Pai: What kind of Pond Liners do they use I mean as compared to what product that you are selling?

Makrand Appalwar: Right now most of them are using either concrete ponds lining or some of them are importing some very expensive lining or some of them are not at all using lining and just refilling the water on a daily or a weekly basis.

Vinay Pai: That is it my questions.

Moderator: Thank you. Ladies and gentlemen that was the last question. I would like to hand the conference over to Mr. Makrand Appalwar for closing comments.

Makrand Appalwar: Ladies and gentlemen thank you very much for joining in it has been always a very wonderful to speak to you and probably give away whatever we have in our hearts and as usual I would be more than happy to answer all your questions always, so please feel free talk to us



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whenever you want please come to factory have a look at a manufacturing setup, please come to office whenever you are in Mumbai, speak to us. If you need any more information we are always more than happy welcome to answer your queries and as a management I again promise once more that we will do our best and try and take this company to the next level and thanks for support and have a great day. Bye.

Moderator: Thank you. Ladies and gentlemen on behalf of Emmbi Industries Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.