



“Emmbi Industries Limited Q3 FY2020 Earnings Conference Call”

February 13, 2020



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Moderator: Ladies and gentlemen, good day and welcome to the Emmbi Industries Limited Q3 FY2020 Earnings Conference Call. This conference call may contain certain forward-looking statements about the company, which are based on the beliefs, opinions, assumptions and expectations of future events. The company cannot guarantee that these are accurate or will be realized; the company's actual results, performance or achievements could thus differ from those projected in any forward-looking statements. The company assumes no responsibility to publicly amend, modify or revise any such statements on 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 now hand the conference over to Ms. Parvati Rai from KRChoksey Research. Thank you and over to you, Madam!

Parvati Rai: Good afternoon everyone. On behalf of KRChoksey Research, we welcome you all for the Q3 FY2020 Earnings Conference Call of Emmbi Industries Limited. I take this opportunity to welcome the management represented by Mr. Makrand Appalwar -- Chairman & Managing Director, Mrs. Rinku Appalwar - Executive Director & CFO, and Ms. Maithili Appalwar – CEO, Avana. 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 and welcome to Q3 earnings conference call for Emmbi Industries Limited. I really appreciate your presence and thank you very much for taking you time and joining us for the more developments at Emmbi. This was an interesting period of 9 months and probably we have a very interesting period coming ahead of us, so let me take this opportunity to brief you about what lies in future, especially considering the budget, which we recently had. So, if you have seen that the budget was quite focused on larger allocation towards irrigation and water conservation. Some very important districts like districts, which would identified as a water space districts and there will be relief activities going on in those districts, some very big spend like 11500 Crores plant for a Jal Jeevan Mission or some 2.3 lakhs Crores for the radiation projects.

Of course, this is our present announcement and this announcement will translate into reality in the coming days and I am hopeful that within the next 2, 3 quarters this particular thing will be there right on the floor and we would be able to captured this part of the pie of growth and take Emmbi to the next level. Regarding the performance in the last 9 months, so at this time it is a very interesting situation, which has happened. The raw material prices



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had reduced by almost 20% in the similar period of the past 9 months. I have been always communicating to you that company is completely insulated for change on the raw material prices on the profitability. I still stay on my statement and we exactly agree that the company still remains insulated from the profitability because of the change of raw material prices whether they go down or whether they go up, our profitability does not get impacted, but our topline will get impacted because the cost of material sold reduces, so there is a bit of reduction of around 20% in the raw material prices that is why I would like to inform very specifically that during this 9 months period company has shown 16% growth in volume, but only around 8% growth in value, so you as informed investor must appreciate this and understand this more correctly that I am not connecting this to my profitability, which historically I have been always keeping it, but this is connected topline specifically in the B2B business.

Now, how will it change when it come to B2C. So, in B2C actually this get connected to bottom line while the topline will remain constant, the second stage operation we will discuss that in when B2C become more prominent activity where it reaches around 50% then the entire thing will be different, but as of now, what looks like that company had a wonderful growth of around 16% and why I am saying wonderful, because most on the sectors including our sector of packaging and advanced composite has been shrinking in India, automobile has been shrinking in India. Automobile is almost 20% down and even packaging is also close to 10% down. So when most of the other companies are 10% down Emmbi is making 16% up that is a substantial improvement of 26%, so I have been consistently hearing that we need to be more aggressive, we need to be more focused, we need to be more fast driven, so I guess they are tried and we have been successful in doing that.

Now, let me tell you about the second part, like how we intent to take it to the next level. What is the plan and how we will grow this company further. So, I am going to tell you about the long-term growth driver. So, first I will tell about the B2B sector or the packaging and advance composite sector long term growth. Lately you must be hearing a lot of discussion happening about the sustainability of various polymer processing. Right now all the problems are pertaining to the single use plastic and a lot of single use plastics are getting banned, single use plastic are getting trouble, so we have come up with a new range for eco save where we have designed all our products in such a way that the entire products is manufactured out of the same homopolymer. This makes our products more eco friendly, more recyclable and better to use and at the same time, we have also started a new range called Reclaim.



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This Reclaim range of Emmbi is going to have 30% of factory recycled granulates, so that all this initiatives, which are happening in the world will be captured or will be encapsulated in the Emmbi products and this is going to be our plan or our strategy for the coming years in the business or B2B vertical side. At the same time, I am sure you guys had a chance to go through our presentation and you must appreciated by new format of the presentation. At the same time, we are re-aligning the manufacturing activity. You must have seen that Emmbi has multiple products and multiple products are produced in the multiple down stream units, which will have its own complete manufacturing setups, so now when all the units reached particular size we have realized that incase we plan similar kind of activities together and like a automobile company produce larger amount of same product at one unit and get transferred internally within ourselves, the overall efficiency of units would be improving and using that we have converted the entire manufacturing sector in the automobiles industry type sector.

So, this is a very prudent Japanese technology of manufacturing, which has been very, very efficient and which has been very useful to in the past for many company and we are very, very confident that it will be extremely useful when it comes to our company also. One more thing I would like to bring to you notice that you must have seen that though there is a 16% surge in the volume, the profitability has come down a little bit, so I must inform you that Government of India has recently withdrawn the export benefits, which were available to most of the manufacturing sector including our sector called MEIS Merchandise Export Incentive Scheme and this scheme is getting replaced by the new scheme called RoDTEP, so right now we are in the transition phase where MEIS has been withdrawn and RoDTEP is not yet announced, so as and when the RoDTEP will get announced, I am sure government will announce it from the day when they stop the MEIS and we would be able to factor in those benefits, but in the present situation we could not factoring the benefits, which we have been getting from the MEIS and that is the result the net profits are down almost 1%.

So, I am very happy to inform you that company has again within two quarters even though with so much of recession, we have turned around, we have reached the topline in the positive sector, we have reached the bottom line also in the right and positive sector that because of this new announcement of withdrawal of exports benefits or I would say not withdrawal, change of export benefits, which government has to make, which is WTO complaint. At present MEIS scheme is not a WTO compliance scheme and hence Government of India is shifting from MEIS to RoDTEP, so we fall under RoDTEP, so very soon RoDTEP will be implemented and we will be back to our normal profitability. Now, regarding the long-term plan in the pond lining sector, so I would give this opportunity to Maithili to explain you about the long-term plan in the distribution and pond lining or I



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would say rural distribution sector and how, we are going to use this opportunity created in the present budget for the long-term growth of Emmbi.

Maithili Appalwar:

Hello everyone thanks for being on the call. So you must have seen our format that this year we have changed how we present our business verticals a little, so B2B segment now divided between specialty packaging and advance composite and now B2C segment, which is now divided between Avana create and Avana design. So from hereon now we will be presenting all our results in the format like that as we update them on a six monthly basis. So, Avana create includes all of the products that has been manufactured, designed as well as distributed by Avana, so this range includes products like our Jalasanchay pond liner, Jalasanchay Super which is our are specialized higher pond liner, Murghas Bag Kapila, which is the innovation for this quarter as well as Bioflocking tank, so how we select products at this ranges, we look at the product and we see whether there is a complicated enough and technically superior enough manufacturing assets that our Emmbi manufacturing can be used to deliver a product that can command the market.

The second vertical is called Avana design. So in Avana design we are looking at products where we are designing, distributing and taking care of the quality of the product, however, these products are being primarily manufactured by partner manufacturers, so this includes for example, our Tarpaulin as well as Leno bags, which are used for vegetable and onion transfer and this will also include fish feed and fish seed. So here are products where we can use our design and distribution as well as branding expertise to command market premium, however, the manufacturing in itself is not complicated of technically superior enough for it needs to be internally manufactured. This is beneficial for multiple reasons, the first of which is that it is going to help us propel our growth in an asset like manner. The second is that when we get any kind of investment we will be able to put it into distribution and marketing rather than just dumping our money into our manufacturing. Thirdly, we will be able to launch products that are outside of the polymer space, which is our manufacturing expertise lane, for example fish feed and fish seed would be the first non-polymer or agro polymer products we will be launching and fourthly and finally, this will help us grow quicker and respond to market condition quicker.

For example, the budget now is outlining a lot of products, which will get subsidies and we will see that soon like whether it is blue economy or the increase in cold chain facilities, we are seeing a lot of segments within agriculture are going to get special relief or special subsidy, so if we take our partner manufacturing in a collaborative manufacturing approach then our product ideation to retail market like the time that we take to bring into the retail market will be much lower than if we try to manufacture the products as of. So, on these reasons our growth plan within the B2C segment will be focused between these two,



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between creating and designing and we will be relying heavily on our distribution network to promote the products that I just mentioned as well as others to grow our revenue sustainability.

Makrand Appalwar: So, what I wanted to inform you is that larger focus of company would be growing quicker and that is why one of these initiatives of leveraging the distribution of Avana, which is getting great and that will also help us to remain always asset like and that is one of things, which I think there is a new concept, so I am sure the new presentation also explains this in detail and in the annual presentation we will go in a much detailed way so that you are more kept on the same page. With this I would like to stop my commentary and I would like to get the questions from your side. Thank you.

Moderator: Thank you very much, Sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Mayur Jain an Individual Investor. Please go ahead.

Mayur Jain: Sir, many, many congratulations to you for providing this opportunity and thanks for your support. Sir, my question is that how much benefit we get in terms of export subsidy, which government has changed now a days, so in percentage terms of the sales, how much benefit we get?

Makrand Appalwar: Around 4%.

Mayur Jain: Thank you, Sir.

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

Sujeet Jadhav: I am an individual investor and I have invested in similar three companies like yours, even though your growth is much better comparatively than other three companies, but somehow happy with the kind of the growth you are in, so I would like to understand when will this situation will turnaround and when can we see the real growth in your sector?

Makrand Appalwar: Yes, thanks, I would say indirect complements though you did not say that we have done good, as per what you said that you have invested in more companies like ours and we did best among them, but that is hope like, I would say a better company than most of other company and I do not have a very specific timeframe, which I would be able to tell that when the sector will improve on totality, but I can tell you when it comes to Emmbi, we are doing all out efforts and if you see vis-à-vis sector we have grown much better like our growth when it comes to volume growth it is announced 16% when comes to value growth



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it is around 8% where the national industries are actually shrinking, so we are trying and going ahead with this, we have been reasonably successful, I can promise you that management will do all efforts, we will do all the possible plans and necessary thought process or our new strategies will get in, so that we reached the committed growth of around 20% and from my side, I think there is not more than I would say quarter or two, which is required to reach back to our normal level.

Sujeet Jadhav: Thank you.

Moderator: Thank you. The next question from the line of Shruti Duman from Value & Research Analytics. Please go ahead.

Shruti Duman: Good afternoon. I have a couple of questions. First is related to the pond liners, may I know what is the average run rate of pond liners this quarter, like how many per day?

Makrand Appalwar: We would be in the range of around 15 to 16 in this quarter. This quarter was very interesting because actually I should have told you earlier, this quarter because we had a Kisan Exhibition just end of this quarter and in the Kisan Exhibition there was a very monumental success our team got within the span of just five days, they booked 1510 ponds on the spot where the estimated value of our revenue is close to 30 Crores and that has been with some advance booking commitments, so that entire business will get translated say in the next couple of quarters, like fourth quarter of this year and first and second quarter of next year as an additional business, so presently the run rate, this quarter was peaking around 15 ponds per day, but on the yearly basis if you see we will maintain the average of close to 15 ponds per day during the entire yearly basis.

Shruti Duman: Related to Avana, how much it contributes to the topline for this quarter?

Makrand Appalwar: Avana, around say 23% to 24% is the Avana's contribution to the topline.

Shruti Duman: How many retail touch points do you have for this quarter, as of this quarter for Avana?

Makrand Appalwar: Roughly 300, give and take 10.

Shruti Duman: By end of FY2020, what is your target?

Makrand Appalwar: At the end of FY2020, this would not be really a big jump, it could be in the range of around 325 to 350, but FY2021, our target is to double the touch points, so I think our FY2020 is very close just 45 days away, so I would be greatly I would say performing on



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that, we are around 300 is already is there, it could be 325 to 350, but FY2021, you should be seeing somewhere between 500 to 600 retail touch points.

Shruti Duman: Related to exports, how do you think the global economic slow down might affect your business internationally?

Makrand Appalwar: Well, there is not acute slow down in America, there is a certain bit of a slow down in the European sector or there is not much slow down in UK, there is some, so I would not be very much worried and our export growth even this year is pretty decent, so I am not really worried about it because lot of movement of business is happening from China to India though there might not be a net growth in the market size, but there is going to be a shift from China to India and that shift will also help Indian businesses to grow, so may be I will be clear to say here that a global slow down in certain territories might not impact on the reduction of our topline, rather the shifting of business from China to India will help us to achieve our targeted growth of around 20% in the export during this year.

Shruti Duman: That is it from my side. Thank you.

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

Navin Kumar: In the last fiscal, the operating profit margin was close to 14% or 14.5%, and this has been declined from 14.5% to close to 12% quarterly basis, so any reason what is the impact and secondly on the net borrowings, it is close to 100 Crores, so what are plans and how do we plan to reduce the debt on the books and the third and the last question is guidance around the sales and net profitability for the next 2 to 3 years?

Makrand Appalwar: Let me give you answers one by one, first question was, our profit margins were in the range of around, EBITDA level margins were in the range of around 14.5% and right now they are in the range around 12.15% to 12.25%, so when would they go back to its place and how will go, I just explained you that this particular quarter has a very peculiar situation where the export benefit has been withdrawn for the time being from MEIS when the shifting happening from MEIS to the RoDTEP, so till that time the government comes up with the new scheme announces and formulate the export incentive policy we cannot put it in our accounts, so I would say that immediately after the policy is announced it would at least see about a percent or percent like .25 like 125 basis point up in the I would say in the bottom line and second part is because of the slow down in the country and in order to maintain the growth phase, we have to offer certain amount of discounts or certain amounts of schemes in the retail to keep on moving at the same speed or quicker speed, so as and when the situation improves here or as and when we see that market conditions are getting



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normalized then there is growth, so this is not a long-term harm to company's economy, but it is a short-term major, which has been taken to maintain the topline and keep the operational expenses under control, so by and large as and when the situation in India improves we will quickly move back to our normal situation. Secondly, your question was regarding the debt, so I would like to explain you in the debt context, you should appreciate that the total working capital days again reduced actually it is not going up because the topline is consistently improving the number or the quantum of date is almost remaining constant, but the good part is with the same amount of debt on the book, now we are able to churn larger amount of the topline, so the capital used for getting more business is happening and we are trying to repay, there is a continuous repayment of close to I would say around 5 Crores to 5.5 Crores every year on the topline basis, so that is getting reduced on the yearly basis, so it is consistently on the way, but because there is lot of uncertainties on the various grounds we have to keep our company liquid so these kind of borrowings will make us more comfortable and third was regarding the profit focus, so we are targeting probable growth rate of anything between 16% to 20% in the coming two years and sometime that might not exactly replicate into the value growth because if the raw material prices go again southwards and the further decline 20% you might not see exact growth of the same amount in the topline, but it is not my control so what is in my control is growing in volume so we can promise that we will keep on growing in volume at the rate of around 16% to 20% on the annual basis and generally historically we have seen that in case we grow let us say by 10% then our bottom line grows by 15%, so one and half times generally bottom line grows so depending on how that works out this would exactly fit.

Navin Kumar: Thank you very much, Sir.

Moderator: Thank you. The next question is from the line of Aman from Unifi Capital. Please go ahead.

Aman: Sir, I just have like two questions to ask you, so starting with the tax rate, if you see on 9 months year-on-year basis, you see a 140 basis point increase, so may be a commentary on that and also are we in target to achieve the 6000 ponds that you are targeting for FY2020, thank you?

Makrand Appalwar: Actually, regarding the tax rate because it is very complicated as you that there is a reduction in the tax rate by the government that the companies below 400 Crores can reduce to the 25% tax, but there is a big caveat in that, the companies, which are having a MAT credit that credits would not be usable in the particular case, so probably first two years, we will have to forget this reduced tax rate and we will have to go back to the normal tax rate of previous 35% and the surcharge, so that would continue and once the MAT credit is exhausted then we will go for the new regime this is about the first things. Secondly



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regarding the 6000 ponds, so we are very much there, as I said in my first comment, we should be anything between 15 to 16 ponds a day, so that would make anything between 5750 to 6250 ponds per year, so we are right on that and the target and we would be completing our promised target within the year.

Aman: Just one more question, Sir you are doing tax?

Makrand Appalwar: This is regarding to the tax matter probably, the part would be giving us an offline call, we can explain you in detail.

Aman: Okay, Sir and also another one is regarding the MEIS scheme, so what was the percentage was coming before and what will probably be the change from the new scheme when it comes to the incentives?

Makrand Appalwar: MEIS is basically noncompliant to WTO treaty that is why it is a mandatory for government to withdraw those schemes, so now they are replacing the same schemes exactly with the same rate of structures there for various industries, so now the first scheme has already announced for the textile apparels industry and whatever was there previous benefit has been again offered in the new scheme for them, so I am hopeful that whatever benefits were given to our industry as an MEIS benefit, would be available to us as a RoDTEP benefit, but till the time it is not announced I cannot guarantee it.

Aman: Thank you so much. Good luck.

Moderator: Thank you. The next question is from the line of Priyank Chheda from Standard Chartered. Please go ahead.

Priyank Chheda: Sir, my question is regarding the pricing change that we undertook in this current quarter because of polymer price may be going down, is it one quarter the price change that we have undertaken or this would be going for the next another three to four quarters?

Makrand Appalwar: No, you should understand, we have not taken any pricing change in the quarter, again, I would clarify this, see what happens is whatever is the raw material prices, and historically the raw material prices where in the range of around \$1250 to \$1350 per metric tonne for almost last six to seven years, this particular year because of the problems of the economy in country and other thing polymer prices are almost 20% down like what happened in the automobile or what has happened in various other sectors, same thing has happened in the polymer sector the prices are little bit soften, so what happens is when I am selling the material in a B2B sector, most of our pricing is raw material plus spread, so though our spread and profitability remains constant we on the same money, which has been



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historically told and some people could not understand it, so I would again like to make it clear that our profitability does not get change because of the change in the raw material price, but topline do change because of the raw material factor, so there is a reduction of raw material price by almost 20% and almost half of my products price comprises of the raw material, so there is a reduction in the prices because of that. If you see that if you want to go and buy a gold chain, so there is a 10 gram gold chain cost, let the gram cost Rs.40000 and then the making charges let us say Rs.5000 so you pay Rs.45000, not the gold has reduced to say Rs.38000, but you still pay 5000 making charge though that the cost the chain become from 45 to 43 the company or jeweler has that Rs.5000, earlier also your earning is 5000, now is also your earning is 5000, that is topline has reduced from Rs.35000 a chain to Rs.43000 a chain, it is a very easy to understand if I can make it clear.

Priyank Chheda: So, the question is whatever gross margin because of the pricing change, our margins do not get impacted that is what we understood, so whatever the gross margin hit has come in the current quarter or for the 9 months, is it only because of the export benefits that we have reaping, is it only because of that?

Makrand Appalwar: No, it has got a dual effect, one is because of the export benefit, I would say half of it would be loss of reduction of around 165 basis point net reduction from the peak margin, so I would attribute around 1% to the loss of export benefit and I would say 0.65% is towards the slow down what we are seeing in India.

Priyank Chheda: So, you have mentioned earlier so around 12% is the new EBITDA margin that we should be assuming going ahead this would be the new normal unless the economy picks up and B2C segment ramps up, right?

Makrand Appalwar: Yes, right now probably this, considering that government is not going to announce any export benefit, this is like we make this assumption then this is the level, but I do not think the government is in desperate mood to improve the exports, but anyway it is futuristic statement so I do not want really make it, I can tell you that as of today is this, if export benefits are re-instituted things would improve by at least 100 basis point.

Priyank Chheda: Sir, regarding the re-alignment of what are manufacturing facilities that we have done does that leads to some improvement in efficiency or increase in capacity, if you can just help us with that?

Makrand Appalwar: It actually increases the efficiency and in turn the capacity because efficiency has improved and naturally it produces slightly more amount of material so you have installed or utilizable capacity also goes up, so exact numbers that how much capacity went up and



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other thing, we would be able to give you at the end of this year like year end presentation would have all those details.

Priyank Chheda: Sir, just a last question, if you can help me with, what would be the cash flow from operation that we generated for this 9 months?

Makrand Appalwar: I do not think so we have cash flow ready at this moment because we do prepare the cash flow statements generally on the six months and annually basis, but if you have some detailed part of it you can speak to Rinku, anytime she is available, you guys keep on talking so it is a good idea to catch up with her and she would be able to throw some better light on that.

Priyank Chheda: No problem. Thanks a lot.

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

Sandeep Marathe: This is Sandeep. I am an individual investor. My question is to Mr. Makrand, that I have seen your presentation speaking particularly about your agriculture business that is Avana, I have seen that you are more focused on the distribution of this product, so I wanted to understand in coming years how you are planning to grow it and what you are planning for the growth of the particular business?

Makrand Appalwar: Yes, it is a good question, Sandeep, I think this is more really and though you asking this question, this is more relevant to be answered by Maithili, so I will give this to Maithili and let her explain you, and if you still feel I need to answer something, I will do that.

Sandeep Marathe: Thanks.

Maithili Appalwar: Sandeep, thank you for question. So, yes it is exactly what we were talking in the presentation is that the growth that is going to be coming from B2C segment is going to be more focused on distribution, so what I mean when I say this is, is basically that under Avana design we will be having some products that our designed and distributed by Avana or under the brand name of Avana by Emmbi, but these products will be manufactured by partner manufacturer so we will be selecting partner manufacturers based on their facility, we will be taking care of the whole quality as there is the procurement sides for these companies, but they will be doing the manufacturing of the product and then we will be taking it over and distributing the products, so as I was saying earlier there are multiple benefits from this, it will help us keep our growth very asset planned, this will also help us growth quicker and bring new products based on what we see in the market as well as the



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growth can be focused instead of focusing it on two sides that we have to worry about manufacturing and growing manufacturing as well as having to worry about sales, we can now focus our growth in the distribution marketing and branding side and the manufacturing side can be taken over by other partner company, so that was how we are planning on the B2C segment and we think that this will help accelerate the growth for that sector.

- Sandeep Marathe:** Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Ashok Shah from LFC Securities. Please go ahead.
- Ashok Shah:** Thanks for taking my question. First of all, our market share of this B2C has increased in total sales to 23% to 24%, so what is our target for the next year?
- Makrand Appalwar:** Somewhere around 30%, I would say 30% to 31% would be the next years overall split that is what it looks like.
- Ashok Shah:** We have established food grade plant, so what is the capacity utilization at that plant now increased to?
- Makrand Appalwar:** We have close to 60% to 65% in the food grade now, so we are using and just explaining you how much of the food grade material in the food grade plant, the capacity utilized is at around 80% to 85%, but some part of it is a non-food grade, so say roughly 60% to 65%, which is produced in that factory is now good grade.
- Ashok Shah:** This will be having more margins compared to the normal products, which we make?
- Makrand Appalwar:** Yes, it does have more margins compared to normal products, but now once we cross this 70% barrier then the efficiency would start showing and it would definitely get us back to higher margin.
- Ashok Shah:** My last question is, have we accounted any of this export benefit, which the government withdrawn from March 2019?
- Makrand Appalwar:** No, I am not able to hear you.
- Ashok Shah:** Government has just withdrawn the export benefits from March 2019, as per the budget, so have we accounted this export benefit in our last three quarters or it is still not accounted?



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Makrand Appalwar: No, this third quarter it is not accounted because the announcement came during that particular quarter and the export benefits are not withdrawn from the March 1, 2019 or this, they are withdrawn from I think four months back, so the third quarter is completely impacted before that they were there and it is not withdrawn, it is likely to be shifted to new schemes, new schemes are under drawing, the MEIS, which are the Merchandise Export Incentive Scheme, which was on WOT noncompliance scheme that particular scheme is withdrawn and two new schemes RoDTEP and RoSCPL they are being introduced and slowly one sector after there is getting introduced to that, so very soon our sector will also get that to RoDTEP and it will be that to normal.

Ashok Shah: This export benefit is around 4% of this export?

Makrand Appalwar: Yes.

Ashok Shah: Thank you, Sir. That is all from my side.

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

Vinay Chain: So, basically you mentioned this withdrawal of this MEIS and that impact came in the last quarter, so can you share value wise I mean what was the impact in last quarter?

Makrand Appalwar: I think we would be getting it at the end of this year where we will send you all the detailed split between export and domestic because right now I would not able to give you those numbers, because those numbers would be comprising in the balance sheet part, so you will get it at the time of it.

Vinay Chain: You must be adding it in the other operating income right export benefit?

Makrand Appalwar: No, we added in the sales, because the export benefit what we get is not in the form of money, we get the license in which we have to sell and that particular license has to be sell under GST, so it will get into the sales.

Vinay Chain: So, you do not have the amount right now or the impacted numbers on a quarter-on-quarter basis?

Makrand Appalwar: No, but you can calculate it on, there is an indirect way you can calculate this, you know what is the percentage of exports.

Vinay Chain: Export is 40, right?



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- Makrand Appalwar:** Yes, you can roughly calculate that.
- Vinay Chain:** And FIBC volume was how much, if you can share?
- Makrand Appalwar:** Pardon me.
- Vinay Chain:** FIBC volume for the last quarter?
- Makrand Appalwar:** We do not have anything like FIBC as a whole sector, we do not define it, we just seen our sector definitions are specialty packaging and others, and we have already announced six monthly volume in the presentation, the annual volumes will be announcing in the next quarter.
- Vinay Chain:** Thank you.
- Moderator:** Thank you. The next question is from the line of Sapna Shah an Individual Investor. Please go ahead.
- Sapna Shah:** So, if you could just help me with the segment wise EBITDA margins first specialty chemicals, advance composites, water conservation and agro polymers?
- Makrand Appalwar:** Madam, we actually do not give the segment wise margins, so that is not our standard practice, so I will not be able to give it to you here, the segment wise margins, but if you have any specific interest we can answer you that queries.
- Sapna Shah:** Okay and what about Avana design, so could you disclose the margins that you will get because that will be more of marketing distribution right, so the products eventually it will be more like a distribution, more like a trading business where you are procuring the materials from the manufacturers and eventually using your distribution network to distribute it further so any specification on the margins that you would be able to gain in that aspect of the business?
- Makrand Appalwar:** Well, it will not be a trading business, because products are getting designed and manufactured under our supervision, so it would be more of a contract manufacturing business like what typically large FMCG companies like Procter & Gamble or Unilever for sake of argument Nike those all companies are basically under the contract manufacturing activity, so this activity will be not be trading this will be contract manufacturing, where trading has a typical non license manufacturing and the producer has a right to sell it to anyone and everyone, here producer will only have to produce for us with our specifications and our knowledge and our license, so we would have more control on pricing, that is the



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base principal difference between I would say contract manufacturing and distribution and trading and distribution so we are going for a contract manufacturing and distribution model not trading model and our expected revenues because this is going to be asset like model that we would be targeting EBITDA level margin of around 20% in this initiative.

Sapna Shah: Thank you so much.

Moderator: Thank you. Ladies and gentlemen, this was the last question for today. On behalf of KRChoksey Research this concludes today's conference. Thank you for joining us. You may now disconnect your lines.