



“Emmbi Industries Limited Q2 FY-21 Earnings Conference Call”

November 12, 2020



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

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

Ms. Maithili Appalwar - CEO,

Moderator: Ms. Parvati Rai – KR Choksey Research



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Moderator: Ladies and gentlemen good day and welcome to the Emmbi Industries Limited Q2 FY21 Earnings Conference Call. This conference call may contain forward looking statements about the company which are based on the beliefs, opinions, assumption and expectation of future events. The company cannot guarantee that these are accurate or will be realized. The company's actual results, performance or achievement could 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 development, 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 KR Choksey Research. Thank you and over to you ma'am.

Parvati Rai:

Thank you. Good evening everyone. On behalf of KR Choksey Research, we welcome you all for the Q2 FY21 earnings conference call of Emmbi Industries Limited. I take this opportunity to welcome the management represented by Mr. Makrand Appalwar – Chairman and Managing Director, Mrs. Rinku Appalwar – Executive Director and 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 over the conference to Mr. Makrand Appalwar for his opening remarks. Thank you and over to you sir.

Makrand Appalwar:

Thanks Parvati for your kind introduction and welcome all to Emmbi's Quarter 2 conference call. I'm very happy to meet you again. I really appreciate your time for the company you are been again and again investing.

So, let me take you around what happened in past 3 months during the difficult time of COVID. So, one can see that now the things are settling down, the dust is much less, and we are able to see a slightly better, the clarity's coming. So, quarter over quarter, if you see considering the first quarter as a reference, second quarter of this financial year is almost 15% grown. It would have been much better because from the order side the order book is much stronger but especially when government has started a drive to reach the migrant laborers boom, in the month of June especially for the month of July and August we have lost around 650 or workers for the temporary period. So at the mid of around August 15th we started a special campaign of 'Kaam pe chalo' named as kaam pe chalo and brought almost 600 people back from various parts of the country that is from West Bengal or Bihar or Uttar Pradesh and again they are back to Silvassa. They are joined the company. All the people who were brought examined for COVID negativeness or COVID disease. Around 30 of them were found positive. They were treated and all of them are now in healthy situation and they all started working back. So, I'm very happy to inform that as of 1st September all the labor force is back,



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and company has started its operation to the fullest of its level and the things are coming back to normalcy. So that's the part of the COVID operational hazard what we had. So, considering the overall situation you should have seen that the profitability is little bit lower than our normal level of profitability. That is not having any other reason apart from the lack of the operational efficiency as there were a lot of people were away. So, the operational efficiency was down and that is the reason why profitability is down. We are hoping that we will be near normal in the Quarter 3 regarding our most of the performing or performance related parameters while when it comes top-line or bottom line or EPS or a better level margin. Though I say less still we could maintain an EBITDA level of margin of around 11% during this particular margin during this quarter.

Regarding the two major verticals, one is B2B. I explained you that lack of operations has caused little bit of a strain on dispatches and that has reduced the top-line. While it comes to B2C, you can see that this quarter was connected to the COVID moving to the rural area. So most of our B2C operation happens in rural and the COVID I would say epi centers were most of the time shifting from the urban cities like Mumbai to 2 Tier or 3 Tier cities or I would say a rural area. So, there were a lot of challenges of moving people around and creating. That is why Avana could not really grow in this particular quarter. This is one of the unique quarters in the entire journey of Avana that it didn't grow as handsomely as it keep on growing on here onwards. But there are a lot of other positives which came up in the vertical. One of them was introduction for basically Avana Smart vertical. Maithili will take it in detail in her part of the presentation.

I'm also very happy to introduce you with one of our new team members when it comes to a management team at Emmbi. Now the top management team of three has been expanded with the fourth gentlemen Mr. Yash Punjabi, he's an ex Microsoft, Google Computer Science Engineer, who has just returned from United States. He has joined our company to take care of Emmbi and various data related things. As you are aware Emmbi has been always a front runner in polymer processing and packaging and various other manufacturing related research and development. Our technology side or I would say data management side was not equally supported till now. So, we decided that expert in this field will definitely help us to create a new age or a new generation company. So that was the whole idea behind inviting Mr. Yash Punjabi to join the top management team and he has agreed to do so. So, he would be also giving a brief chat with you after Maithili's introduction. He would be mainly taking care of the technologies sides, AR and supply chain and various other technology connected domains of operations of Emmbi Industries as well as Avana. So, he has already joined us and will be continuing to working with us in the coming time.

Regarding various performance related parameter, we have already given you the presentation and I'm sure you would have had a chance to run through it and we would be very glad to



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answer your questions after this presentation. Now with this brief detail I would like to hand over for the next presentation to Maithili.

Maithili Appalwar:

Hi everyone. Good afternoon and thank you for being on the call. I will just go a little bit quickly over the Avana vertical for this quarter. Like we mentioned earlier on the call this year has been slightly subdued on the quarterly level and that's because there was a very-very heavy downpour which meant that our installation was virtually stopped for a month and a half and we were not able to install as vigorously as we usually do and that has a very direct impact on this year. Now that the rain has kind of come down, we've seen the sales really pick up again in October and half of November. So, we're not expecting that to have a long-term impact. That being said we are happy to announce that on a 6 monthly level we are still the largest seller for liners in the country. We have very quickly been able to establish a market leadership in this his sector.

However, we also wanted to make sure that this never really happens again in the sense that we wanted to make sure that if there was such a heavy downpour, you might know that this year was the worst rain that India has seen in almost a decade. If that situation were to be repeated, we don't want our business to be impacted on a quarterly level again. So, in order to do that we have started risk diversification which means that we are very aggressively adding space of Punjab, Haryana, Telangana and Andhra Pradesh and in addition we are also aggressively adding new products. While doing so we're also making sure that the peak times of sale of the new products which we are adding are different from the peak sales times of pol-lining so that they can balance each other out.

I'm also happy to announce that with retail division which we had announced that we were doing Avana Design where which would have products that would not be manufactured by us but they will be contract manufactured and they would be designed and marketed by Avana. One of the products that we've been doing under that is Avana Kapila Murghas Bags and not only did we get completely stock out in our first sales season of April-May and June which is when the bags are sold but we have now for the second sale season also started getting repeat sales and our repeat sale percentage is over 95% which is extremely high for a retail product and which also means that our top line for a product like that will grow very robustly. So that is something that we are extremely excited about.

Also before I hand over to Yash I just wanted to say that Avana is definitely a business where we are trying to wear away from manufacturing and move into distribution more and more and for that we need to invest as much as we have invested in the past in manufacturing; we need to make sure that we invest in distribution as well as in technology. So with this reason we have decided to get Yash on board and of course there will be a lot of efforts that are made in order to make our technology and supply chain side stronger and have greater technology in our operations but we are also entering the sales of technology related hardware products. One



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of those is Avana Smart which you might have seen in the presentation, but I will just give you a very quick brief about it. Having worked with farmers for conserving water for such a long time we have realized that farmers also want to invest in managing the water that we have and one of the ways to do it is to automate the way that pumps are started and stopped. So our pumps starter helps farmers use any phone; so not just smart phones but any flip phone or anything that they have and it works with any pump starters in the system so that farmers can start their pumps, stop their pumps and decide for how long the water should be supplied to the field right from their phone. So, they don't have to be physically present and we are currently testing this product out in market. We have finished our very first round of tests and we are now just we have started setting into the retail market. So this is a product that we hope to get traction in and we are hoping that from this product we will be able to offer some more hardware related solutions that are related to water conservation as well. Thank you so much. If you have any questions of course about Avana or the B2C business in general I am happy to answer and I hand over to Yash just to introduce himself.

Yash Punjabi:

Hi. As Makrand sir and Maithili have mentioned, I am Yash Punjabi. I recently joined Avana and Emmbi in general to handle operations. So, something I am passionate about is making processes more efficient and something I am proficient in its technology. My overarching goal with Emmbi and with Avana is to take a look at all our processes and make sure they are as efficient as we can have them and to make sure our company gets smarter over time. Something I believe in is that I would rather have our employees free to work on creative things that need the thoughts and more their bandwidth and let computers automate and handle tedious work that they usually don't like doing anyways. As you know in Avana we have been in business for 4 to 5 years and we have amassed a lot of customer data and this time. So my focus to begin with is looking at Avana and to organize that data that we currently have to gain insights from it to help our expansion and with our expansion would also be easier if we have more robust systems for operations including our manufacturing so that's also something I am looking into. Another vertical that I have been paying attention to is implementing a new CRM software for us to stay in touch with our current customers, help them with any problems and gauge their customer experience and we are also thinking about looking into new systems to collect data for retail products that we are starting off with. So, having all of this data will help us with production and sales forecasting. It will help us make better business decisions and of course we will be able to prioritize what products and sales areas we need to focus on to maximize our growth. So, with this I will hand it back to Makrand Appalwar for his continued statements.

Makrand Appalwar:

I think we have given the information from the company side so I would open the floor for the questions and answers please.

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Priyank Chheda from Standard Chartered Securities.



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Priyank Chheda:

My first question is going back to few of the data points that we had discussed in last quarter. Would you like to highlight the recovery that you are replacing? Is it that much lower than what earlier you envisaged because you had given a guidance of that you would reach about 90% of the pre-COVID levels by this quarter but it seems that we are yet at 75%-80% kind of a range? So, anything on that recovery that you would like to highlight us?

Makrand Appalwar:

Yes absolutely. When it comes, when our previous statement I was opening that we would recover at least to the 90% level in even Q2 but which it didn't happen which we only could recover up to 80% level. That is purely because of the loss of our labor force because what happened was I wasn't expecting that almost 650 odd people would go away and not come back so soon because we were not expecting that the public transportation system would be so much delayed to rework. So ultimately it went to a level where we have to send the buses or arrange the buses from here and spending almost (+Rs. 50 lakh) or I would say around Rs. 70 lakhs to get, gather people from all over the country. So that wasn't really a plan and the plan was we were expecting that by then the trains would start and people would start coming back. So that one aspect remained unexpected. But Priyank good part is there is a very strong order book when it comes to exports. Now there is a decent order book when it comes to Avana. Of course, the order book is still a little subdued when it comes to the domestic packaging. So effectively yes to answer your question I was not fully expecting this to happen but when it happened then we have to slightly change the course and start doing the efforts and bring back our people which we were successful. We had a very tedious job to do that because getting the 600 people back, getting them checked for COVID, after getting them checked for COVID, getting them all COVID positive or negative then bringing them to factory and get them more. It was quite a hell of a job; our human capital department did a great work I would say. They all came back and now from 1st September we are to the normalcy. So, I am quite hopeful that our Quarter 3 should be near normal.

Priyank Chheda:

So, what I understand it. Is this part of an operational problem that we faced led to slower recovery. So, can it be fairly assumed that Q3-Q4 can compensate the loss of revenues due to the operational part on our side?

Makrand Appalwar:

I would not say that in totality that it would take care of the entire operational loss. What happened in Q1 and Q2 because the loss is quite substantial, but I am sure the gaps will definitely narrow down that will not close the year with 20% less. Even we work 10% high on both the quarters still it would be a 10% down for the whole year. So, I can say that we are expecting to a year to be plus or minus 5% of the previous thing or I would say minus 5% to 7% of the previous year but not as low as 20%. So, there would be a pickup and then it would continue. To answer your question, it will not that everything will be compensated but a large part of it would be compensated.



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- Priyank Chheda:** My second question is respect to utilization. So, like while in the last previous call by the end of the last quarter we were back to the pre-COVID levels kind of utilization. What's the utilizations that we are running right now?
- Makrand Appalwar:** It is in around lower 80s percentage in the present situation. So, we would continue to improve the factory utilization by end of Quarter 3, I would say. We would be going back to a previous year level of around 86%-87% by end of this Quarter 3.
- Priyank Chheda:** On the Avana side so you did mention that we are getting good traction with respect to the new product launches in Avana and the various activities. So, would we you like to highlight the previous guidance of around 85-90 crores for the full year. Can that be exceeded given the kind of a development that we are witnessing quarter-on-quarter?
- Makrand Appalwar:** Yeah, I would say that we would like to revise our guidance downward and it would not remain in exact the same level of 80 to 90 crores but it would be anything between I would say around 70 crores it should be. That's what our present guidance is that it should be looking around 70 crores.
- Priyank Chheda:** Anything on margins? So, because of the loss of the top line would you like to revise the guidance on margins for the next 6 months?
- Makrand Appalwar:** I would say that in the present situation our EBITDA as in the level of around 11%. So considering the whole year operation we would be on an around 20% or when it comes to EBITDA level margin because we will have to compensate with around 13%-14% for these two quarters in order to get the whole plateau off. So, year-end would be 12% and around.
- Moderator:** The next question is from the line of Rijay Soni from K. R. Choksey.
- Rijay Soni:** My question was in the last quarter you had talked about the online presence of and spending on advertisement and promotion. So keeping in mind it would be largely directed towards Avana and as you have just downwardly revised the forward-looking estimates so how would you looking at the activities and if the spend is already been done so how is the impact of that?
- Makrand Appalwar:** Yeah, I think I will give this to Maithili to explain you because she is the most correct person to do that.
- Maithili Appalwar:** So first of all, to answer the question about whether the top line change would impact the marketing spend or impact our ability to make the marketing spend? All of our budgets are made on a lagging level. We don't do leading budgets. We do lagging budgets which means that they are based on the revenues of the previous year. Since our division is not de-growing Avana will still grow by about 10% to 15% on a year-on-year so that should not be a problem. To continue to answer your question about us spending more on online as well as TV related



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spending. In terms of online we have been spending a lot more on our social media. I don't know if you follow us, but we have a very good farmer following on social media. So our handles are Avana Agriculture and over the last few months we have been doing a lot of e-events under the name of Avana Chaupal where we call experts and have them answer farmer questions and just create a dialogue between them and the farmer and helping our own brand promotion as well. In addition, we have also appointed a brand ambassador and we will be signing an agreement. I, since we have not signed the agreement it's due to be signed next week, I cannot officially announce their name but it is a popular regional Marathi as well as South Indian film actor and the agreement will be signed in the next week and are expecting our TV commercials for Pond Lining to be out in December and it will be running from December to February which will help us capture our peak season sales of December to March for the Pond Lining sector. So that's kind of what's in the marketing pipeline and if you have any other questions, I am happy to take.

Moderator:

The next question is from the line of Vinay Pai an Individual Investor.

Vinay Pai:

The main part of Emmbi is the B2B business which is about 76% of the total uptakes. My question is like how is the outlook? Is the country facing any recession or anything that because I don't think the floods, or anything will be related to the B2B portion because so many companies are doing so well? So B2B should not be affected but in your opinion how is it now? How does it look like now?

Makrand Appalwar:

I would say that countries I don't know whether it's a recession or not but definitely country has been slower in the past 6 months. It was a much lesser operationally present in the past 6 months than specially the area under the review or the time under the review it was slower. Later from the end of September it started picking up and now for the month of October and November it seems pretty I would say pretty much to the level and that is why I agree to you in totality but the sectors in which we operate when they when it comes to domestically. So, if you see the reduction in the total sales which happened in various sector so most biggest, I would say dip had come in the domestic packaging sector. That was one of the sectors which was hit to the highest level. Now it is becoming it has started recovering back starting from mid-September or early September. It would be much stabilized because exports were not really severely hit and right now, they are going to be a better. Avana didn't get hit very severely but still they were down compared to previous year about 8% to 10%. Similar case is with the exports, but domestic packaging was much more down than that. As you rightly pointed out that most of the larger companies or bigger companies have started doing well starting from September which would be probably reflecting in our next quarter's results because October and November, September end and October-November would mainly impact the coming quarter than the previous quarter. I would say this recovery has been seen. Again, I would say I don't know country whether it is in recession or not, but it is first two quarters it has shown a slow-down process. It was substantially low operations were kind of down. Right



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now, the things are coming back to normalcy. We expect that Quarter 3 would be as strong as our previous years' Quarter 3 or might be slightly better than that. That's what is our take on this.

Vinay Pai: Just can you give us just a couple of industries where this B2B packaging is involved cement bags and jute; I guess can you just give us some examples?

Makrand Appalwar: Actually, we are not in big players in cement bags or something, but our larger player plays in a FMCG, automobile when it comes to domestic packaging, we are in a big way in chemicals and food grain. So, these are the major areas where we are having our play. So, we were not very active into the cement side of it.

Vinay Pai: So, all these industries I guess would be, they are posting good results, I guess. I mean I am finding out so we should do well I guess in this industry.

Makrand Appalwar: I also feel the same, but these industries have revived, and they have started doing well in last 2-3 months. The reflection of which would be seen in the Quarter 3 results.

Moderator: The next question is from the line of Krishnan from Emmbi industries please go ahead.

Krishnan Iyer S: It's not a question since I am a Whole Time Director. I just thought I will answer Mr. Vinay Pai. Technically Mr. Pai we are in recession as of because if you had listened to the Deputy Governor speech this morning he did mention that the first quarter was contraction of about 20% and the subsequent quarter which is what we are talking about the contraction of close to about 9%. I don't have the exact numbers. So technically yes were in recession because I mean as an economist any downturn in two subsequent quarters you get into the term of recession and things like that. But as Makrand pointed out there's a gradual pickup, I am seeing it because I sit on the boards of a few other companies. Yes, I am seeing it but we need to be cautious about it, we need to be careful about it, we need to be judicious about it and which is what we have been doing and I just wanted to clarify this. Is that fine Makrand, do you wish to add something to it?

Makrand Appalwar: Absolutely, no because I was not having the absolute numbers of the economy whether it is in recession or it is in slow down, so I did not comment on it but if you have the numbers I am sure those must be the correct numbers. I am sure that was great and thanks for this.

Moderator: The next question is from the line of Avneesh Chandra from East India Securities.

Avneesh Chandra: My question is, last time you have guided for flattish year and now you have explained very well that we will be end up with 5%-10% down at the end of the year. But my question is that even last time when we have our guidance something went wrong. So, from your expectation

what would be things that can go wrong from here and we will not be able even end up with 10% maybe 20% decline on yearly basis so just your thought on that.

Makrand Appalwar: I think it is a very apt question and it's very interesting to answer because this is of last six months because of one thing which I'm trying to do to the best of my abilities to see the future of whichever way we're heading. So, one thing right now which I'm worried is I have taken care of the order side, like order side is good. We have taken good care from the supply side; supplies are tied up and everything is there. We brought back most of our employees which went as a migrant labor and they are also worrying, so that doesn't seem to have any problem when it comes to manufacturing side. The only thing which worries me is now second wave of probably COVID. What typically happened in Europe that they recovered to a substantial level and then they suddenly had a second wave or what we are seeing also in Delhi. Something like that if goes on and again there is a nationwide panic or a disturbance which is happening and which breaks the manufacturing abilities. That is the one thing which can now deter us from the target or goal which we are seeing. Considering other things being equal, I think we would be able to reach the guidance what we have given.

Avneesh Chandra: If there is no COVID second wave then we will be able to meet. There is not any other factor which can go wrong.

Makrand Appalwar: As of now I don't see any reason why we would not meet the guidance which has been given.

Avneesh Chandra: Other gentleman was asking; I would again emphasize the impact; I understand the recession point and everything. But one industry if you look at all chemical companies, they are doing really well, and the chemical is anyway is one of the factors for our growth as well. So, is there some disconnect in our performance and our usual industry's performance?

Makrand Appalwar: We have to see this way that any topline is either delivered by two sides. One is a sale side issue, or one is the manufacturing or supply side issue. You rightly pointed out, there are companies which are doing well in certain pockets like the companies which were based out of UP or others which I would say are sitting on gold mine of manpower or specially the blue collar manpower. They had a much quicker recovery than the companies which are situated on the coastal areas where most of the manpower is migrant. So those companies which are doing well, great that they have performed well and they had a very good from their more automatic processes, their more companies with chemical growth which is situated where possibilities are not highly dependent on the human labor. While our situation was, we didn't have a shortage of orders. There were enough orders, there were enough order books but there was shortage of the people who will comply to those orders because the migrant labors was gone, I didn't have even people to make the product we were supposed to make. So larger side I do agree to you that there were some companies which were doing good but there are also some companies the large petrochemical companies are showing 24% this quarter which I can't name here but you



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know which I'm talking about. So there is a both side of it and the realistic thing is the economy as a whole if you see a basket of companies because I cannot point it out to only chemical sector or cement or fertilizer or whatever as a basket our economy has shrunk so by and large companies will get impacted and the good part is we have taken care of how to take care, I'm sure as a good shareholder you'll be happy that even after such a low operating happening, company has shown the positive topline. There is a positive side when it comes to profit, there is a positive side when it comes to cash flow, so all that we could maintain even at much subdued operating levels. So, when this operating levels would normalize, give and take maximum three months so company would be to its natural back shape of a performing to the excellence level. So that is my take though there are certain companies which were doing good, there were also certain companies which were challenged because of the migrant labor. We are one of them so as now the people have come back, we have good order books, smart order book. We're almost booked for next 3.5 months that is even half of next quarter. So, there should not be a large problem coming to that.

Avneesh Chandra:

One last question from my side, are you facing any cost pressure on RM side or that is benign or okay?

Makrand Appalwar:

Genuinely we are more of a pass-through kind of mechanism when it comes to raw materials. But raw materials dipped down severely during the COVID period, beginning of the COVID it was really down because of the petrochemical complexes were not ready. Now it is on almost on the level where it should have been. Also there is no major pressure what we are seeing from supply as well as price when it comes to raw materials, it is quite stable and I'm hoping that coming few months because there are new facilities which have started in china so that would give out some pressure Saudi supplies when it goes to china so that will play role in Indian market because that material is likely to be diverted to India and there should be softening of raw material which we would see in the next 30-45 days. So, to answer your question there is no challenge when it comes to supply or pricing of raw materials.

Moderator:

The next question is a follow up from the line of Priyank Chheda from Standard Chartered Securities.

Priyank Chheda:

Before coming to book keeping question, I would like to ask you particularly Mathur sir, so what we are observing is in post COVID world there are few of the sectors, few of the industries that are benefitting. There are few sectors or industries that are definitely getting impacted. So for Emmbi are there any green shoots visible in the long run particularly for the B2B business we've specialty advanced composites, are we sensing some opportunities if it should get us back to a very high growth trajectory and a new kind of opportunity involving the post COVID world?



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Makrand Appalwar:

Probably I would not say only for B2B but as a whole as a company it would definitely improve our standing in the market because the one very simple thing that we were one of the least disturbed or I would say least troubled company when it comes to supplies. We could still handle manage the supply, so most of the customers are more confident and happy about how we performed during this difficult phase. And company in another way I would say learnt to operate itself and carry its business with a very skeletal people. So, the overall operational efficiencies have gone up. So, let us look at it in two ways. Whether we just look the growth as a topline growth or we look at growth as a growth in profits or growth in understanding or growth in ability of company take the most difficult situations further, so when it comes to growth in topline yes we would be able to bring back our normalcy of around 15%-20% in the coming next year and that is all said and done. But at the same time company has definitely grown in its stature by creating a situation where we provided uninterrupted supplies whether it comes to our international clients or the domestic clients or the farmer, and we also learnt lot of new lessons, we created new systems we even continued developing new products you must have seen Avana Smart launch, the new automatic starter manager. So that is the thing that the company has really grown in a very good ay and that would definitely impact on other coming years profitability as well as operational performances. So it's nice that you asked what was the opportunity challenges, threats that we learnt from this COVID world so the one thing I would say that apart from our product we also learnt that there can be always an improvement in all our operational activities which would ultimately end up into a better profitability as well as giving us a better growth trajectory in the coming guidance.

Priyank Chheda:

Sorry to ask again on the sectors, if you can highlight the large sectors which are significant contributors to our B2B business?

Makrand Appalwar:

B2B business larger sectors are pharmaceutical, food grains, chemicals, petrochemicals, automobiles. And FMCG.

Priyank Chheda:

Few of the bookkeeping questions. Any outlook on working capital base, referring to your cash flow statement we have seen huge chunk of creditors so anything on the working capital base that you would like to highlight?

Makrand Appalwar:

Right now it is well under control, there is no default, there are no deals, but these would be coming down so I have not exactly counted where we are but at the end of the year, I believe this year our normal plan is to bring back every tier by about 7-9 days, so I'm not very sure if this year we'll be able to bring that 9 days down but I can promise you that we'll not increase or grow on the number of days when it comes to this year's operations also and overall some companies position when it comes to managing working capital is good all the customers are in a very good condition financially, no default or delays in any payments whether domestic or international. So, things look stable and positive.



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- Priyank Chheda:** So, on creditors, would you like to call out something that we paid significantly during these 6 months?
- Makrand Appalwar:** You want to say has the creditor's days gone up?
- Priyank Chheda:** No, the creditors that have gone down, we have paid a lot of creditor's, right? So, we have a negative cash flow of 8 crores in first half. So, anything on that front that we prepaid few of the payments, something like that?
- Makrand Appalwar:** No, the COVID loans and other things we have already repaid.
- Rinku Appalwar:** If you see the borrowing and creditors it has, if you see the positives and negatives of the borrowings and the creditors, it is plus or minus the same.
- Priyank Chheda:** I was referring to the business creditors, not the financial creditors. I will get it then offline. The last question is on the CAPEX, so we have spent around 4 crores in H1, and we have around 6 crores lying in CWIP and that's for the last year-on-year.
- Rinku Appalwar:** That was for the last year it will be completed by end of December.
- Priyank Chheda:** So, we have some CAPEX lined up because earlier guidance was that we have no CAPEX lined up for FY21 right?
- Rinku Appalwar:** No, we said that we will be doing a small CAPEX, but this was already done in last year. So, we have to complete that.
- Makrand Appalwar:** No new CAPEX was announced Priyank but the project we're already on, which were already half backed, those have to be completed. So, whatever was part of the working capital or CAPEX expenditure in process that has been just completed. No new project has been opened
- Priyank Chheda:** So, CAPEX guidance for the full year stands at around 10 crores?
- Makrand Appalwar:** It should not be more than that.
- Priyank Chheda:** And just to clarify once again, we have not prepaid any our borrowings, it's just that we have borrowed from working capital loans and prepaid term loans, is that understanding correct?
- Makrand Appalwar:** We have not prepaid any term loans, no we have not prepaid any term loans, whatever was our regular routine repayment cycle and we continued that. Whatever extra given at the time of COVID loans, one of them was taken and repaid. So that came within the quarter and got knocked out. Moratoriums are over. So, there is no load of any such thing, and we are back to the normalcy. So, at the end of the, I think what you're asking is the result, what you're



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analyzing today is the result of a more six months of probably last decade. So now the things would keep on improving like that is what I suggest request the community to understand. Ladies and gentlemen, I would now like to give back the call to the call holder. Would you like to take it back please?

Moderator:

Ladies and gentlemen, as there are no further questions, on behalf of Emmbi Industries Ltd. and KR Choksey Research that concludes this conference. Thank you all for joining us and you may now disconnect your lines.