



“Emmbi Industries Limited
Q4 FY2021 Earnings Conference Call”

June 28, 2021



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

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

Ms. Maithili Appalwar - CEO, Avana

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Moderator: Ms. Parvati Rai – KR Choksey Research



*Emmbi Industries Limited
June 28, 2021*

Moderator: Ladies and gentlemen, good day and welcome to the Emmbi Industries Limited Q4 FY2021 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on belief, 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 and achievements may defer 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 Ms. Parvati!

Parvati Rai: Thank you. Good evening everyone. On behalf of KRChoksey Research, I welcome you all for the Q4 FY2021 earnings conference call of Emmbi Industries Limited. From the management side, we have Mr Makrand Appalwar, Chairman and Managing Director, Mrs. Rinku Appalwar, Executive Director and CFO, Ms. Maithili Appalwar, CEO of Avana and Mr. Yash Punjabi, COO of 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: Thank you Parvati for your kind words and good evening all of you who are on the call. I hope all of you are having a great health situation in this COVID time. I wish you all the very best for your health and I would like to brief you about what happened in the last year.

It was difficult year, but I guess we were quite lucky to not only I would say survive, but also keep the company in a very good position, all the people via the workers or managers or employees working in Emmbi were very healthy and they did a great job. So this particular year, probably we would have be able to divide into two halves. The first half, which was extremely dominated by the COVID impact and the second half.

So if you see the result you must have noted that a growth of revenue between first half to second half was kind of tuned to the 54% while EBITDA grew by 35% and net



*Emmbi Industries Limited
June 28, 2021*

income has grown by 140%. The best part is the last quarter of the FY2021 that is Q4 was the best quarter ever for the company at around Rs.108 odd Crores.

That was one of the best quarters in the history of the company and I am very happy to give you the confidence that that is the level, which we have already comfortably achieved even though all sorts of COVID related issues were around, worker absence, raw material problem, the supply issues, the buyers issues everything, but still I think because of the fungibility of the company's capacity and an ability to push the material in a different direction, we were very comfortably able to do reach to this level and at this juncture the New Year would be I feel comfortably we will be able to replicate the performance in the Q4 thinking that other things are going to be equal to the similar quarter.

The best part is there was quite a steep growth in the exports around 27% to 28% of the gross exports has grown and that has taken the problem, which was created by the local market especially the retail market and the distribution side, which was strongly hit by the movement part of the employees.

People could not really go around and do their retail selling, which was hit and that was balanced because of the higher exports. I am happy to tell you that the company has this ability, but within six months of operational problems because of the COVID, we could bounce back, we could still maintain the top line levels almost similar to the previous year to that. That is pre COVID year.

Another interesting thing is during this year, we lost 34 working days because of the various problems of the COVID that factory was initially closed and then it was allowed to open at the 31 end, then it was allowed to open 50% then a time came where lot of workers migrated back so again it came back to 50%, so all this put in together there was a net loss of 34 days and still there is only decline of topline by just merely 4%. So effectively if you see in a very positive light that we worked only 11 months and performed almost equivalent to 12 months so that a very I would say satisfying activity, which happened in the last year.

The capacity utilization pre-COVID year was 76% in 12 years while capacity utilization from 76% it just dropped down to 69% to 70% that too with the loss of 34 working days. So it is fairly great performance, I feel on behalf of all the employees I would really appreciate the hard work and the good efforts, which they made to try and stabilize the company.



*Emmbi Industries Limited
June 28, 2021*

You know what was the situation in Mumbai and many of us including me had COVID during the past year, but we all bounced back. We continued to do our best efforts towards the company and we would be able to do the same justice in the coming year and I am sure you must have also noted the improvements in the second half of the year that H2 has been substantially improving. We should be able to replicate or improve that all the performance on all the parameters like PAT, EPS and EBITDA during the coming year on this quarter. Now for giving the information about the Avana side, I would hand over the call to my colleague.

Maithili Appalwar: Good afternoon everyone and a special good afternoon to all of the COVID survivors on the call. I also like three-fourth of our management who has gone through COVID and is back on the job. Hope everyone is doing okay and is feeling healthy and feeling safe and well and hope as many people are vaccinated as possible.

With that, I will go ahead and just give a little bit of an update about Avana and also I will give an update about the COVID measures, which we took at Emmbi this year. So this year we did not have a very great year for Avana because there was a massive decline in retail across the country. I think Indian retail saw about a 45% decline and retail specifically Maharashtra saw about a 79% decline so because of closures of shops, restricted movement of sales, staff and also reduced sort of manpower on the consumer end retail did take a hit this year. With that said I think we still came out pretty strong and we were able to get about 80% of last year's revenue even within the retail vertical, some of the special efforts that we tried to take in this year that was really focus on our diversification of state.

So while earlier we used to have a massive focus on two or three states here what we did was that we kept the states constant, so we were still doing Maharashtra, Rajasthan, Karnataka, and Madhya Pradesh; however, we kept our sales staff moving. So if there was a lockdown in Maharashtra then we would move multiple people to Rajasthan. If there was a lockdown in Rajasthan then we would move multiple people to Maharashtra. Karnataka because of language barrier we were not be able to move some staff, but between Maharashtra, Rajasthan and MP we really kept the staff moving to make sure that whatever areas or whatever even district and Taluka level were opened we were really making the most of wherever we had open areas and there of course that if a government shutdowns we had to go with that.



*Emmbi Industries Limited
June 28, 2021*

This year is going to be the next year, which is FY2022 is going to be pretty strong for Avana. We are already seeing a massive increase in demand this year, so we will give you more updates on that in the next conference call, but it will definitely be a big deviation from what we have shown in the year of 2021.

In addition, we have also two other operational changes. One was that we appointed our brand ambassador, Mr Sayaji Shinde and we ran our first TV commercial campaign, which was run across regional Marathi channels, Hindi channels in the month of March and while that was done, we really got good returns and that sales were really boosted for that month and the month after that so we really are seeing the impact of having a brand ambassador and creating an image that is just more premium than even than what we were focusing on before.

In addition to that we also spoke about our Salesforce implementation last quarter. So just to give you on that the Salesforce implementation is now complete and that is something is really helping us out with both lead management, but also with the few complaints that we have complaint management and customer relationship management.

So as you know this is a manufacturing product and even though we have been lowest complaint rate in the industry, we want to make sure that every single complaint is serviced as well as possible and so what are trying to do is make sure that if every complaint is called then all of those people who have given complaints can still become reorder customers. So that is really what the focus of this entire activity is to make sure that the brand is built not just to the larger campaigns like Mr. Shinde but also through word of mouth and just farmers telling each other that okay this is a good brand that we have had a strong experience with.

So that is just my update about Avana and to give you an update on Emmbi COVID situation, we have of course have recovered strong in terms of the number of people we have at our factory. We are at full capacity now; however, we have also had a lot of vaccination camps. In the last two weeks we have vaccinated about 500 people and we will also continue to do that for the next two to three months. We are really targeting that we should have 70% or 80% of our factory vaccinated so we have reached that internal herd immunity level, which is being recommended by the government.

Currently, we are already at 40% so with about a month or a month and a half and this is all fully vaccinated people. So in a month or a month and a half we will be able to



*Emmbi Industries Limited
June 28, 2021*

finish the vaccination drive. Thanks so much. With that I will end my talk and looking forward to your questions, so we will just open it up for questions Parvati.

Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentleman, we will wait for a moment while the question queue assembles. The first question is from the line of Priyank Cheddha from Standard Chartered Securities. Please go ahead.

Priyank Cheddha: Thanks for the opportunity. I wish Emmbi team is all well and safe. My first question is on the business side? If you look at the underlying sector like auto, pharma, cement, a lot of optimism is getting built up for FY2022 notwithstanding whatever the Q1 loss of sales would be because of the second wave. So my question is with respect to what is your business outlook on FY2022? How much value growth we can expect? What Emmbi management is targeting internally and if you can help us divide your guidance between B2B packaging value growth and the absolute revenue growth in Avana? Thank you.

Makrand Appalwar: I think we are quite bullish like most of others regarding the year FY2021-2022. What performance you have seen in the Q4, I guess we would be able to improve unto that performance for the rest of the year on quarterly basis. So it looks like if other things are not troubling like third wave and others, we should be able to maintain the growth. So that would give us a very decent growth over the previous years and naturally with the topline going up all other parameters would definitely move upwards. Now regarding your second question, regarding B2B and B2C balance, you must have seen that this year we had slide down by around 4% in the B2C from 22 to around 16. So, we intent to bid back in the range of around 20% to 22% during this year because that would be on the larger pie, extended pie, so if you see that, so however, the original thought which was there that by 2025 we should at least have half and half kind of a situation in Emmbi, so we still continue that. Whatever problems we face because of the COVID is now I guess over and we have to come up with a new energy, which everybody in the company is full off so we should be looking at anything between say 22% to 23% of B2C vertical during this year and the rest would be B2B and growth as you asked what would be the ROAs, I could only say that Q4 was the best quarter we had ever, we would be able to better than all the way during this year.

Priyank Cheddha: Thanks for the insights. Just to clarify the whole of B2C segment that we have shown in the presentation which is 16% is Avana right?



*Emmbi Industries Limited
June 28, 2021*

Makrand Appalwar: Yes. So, we have started and because you must have seen that our guidance and other things are also slightly changing because the amount of knowledge or the hard work or the efforts, which we need to put in different sectors are now realigned, so we are going to classify henceforth more on the exports, domestic packaging and Avana separately. So what you see as a retail is the entire Avana.

Priyank Cheddha: So, just to clarify one second, so in the previous calls, if I remember correctly, we had stated that we would be looking at somewhere at 70 Crores, 80 Crores kind of an annual turnover from Avana in the coming years. Am I correct on that front?

Makrand Appalwar: Just a minute, Maithili would call out the answer more appropriately.

Maithili Appalwar: We were actually on that trend, but this year, the revenue we do calculate at 16% of the topline, we ended with somewhere between 53 Crores and 55 Crores. I think this year and one other problem that we had last year was that the growth which was forecasted through the retail segment, which is a non-Jalasanachay sale within Avana as well, the small ticket items none of that really that traction did not happen because as much as it was hard to run an existing operation during the lockdown, it was even harder to start a new operation during the lockdown, people just would not entertain, if we were not an existing vendor. So, in that sense, there was a huge slowdown there. So, this year yes, the targets that we will be having internally will be anywhere between 75 Crores and 85 Crores just on the Jalasanachay front and like we said previously we would like to again set up the same target for ourselves this year, which is between 75 Crores on the retail front. So, that will overall bring us anywhere between 90 Crores and 100 Crores per annum.

Priyank Cheddha: Thanks for that detailed answer. Just the other question is on the EBITDA margin. So, just wanted to know what has led to even in Q4 while we could recover the topline growth what has led to the lower EBITDA margins and if you can provide more highlights on the other expenses on the cost saving front which were at 13 Crores to 14 Crores per quarter, has jumped to 18 Crores? Thanks.

Makrand Appalwar: EBITDA margin is slightly under pressure purely because of the various unprecedented expenses as well as the lower utilization, capacity utilization. So, that automatically compounds, like labours migrate, you bring them back, then additional cost the retail team, they appointed a team, but the team did not perform because of the problems connected to COVID, or the COVID itself has reduced the efficiency of the factory. So, all these things which probably has added to the expenses like the 4 Crores expenses



*Emmbi Industries Limited
June 28, 2021*

which was additional, I would say top of my mind, 1 Crores plus, only we have spent on the money to bring back people and accommodate or put them so there were various COVID expenses, I would say. So, the details can be given to you I would say separately because I would like to discuss here more on the business side of it. So, you can always, we can arrange chat separately. Secondly the freight, international freight has gone up drastically. As you must all be aware it is almost 300% increase in the international freight, which is also a part of their expenses. So that has gone up substantially. The two itself would cover probably 2.5 Crores, 3 Crores out of the 4 Crores what you are targeting about. So that is the main thing. Regarding the EBITDA guidance we were in the good days we were in the range of around 14.5 around, so we are hoping that in the next probably a year or two, we should be marching towards that. We do not expect that we would remain to this 10.5 EBITDA level for more than this year, the proceeding year itself should move us up by at least 200, 300 basis points, and our target internally remains definitely again to reach back to the 16%-odd levels in the coming years, so both ways, those companies I would say EBITDA or net income has reduced but if you see if we could maintain the business of the company and that was very important because one you do not lose the business, you do not lose the client, it is comparably very easy to turn back and bring back the efficiency, because that is very much well under your control. That is not on the external factors. So, our focus this time was largely to maintain our clientele, keep the relationships on so that when the good times come we can again capitalise on that.

Priyank Cheddha: Thanks. Just one clarification what I presume is that 2 Crores, 2.5 Crores in the current quarter was kind of one-off expenses which might not be recurring expenses. Am I correct?

Makrand Appalwar: Freight I cannot say whether it is recurring or not. Freight as of now is going to be recurring expenses, but that is going to be remunerative because that is not a sudden norm and definitely COVID expenses are not going to be recurring and if you see the salary and other things, out of the 4 Crores, probably 3 Crores will not be recurring.

Priyank Cheddha: So, 15 Crores to 16 Crores kind of a quarterly runrate would be fair assumption on the other expenses side?

Makrand Appalwar: I really cannot right now say that because I do not know the expected topline but it will connect the topline so in the percentage point I think we are targeting at least this year minimum growth of 200 to 250 basis points that is what our targets are and we would



*Emmbi Industries Limited
June 28, 2021*

definitely within the 24 months window we would be marching back to our normal job 14.5% to 15% EBITDA levels.

Priyank Cheddha: Just one more clarification, so the expectation of 200 BPS margin expansion is not inclusive of the export incentives whatever in case, we get that, right?

Makrand Appalwar: That is not at all there now. We have lost the hopes that we will not get that or not. God only knows, but every quarter we keep on saying that it is going to come, so whatever you are seeing is there.

Priyank Cheddha: Any way to we can of course if export incentives are back, we would get that directly into our EBITDA, but have they started any progress on negotiating with the clients if whether we are not getting these incentives is there way to compensate that?

Makrand Appalwar: That will happen probably in a slow pace because of the COVID and the loss of image of India in the international price, there was quite hard, like clients, were actually trying to move out of India because the global freights were projecting India as a real epicenter of COVID, which was actually in some time, but to keep them we could not really at that time increase the pricing. So, now we are doing that. We are continuously working on that and we get back to normalcy. That gives me confidence. That is why I was telling you that we would be comfortably pushing back to our normalcy, within probably 12 to 24 months.

Priyank Cheddha: Thanks a lot. I will get back in the queue, if I have questions. Thank you.

Makrand Appalwar: Thanks Priyank. Take care.

Moderator: Thank you. The next question is from the line of Monami Manna from Valued Research. Please go ahead.

Monami Manna: Good afternoon Sir. Thanks for taking my question. I would like to ask you said that this quarter, is your best quarter in the history of the company. The figures also suggest that. Just wanted to know the EBITDA margin has come down and you have given the reason that your freight cost has gone up and that has contributed to the higher other expenses. So, if I see quarter-to-quarter then also the other expenses have gone up substantially. So, I would just like to know, the freight costs have contributed even on QOQ basis also in case the other expenses because on QOQ basis also your EBITDA margins have shot up quite a lot?



*Emmbi Industries Limited
June 28, 2021*

Makrand Appalwar: Yes. It has definitely gone up substantially on QOQ basis only, if you see. I do not know whether you are tracking the international freight rates, and they have simply jumped out of the roof and even because we maintained the eight-week order book and we have to comply with whatever rates we have offered to the customer at the time of booking the order. Nowadays what has happened in the last probably three months is the monthly simply in the month of March, the rates of freight has gone up by 50% in one month. So, that has kind of disturbed the EBITDA level, but now it is stabilizing and probably it is also intervening and our Honorable Finance Minister has intervened directly with the shipping companies worldwide and she is trying to get the things under control. So we are quite hopeful. So, our belief was this is the time, why we call it as a best quarter is though during the COVID, most of the manufacturing industry and the other countries was shrinking. The people were not getting enough business. We could at least generate enough interest and business for the company for that sometime we have to go one step ahead, we have to deliver at a better prices, we have to appoint more people but we were of the belief that if we keep our customers happy, customers would definitely save it for longer and company will be able to grow because this margin retrieval is well under our control during the normal time. As we have seen that the things would shape up better during this year, you should see that the margins would quickly start going up. But if you lose the business, and if the business goes out of India, it goes to let us say Vietnam or Bangladesh or likes of others, then it is a much larger challenge for us to bring them back to India. So our focus this time was to continue and keep the business or the topline intact, so that we can definitely get better numbers at the bottomline during the subsequent quarters. So that was the whole focus and we intent to continue that during this. So naturally you will see better performance during the Q1 of this year than what you have seen in the last quarter. So it has improved COVID understanding is in a better situation as improved compared to the last quarter ago, there was a third wave in the first quarter but in the factory side, where the location of factories were there, third wave was not very pertinent. It was more of an office thing. So, we could still do much better than that. So, our larger focus as I explained to you, was more on the topline than the bottomline and that is why we at times, consciously we sacrificed certain level of margin to keep the business intact.

Monami Manna: Sir, basically I was focusing on the topline much more than the margin. So, that is well understood.

Makrand Appalwar: For the short-term, like I would say for the short-term because we should not lose the customers in any way.



*Emmbi Industries Limited
June 28, 2021*

Monami Manna: Just in March you are saying that 50% has gone up within single month of March only. Now since it has been stabilised a little bit, so going forward that means in the first quarter it will be good compared to Q4 but for the overall, FY2022 what will be the, if you can give some sense of the margin and since you said that 14.5% you are targeting in the next to next year? So, I mean this year and maybe if the COVID situation does not deteriorate further, then what will be the reasonable margin to assume?

Makrand Appalwar: We should not be conservatively speaking also, it should be marginable during probably a year's time.

Monami Manna: Over FY2021, right?

Makrand Appalwar: Yes naturally.

Monami Manna: So, it will be around 12.5%?

Makrand Appalwar: Yes, I would say somewhat similar lines. I will not be able to give the numbers exactly, but yes we are going in that direction.

Monami Manna: Thank you Sir. Sir, just any sense that you can give as of the export margin and the domestic margin?

Makrand Appalwar: We do not really do that because the fungibility of the business we keep on swapping the facilities, manpower, because nowadays it is so uncertain which business is going takeover, so we are not really focusing on that. So, we will be able to only give you a larger picture when it comes to the old company till the time, the things does not settle down.

Monami Manna: Any guidance on the topline though you want to maintain it?

Makrand Appalwar: I just said that the Q4 was very good. We see all over the next quarters, should better the Q4. So, you should be able to get a very get sense out of that.

Monami Manna: Thank you. That is all from my side. Thank you for taking my queries.

Moderator: Thank you. The next question is from the line of Hritik Khanna and individual investor. Please go ahead.



Hritik Khanna: Thank you for the opportunity. Sir congratulations on the great results. Just one question was about the long-term borrowing. So, it has increased by 24 Crores over the last six months. So given that there was no additional capex in FY2021 what exactly was it taken for?

Makrand Appalwar: In the month of March, during the last year if you see the polymer prices has gone up by 65% and only in the month of March, it has grown by almost 20%. So, inventory has gone up by around 11.5 Crores or somewhere around 12 Crores and because the exports have grown by 30% from 140 Crores to 185 Crores the debtor days have moved up. So, the entire borrowing, extra borrowing what you see has been passed in only this two areas one is higher inventory cost, because of the rate of the inventory has gone up, so without much of my creditor discredit it has moved up and second because the exports have gone up by close to 30% the debtor days have gone up there, so the entire 24 Crores what you see there, is divided between these two heads.

Hritik Khanna: Sir one more question; if you can briefly touch upon some of your patented products and if possible give us an understanding of approximately how much the products cumulatively contribute to the topline that is the patented products especially?

Makrand Appalwar: Jalasanchay Super is one of the biggest hit product when it comes to patented products. That is the sky blue colour fish friendly and low evaporation rate pond lining. So, out of the total business of pond lining close to 53 Crores, I would say 40% of the pond lining business is out of the Jalasanchay Super so roughly I would say 20 Crores to 22 Crores has come from there. So that is one of the patents that we have. Then apart from that in the FIBC sector, out of 185 Crores, I would roughly attribute close to another 25% of that is through our various patented products during the time like the bags, fully recyclable bags, or other things. So, by and large, I would say close to 20% or 22% of our topline is coming out of the patented products, which are produced patented during the last five years.

Hritik Khanna: Lastly, if you could share some updates on the traction of product launches in FY2021 like the bioflocking tank, Vama at some start and others?

Makrand Appalwar: Frankly both the products what you said were categorized in the retail. They are very slow retail movement did not contribute very substantially into the topline or bottomline. Both the products are very well ready and they are doing rounds, but I would not be very proud to tell you about their achievements as of now. So, probably we would have to wait for this year to get something. One more as our product, very



*Emmbi Industries Limited
June 28, 2021*

interesting product has come up, which is Avana Tank, which is also there in all the information or website. Secondly, as you asked about the new and the retail products, I would be very happy to share with you regarding the new website Avana Mart, which is basically a standalone B2C or e-commerce portal. So, we have tied up with this delivery company called Delhivery probably you might have heard, which is the largest delivery company in the country. There are a lot of direct sales happening now through websites. So that is another future of retail what we are seeing. So we are working hard on that, but it is at a nascent stage as of now. So, I cannot give you any guidance or expected number, but that is going in the direction. So, in the retail whatever innovations were done, has not grossly monetized during the last year, because of the COVID situation. We are hoping that it would take shape during this year, but yes, in the FIBC and in the Jalasanchay pond lining, both the innovations have paid off very well and they are still paying us very well. So, we are hopeful about it to continue in the coming time.

Hritik Khanna: Thank you so much for the insights. If I have any questions, I will get back in the queue. Thank you so much.

Moderator: Thank you. The next question is from the line of Deepan Shankar from Trustline PMS. Please go ahead.

Deepan Shankar: Thank you for the opportunity. Good evening everyone. Firstly, we are quite happy to see the way we have scaled up revenues over the past four quarters. So, congratulations to management team. Specifically we wanted to understand which segment or vertical wise has contributed much for this revenue growth?

Makrand Appalwar: Deepan Ji thanks for asking this question and welcome back to Emmbi's call again. So, exports were very good both in the specialty packaging as well as advanced composites, exports did very well, very good job almost 30% up. So, as we keep on telling about the possible fungibility that has helped this time. So, at least we could maintain the topline. I am not personally super happy about what we did, but I am reasonably satisfied that we did not go back or we did not shrink to the level where recoveries were difficult so during the first two quarters and the last two quarters if you see there is a gross difference almost within six months we learnt the game with the COVID wave than how to live and I am sure this year seems to be much brighter and heartening because first quarter is almost there to end, so we have sensed that it will do very well. So, by and large, export contributed well. Last year retail was not great



*Emmbi Industries Limited
June 28, 2021*

performer because of the COVID situation, but this year Q1 they did a great job. So hopefully we will be able to continue the run above the last quarter during this year.

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

Priyank Cheddha: Thanks for this followup opportunity. This is a question related to Avana. We had ventured into shrimps pond liners any success that you would like to call out on that? Second thing is on the distribution uptake, if you can help us update distributors and outlet reach for Avana?

Makrand Appalwar: I will hand over to Maithili. Both the questions are probably in our domain.

Maithili Appalwar: For the shrimp pond liners actually we have not been able to test them out as vigorously as we would have liked to mostly owing to the COVID situation. We are currently in the process of testing the product is out in the market and we are testing some new other types of pond liners as well, which I am not able to give more details due to confidentiality reasons, but we do have some exciting updates that we will come out in the next year or year and a half and we think there will also be patented products that we will be able to release into the markets and command a higher market share till other people are able to catch up. In addition to that the next question was about the retail and distribution point. So, despite the COVID situation we were able to attach about 200 retail stores to our network last year and this year of course the target is to do 1000 and we had previously mentioned to attach a 1000 retail stores and now with most of Q1 passed I think we are trying to achieve that.

Priyank Cheddha: Maithili if you can, in the presentation you have highlighted that the TV ads that we had, the commercial that we had run in the last quarter, is likely to generate more than 1000 leads and good business in Q1 if you can highlight more on that?

Maithili Appalwar: Sorry, I am not able to give back because I would give you guidance on that but then that is far too forward-looking because that result is not out yet, the Q1 result. So I mean, yes, the lead generator. I will elaborate a little bit more on the lead, we have got upwards of 1000 leads, and our entire sales team is in the process of contact with them, but in the next call, only I will be able to give you an exact update on what the results were so like.



*Emmbi Industries Limited
June 28, 2021*

- Priyank Cheda:** The question is on the balance sheet side on the debt front so we would be around 133 Crores as on FY2021 and we highlighted that around 20 Crores of borrowing went up because of the working capital. So I am pretty much sure that would get reversed in the FY2022 and over and above there would be an annual repayment, so if you can give broader guidance on what would be the debt figure as we end FY2022?
- Makrand Appalwar:** I do not think it would get reversed rather I wish, it should not get reversed, because we are targeting much higher topline so if you see percentage wise, it will get reversed, but absolute number might not come down, because we are seeing much better topline coming up, so it might stay there, with no additional borrowing and topline going up. This year we will be repaying around 13 Crores to 13.5 Crores for FY2021-2022 from the term loan side.
- Priyank Cheda:** Thank you. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Deepak Mehta an individual investor. Please go ahead.
- Deepak Mehta:** Thank you for taking my question. Good set of numbers for this quarter. Can we expect the similar topline growth in FY2022 what we had done in Q2 FY2020?
- Maithili Appalwar:** I will say similar topline growth in the quarter you are saying over previous quarter?
- Deepak Mehta:** For FY2022 can we expect the growth what we had performed in Q4 FY2020, the last quarter?
- Makrand Appalwar:** Probably when you say that you should expect a better performance when it comes to EBITDA and net income, and the topline performance probably would definitely be in the double-digit, be assured about that over the last quarter also, so slightly we should see an improved version of Q5.
- Deepak Mehta:** Talking about our international market, so due to China plus One theme or anti-China sentiments, are we getting new queries or business or any tailwinds there, due to this?
- Makrand Appalwar:** We do get an individual companies where mostly it is the owner driven companies are trying to shift, but the corporates frankly speaking corporates do not have such penetrated sentiments as of now because many people have settled supply chains through China and I will not say that India was able to snatch a large share of Chinese



*Emmbi Industries Limited
June 28, 2021*

business till now. The companies which were owned by individuals no one thought companies are definitely quickly moving away because of the one person taking decisions. So, we are seeing some benefit over there but the larger corporates are still continuing with their original buying policies definitely because of the COVID situation everybody is derisking. So, it is happening that certain companies who were not buying from India, are coming to India for buying, so that kind of a turn we are seeing and that we have seen also and you must be seeing our exports have grown substantially during past year and we are confident that we will do better than that also this year. So, yes that trend is seen on the individual level, corporate level still it is just on the China sentiment level, yes it has to be translated into the action points.

Deepak Mehta: Thank you so much. One last question is on B2C segment, are we doing any advertisement or what will be the market to make sense this year? Is there any specific strategy around this?

Makrand Appalwar: Yes, Maithili would be able to give you a better sense on this.

Maithili Appalwar: The marketing expense that we look at usually is anywhere between 2% and 3% of the revenues. So, this year it will be probably a similar budget. The only sort of problem currently with COVID is that the usual marketing route they are very effective for rural so like Gram Sabhas or exhibitions or things like that those are all currently not, they are banned by the government because they are large galleries. So what we are doing is now taking all of the budgets that we usually have for those activities and exhibition anyway needs a pretty large budget. So taking those budgets and then reallocating them into media spends like print ads as well as TV ads and such. The amount of spend will be the same. It is just the channels we are using for disbursements are different because of COVID restriction.

Deepak Mehta: Thank you so much. Best of luck.

Moderator: Thank you. The next question is from the line of Hritik Khanna an individual investor. Please go ahead.

Hritik Khanna: Thank you for the followup opportunity. Just one more question; was there a volume contribution to the increase in topline or was there mainly with the increase in the sales price. Like as you mentioned polymer prices rose and stuff?



*Emmbi Industries Limited
June 28, 2021*

Makrand Appalwar: It is volume contribution as well as like if you see the capacity utilization is a little bit of volume reduction, so you see that our topline has gone down by 4%, volume has gone down by 9%.

Hritik Khanna: Just one more question was regarding the nature of distribution for Avana so, do the distributors purchase the product from us and then distribute it or is it that they push it to the market and we give them like a commission on it?

Maithili Appalwar: It is actually different for different products. So, the pond lining product we push it into the market so we invoice it on the name of the consumer and then we have distributor and dealer commissions which are fixed commissions, which are cut out from that whereas on the retail side, we do sell it to the distributor or the retailer and then they resale it to the consumer.

Hritik Khanna: Thank you so much. All the best for the next year.

Moderator: Thank you. That was the last question. I would now like to hand the conference over to the management for closing comments.

Makrand Appalwar: Ladies and gentlemen, thanks for being on call. I wish you all the very best. Stay safe. Stay healthy. We are trying and doing best what we can do. I can promise you that the company and management would do all its best effort to come back and strike it much harder during this year. So, you should be able to see something much better happening at Emmbi. Thanks for joining the call. I would now hand over it back to operator and you can close the call. Thank you.

Moderator: Thank you. On behalf of Emmbi Industries Limited and KRChoksey Research that concludes this conference call for today. Thank you everyone for joining us. You may now disconnect your lines.