“Emmbi Industries Limited
Q4 FY2022 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Emmbi Industries Limited Q4 FY2022 Earnings Conference Call. This conference call may contain 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 accurate results, performance or achievements could this differ from those projected in any forward looking statements. The company assumes no responsibility to publically 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 call is being recorded. I now hand the conference over to Ms. Parvati Rai from KR Choksey Research. Thank you and over to you, Ms. Rai!

Parvati Rai: Thank you. Good evening, everyone. On behalf of KR Choksey Research, I welcome you all for the Q4 FY 2022 Earnings Conference Call of Emmbi Industries Limited. From the management side, Mr. Makrand Appalwar – Chairman & Managing Director, Ms. Rinku Appalwar – Executive Director & 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 Ms. Makrand Appalwar for his opening remarks. Thank you and over to you, Sir!

Makrand Appalwar: Thanks, Parvati for a kind introduction and hello and good day to all the participants on the call. With a very interesting year, it is a very interesting milestone which I would like to talk to you today about, so there are two impressive things, which are happened in our life here, one is our company has completed its 25 years of operations and second, company has also crossed 500 Crores mark in its turnover this year, so both things are very interesting for us, both the things really got us in many things like knowledge, passion, relationships, I would say the love or affection of our investors, our employees and shareholders in this company, so this year especially this conference call is a very dear to my heart and I think I would be probably more talking from the heart side than the mind side during this time.

Of course all the data and numbers has been calculated to you, so I hope you had a chance to run through it, if you did not had because today the time was very short between the presentation was posted and the time of the call, so we are open to your questions even at the later stage. So, this year was very interesting, we had a very good growth, the growth was to the tune of around 60% in the revenue, which came from various factors and the best part is growth was not dominated in any one particular I would say segment of the company's operation, it was overall every segment has performed very well, so that was one of the best thing to happen. Many of the time we have seen that or you must have seen that when the top lines grow or company are in the growth mood at times bottom lines get challenged or break it compromised, but here the story is very different, we could almost toward the 2.5 times improvement in our pack level also and with that ROC has started moving up towards the 13% to 14% mark from a previous years 8% and that is I think one very good sign and symbol that that whatever money we are putting it to sweat hard and we will ensure that in the future also the same hard work is taken from not only those members of the company, but also the investment what is being made in the company.

Regarding the cash conversion cycle as Emmbi initially in the growing stage or in the growth pan we have faced slightly extended cash conversion cycle, the last year our cash conversion was that you know 149 day precisely and last time I gave a comment that we would be targeting it somewhere between 90 to 100 days and we made it this time, we are in the 96 day cash conversion cycle, I think that is one of the best in the industry nowadays what is happening and that too with the growth exports. Export has grown phenomenally this year close to 70% odd plus with that we are maintaining this kind of turn around with the money is one of the very impressive things I would say. Regarding the overall operation and thought about the company, I can tell you that right from the day we have been listed and we have been talking to all our investors I have been always telling that the best part of Emmbi will be consistent growth during all the situation so we again want to marry ourselves to that statement, we would like to double the company in the next five to six years time.

If you see why it is very important and close to this around 10 years back when there was an IPO, this company was 39 Crores company, so in 10 years with your financial backup and your support and the capital market we raised the money, we brought it from 39 Crores to 500 Crores plus and from here there is no looking back, within the next five to six year we are sure that we will double the company in all Emmbi. While doing that doubling activities you must be curious that what are the things which would probably be taking larger share of that growth factors what we are looking at, so we are believing that exports from India would remain very lucrative FIBC as a sector has a global contribution of 42% by the India and it is still growing, so we are very hopeful that the growth what is going to come, exports is going to be one of the large contributors and of course the retail division, which is very close to our heart again from the Avana side is growing leaps and bounds and we would be able to generate a very strong brand driven sales from the Avana side.

So, when it is Avana it is not only going to be the tail for Emmbi, but it was just like lending a brand support to my so many other MSME kind of a company's who were always travel into kind of create that phase in the local market, so through Avana we would be able to extend that brand support, create the wonderful level playing all I would say positive field for those guys and in turn also Emmbi and Avana will get benefit. Export this year had a wonderful growth of 73% and contribution of around 63% in the total sales and the domestic sales was to the tune of 37%, so you should see that exports was growing and had been historically always talking about the fungibility of Emmbi’s product lines, so whenever there are difficult times, whenever there is difficulties in one particular market, we have this ability to swing our productions in whichever way, so when there was a COVID major issues two years back we had ability to dispose or create some material within the domestic market and exports little came down.

Again, when we see that export is a better growing as well as better paying market and we have our ability to move in there, so we quickly shifted our manufacturing setup for that, we can move largely into the export market and got the export share to the 63% in the total turnover. I think this is one of the highest exposure also we have enjoyed in the past and we intend to maintain similar levels of 60:40 in the coming years, so that is one of the interesting thing to happen in the coming time. Apart from this we are completely focused on getting the best results out of a single every penny we are investing trial to reduce the possible investment outlets, reduce and keep the outlets to the many months. Till the time, the government's new scheme in response to the MEIS is not announced, but the scheme is announced, it is not implemented, we would like to at least on add more money and create a better EBITDA level margins we are already on the range of around 11.5% odd somewhere give and take some percentage, so that is the level we would like to maintain without the scheme and every year we would at least struggle to get 50 basis points up on the EBITDA level margins so that in the coming year when you see that in the five years when we doubled the company our EBITDA level margins should be around 14% without any external or governmental support, so we are hoping that multiple things are going to happen.

We are also very confident about the pond lining business, recently our honorable Prime Minister in Germany has announced a new pond lining or a pond scheme, which I am sure you all must have been excited so are we, so we are just waiting for that scheme to come in an elaborate way, we have not yet got the details of the schemes, so as soon as we get the 50000 ponds , which honorable Prime Minister has we will definitely create a better market for Emmbi and we would be able to capitalize some part of that that is what my hope, I cannot fame anything more on that at this juncture because the scheme is not available for the viewing so this is general commentary about this year and now I will open the floor for questions and answers. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Keshav Garg from CCIPL. Please go ahead.

Keshav Garg: Sir, many congratulations for a good number and I am assuming that our raw material prices are Petrochem derivatives so they must have gone drastically during this past year, so if you could just give us some idea about what kind of volume growth was there and what kind of realization growth was there?

Makrand Appalwar: Volume growth was to the tune of around 30% and realization growth was the balance around, so it not only about the raw material, which has gone up, so total grow is close to 58.99% out of which 29.54% came from the volume growth and the balance came from either value of the raw material going up or value of the product going up because of the kind of a need in the global market or improved product contribution either of the both because the contribution of raw material in the product is less than half of it.

Keshav Garg: Sure and Sir, also like you just mentioned in your initial comments that we will try to increase our operating margin by 0.5% per annum, but in FY2022, we are at 11% and in FY2018 and FY2019, we he had already done 14%, and I am assuming that our product mix must have improved favorably during these few years, so in that case after this COVID disruption is over, now we should start from 14%, but here you are guiding that from 11% we will increase by 0.5% or 15%?

Makrand Appalwar: There is one point that you are missing that is there is 4% MEIS support which was there, which been withdrawn by government so that is the money has gone so that is what I actually clarified in my end that without MEIS support we will be back to 14% and in case the MEIS or RoDTEP or RoSCTL whichever is the government schemes comes in and get us that would be up and about that number.

Keshav Garg: Sir, basically right now we are getting no export incentive whatsoever?

Makrand Appalwar: No, zero.

Keshav Garg: That is really strange that this is probably only export that there is no export incentive; however, small so anyway?

Makrand Appalwar: Technically I can say that that is interest subvention to exporters, which is common to 100% every single exporters in the country, but sectors yet to be announced, they have announced it yet, but the formal notification has to come, so we are hoping that it will come so soon that it is in the range of around, I do not know anything from 2% to 6% people are talking about it, but till the time I do not see the notification in my hand and we do not get the money actually in the bank account, I do not want to comment anything here.

Keshav Garg: Sir, we will get this I mean whenever this is notified, so we will get it retrospectively for whatever exports we are doing in these past few quarters?

Makrand Appalwar: Not really, I do not think so because most of the time government is not giving anything retrospectively, it would be from that particular day on the day announcement or something like that or maybe maximum a month adjustment or something like that.

Keshav Garg: Sir, also wanted to understand that I was just comparing our company's financials with one other listed company like Vardhman Polymers is Gujarat base and our product profile is quite similar, but if you see their operating margins they are operating at anywhere from 20% to 23% and even their cash conversion cycle is like what 50 days in last financial year, so I mean being of roughly the same product profile, so how come there is so much of divergent in working capital intensive activity as well as operating margin?

Makrand Appalwar: No, I cannot comment like this because I have not studied Vardhman Polymers balance sheet so it comparing how our balance sheet is different from them, it is difficult, but I will our finance department to work it out if you can call us little later we will be able to maybe give you some more clarification or I would say guidance on that.

Keshav Garg: Sure and Sir, lastly any rough idea you want to give us about the kind of capex that companies like you were planning to incur over the next two years?

Makrand Appalwar: Yes, I think we are not going to be very, very capital intensive though, we would be investing anything close to 12 Crores to 15 on the annual basis to either de-bottleneck or add some more base equipment so that we can go from or movie from this, so that is definitely going to be capex, but not very heavy capex is expected in the I would say short-term.

Keshav Garg: Sir, basically this 12 Crores to 15 Crores capex per annum will suffice for us to double our revenue in the next five to six years?

Makrand Appalwar: Yes.

Keshav Garg: Sir, any plans to deleverage the company?

Makrand Appalwar: Any plans to?

Keshav Garg: Deleverage our balance sheet?

Makrand Appalwar: No, I could not understand your question, what do you exactly trying to ask?

Keshav Garg: I am trying to understand that do we have any plan paying the debts off?

Makrand Appalwar: It is going to be interesting only to pay off, we are debt free, so I really do not feel it is going to be interesting only to payout the debt because de-leveraging is basically can be done by even adding more value added I would say investment than just simply repaying because today the money what we already borrowed is not very expensive money, so that percent money was already available, so instead of paying back at 7% to 8% and saving that money I would like to probably invest in the new activities either in the front end or in whichever back end and on better margins instead of just cutting the debt because we have enough coverage, there is a steady I would say ability of our company to replay the debt so from the banking side, from the financial institute side we are very stable company, so just repaying debt would be very conservative way of using the cash, I would probably like to use the cash in more creatively.

Keshav Garg: Sure, Sir and our market leader in this whole industry is Garware Technical Fibres, they are into fishing nets and sports nets, etc., so that company has tremendous margin and return on capital, so do you foresee that in the next 5 to 10 years we might be able to transform ourselves to somewhat similar profile in terms of return on capital and margin, is it possible for you, do you have any idea?

Makrand Appalwar: No, I would not like to comment that we would be like Garware or not, but I can tell you that companies do mature with the time, every company takes its own real generation company when you start the company, your responsibilities and your liabilities are different and assets are different and when the company start growing with the age not only with the size, it is entire probably financial profile keep on improving and keep on becoming more sounder, so definitely Garware basically is the fifth generation of their manufacturing, so I can say that we already beaten many other Indian companies within the first generation itself, so yes, we would be going towards betterment, now whether we will catch Garware in the next five years or no, only time can tell, but I can tell you that we have thirst or we have reason to grow because we are the right kind of products, we have right kind of mindset we do not unnecessarily take any risk because our money and our investors money is precious to us, but at the same time we have delivered on a consistent basis, you would have heard in my initial comment that a company which was 39 Crores within 10 years we brought it to 510 Crores, so it is almost 8 to 9 times, 900% growth so we could deliver that kind of a growth in a consistent way and we will continue to deliver that so automatically without doing anything very rash or very aggressively we can still double your wealth in a very short span of time.

Keshav Garg: Sure, Sir, very encouraging answer, just one last thing, if there any possibility of reducing our working capital intensivity specially our inventory day?

Makrand Appalwar: I think we have registered a very good level, right now the inventory days are down to 82, so we have to keep so, because you know it is a petrochemical derivative and lot of things are very sensitive to the market pressure so whatever is our order book position we have to keep that much of a stock in any particular level, so again being a very non-speculative and straight forward operating company we would like to keep or maintain our inventories to the tune of our order book so that we are never exposed to undue market risks, so we would probably might get it down by another five to seven days here and there, but I think anything from 60 to 75 days would not be, it will be risky to get it below that, so that is what we are seeing.

Keshav Garg: Okay, Sir, thank you very much and I will rejoin the queue. Best of luck!

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

S. Balakrishnan: Thanks for connecting, operators. Very good results. My question is generally on product being in the extension of what the previous person had asked, so largely if I see like last 10 years growth rates, so what I understood is like, if we go back to 2013, the debt was around 59 Crores odd and like today if we fast forward to 2022, we have almost 144 Crores of borrowings in our balance sheet, so the revenue growth in this period and debt growth is almost like more or less anywhere, so is there anywhere like where this portion relying on borrowings might again come down where again so that is increasing the enterprise value is concerned that is one and the second part, primarily again is on the margin pressure, we are again in the largely it is a fragmented industry right where again with limited working capital and a low entry barrier usually again there is a pricing pressure impact which restrict the ramping up of our operations so where again we have any road map in terms of where we will slightly move on to high margin product so that the cash flows also goes up where again which significantly de-leverage the balance sheet?

Makrand Appalwar: I understood if you have your opinions like I would consider these are the opinions not connected to the industry because I think the things are little different than what do you see, if you see it is not like a industry per se automobile, it is a larger industry, but certain automobile company make more money than the other automobile companies are certain cars or products make better margins than others, the same thing within the FIBC, there are certain products which are more premium than other products so obviously with the time the company is maturing they slowly move towards those more matured manufacturing of a FIBC, so that happens with the companies age and automatically the companies which get the price pressure or the companies which are creating more commoditized or run off from main product, so that is not happening or if that would have been happening with the growth we would not improved our profit margin, which we have delivered this year itself, your first question was connected to the borrowing as well as growth, so if you were to see that entire borrowing remains connected to the money which you are to get from the market and then stalk your holdings, so you have to see that the borrowing is not supporting any other activities just in order to make the company more stable as I explained to you that we are in the petrochemical market where the volatility is one of the challenges which all of us has to face so either companies can take route where they take the volatility or factoring the in the volatility and say that we would either have some windfall profits or losses or there are some kind of a companies like our company where we believe that there is no need to have any volatility impact on our operations let us earn the money out of the merit and that is why whenever there is a higher order book, either it has to be backed by higher inventory and where you are backing it with higher inventory, higher inventory capital gets employees so there is a relationship between the top line and the borrowing, which is going to happen, of course the relationship is getting skewed day by day you can be the last year with the cash conversion cycle which was 149 days, which came down to 96 days that automatically changes the cash employed so I think we need to do your math correctly there so things are changing, things are a little bit different here so I would say that we have been chatting in the past also on this particular topic so you must have seen the gross or sharp improvement in all operating parameters with this we have 1.49 as a current ratio our DSER is like beyond anything, our debt equity ratio is phenomenally good, so all the ratios are falling in place only with volumes increasing and profit margins getting minted, and there is also a substantial R&D spend in the past, last one year we reduced our R&D spend, but a year before that rather I would say in last 10 years if you see we must have spend more that 25 Crores as a various R&D spends in machinery raw material and various things, which has created a fantastic product lines for this company and on that basis I am so confident that in the next five year again from here we will be able to double the company and when doubling the company is at least 1.2 times like 22 times growth in your net worth right 2.2%.

S. Balakrishnan: Correct, so at the moment what is the cost of capital?

Makrand Appalwar: Cost of capital, this exact numbers I would not be able to reveal on call, but if you write us we will send you an e-mail on those.

S. Balakrishnan: Got it, so now let us assume that right now since the cost of capital also is going up, we are here again if that is the case it would make more sense to sort of again bring the gearings likely to lower level right especially higher cost, we can also assume that the refund pass on the raw material cost to a draft extent when the raw material?

Makrand Appalwar: No, I think if the cost of capital is going up it is always better to reduce the inventories because what we are seeing is as the cost of capital is going on, but the crude oil and the crude derivatives are going down, so it might not really impact because in last 20 days if you see crude has actually reduced or even the petrochemical has reduced by more than 9%, so in generally balances out plus the dollar impact what you are seeing like if you see generally delta of inflation between India and United States, which is roughly if you see the 10 year delta annually it is close to 4.25 to 4.3%, so currency depreciation to that level should not be ruled out and that also directly coming up 63% of my revenue comes from I would say foreign currency so that net benefit would be there, so I think the cost of fund getting increased might get upset by this various other smaller impacts which will be in our thing.

S. Balakrishnan: Got it, so you have from a foreign exchange standpoint right like again we are hedging basically?

Makrand Appalwar: Yes.

S. Balakrishnan: And what is the hedging policy we have, is it three months or six months?

Makrand Appalwar: I think this hedging policy it is more of a business secret, so I cannot publically tell you what is our hedging policy.

S. Balakrishnan: Got it and you mentioned about doubling the business, right, so in this spot what is the type of capital that being again would require from Greenfield and Brownfield consent, largely it helps the capacity utilization will cross 90% or above in the next one or two years, so I asked from that standpoint instead the demand is looking at?

Makrand Appalwar: No, I think I will not be able to spell you the entire capital outlay of next five years because frankly it is a very dynamic thing so whether we are going to do it using the external outsourcing mechanism, which for the last couple of years we have been very bullish and it has been very successful or in case we find some product, which has to be very technically secretive and we are going to do it more in the house that might change a little bit here and there, but I guess what we expect is a company has a sound balance sheet in case even we need to borrow more we would be able to borrow more and at immediate level we have no plans to liquidate equity or anything like that, so in the present case either from the internal accruals or from the borrowing the growth would be done.

S. Balakrishnan: Got it, it makes sense. 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: Good evening everyone and thanks a lot for the opportunity and congrats for good set of numbers. Firstly, wanted to understand in Q4 we have build $1 million kind of export in this UK witnessed in that reclaim, so what kind of growth we are expecting from this business over next two to three years?

Makrand Appalwar: I think Maithili has been very active in handling the reclaim thing, so I will let her to answer this question.

Maithili Appalwar: Sure, so with regards to reclaim we were just starting the product out this year, so we did about 1 million in sales in the last quarter, we are expecting that will ramp up actually, we do not know how much growth will come from that just about yet in the UK market because we are expecting that a lot of the general FIDC orders that we get that are typically in normal batch will then start shifting into the reclaim 30 order, then we are also expecting that because we are kind of have a monopoly on this right now from the Indian manufacturers the ability to create batch like that that we will see at least 20% to 30% growth from the UK markets, in addition we are also looking at similar laws coming into Italy and Spain, so if legislation changes there as well we do expect to see a significant growth from those markets as such.

Deepan Shankar: So, what do you mean to say is our regular exports in UK so that will slowly convert more towards reclaim kind of product?

Maithili Appalwar: Yes, that is actually what we are trying to do because reclaim is a better margin product and also like I said we have a monopoly on reclaim so we were able to command an extra margin out of that as well, so we are trying to convert even a normal orders into reclaim 30 order also it is better for the environment because there is a 30% of recycle polymer used in it, so overall we think it is a better product, better margins and that is why we are trying to move more into that in the UK market.

Deepan Shankar: So, can we assume this could be 3% to 4% higher margins than our normal products?

Maithili Appalwar: Yes, we can assume that.

Deepan Shankar: And Mr. Makrand, this 12 Crores to 15 Crores kid of capex every year you mention so that will add what kind of capacity additions every year?

Makrand Appalwar: No, Mr. Deepan, we are not yet actually, blue print is not yet created, I have given a ballpark figure because when we have too, it is not necessary that because now we are coming up with so many new different ways to produce the product, so it will not be only in terms of tonnage, which will get added, but that is also going to be a technology where that would earn us more money than just probably adding more tonnage, so we might also see that we create a pilot for the technology plants right in India and then get that replicated around some others where the capacity, that is why if you can see present gross block is close to the 200 Crores and in next five years we are talking about let us say even at the peak of 15x5 75 Crores is we are talking of doubling the capacity that is going to be that is cute utilization of the cash is going to be so highly efficient so let us see I will not like to rewind the entire plan here because that plan itself is a I would say the secrete source which is going to improve the company's operations in the coming time.

Deepan Shankar: So that means this basic forms of production might be we will be looking to outsource and the technicality of the product you will be retaining within inhouse?

Makrand Appalwar: You have rightly pointed.

Deepan Shankar: Sir, lastly if we see the product mix, so earlier we had this standard products and then advance products and then now we are doing even reclaim, so this standard products which had a lower margin, so that contribution keeps coming down so that is how the product mix is improving?

Makrand Appalwar: Yes, that contribution keeps on coming down or the manufacturing of that product within the company definitely goes down, so if those products are getting manufactured outside, so outside products are most of the time cheaper than what we are able to house because we are specially selecting the companies, which are not doing the greatest of the I would say things and we can get similar kind of return from those run-off for many products I would say.

Deepan Shankar: And lastly so what kind of run rate we are doing on pond liners per day now?

Makrand Appalwar: So, pond liner is still within the range of around 15 to 16 ponds a day because it keeps on changing depending on the type and the states in which we are operating, so it is a stable business it is growing stably, so that is a very I would say it is contributing to the society at the time same time it is contributing to company and it is very nicely and stably period.

Deepan Shankar: So, there we are expecting that to move over the next two to three years because we have expanded to new regions also right so what kind of run rate we are expecting?

Makrand Appalwar: Frankly because the type of the ponds made in the northern region that is Haryana or Punjab or Uttar Pradesh, the sizes are so larger that now the number of ponds will not only remain in the town so we will probably start giving you a count in the per square meter because the ponds are what we made in Uttar Pradesh are almost 10 to 12 times larger than the point what we made in Maharashtra so that run rate numbers probably right now not really now remain very relevant in the coming years, so we will have to readdress it in some other numbers so might start giving you either by square meters or number of area or hectares covered or something like that.

Deepan Shankar: Thanks a lot and all the best.

Moderator: Thank you. The next question is from the line of Keshav Garg from CCIPL. Please go ahead.

Keshav Garg: Sir, I wanted to understand that who would be a major competitors in our various product line?

Makrand Appalwar: Probably in agricultural related product there are companies like Garware somebody pointed out or in the packaging there are multiple companies starting from ITW Sig Node, AM Car drive or Flexita for kind of flexibility, there were multiple companies, which we can see either within the country or globally and regarding the recycling it is all the reclaim side, it is completely new vertical, so probably this is developing a whole new set of business they are coming here so right now I cannot address any other, but might be a companies like Ganesha who is doing very well recycled material can be similar peer, I do not say they are similar products, but operation wise they are doing something similar what use to do for PVT we used to do for polypropylene.

Keshav Garg: Sure, and Sir, also if you could give us some more information about the efforts you are making to differentiate our product portfolio and how we can increase our realization of our products and how we can be commoditized by our product portfolio?

Makrand Appalwar: Multiple things, so primarily we all have to believe that in today's time everything is commodity even the airplanes, like there are, I do not know whether you are aware, but there are 117 different airplane manufacturers in the world starting from Boeing airbus and going to the smallest complement, so the aircraft which is one of the more technically sophisticated product is also manufactured by more than 100 companies all over the world, the point remains it is not about whether it is commodity or not commodity it remains how sustainably the product is going to be there and how interestingly the need is getting addressed, so what we have to see is what needs Emmbi is addressing, so one primary business of bulk packaging were addressing a need of a global movement of material, which is unparalleled weather today or from 50 years from tomorrow, even tomorrow bulk packaging or the global movement of material is always going to happen and we are to part of that, now if somebody might use a polymer base bulk packaging or somebody might use a paper or a glass or a gold, so we are married to that need of bulk packaging so we are going to take care of that and another product what we are doing is water, so we are all aware that I do not have to explain you how important water is, and how important the story is, by creating that pond line what we have created is the lowest cost water reservoirs, it is one paisa per year per liter it is the cost of water reservoirs we have created and the storage of water because of a very erratic weather patterns, rainfall and another, how important it is adding again I do not have to spell it to anyone, couple of means are so necessary and that is one of the reasons why I told you that Emmbi has been consistently growing and we are married to that growth, we will ensure that everything grows within that speculated period, double this itself and double the wealth of all of us so do not want to just say that by doing this one special thing there will be for three years nobody will be able to manufacture, but okay what happens on the fourth year, everybody will produce it and the prices will be high so that should not happen, you choose the right need and you can keep on addressing that and that is what is we can do, choose the right needs and address it to the level where nobody in the world would be able to create alternative product, so that is the mantra what we are using and that would we will keep on using, we are not married to that particular product what we produce, we are married to the new which we are addressing today.

Keshav Garg: Sir, got that that answer, so product is one part of differentiation, so we can also have a competitive advantage if our distribution network is superior than the competition something like what Pidilite has been able to do with carpenters or some pipe compiled companies have been able to do by developing a deep relationships with plumber, so is there any possibility for us like in agri side can be make that kind of distribution so has to achieve an advantage over competition?

Makrand Appalwar: Certainly as Maithili is taking care of the distribution side especially in Avana, I would like her to address this question.

Maithili Appalwar: Yes, I fully agree with you I think that Pidilite and companies like Astral have setup really good models for them that can certainly be emulated, but currently what we have noticed is that farmers really have herd mentality when it come to turn, but that is why limited to their local environment so if I tell a farmer that okay you know I have done something for a farmer in let us say 80 kilometer away from you, he is not likely to believe it no matter how good the results are, but if you are able to show "from your village someone has done it and this is now well it worked out then that is something that really helps them understand think quickly and they really trusted there is that additional kind of bond and loyalty that they create with the product, so we have been running this initiative for a little bit now, which is Balwan Kissan where we are creating demo farmers within villages that were present in, so any new products that we launch typically we sell it at cost to these demo farmers, we create a plot of land and this is something that a lot of seed and pesticide companies have also like majors, like Syngenta etc., has done in the past, so we will give it to them to pilot the product on their land and then once that is done we hold a lot of farmer meetings, we bring people from other fields, etc., to show that and that kind of you know both it creates this loyalty in the mind of the farmer where if they are asking let us say for bag, they do not just go to the retail counter and say bag but they say give us the Avana's bag because they have seen the product, they feel that it does well, and in terms of the distribution network like you mentioned it also creates the demand, which is coming from the ground so the distributors or the retailers like me to buy more and buy at a better price because we are not pushing the product to him there is a pull for the product, which is coming from the market so I think there is definitely it is going take some time to create the kind of brand that Pidilite has created, but I think that it were on this path like you said that it is a promising one for sure.

Keshav Garg: Lastly, just one thing that do we have any plans of maybe exiting some of the product line to reduce our inventory and to focus more on the highly profitable segment?

Maithili Appalwar: I think right now we are not looking at a plan to exist some, I think what you are saying is essentially high inventory early days or low margin products do we have a plan to exit those products, currently we are not looking to exit any of the products to that we are in because we do believe that in plastic volume also presents are really important metric to bring the overall margin up and currently as we are growing and as we have seen that our capacity utilization has gone up to 90 we are seeing the improvement in margins come from those things as well, so I think immediately there is no plan like that, however, like I was saying earlier I think to your question we were talking about like reclaim 30, etc., so with things like that where if there is a market which is demanding more for example, a recycle product or product with the barrow properties and we are seeing that without sacrificing any sale we were able to switch into higher margin products when we certainly want to do that.

Keshav Garg: Sure, Madam and lastly one more thing like it was mentioned that our capacities are fungible between domestic and export so does that also mean that our agri capacities can be used for bulk packaging and vice versa?

Maithili Appalwar: Yes, it is completely fungible, capacities can be used across the board, we are also now starting to develop a pond lining distribution in the US, so that is something that we are focusing on in the next two year plan or so, we are trying to sell it on-lining outside of India as well, so that machinery even for selling pond lining will become viable but even currently like if you did understand the process then pond lining was basically fabric right it is basically large fabric and then when you have this FIBC bag which is what we export we take that fabric and we make bags out of it, so if we want to change that Avana machinery into export machinery basically you are taking the fabric and you are adding some bag making to it and then you can expand that so the capacity is fungible that answers your question.

Keshav Garg: Madam, thank you very much.

Moderator: Thank you very much. As there are no further questions, on behalf of Emmbi Industries Limited and KR Choksey Research, we conclude this conference. Thank you for joining us. You may now disconnect your lines.