



# “Emmbi Industries Limited Q2 FY-23 Earnings Conference Call”

**November 16, 2022**



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

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

Analyst: Mr. Abhishek Mehra – TIL Advisors



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**Moderator:** Ladies and gentlemen good day and welcome to the Emmbi Industries Limited Q2 FY23 Earnings Conference Call. 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 Mr. Abhishek Mehra from TIL Advisors. Thank you and over to you sir.

**Abhishek Mehra:** Thank you Aman. Welcome everyone and thank you for joining this Q2 FY23 earnings conference call of Emmbi Industries Limited. The results and investor updates have been emailed to you and are also available on stock exchanges. In case anyone does not have a copy of the same please do write to us and we'll be happy to send it over to you. To take us through the results of this quarter and answer your questions, we have with us today Mr. Makrand Appalwar – Chairman and Managing Director and Mrs. Rinku Appalwar – Executive Director and CFO.

We'll be starting the call with a brief overview of the financial performance which will be followed by the Q&A session. I would like to remind you all, that everything said in this call reflecting any outlook for the future which can be construed as a forward-looking statement must be viewed in conjunction with the uncertainties and risks that the company faces. These uncertainties and risks are included but not limited to what we mentioned in our annual report which you would find on our company website. With that said I will now hand over the call to Mr. Appalwar. Over to you sir.

**Makrand Appalwar:** Thanks Abhishek for the introduction and starting up the call. This call is on the background of a very successful previous year that is financial year '21-22 where company had a wonderful growth of around 60% in the top line and almost 1.5 times in its EPS. Last year was wonderful and did a great job. But this year seems to be more of a year of consolidation and the growth what we had last year is getting little bit subdued this year, mainly because of the reasons or the situations which are beyond the control of the company. I'm going to explain you what are the situations which are pulling us a little down this year and how are we trying to get counter those situations so that we can be at the normalcy ASAP.

This year is basically a year as I said the year of consolidation. As you know that large part of our revenue that is almost (+60%) used to come from exports and global situations like Europe war or a very high inflation in the United States is really causing the demand curve itself very low. Being a packaging heavy company and packaging is directly connected to GDP, so there is a natural slowdown in these areas or these continents like the typically European businesses slowing down and we are also seeing some pressure on the US business also. Rising interest rate in India is also a cause of concern for consumption within the country as well as globally because all over the world the interest rates have gone up, anything from I would say 250 basis points to 500 basis points depending on the segment or areas which in terms at times reflects 100% growth

in their local rates. That has kind of pushed down their consumption pattern and being a GDP connected manufacturing, it is slightly resulted into the reduction of our top line.

In the first half year, our value growth is reduced by 10% but the good part is the volume growth is actually reduced by 15%. We could keep up our prices rather increase our prices and that could only happen because of a very premium segment in the global market we are operating. We could still protect our margins and keep ourselves running and doing very well.

The capacity utilization is down from 89% in the previous financial year to 80% in this half yearly results. That is purely because the sale itself or the top line itself was hit because of the lack of demand globally. That is the reason why capacity utilization is down. But still even at reduced capacity utilization we are at 80%, which is fairly good and above our operating or break down breaking even point levels. The company is still generating cash on a regular occurrence. In order to take care of the following what we have done is, we have immediately focused on various parameters to take corrections.

As Europe was doing really badly, we have started focusing more towards the US as well as Oceania region and the Africa region for the exports. We have also started a larger focus on the Indian domestic packaging because I think India is the one country which is hurt least and we feel that Indian economy is still doing very well and we can still bounce back considering this fact. The larger focus now remains within the country, apart from the exports which we have and we are hopeful that within next quarter or two the situations would improve. This particular first half of the year was also not very strong for Avana purely because very extended monsoon in India. In the last 25 years we have never seen so much of an extension of monsoon. As you know that a lot of Avana work is connected to the water and the rain which is happening during the period or on the ground. On the ground level we could not really perform the Avana business very well in this last 3 to 4 months because of the excessive rains happening and there was lack of this. But this is particularly not a loss of business, it's just a shift of business. The business or the ponds or the reservoirs which were supposed to come, they will still come and that will only get shifted from Quarter 2 to Quarter 3 and 4. That business will get shifted and at the end of the year I'm sure we'll see good traction in the Avana business also.

The year is expected to be little bit on the flattish side. It's not going to have any major increase in the sense but we might see a small reduction of 10% to 15% in the top line and a similar pattern of the bottom line might be seen as was seen in the half yearly results. So, management is very committed. We are working on the various options or the possibilities. The good part is even with the global slowdown there are no bad debts or anything like that and all the 100% of our exports are ECGC backed up. The company is financially properly managed and it's very strong. The rupee kind of depreciating is helping the profitability and margin. So that would remain, we are quite bullish about the dollar getting strengthened in the next 6 months to come. I think by and large that would have come very handy towards the company. I think this was my initial commentary and now I would like to open the call for the questions if there are any.



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**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. Ladies and gentlemen as there are no questions from the participants, I would now like to hand the conference back to Mr. Abhishek Mehra from TIL Advisors for closing comments. Thank you and over to you Abhishek.

**Abhishek Mehra:** Participants thank you for joining on this call. If there are any queries, please do feel free to reach out to the Company Secretary or me. We'll soon be sharing out all the contact details of the designated IR officials working on the company. Thank you.

**Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Emmbi Industries Limited and TIL Advisors we conclude this conference. Thank you all for joining us and you may now disconnect your lines.