



“Shareholders Conference Call of Emmbi Industries Limited.”

September 16, 2016



Management:

Mr. Makrand Appalwar, Chairman & Managing Director of Emmbi Industries Limited

Mrs. Rinku Appalwar, CFO & Director-Finance

Mr. Kaushal Patvi, Company Secretary



*Emmbi Industries Limited
September 16, 2016*

Moderator: Ladies and gentlemen good day and welcome to the shareholders' conference call of Emmbi Industries Limited. As a reminder, all participants' 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 '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kaushal Patvi from Emmbi Industries Limited. Thank you and over to you, sir.

Kaushal Patvi: Good morning, participants. On behalf of Emmbi Industries, I welcome you all. We have Mr. Makrand Appalwar and Mrs. Rinku Appalwar who are over here who will be addressing this conference call and later participants can ask the questions, queries and we would be happy to address them. I now handover the telephone to Mr. Makrand. Over to you, Mr. Makrand.

Makrand Appalwar: Hello and welcome to all the shareholders on post 22nd AGM shareholders' conference call. This is my efforts to reach more and more Emmbi shareholders either through direct participation in AGM or through a post-AGM conference call. I am glad to inform we have around 10 shareholders who have been personally present here and they are also joining us in this hall. And we have around 30 plus members right now on the call who are joining this through various parts of the country. So I am really excited to be part with you. And thank you very much for joining you sirs and madams.

I will brief you about few things. As you know this is a Shareholders' conference call this has been specifically designed to address the annual report and various other things following to that. So I am sure by now you must have already gone through the annual report and you must have seen lot of hands and pictures of hands being used during the course of annual report. So this is our way to respect our blue collard employees and the people who are part of the growth of this company who had been putting all their hard work, sweat and blood to grow this company. That is why at the part of the respect towards our blue collard patrons we have used many places the hands which symbolizes many different things during the course of the work they performed for this company.

Let me tell about the future or the growth what we are planning. As committed in the past we stay focused on growing this company with the proper ethics and policies and principles with the susintable practices for growing with the same pace sustainability in our eyes is not only the environmental sustainability but sustainability towards the profitability sustainability towards the growth, sustainability of handling the businesses and keeping the growth constant.

So all these focusses are definitely kept in mind while doing all the business policies or while chalking out the principles about it. Right now we are very, very focused on growing the retail portfolios especially in the water conservation and agricultural related field but as you are



Emmbi Industries Limited
September 16, 2016

seeing that the company has a very good and well developed B2B business. We are also very keen to develop a B2C part of the business.

Let me tell you about the water conservation and pond liner in particular. Pond liner has been produced by Emmbi for last many years. Almost 10 years we have been the OEMs manufacturer for largest lining company in the world which is a milestone. So what we are doing is we are indianizing the product and bringing it to India. So the product or the technology per se is not new for us but we have made it suitable to Indian region. And last quarter we have launched it in Maharashtra and Rajasthan and the response is wonderful.

We have been really excited and we are happy to announce that within the very first quarter our retail online business has really taken up very well and we have been able to distribute it across the place and it is doing very good. Regarding the other products as we promised in the last earnings call we are committed to bring in one retail product every quarter for the next 6 quarters and we have already lined up the products which would be there and they would be coming the machineries know how technology, pilot trials are most of the initial four products are already complete and every quarter we would definitely come ahead and launch the product in the retail market and try and take this thing ahead on the retail side.

Secondly, regarding when the growth is coming we are also committed on developing our middle management level. We will be doing the all necessary activities such as training and upgradation of the existing manpower and their skills. We are focused on giving the training programs for our existing people as well as if the time and things required we will be hiring a new talent in order to take care of the growth. We are completely aware and understand that we would be focusing for acquiring the right type of manpower to run this entire operation.

Let me also brief you about the CAPEX program which company is planning to execute during this financial year which would be completed on March 2017. We have decided to spent an amount of around Rs. 22 crores for the two major projects. One is a Rs. 15 crores capital expenditure project which is going to come for a food grade packaging which would be principally an export driven business. I think many of you might be aware that there is a change in the norms of USFDA for the food and packaging and pharmaceutical packaging industry. So we would be tapping the market which has been newly getting created because of these changes.

So this facility is getting newly created we would be creating an extra capacity of 2,400 metric tons per annum with this expenditure of around Rs. 1,500 crores. Presently manufacturing building is in construction. We have completed three levels of the building it is a four level building and we expect the building to be completed by December 2016. After that three months will be required to get the necessary permissions USFDA license and other things and



Emmbi Industries Limited
September 16, 2016

we expect that from April 2017 we would have our products sales for the food grade material which would be produced in the new project.

Second project is creating a dedicated facility for the pond lining operation. We have already signed a Memorandum of Understanding for purchase of a new building which is in the vicinity and that building will be acquired during probably next 45 days and we have already placed the order for machineries. So expect that building and machinery for the pond lining operation would be ready by the end of October 2016 and within initial next 2 months we would also be operational on the on lining dedicated lines. This has been done with the very specific intention to give a very focused attention and focused manpower as well as production facility which would enhance our productivity for those products.

Right now we are also using our existing capacities on the swing basis but with the new dedicated manufacturing and machineries for the pond lining our efficiency for pond lining will be increased which will also create a more quantity as well as better quality of the product which would go into the retail market. This is all about from my side. I thank you very much once more for joining us on the con call. And now I open the floor for the questions. Thank you so much.

Moderator: Thank you. We will now begin with the question-and-answer session. We take the first question from the line of Vinay Pai an individual investor. Please go ahead.

Vinay Pai: My query is earlier in the year I think May you had released a Press Release it says that the excise and the various benefits that you are getting from selling the product which is originating from the R&D lab is free from duties subject to income tax. Has that income tax clearance been obtained? That's the first query. Second is, you have applied for the various patents. I would like to know what is the status of that and how many patents have been awarded? My third query is, on the retail Pond Liner business is it only limited to Rajasthan and Gujarat or is it all over the country?

Makrand Appalwar: First question was regarding the Income Tax clearance. On the Emmbi laboratories certification as nationally accredited R&D laboratory for the company. So we have already applied for this and we will be getting this IT clearance for the initial three years from the income tax department.. That means that whatever amount of money we spend for creating an expenditure towards income tax we would get a super deduction or 200% of the deduction or whatever is the prevailing rate at that moment for claiming the IT. Second question was regarding the patent that what is the status on the patents? Generally queue in India for granting the patent is anything from 6.5 years to 7.5 years. We have applied all 11 product and process patents and they are in the process but not any one of them has been granted till now because we are in queue and that will take some time to be issued as a patent to us. And third question was regarding the retailing, are we going to be only in Rajasthan, and you said



Emmbi Industries Limited
September 16, 2016

Gujarat, but actually we are in Rajasthan and Maharashtra. No, that's not the point. Because retail is the new activity for us so we have decided that every 6 months we would add a state per product. So right now we are focused on only Maharashtra and Rajasthan because these are the two states which are having the maximum number of potential for making the Ponds. In Maharashtra this business is very well-accepted and its almost 5 years old matured business in Maharashtra while in Rajasthan because of this Indira Nahar becoming very aggressive and because of the offshoots of Indira Nahar especially on the Kutch region if you see the districts which are Ganganagar starting from Punjab and coming down to coastal regions there is a very strong network of canals in that region. Those canals do attract a reservoir or a personal irrigation system. So in Rajasthan right now new kind of a theory of 1500 square meter per Pond has been very actively being processed and that is why we have chosen Rajasthan as the second state but as a policy we would be planning this business in next 5 years' pan India. Slowly step-by-step we would be going ahead. Next two states which we have identified are Karnataka and Himachal Pradesh. These are the next two states we will be rolling out this business into.

- Vinay Pai:** Referring to the first answer of yours you have applied for the clearance from Income Tax for the tax benefits so which means can I assume that you are not in the MAT period, are you in the MAT or not MAT?
- Makrand Appalwar:** We are already in the MAT. So this year the year which will be closing March 2016 and March 2017 and March 2018 all three years we will be in the MAT.
- Moderator:** We take the next question from the line of Navratan Dahiya an Individual Investor. Please go ahead.
- Navratan Dahiya:** I have been investing in Emmbi for the last one year and thank you so much the way you take care of stakeholders. My first question pertains to patent. When do we expect these patents to be granted, anything on the timeline, which year? And what these patents pertain to and how are they going to contribute to topline and margins? The next question, I have observed that your company has been really focused on R&D, so what is cooking in the R&D lab right now and what is plan for the next 5 years and what is the product pipeline that we can expect over the next 5 years?
- Makrand Appalwar:** Thanks a lot of joining in. Patent thing again I would just reiterate that it takes around 6.5 to 7 years in India to grant a patent once you apply. We have applied between 9 months to 18 months back and one-by-one if not challenged let's say around 5 years down the line the patents would be applicable or issued to us. Till then we would remain as a patent pending product and we can always stop any competition from producing it, we can challenge the production, but the physical patent number and the patent assured product would only be available till the time the patent number is not issued at the queue right now is around 6.5

years. Of course, there have been lots of representations with the government by various trade organizations to expedite, increase the number of staff, more people need to be created so that globally generally in the developed countries the queue is around 18 months to 2 years. So I hope something happens in India. Regarding R&D pipeline we have around 35 odd people who work under the Emmbi R&D lab and they are senior people starting from you can say post graduates, engineers, marketing people, so the typical way of handling the R&D lab is there is a Need Identification Team which is coupled with the sales and marketing people and they generate the cause that what exactly is the market requirement and then with that market requirement we have a council where we have a brainstorming session and we talk that this product can this be produced physically or with some development in our infrastructure in the times to come in India. Once that has been approved they handover that to our R&D team and that particular R&D team then works backward for creating prototypes. Once the prototype is created it goes back into the market. So this is our process. Frankly I would not be able to declare which are the R&D pipeline products right now because that's against the interest of the company's new products coming in because the value of the ideas are most paramount so till the time we file the patent pending this we generally don't declare which are the products which are coming or which are there in the R&D pipeline because for protecting the IPR of you all, because I am just a trustee of efforts of all of us, so I hope you understand my situation and pardon me for not spelling the products which are there in the development pipeline.

Navratan Dahiya:

Thank you so much. I appreciate your concerns while disclosing R&D product pipeline. My next question is you have talked about rationalizing interest cost over a period and we did see some rationalization in the last quarterly results. What is next to come? And another question relating to debt is how are we going to fund our next leg of growth? Do we expect some more leverage or other source of funding?

Makrand Appalwar:

Let me address you first regarding the interest cost and how do we plan to bring it down. So we are working on couple of initiatives like getting the efficiency of our working capital cycle. We are trying to improve. We are doing lots of internal projects on the supply chain product improvement so that we can shorten the number of days on which we produce the product because most of our products are tailor made and we need to have a certain specified viable sizes to make it more happenable or possible, so we have taken a very conscious call that it should reduce the number of days in which we are operating. So that is one thing. Secondly regarding the interest cost reduction we are working on a rating upgradation. You must have seen that in the last one year we got our rating upgraded from the rating agencies. We are talking to banks and I am also expecting a natural reduction in the interest cost by the government. If the banks themselves..... so the focus of reducing the interest cost. I know that is one of the larger cause we do have number profit and loss or balance sheet, so we are pretty focused and we are going ahead and addressing it very aggressively so that there is a control to it. I am not able to guarantee you that how much in numbers we are going to do it but the trend



Emmbi Industries Limited
September 16, 2016

is going to be similar, the focus is definitely there to control the interest cost and bring it down to the maximum level. Regarding the further funding right now whatever CAPEX we made is good enough to take us to at least 24 to 30 months. So this takes care of a growth till 30 months. And we would be initiating another growth program at the end of say 18-20 months so that we can get another 10-12 months to build up the facilities. Right now whatever growth programs were there were either internally funded or funded by the bank. This 22 crore CAPEX roughly is divided with 14-15 crore odd from bank and balance by the internal funding. So there is no specific plan of further liquidation or the issuance of new share capital as of now which has not been announced or considered by the Board. So if that comes ahead we would have a specific information call with all our shareholders that this new capital expenditure is required and this is the project we plan to and with all joint concurrence of everyone if required we will go ahead, as of now it is not planned.

Moderator: We take the next question from the line of Murad Shaikh an Individual Investor. Please go ahead.

Murad Shaikh: Is there any expansion plans like overseas offices?

Makrand Appalwar: Not really. We don't want to invest outside India right now there is no such plan but there is definitely a focus on improving the distribution cycles or the distribution system which is predominantly regarding the exports that whatever is through the distributor exports we are trying and building up a situation that exports are also now directly to the end-user. Presently most of our exports, you can say 80-20% is the spread, that 80% of the exports are through distributors in abroad as we sell to some foreign distributor and he sells it to the end-user and 20% directly goes to end-user. So right now our sales team is focused to create more end users. Specially we have taken Gulf as the first primary active region where we are specifically doing everything to the end-user, like we are trying and selling most of our products in Gulf, GCC to end-user because GCC comparatively has a very similar market that of India, so we are taking that as one of the regions where our primary focus remains directly selling to the end-user. And we would like to replicate this once we have some better understanding across the world because that would add some extra margin to the company's front-end engine.

Murad Shaikh: Since Emmbi is setting up a positive pressure room for food and pharma products, so which are the companies we are going to cater to and when we can see a positive sign on the Balance Sheet? And one more is that, does the employee require any specialized training?

Makrand Appalwar: The products would be rolled out in the market from April 2017 and you would see some impact in the 2017-2018 Balance Sheet which is from the products which are coming out of positive pressure clean room. And yes, it does need a training which is relevant to manufacturing of those products because primarily it needs training as well as an environment so it's basically a controlled environment where people have to produce, in the literal sense,



Emmbi Industries Limited
September 16, 2016

without sweating. Like even the sweat has to be controlled. The workers cannot sweat because the sweat can create a contamination; there are a number of some such limitations. So we already started recruiting manpower which is going to man that facility and we already have certain people which are already interested in companies which have been working in few of the clean rooms whether they were in the pharmaceuticals or any some similar or food grade companies, we are bringing in the talent on-board which will be able to understand and man that facility. Those people will be completely new addition to the existing set of employees to Emmbi and they will be manning the clean room and manufacturing side.

Murad Shaikh: I was going through the website and I would like to understand one of the components in the website called E-Shop. I was just looking at the E-Shop, is that operational?

Makrand Appalwar: Actually it's not fully operational but it is operational within Mumbai and nearby the Mumbai Silvassa nearby area because we are still setting up our distribution, our delivery network along with the rest of the part. It is around expected to be operational within say 60 days' time in time to come. But right now in a pilot it is already operational in Mumbai and Silvassa area where care catering towards smaller needs of our customers in this area.

Murad Shaikh: Towards multiple revenue streaming is Emmbi planning to hire any consultant like Ernst & Young or any other consultant for the growth on a long-term growth path?

Makrand Appalwar: Right now have not chalked up any program to hire a consultant but as in the last or last to last concall I informed that we have hired the services of PWC for setting up a go-to-market strategy for the water conservation specifically flexi-tank and Pond Lining System which we just took. So I may not be able to say that we will hire a consultant for the whole Emmbi growth story as such but we would be taking help of some good and qualified people on the specified areas like what we did for Pond and Flexi-Tanks we already got a report and we are following on their suggestions and the charter which they created so the next level we will be probably adding some more knowledge base and getting knowledge through them. So instead of adding a consultant for complete company's growth we would probably add a consultant to a specified focus area where they would come and advise us. I personally feel that working on a specific area would be more appropriate or a focus to grow the things instead of saying that let's grow the whole company together by some advice. I thought a pinpointed advice would be more appropriate.

Murad Shaikh: Looks like Emmbi Industries is going to participate in the ArabPlast 2017. Just like to highlight that as a shareholder there is a Trade Fair in Germany from 19th until of 26th of October for plastics and rubber called K-2016. I would be very happy if Emmbi could participate in one of the Trade Fairs.



Emmbi Industries Limited
September 16, 2016

- Makrand Appalwar:** Actually there is another more relevant Trade Fair to us in Dusseldorf called Interpack. K is basically a participation fair for the machineries and raw material manufacturers like they are more relevant to the industry segment. I would be visiting K to look for new raw materials and new machinery for producing the product. But my customers will be more interested in fairs like Interpack or DRUPA which are of product display fair. So Emmbi takes part in Interpack. Last time also we were there. This time also we will be there in Interpack and we had a very good response. We were the largest Indian participation in Interpack and we were one of the best displaying Indian stalls also. So instead of participation in K which is more relevant to industry segment we will be participating in Interpack which is more relevant to our product segment.
- Murad Shaikh:** What are the payment terms to your suppliers and do you have any overseas suppliers? And what is the debt equity ratio?
- Makrand Appalwar:** Regarding the overseas suppliers, yes, we do have some overseas suppliers which comes to the additives mainly the speciality additives generally do come from countries like Germany or Israel or Portugal or United States. Regarding the payment terms and other part I think Rinku would be the more appropriate person so I will just hand it over to her.
- Rinku Appalwar:** For import payments will take buyers credit and we pay after 90 days.
- Murad Shaikh:** So this is standard what you are following?
- Rinku Appalwar:** Yeah for import payments, we normally take buyers credit. But we have very little imports, for the additives only we import, we don't import anything else. The basic raw material we buy from Reliance where we have to pay advance.
- Murad Shaikh:** Are you planning to have any overseas suppliers from the Gulf region or something like that?
- Rinku Appalwar:** Currently Reliance is the cheapest source of supply. We take the call on the basis of the pricing, so currently last two years because of the Rupee devaluation and all the import is not becoming very cheap.
- Murad Shaikh:** What is the debt equity ratio?
- Rinku Appalwar:** Debt equity ratio is less than 0.8.
- Moderator:** We take the next question from the line of Maulik Ripani an Individual Investor. Please go ahead.



Emmbi Industries Limited
September 16, 2016

- Maulik Ripani:** I am a stakeholder from last 2-3 months of Emmbi Industries and I have a question regarding your new plant which requires clearance from US FDA like the pharmaceutical companies which also fixed for this US FDA approval?
- Makrand Appalwar:** We don't require US FDA approval, we have to make ourselves compliant to the BRC and AIB something called British Retail Consortium or American Institute of Bakers. We don't need an US FDA approval because we are not producing a product; we are producing packaging material for the US FDA approved product.
- Maulik Ripani:** So that means there is no fear about US FDA like pharmaceutical companies?
- Makrand Appalwar:** No, we don't need a US FDA clearance like pharmaceutical companies.
- Maulik Ripani:** My second question is about the fluctuation in the currency because we are exporting to US and other European markets so if there is a currency fluctuation due to the BREXIT and other events how much it affects our business?
- Makrand Appalwar:** Frankly we are having a very clear hedging policy and we are not a speculating company so we don't believe in keeping the currencies open. So whenever we book the order we book the currency. So all our speculation risk is mitigated by the hedging part of it and the company has very strict hedging policy and will do adhere to it and keep ourselves and non-speculative. So the moment we book any order we book the currency and we also get our raw material cycle credited by that much quantity so that from both input as well as output side we are secured on the exports. So currency fluctuation is not directly impacting our profitability. It doesn't add a value to us as well as it doesn't pressurize us. So whatever profits are coming they are coming out of the merit of the company and not speculative activities.
- Maulik Ripani:** My last question is about the recruitment. I think you also need new people now for your new plant? So how many people are you going to recruit? How many are required for the new plant?
- Makrand Appalwar:** We will be needing around a managerial as well as supervisory team of close to 25 people for the food grade industry where there will be a principal Production Manager, who is going to be a Senior Manager and also a Quality Assurance Manager who is going to be a Senior Manager and his team. So we've already recruited couple of them and others are in process, the interviews are on and we will be recruiting them during the course of time. We are also giving a chance to upgrade certain skills from our existing people so the people who are having a better skill set and better abilities to handle or understand the thought process of food grade manufacturing or pharmaceutical grade manufacturing, would also be given an opportunity to move to that unit and required. Totally including workers and everybody we will be needing around 150 people to man the facility.



*Emmbi Industries Limited
September 16, 2016*

Moderator: We take the next question from the line of Tyag Rajan, an individual investor. Please go ahead.

Tyag Rajan: Good morning to all. First of all, my compliments to the management number one for an excellent performance the company has been demonstrating. Number two for following several best practices, one of which is reaching out to shareholders through a conference call. My question is if you are permitted and if you are allowed could you give an indication of the expected growth rate in the next 2-3 years starting from 16-17, both for the top-line and for the bottom line, PAT level.

Makrand Appalwar: Thanks for accepting and being a part of Emmbi. Let me tell you this is my sincere efforts to join in and handshake with most of our shareholders and people who are interested in Emmbi. I promise that we will continue to have this flavor because when we talk about extended family as investors and shareholders, I think I really want to convert and mean it that because of the logistics and time constraint many of you could not physically join in here, so I thought it would be best idea to reach you and let's have a small chat with you on heart-to-heart level instead of too much of a formal talking with each other. So that's what is effort and I really appreciate so many of you joined in and we already have another 10 people who are direct shareholders were sitting with me in the very same room from where I'm chatting with you, so this is really exciting for me also. Telling you about the growth, so what we made is a four year plan which has started from the last year like March, 2016 to March, 2020 we are expecting to double the company roughly a growth rate of 18% to 22% somewhere. So top-line would be in that range so we would double the company. We have typically observed in the past that if we grow with a rate of 20% when it comes to top-line then we generally grow with the 30% at the bottom line because there is also substantial change in the product mix. We are typically focusing on the better product mix and improvement in the top line through product mix apart from the organic numbers going more. So that is typically been history, so roughly I would say that between last year to next 3 years company's top-line should double and proportionately 1.5 times should be the bottom line. You will get a decent estimate of how we are trying there. But of course this remains with the conditions which are in the present situation today, this is our plan what we go considering that situations remain similar to what they are which I hope and wish they would remain. That's the by and large plans and assumptions what we are making.

Tyag Rajan: Thank you so much for the clear and focused answer.

Moderator: We take the next question from the line of Navratan Dahiya, an individual investor. Please go ahead.

Navratan Dahiya: My question is pertaining to retail business. What is the contribution we expect from retail business over next 3 to 5 years and what is the kind of margin do we expect from that business?



*Emmbi Industries Limited
September 16, 2016*

Makrand Appalwar: Our retail EBITDA is little too higher than the existing one. We are targeting EBITDA of around 18% to 20% through the retail business in time to come. Five years down the line at least we are targeting the retail business anything from 80 to 100 crores from all the verticals of retail put together. So retail business as on whole should be in the range of around 80 to 100 crores in the time to come, it's around a horizon of 3 to 5 years. Margin levels will remain somewhere in between 18% to 20% when it comes to EBITDA.

Moderator: We take the next question from the line of Shubham Sinha from Equirus Securities. Please go ahead.

Shubham Sinha: Thank you for taking my question. Congratulations for the good growth in the company on FY16 numbers what I have seen and also on the key one. Sometime back I had seen your interview wherein it was told that the promoter is increasing the stake. To what levels you are targeting to increase the stake to?

Makrand Appalwar: Frankly it is now very difficult to answer your question because it all depends on the share price. I have certain limited amount of money which I can spend in. So it all depends percentage, I cannot answer your question because the prices it depends on how much is the particular that time share price. But even right now I am expecting a dividend would be you should so-so now within a week or so. So we are employing most of the dividend and other income what we receive. The Emmbi is one of the most principal income earners for us as a promoter also, so that part will go. So it is difficult to tell you the number how much more percentage I want to acquire. But I would like to spend most of my money what I have to buy Emmbi shares.

Shubham Sinha: So what percentage of the raw material would be from crude oil?

Makrand Appalwar: The large percentage of the raw material remains on crude oil. But frankly crude oil pricing doesn't really impact our pricing because this is a crude means almost Generation IV derivative like crude needs to be cracked to become Naptha, needs to be cracked to become Propane or Ethane, again needs to be polymerized to become poly-ethylene and poly-propylene and then that becomes our raw material and then reprocessed it on to make a product. So if you see the contribution of the cost in our product to the crude oil basis let's say crude oil is today in the range of around \$45 per barrel. So the contribution of crude oil to my product's sales cost is not even 10%. Like many people have this feeling or understanding that crude oil fluctuation or prices of crude oil if goes down by \$10-\$20 we would have some windfall profit or if they increase by some \$10-\$20 we will have substantial pressure on our margin that's not the reality because our products are almost Generation IV or Generation V derivatives of crude oil. Though there are crude oil derivatives, it's absolutely unarguable that we are derivative of a crude oil. But in between there a lot of steps which also have lot of margin embedment in that. Let's say if somebody wants to convert crude to Naphtha he has a general refining margin of



*Emmbi Industries Limited
September 16, 2016*

around \$400 odd or if some Naphtha has to be cracked to Propane, it has another refining margin of say \$200-\$250. All these are static numbers, so they cannot be changed purely because of the crude oil. So crude oil pricing going up and down, yes it does impact to a little extent. But it is not a kind of a decision-making or a resultant factor on the operation of the decent polymer processing company where the contribution of polymers is limited to certain extent.

Shubham Sinha:

But is there any certain crude level beyond which you will be uncomfortable?

Makrand Appalwar:

In the past we were also equally good even at the level of 120s, so that's not a really challenge. I have seen equal product demand when the polypropylene was sold at \$2200 per metric ton. Right now polypropylene is around \$1040-\$1050 per metric ton or polyethylene around \$1300 a ton. In the past like in 2006 to 2008 the raw material or the input costs were in the range of \$1800 to \$2200 a ton and still we had almost similar growth. So frankly the cost of raw material is not a deciding factor for Emmbi because there is no alternate because many a times like if you have an alternative then you can decide whether I want to do this or not. There is hardly any alternative to this product, so I guess cost of raw material is not a deciding factor when it comes to the application or use of our products.

Moderator:

We take the next question from the line of Navratan Dahiya, an individual investor. Please go ahead.

Navratan Dahiya:

My question has a slightly different perspective. So recently around 3-4 months back there was a clarification by the company regarding the money control messenger board post. It is a bit unusual; I haven't seen a company clarifying on money control messenger boards. So what was the intent behind it I mean I could not actually make out?

Makrand Appalwar:

That was the malicious message either posted by some shareholder or some disgruntled competition or something like. And the message was that one of the Emmbi Directors is arrested. So we thought that unnecessarily because of this message there should not be any panic with our shareholders and people anybody in the whole bargain lose some money because I received couple of calls from our well-wishers and friends that there is some message like this and what's happening. So that is the reason we thought that it would be good idea to put a clarification that this is a fraud or incorrect message and everybody in the team of Emmbi is doing nice, hale hearty and there is no such arrest or anything like that. So it was all kind of a proactive measure to ensure that no wrong information about the company's board has been transmitted. I don't know whether we overreacted or what but as we thought that it was a concern it needs to be addressed. Because our people our shareholders are important for us.



*Emmbi Industries Limited
September 16, 2016*

- Navratan Dahiya:** So the focus was to protect the share price or the shareholders? My reason for asking this question is because this money control messenger board, what do we see they hardly have any impact on prices, number one. Number two, even if there is an impact that is very short lived. The medium to long-term these highly have any impact. So what was the focus, to protect the share price or to...?
- Makrand Appalwar:** No, actually it was a focus to protect is probably everybody's interest because frankly the whole idea how we came to know is through one of our shareholders. Somebody gave us the call and what's happening in Emmbi and that's how we came to know that okay there is some such message has been posted because there is no chance that I would come to know immediately after posting that what's happening on blog post. So we thought that people are worried and people need to be informed, so that's how we get it to that level.
- Moderator:** We take the next question from the line of Vinay Pai, an individual investor. Please go ahead.
- Vinay Pai:** My only question is the tax benefit that you are enjoying for FY16-17 and 18, is there any chance of the government extending by just one year or two years or is this only one-time benefit?
- Makrand Appalwar:** No it is not one time. We continue to maintain our status as government approved R&D center then it would get another extension of three years. The maximum tax benefit or a tax deduction allowed or issued is three years only. So after two and a half years as we have to reapply to Department of Science and Technology, Government of India. They would revalidate us depending on our efforts in last two and a half years, whatever we did that Emmbi continue to remain as a R&D center and if we comply that and we managed to remain as a R&D center then we can still be continuing the benefit. If we fail to prove that we have done enough R&D in these three years what they give us the discount on a concession to create a focus, then they might not grant us the new permission. So we might have to pay as per the normal company structure. But generally as we have a 35 member dedicated team which is working specifically on that and there are products which are coming up and R&D is happening. I don't see a major reason why we should not get it extended to another three years.
- Moderator:** We take the next question from the line of Kirti Gangar from Gray International. Please go ahead.
- Kirti Gangar:** I am a new investor in your company. I would like to know who are your competitors presently?
- Makrand Appalwar:** Kirtiji buying in Emmbi and welcome aboard. We have a multiple competitions, you can say that. There are lot of companies at a different vertical. Typically, if you see we are having a four principle product lines, specialty packaging, advance composites, water conservation and



Emmbi Industries Limited
September 16, 2016

agricultural related. So in the water conversation field we have companies like Garware Polyesters and Garware Wall Ropes then Owens Corning and there is InterWrap and Tata, who are typically in the pond and canal lining business. Then in our packaging business we have competitions like Kanpur Plastipack, Felxittuff or Karur KCP or these kind of people who are..

Kirti Gangar: Rishi Techtex.

Makrand Appalwar: I think Rishi Tech is basically Rishi Laser Cutting is a machinery manufacturer. They do laser, as far as I know they make panel boards of cars.

Kirti Gangar: Another company of them I think Rishi Techtex I think they are into more of clothes.

Makrand Appalwar: Frankly I'm not well informed so it will be difficult for me to comment on that particular company.

Kirti Gangar: I learned about technical textiles over there and then got interested in your company because this is a better....

Makrand Appalwar: Technical textile is a very growing and very interesting. I don't know how many of you are familiar with this fact but developed countries like countries like Germany or America if you see a total textile profile of Germany and exports of textiles from Germany 70%-75% of the exports are from technical textiles while balance 20-25 odd are apparel base textile. While in India it is around 5% in technical textile and 95% in apparel base textile. So slowly the newer things are getting approached in the technical textile region. Like five years from now nobody was really worried about lining a pond or lighting a canal or five years from now nobody was lining a road. Roads were always made from asphalt and road underlayment was never, kind of unheard in this country. Now it is largely getting happening. So technical textile is one region which would probably see a massive probably triple digit growth--not even double digit--triple digit growth in next few years because lot of new things are coming and falling in that ambit cars. I don't know how many of you know but around every single modern car has almost 3 to 5 kg of technical textile which is embedded into it. It's a completely different level which is happening and there is one association called ITTA, Indian Technical Textile Association. You should visit their website. There a lot of information is also available up there for technical textile if you are keen and interested on that segment of ours.

Kirti Gangar: And our turnover is doubled in the last four years?

Makrand Appalwar: Yes sir.

Kirti Gangar: So would you expect the same to repeat or much faster...



Emmbi Industries Limited
September 16, 2016

- Makrand Appalwar:** There is no plan like generally our growth period of around 18% to 22% like planned, so other things being equal I think we should be able to double the turnover within another like considering last year as a benchmark, we would be able to double it in these four years.
- Moderator:** We take the next question from the line of Rajendra Thakkar, an individual investor. Please go ahead.
- Rajendra Thakkar:** I just want to know that is there any unorganized part which are not present like in competition in our company?
- Makrand Appalwar:** There are people in unorganized sector of course but generally people who are in unorganized sector they are product followers. Like what happens is when a big or an organized sector company produce something there is always some people who like to follow the path and they do the similar thing. So I would not say that there is a zero unorganized sector in this area. There are some people but in a certain area like typically in geotextile there are hardly anybody because the machinery and the setup cost itself is substantially large so not many and plus there is lot of a gestation period where it takes little longer to settle down on the product. The products are also very highly technical so you need a good amount of polymer as well as technical expertise to handle that. So that is the sector where there are less unorganized people but in the packaging side there are more unorganized companies than the rest of the sector. So those companies are definitely there but you can see even in a technical packaging larger share is always considered or taken care by the structured companies.
- Moderator:** We take the next question from the line of Supreme Jain from K Five S Capital. Please go ahead.
- Supreme Jain:** Sometimes back I heard you in the interview that some patents are there which you're going to receive in next 5 to 6 months.
- Makrand Appalwar:** No I think 5 to 6 months we must have said we've filed. We have filed 11 patents and ideas for different reasons like for processes as well as product. But the few in India is around 5 years right now so I don't think I said that within five months I would get the patent.
- Supreme Jain:** So in the next one or two years?
- Makrand Appalwar:** Yes, we have filed them but we have not received them.
- Supreme Jain:** So the patent you filed been any other company also make the product or you have the rights now because you already filed the patent.



*Emmbi Industries Limited
September 16, 2016*

- Makrand Appalwar:** No we cannot make the like if they start making we can issue them the notice that this is a patent pending product and then they will have to challenge us that they have something different and new in their product and is patent cannot be granted to us. If that happens then we would probably have a legal battle that this we have done first and this is our knowledge. Then they will say no means it's a process like you cannot just set up a shop next to me and start doing the same thing as I'm doing.
- Supreme Jain:** Are you planning to close down some of the verticals which are not leading better profit and after tax?
- Makrand Appalwar:** It is like this giving up something is very easy but unless and until we build something which is more profitable using the similar infrastructure there is no point losing anything what we have. So as the higher margin products are getting build in then lower margins products are phasing out on its own. It's a continued phasing out process. It's not that from tomorrow I will stop producing this particular product because it's a process or it's a thought process that whenever there is higher profitability products are getting produced lower profitability products will get phased out in a stable manner. Not that one day I will stop producing this or something like that.
- Moderator:** Thank you. Since there are no further questions I would now like to hand the conference over to Mr. Kaushal Patvi for his closing comments. Over to you sir.
- Kaushal Patvi:** Thank you all for participating in this conference call. We would love to answer your query is if you all have any. You can mail us on investor e-mail address or call us whenever you all want and we can get you connected. Thank you and have a nice day.
- Moderator:** Thank you. Ladies and gentleman, on behalf of Emmbi Industries Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.