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Date: 11th February, 2023

To,
The Manager (Deptt. of Corporate Services)
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street , Mumbai-400001.
Scrip Code: 530475

To,
The Secretary,
Calcutta Stock Exchange Limited
7, Lyons Range,
Kolkata-700001

Ref : Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Sub: Transcript of the Conference/Earning Call held on February 7, 2023

Dear Sir/ Ma'am,

With reference to our letter dated February 7, 2023, please find attached the Transcript in respect to the Earning Conference Call on the Financial and Operational Performance of the Company for the quarter and Nine Month ended December 31, 2022.

The transcript of the conference call can also be accessed at the website of the Company at: www.tinna.in

This is for your information & record, please.

Thanking you
For Tinna Rubber and Infrastructure Limited

VAIBHAV PANDEY
Digitally signed by VAIBHAV PANDEY
Date: 2023.02.11 09:53:10 +05'30'

Vaibhav Pandey
(Company Secretary)
M.No. A-53653

Tinna Rubber and Infrastructure Limited
Earnings Conference Call
February 07, 2023

Moderator: Ladies and gentlemen, Good day and welcome to Tinna Rubber and Infrastructure Limited Q3 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. Anuj Sonpal from Valorem Advisors. Thank you and over to you, Mr. Sonpal.

Anuj Sonpal: Thank you. Good afternoon everyone and a very welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the investor relations of Tinna Rubber and Infrastructure Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings call for the third quarter and 9 months ended of financial year 2023. Before we begin, let me mention a short cautionary statement. Some of the statements made in today's earnings call maybe forward looking in nature. Such forward-looking statements are subject to risks and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management's belief as well as assumptions made by an information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Now let me introduce you to the management participating with us in today's earnings call I will hand it over to them for opening remarks. We have with us Mr. Gaurav Sekhri – Joint Managing Director and Mr. Subodh Kumar Sharma – Director and Chief Operating Officer. Without any further delay, I request Mr. Subodh Sharma to start with his opening remarks. Thank you and over to you, Sir.

Subodh Kumar Sharma: Thank you Anuj. Hello everyone. Let me first brief you on the consolidated performance for the third quarter of 9 months ended of Financial Year 2023 and then I will hand over to our Joint Managing Director – Mr. Gaurav Sekhri for his remarks. The consolidated operational revenue for the third quarter of the financial year 2023 stood at Rs. 75 crores which grew by about 13% year-on-year basis. EBITDA was reported at about Rs. 8 crores and the EBITDA margins stood at 11.04%. Net profit after tax reported was around Rs. 5 crores and the PAT margins was 6.25%. Coming to the consolidated 9 monthly performance for the financial year 2023 the operational income was reported at around 223 crores representing a growth of approximately 33% year-on-year basis. The EBITDA was around Rs. 29 crores with EBITDA margins at 13.2%. Net profit was Rs. 15 crore which grew by 38% year-on-year basis.

On the operational side in the road sector there was a marginal growth on quarter-on-quarter basis in volume terms due to an extended monsoon, festive season and early winter which delayed sales in non-road sector, but business is intact and we expect to recover this in the coming quarter. On the non-road sector stability was witnessed in the rubber and rubber chemical prices currently India tyre industry is operating at approximately 60% of their production capacity which is impacting volumes sales due to higher usage and sales to support sports turfing segment the sales to non-road business continued to be robust. With reduction in ocean freight cost we anticipate cost saving on our imported raw material and would be more competitive and export segment. Our Wada location is qualified for IATF certification which will strengthen our position with tire companies as this certification is a need from the respectable suppliers.

Our Gummidipoondi location is already IATF certified. Lastly a joint study was commissioned along with IIT Tirupati and final report was received during this quarter which has highlighted that carbon emission saving through use of Crumb Rubber Modified Bitumen over virgin binder. In absolute value use of recycled rubber in vitamin brings down carbon emission by 750 times and this will give us the edge to promote more and more crumb rubber usage for the road construction application and this will strengthen our road sector business. Now I hand over the call to Mr. Gaurav Sekhri.

Gaurav Sekhri: Thank you Subodh and good afternoon everyone and my warm welcome to all of you who have joined us on this earnings call. From my side, I am especially pleased about the 32% growth in sales that the company has achieved for the 9-month period of this financial year. In spite of witnessing some slowdown in sales from the road sector as well as the tire industry I think we are all familiar that the tire industry in India right now is facing some challenges because of downturn in exports to European markets as well as some slowdown within India, but we as a business have growth 32% in these 9 months and I am quite pleased about that. Some key highlights that I wish to mention. One is that we have commissioned a centralized plant at Panipat as well as Gummidipoondi these are within our existing facilities we have just commissioned a centralized plants for sales of bitumen and modified bitumen. This is to make our products more accessible to our end users and we see large projects in the road sector in South India especially coming towards completion especially from Tamil Naidu and Andhra so we want to be ready for that business so that is one development. Second our forth devulcunizer which is the key footprint used for making reclaim rubber has now been commissioned in Gummidipoondi so that has doubled our reclaim rubber manufacturing capacity in Gummidipoondi from 300 tons to 600 tons per month this has been achieved as well. I would like to also highlight that we are consolidating our reclaim rubber operations because we have seen merit in operational cost and production cost if we operate reclaim rubber units within one facility. So, now we have two reclaim rubber plants in Gummidipoondi and what we have done is we have shifted our reclaim rubber plant from Panipat facility to our Wada facility. So, going forward we will have a reclaim rubber manufacturing consolidated in two of our locations one is Wada and the second is at Gummidipoondi. So, our capacity does not changed dramatically we have just done this to bring some rationalization and operational efficiency.

Fourth, I would like to share that I am very pleased to inform that we have acquired a tire recycling business in Oman and our intention is to setup crumbing facility over there. So, this was a small business which was just consolidating collection and aggregation of waste tire, but we have taken over that and now developing that into a manufacturing facility to make crumb rubber. Of course, it is small capacity to begin with, but we are very optimistic this is something that was on the card for us to take our business overseas, take our learning overseas and we found Oman to be a very good fit. So, that is happening as we speak and we expect the benefits of this plan to come in Q1 of next financial year. Another important highlight I wish to share is that based on our financial performance our bankers have upgraded the rating for our company and have granted a reduction in rate of interest by 200 basis points. So, this will help us in saving cost and better profitability. I would also like to share that our absolute debt which was at 69 crores on 31st of March 22 is now down to 63 crores as of 31st December and we continue to follow the policy where internal accruals will be used for any long term, any asset build up etc., we do not foresee taking new long-term debt for the Oman facility. I would like to close my comments with another piece of good news that the discovery channel has a program called Build India which is covering India's growth story in infrastructure sector and we are very proud that they decided to feature us as a positive contributor in providing materials for the road sector industry and especially because of our circularity, nature of our business where we are taking waste tires and recovering materials from that which are being used to build new stronger green roads in India. So, this will be on the 2nd of March please look out for it we will be very happy if you spare some time and watch it. Thank you Anuj with this I close my comments.

Moderator: Thank you very much sir. We will now begin the question-and-answer session. The first question is from the line of Keshav from RakSan Investors. Please go ahead.

Keshav: Sir, if I look at the past 7 quarters we have been largely flat on EBITDA, we are scaling the revenues pretty well and would meet the yearly topline target, but this growth has it been realization led or is it the volumes that are grown coupled with rising ELT prices?

Gaurav Sekhri: So, our scale up has happened on account of higher value of course generally prices have moved up for raw material likewise we had the ability to pass on some of that on to our customers, but we also had an absolute growth in our volumes of product.

Keshav: Is it possible to sort of give a quantum as to on a year-on-year basis, what have been the volume growth and how much would be value?

Gaurav Sekhri: We can give you that breakup also, but in terms of if I do a consolidate basis our tire crushing this year will cross about 70,000 tons versus it being around 50,000 tons last year. So, that is a reflection of the growth in the volume of products.

Keshav: And sir the non-road contribution has consistently stayed high and there we have quarterly price reset, so are we facing some difficulty passing on the cost completely?

Gaurav Sekhri: Definitely it is never easy it is a bitter pill to swallow by any customers when you are seeking a price increase, but fortunately our channel partners, our customers have understood the merit of it. It is based on facts so while nobody is pleased when they have a cost escalation, but they have cooperated with us and steadily given us increase and we hope to continue to pass on the remaining element also, but we have also at the same time we are starting to see a slight correction in nominal prices which is quite positive.

Keshav: The freight cost has also come of quite a bit so we do foresee the margins to come back in the coming quarters?

Gaurav Sekhri: We have seen our raw material prices go up by about 4% points actually when I say 4% you have to interpret it in the form that our cost of raw material was 13% now it is 17% so that is quite high and now we are seeing already some correction again in the raw material prices. So, we are hoping to see that benefit in our EBITDA margins.

Keshav: And sir before I come back in the queue so we have a very ambitious multiyear target of 20% to 25% growth, but realistically it is very difficult to factor in the road sector in projections because it is not really in our hands of how the policy moves I mean I do understand the merit in a product and what it can serve, so when we are projecting this internal growth's target are we also including road sector is it is mostly the other bit and EPR also helping us?

Gaurav Sekhri: The beauty of our business is that it has exposure to the road sector to the non-road sector as within non-road sector there are multiple segments the large one being the tire industry and then you can say the non-tire industry. This year we have seen a very good traction from the non-road sector. Within non-road sector, the non-tire industry. We are quite confident that the road sector business will come back strongly in the coming year basis how we have seen progress of the road works etcetera, but yes it is always a prediction based on some information which you have available. I continue to see that because of our ability to generate sales from these three very different sector if one or two of them continue to grow as we expect it should result in our growth being fairly robust and north of 20%, 25%.

Moderator: Thank you. The next question is from the line of Nidhi Babaria from Envision Capital. Please go ahead.

Nidhi Babaria: Sir I just want to understand historically our revenue has been very volatile even the margins and profitability, so what could be the reason for that and what is the correct way to look at the growth prospects for the company in near term to million terms?

Gaurav Sekhri: Nidhi you are not very clear audible we could not get your question can you repeat please.

Nidhi Babaria: So, historically our revenues have been very volatile even the margins and profitability, what could be the reason for that and what is the confidence for doing 25% kind of growth rates in near to medium term?

Gaurav Sekhri: So, when you say historically this is prior to two years where we have seen volatility in our revenue and profitability that was the phase when our multiple customer base between the road sector and non-road sector had not stabilized that has been achieved now. Therefore, going forward I feel we have better visibility, better ability to adjust to any down cycle in a particular sector. So, we feel more confident now of our revenue projections and as a result our profitability projections.

Nidhi Babaria: Can you help me understand in a more detailed way like what contracts we received**.** By the road contracts like what was the products, was it the products or the customers or the new order book which we are getting from one specific customer which can guess good visibility in our terms?

Gaurav Sekhri: See on the road sector there is always we can only judge to the extent a contractor is performing and the progress a contractor makes in the road works because our product the reality is it is used right at the end. Now, if there is some delay in execution on any accounts it tends to have an impact on our business and that is why if we go back 7 years, 8 years our revenues were exposed to this risk. However, having a larger base of even the road sector customers also dealing with them in multiple ways one being through the refineries second being through mobile blending units where we set a plant at their sites and the third now the centralized bitumen and modified bitumen plant that we have commissioned in Panipat as well as Gummidipoondi we have a larger basket of customers. So, if out of 10, 3 are having some delayed the projects the other 7 can kick in and having a Pan India business presence also help. So, overall, what this results in is better visibility of business saying that we can still have a large mega project which could get delayed and that is where we fall back on our non-road sector business to help us meet our revenue targets.

Nidhi Babaria: So, sir what was your road sector revenue contribution right now versus what it was two years back?

Subodh Kumar Sharma: So, I would like to answer your question if you see in the current financial year our net sales to road sector is around 61 crores as against of 88 crores of the last financial year there is a drop and that drop is only because of like I mentioned in my opening statement that is all in the third quarter which supposed to be a good season for roads, but because of the extended monsoon and festival season you can understand it is all labor intensive work because of that there is a drop. The important point here is all of the projects are having the clear-cut understanding on use of modified bitumen in the top player. The moment the work will start on the top players the demand will automatically start coming in.

Nidhi Babaria: If we say that 66 crores of revenue came from the road segment that means we are roughly 80%, 90% still dependent on the road segment?

Subodh Kumar Sharma: No non-road sales contribution is 161 crores and the road sector contribution is 61 crores in the current financial year. So, total like if we are declaring 223 crores so around approx. 30% contribution is from the road sector sales this year.

Nidhi Babaria: 30% is road sector?

Subodh Kumar Sharma: Yeah in this year.

Nidhi Babaria: And sir what it was in FY19?

Subodh Kumar Sharma: FY19 historically you see I mean the road sector was 30 crores and then 37 crores when it grew to 88 crores in 21-22 and in the current financial year it is 61 crores which we expect to come back in the Q4 and then again for the next 6 months it is a road construction season I mean it starts from February and it ends till July and then monsoon takes place and then again it starts in the September end or something, it is cyclic in terms of whether and all that impacts. So, that is why the peak season for the road construction work is February to July.

Nidhi Babaria: And sir of our total CAPEX how much capital is being deployed towards the road sector products versus the non-road sector?

Subodh Kumar Sharma: For setting up this centralized plants.

Nidhi Babaria: Yeah.

Subodh Kumar Sharma: Not really actually all this we were our old machines and everything was in place and we just had extended our location from Panipat to Gummidipoondi at both the locations we are utilizing our present machines to convert the bitumen to modified bitumen.

Gaurav Sekhri: I will elaborate Nidhi so our basic infrastructure is all intact and because it is in our existing facilities, but in addition to that 102 crores is the CAPEX to setup these two modified bitumen and bitumen plants in Panipat and Gummidipoondi.

Nidhi Babaria: So, sir what was the need to shift our clients by incurring almost 100 crore of CAPEX was it there to reduce our logistic cost or was it to serve in a better way to our existing customers on an average?

Gaurav Sekhri: Did you just say 100 crore CAPEX.

Nidhi Babaria: Are we doing 102 crore of CAPEX for this year?

Gaurav Sekhri: No I do not know where you are getting these numbers from I said 1 to 2 crores.

Nidhi Babaria: So, like is this the only CAPEX we are going to incur in coming years?

Gaurav Sekhri: In the road sector that is correct we will not do any more CAPEX beyond this 2 crores which is more or less done now and on the non-road sector I had mentioned about the plant in Oman which is now underway and also some rationalization of production whereby we have shifted our devulcunizer from Panipat to Wada those kind of expenditures are being done. So, major CAPEX in done.

Nidhi Babaria: And in non-road side what would be the targeted areas and what type of growth are we able to serve in medium terms?

Gaurav Sekhri: I did not understand your question. You need to be more specific please what do you mean targeted area you mean customer, you mean location what are you asking please just clarify.

Nidhi Babaria: On customer side for non-road segment where exactly are we targeting the growth and how are we performing in those areas right now?

Gaurav Sekhri: So, on the non-road sector side our basic trust remains to the tire businesses. We have been very strong with the Indian tire businesses up until now, we are continuing to make lot of effort to have good business with the multinational tire company that is the key areas for growth for us, we have a lot of headroom there, we are also looking at continuous growth in areas such as sport turfing, rubber tiling etcetera. So, these are areas where we are continuing to make a lot of effort and seeing results.

Moderator: Thank you. We have the next question from the line of Agastya Dave from CAO Capital. Please go ahead.

Agastya Dave: Just couple of clarification so you mentioned that last year the total volumes were slightly less than 50,000 tons if I remember what was the target you mentioned for this year?

Gaurav Sekhri: 70.

Agastya Dave: Sir do you have a range so 70 is the midpoint of that because I remember you are saying, you giving out a range?

Gaurav Sekhri: For the tire crushing right?

Agastya Dave: Yeah.

Gaurav Sekhri: Around 70,000 tons will be around plus minus maybe 2000 tons.

Agastya Dave: And how much have you done so far YTD?

Gaurav Sekhri: 53,000 tons.

Agastya Dave: I was just going through my notes in Q1 you guys had targeted 60,000 to 65,000 tons, so this is slightly better than what you were expecting in Q1?

Gaurav Sekhri: That is right.

Agastya Dave: Sir then you also mentioned that last quarter was also affected by this monsoon issue and this quarter also there are like some issues that you have listed and you also mentioned that you expect to make up the volumes and your obviously your volume guidance is kind of indicating that, so can you elaborate a bit more, how can you make up two quarters of disrupted sales, have you continued to produce inventory or I mean how will this actually play out, are we expecting let us say there is roughly by my calculation around 17 crores, 18 crores of shortfall in sales at least as far as my expectations, so can we expect like a really large sales number in Q4?

Gaurav Sekhri: So, Agastya couple of things one on an absolute basis the revenue is up 32%, but if we put on to the road sector you are absolutely right we probably lost 15 crores to 18 crores worth of sales that we were expecting from this and that really would have been very welcome had that come through, but we see that as a deferment and so this sale I expect some of it to start becoming visible from end of Q4 and of course we expect a strong Q1 and we have built some inventory anticipating sale we did not want to have a situation where our customers do not have product when they wanted, but now we have slowed down on that buildup of that inventory fortunately our business because of having other alternatives like the non-road sector, tire industry and the sports turfing etcetera we could continue to do robust production, increase our tire crushing and yet not have this major issue of inventory buildup, but we do have slightly higher inventory then we like on the road sector products, but I hope that will get liquidated towards the end of Q4.

Agastya Dave: So, when you said we will see it towards the end of Q4 you mean in the results of Q4 while Q4 is progressing and we our investors will see it in Q4?

Gaurav Sekhri: I believe so yes because February, March usually are quite good months for road construction industry that is when things tend to pick up nicely because of weather has warmed up in most parts of India, it is not so sold. So, Feb, March I hope we will see a good pickup in sales.

Agastya Dave: And sir we are roughly 41 days, 42 days into the final quarter so that is progressing as per your expectations?

Gaurav Sekhri: Yes absolutely.

Agastya Dave: So, you also mentioned you are sitting on a lot of inventory road product inventory, can you quantify that some more like in equivalent amount of sales?

Gaurav Sekhri: I did not say we are sitting on a lot of inventory I said we are sitting on a higher the inventory.

Agastya Dave: Can you quantify like, for example, we have lost somewhere close to 15 to 18 crores of sales, so are you sitting on like 10 crores equivalent inventory or is it more than that or less than that just a rough estimate?

Gaurav Sekhri: I believe it is not more than 4 to 5 crores.

Agastya Dave: But you still have enough capacity in hand that if let us say of this 18 crores let us say 10 crore sales is somehow comes in Q4 you can address that right?

Gaurav Sekhri: Yes very well.

Agastya Dave: And sir one final question so as of now what is your capacity utilization like as of today what kind of capacity utilizations are you running your plants at?

Gaurav Sekhri: So, on the tire crushing capacity we are now close to 90% on where we still have growth opportunities in some of our products for the non-road sector like reclaim rubber where our capacity utilization is still probably around 60%, 65% we have a good opportunity to scale up, but on the absolute high production capacity we are almost at 90%.

Agastya Dave: So, then one final question have you thought about a new Greenfield project other than Oman in in India since at least the crushing capacities to full utilization?

Gaurav Sekhri: We are looking at various opportunities, we want to stabilize Oman first it is a major step for our company to go overseas and plan something outside India. So, once that is stabilized we certainly have the ambition and India is providing that opportunity for a new plant that we could set up. We have couple of locations in mind and yes short answer is very much sure.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor and Company. Please go ahead.

Saket Kapoor: Sir you did guided us on a top line closer to 300 crore for FY23 and given the pace we have done 9 months the numbers looks matching, but would you like to throw some more light on how the EBITDA percentage would shape up because here we are on 14%, so what kind of brand can we expect closing the year and for next year with the type of improvement, the capacity enhancement, what should be the ballpark number?

Gaurav Sekhri: We believe we have visibility that our top line for this financial year will be plus minus around 310 crores and on the EBITDA margin side last year we were at 16.5% this year our 9 month EBITDA is 13.2% I am expecting this financial year we will close at the current levels of around 13.5% EBITDA and we are hoping to get back to our last year EBITDA levels in the next financial year.

Saket Kapoor: Sir you gave us the mix for the road and the non-road 61 crore for the road sector and 161 for the non-road and wherein you also mentioned about further granular details other than the non-road the non-road non tire, which sector are you catering to other than this non-road and non tire segment, road, non-road, non tire segment?

Gaurav Sekhri: Essentially sir any other industry which is not tire and not road falls in this category and this includes the conveyor belting industry, the sports turfing industry, the rubber tilling industry any rubber molded goods which are made even something very small like a dropper in a medicine they all use recycle use and all of that falls into this category the last one.

Saket Kapoor: Can you give that breakup sir how much business have we done in that category?

Gaurav Sekhri: See our road sector share is about 30% this year. Our tire industry share could be another 35 odd percent and the balance is in this final category. So, they are all kind of very evenly divided. Did you hear my answer.

Saket Kapoor: No sir speak up again.

Gaurav Sekhri: So, our road sector is 30% which means 70% is non-road and within that 70% of non-roads tire industry is half of it and the non tire industry is the other half.

Saket Kapoor: Sir you did spoke about the reduction in interest rate by 200 basis points, so what is the current cost of fund for us, what was it for the 9 month and what it is going to be after the reduction?

Gaurav Sekhri: Our borrowing cost historically was around 12% now it is close to 10%.

Saket Kapoor: We are seeing this interest cost going up also sir on a QoQ basis from 1,80,00,000 to 2,21,00,000 so what explains this increase?

Ravindra Chhabra: Our increase in utilization of fund is one reasons, secondly our reduction in rate has happened just recently in December only. In December only bank sanctioned us new rate of 10.5%. So, its effect will be visible in fourth quarter only.

Saket Kapoor: Sir in your presentation you did mention about extended producer responsibility framework, so out of this business that we have done for under the non-road category how much would have been routed from this particular scheme itself?

Ravindra Chhabra: At this point the impact of the scheme is negligible because the scheme is not yet operationalized. I think in my last call also I had mentioned that while this is a very welcome and a great initiative from the government, but like most things which are government linked things to get operationalized for the by-laws to be put in place it takes time. I had planned this even in my earlier earnings call. So, the impact of this is not there today, but a lot of conversations are happening now with our friends in the tire industry to see how we can work together to meet the requirements of EPR. The impact of that my guesses will start becoming visible in the first half of next financial year.

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

Keshav: Sir what sort of tie up extension are we working on for domestic sourcing with EPR coming?

Ravindra Chhabra: Name right now we cannot disclose we are closely working with almost all the tire companies because all have to meet that obligation.

Keshav: So, sir basically I was not trying to get the names, but like we are seeing with other beneficiaries of EPR so if we are in talk with tire majors to sort of go for trolling kind of a structure as well which can drastically improve our ROC?

Ravindra Chhabra: Trolling kind of structure will not be there because under EPR their obligation is to collect and hand over all kinds of tire where as our entire model whatever the products we are supplying to these tire companies are made out of 100% truck and bus radial tires only.

Keshav: Sir what is the rationale for the Oman foray and what is the crushing capacity over there?

Ravindra Chhabra: To try and test the market right now we are aiming around 500 tons of tire crushing there and once we see and we gain confidence maybe we can take it forward from there.

Keshav: There are linkage of the EU waste treatment rules also coming in, so would Oman be sort of a beneficiary?

Ravindra Chhabra: We always consider either you should be close to your customer or close to raw material. So, Oman we see a good visibility on the raw material side and we also see there is a opportunity of exports directly from Oman to the neighboring countries like Asian countries specifically Sri Lanka, Thailand and all and secondly we also can think of making some not specialized, but general products for the sports turfing at much better pricing for the Indian industry also for the neighboring ports from Oman to West Coast side we can bring these stuff to India also.

Moderator: Thank you. The next question is from the line of Rohit from iThought PMS. Please go ahead.

Rohit: So, you mentioned that about 35% of your business roughly is coming from tire segment, so these could be largely reclaim or are there other products within tire we are doing?

Gaurav Sekhri: See we specialized in various recycle rubber materials out of which the micronized rubber powder and the reclaim rubber these are the two products which are being consumed and used by the tire industry. So, micronized rubber powder we are the pioneer and the largest market share is with Tinna only. So, these are the two products we are dealing with the tire industry.

Rohit: And let us say out of this one third within the tire the share between micronized and the reclaimed would be 50-50 or will be more dominated by micronized roughly?

Gaurav Sekhri: See micronized rubber powder is picking up very fast because we introduced this product in India around 5 years, 7 years back and reclaim is available to the tire industry since more than three decades, but the tire company sees merit on usage of this micronized rubber powder so it is not fast replacing, but it finds a new application area within the tire and it is improving with the time. So, if you see the sales of the micronized rubber powder. So, in the three to four years only we have almost tripped our capacity to produce in micronized rubber powder and we have now enough capacity to meet the requirement we see further growth in the micronized rubber further in the time to come.

Rohit: So, how much would be that out of your total sales today micronized rubber?

Gaurav Sekhri: See micronized rubber sales is somewhere around of total sales you are asking?

Rohit: I am saying 9 months of the total sales?

Gaurav Sekhri: Our total sales micronized rubber powder alone will be 27 crores.

Rohit: And sir on the reclaim side I mean how are you looking at the market right now and there has been a sharp reduction even in natural rubber prices typically like I mean how do you see that space for the next month, two years how are you looking at that space that segment?

Gaurav Sekhri: See reclaim rubber like I said it took us many years it is the same there is no change, there is no upgradation, but in the recent past I mean in the last one, two years the market is looking for the high tensile which is a specialized product even we also have started making it and now approaching all the tire company because earlier they were depending on very commoditized grade of reclaim rubber. So, they are welcoming the idea of using the high tensile which is a specialized reclaim rubber. So, we see there is a further growth in this area that is the one thing and second thing is because of this EPR obligation all the tire companies are having mission 2025, mission 2050 something like that. So, we see a growth in both the size because they have to consume more and more recycled rubber material without affecting the end product quality. So, all the tire companies are working towards it and we see further growth in usage of recycled rubber material within the tire industry also.

Moderator: Thank you. The next question is from the line of Dipesh Sancheti from Manya Finance. Please go ahead.

Dipesh Sancheti: Just wanted to know how much capacity and sales will we expect from Oman in FY24?

Gaurav Sekhri: We are expecting a steady scale up to the Oman business in the next financial year I do not expect our tire crushing capacity or tire crushing ability in Oman to be more than 5,000 or 6,000 tons in the coming financial year and we will sort of go from there. So, it will be about roughly 10% of our business to the India business its contribution will be roughly 10%.

Dipesh Sancheti: And that 5,000 to 6,000 tons will be how much capacity utilization of the Oman facility?

Gaurav Sekhri: We expect that towards the end of the financial year our capacity utilization there will be close to 70% between 70%, 75%.

Dipesh Sancheti: That is FY23 you are saying?

Gaurav Sekhri: FY24.

Dipesh Sancheti: End of FY24 we will have this capacity?

Gaurav Sekhri: If Oman plant will only be commissioned in Q1 of next financial year.

Dipesh Sancheti: Just wanted to understand that how much are we planning any expansion over there or how much sales will we expect from there when we come to full capacity?

Gaurav Sekhri: In terms of sales you can expect next financial year contribution to be in the region of between 25 and 30 crores in top line that will be Oman's contribution and in terms of scale up opportunity we certainly expect Oman to become the size of one of our regular units in India. So, the opportunity in Oman for tire crushing we believe could be between 15,000 and 20,000 tons for us annually. We will start with 5 and then hopefully scale up steadily.

Dipesh Sancheti: And will we get access of raw material from other MENA countries also or will be only focus on Oman?

Gaurav Sekhri: We should be able to, but at this point of time our needs for the next three to four years should be met just with Oman also.

Dipesh Sancheti: Just one more question what is the debt right now and are we looking at raising capital by preferential or any other means as our equity is very small?

Gaurav Sekhri: Our total debt is 63 crores as of 31st December we are not looking at any options or preferential allotment etcetera and neither are we seeing any need not in the next 6 months of any new debt for long term on long term basis.

Dipesh Sancheti: So, will not be needing any funds for our Oman operations also I mean any fresh funds?

Gaurav Sekhri: We will be using our internal accruals.

Dipesh Sancheti: And going forward where do we see this growth coming from I mean from the road, tire or non-road segment in terms of sale as well as in terms of EBITDA margin?

Gaurav Sekhri: So, we are in the midst of finalizing our plans for the next financial year and what I can share with you is that we feel confident that the company should be able to grow at around 25% in the coming financial year also.

Dipesh Sancheti: With margins which was there before as 15% to 17% margins?

Gaurav Sekhri: Yes, we are at 13% EBITDA margin right now 13.2%. Our expectation is to get back to 15% in the coming financial year with this growth.

Dipesh Sancheti: If I can just squeeze in one more question in this quarter our lower margins was due to effect of rubber prices or any inventory losses?

Gaurav Sekhri: It was for variety of reasons we did drop to 11 odd percent EBITDA margin in this quarter, but I expect that to be fixed in Q4.

Moderator: Thank you. We move to the next question the question is from the line of Saket Kapoor from Kapoor and Company. Please go ahead.

Saket Kapoor: Sir when we look at your note to the account we find this contingent liability part of around 80 crores, could you explain the nature note number two the consolidated financial results wherein we have spoken about an 80 crore being considered as a contingent liability for the corporate guarantees to the associate company, what is the nature of the same and if you could throw some light and also sir about this investment in this company like DGK Infrastructure to the tune of around 6 crores and also if I may refer to the last September quarter release wherein we have also mentioned some investment to TP Buildtech Private Limited of 6 crore and there we have also mentioned that the networth has taken a hit fast eroded, so like to understand the nature why is the company had to make these investments please elaborate?

Gaurav Sekhri: So, there are three things that you have raised in the questions you have asked one is regarding the 80 crores in the notes which is mentioned that is on account of Tinna Rubber has provided corporate guarantee to its group entities primarily it is to a company called Tinna trade which used to be a subsidiary of Tinna rubber till four, five years ago then why a simple demerger it became a separate entity, so it has some working capital lines for Tinna Rubber has provided corporate guarantees. These credit lines I would like to mention so that you are aware of the complete picture is that Tinna trade lines are backed by its own collateral they are backed by a separate real estate asset as collateral. So, Tinna Rubber corporate guarantee is also there, but it is a guarantee amongst to a line which is backed by its own set of its very substantial collateral that is one. Your second question about the investment in TP Buildtech I will reiterate is basically a joint venture between Tinna Rubber group and Ultra high networth individual Mr. Mayank Singhal owns the other 50% in TP Buildtech. This company since 6 last years has made good progress in establishing itself in the construction materials space. We see a very strong connect of this business with the road sector business of Tinna Rubber that is why we continue to support it and continue to invest in it. TP Buildtech has a tie up with very large Japanese polymer manufacturer called Nippon Shokubai where import this polymer from Japan and then converted into a concrete admixture and the customer base is very similar to that as the road contractors customers of Tinna Rubber. TP Buildtech has grown approximately 36% in FY23 versus FY22. We strongly believe in the business model of this company and therefore we will continue to invest in it. We see an excellent opportunity in grooming this business into a full fledged one stop shop kind of company for construction materials. So, I hope this throws some light on the interest that we have in TP Buildtech. TP Buildtech sales this financial year is for the first 9 months is 42 crores versus 30 crores in the last financial year for 9 months. So, 36% growth as I mentioned. Lastly, you had mentioned about some investments that we have in BGK Infratech etcetera those investments we also consider not core to our business. They have been done historically and we are trying our best to get out of these investments without any negative impact to Tinna Rubber balance sheet. We need some more time to be able to execute that, but that is the plan of the company which is to exit the noncore investments, but TP Buildtech we consider very much as core to our growth and to our future plans I hope this answers your question.

Saket Kapoor: Just a small follow up so is that been the case that TP Buildtech has grown then why have the net worth of sustained eroded if I refer to the point number 5 of your September result it was mentioned that the company as in September 30 has a non current investment of 6,41,00,000 in its associate company TP Buildtech while net worth of the associate has been partially eroded. The networth of the associate does not represent the true value of the underlining investment so this was the reason why I have asked this question?

Gaurav Sekhri: It is a fair point so let me clarify TP Buildtech even though it has shown good growth in this financial year has suffered some losses in the past. However, I am pleased to tell you that as of December FY23 TP Buildtech is now net positive, it is making money. So, we believe the era of losses is now behind us and we have a bright future to look ahead.

Saket Kapoor: And sir the Amsterdam subsidiary is the same for the Oman part or is it different?

Gaurav Sekhri: So, the company in Amsterdam was setup to look at some investment and growth opportunities in Europe also in other parts of the world. We already buy a lot of used tires from Netherlands in fact and this subsidiary was setup which can play a role in having a better presence there, but we have not yet found the opportunity. So, while we have the subsidiary setup it is not operational.

Saket Kapoor: And lastly sir what steps can be taken to insulate us from this Tinna trade part of the story since it was earlier a subsidiary and the lines were there to have that correlation and since now they are separate entity so this 80 crore contingent liability whatever be the case and that is not falling apart, but the mention of the same in our account how are we going to benefit of the same and what steps can be taken to just clear things out of our involvement with Tinna trade?

Gaurav Sekhri: It is a very valid question we are working in that direction if you see. Earlier this was a subsidiary of Tinna Rubber. So, we were completely part the most businesses were together essentially, but after the demerger it is a separate entity and the only support is now in terms of the corporate guarantee that we have provided for its clients. We are hoping that within the next one to two years on the outer side it is our plan that Tinna trade will not need the corporate guarantee support from Tinna Rubber and it will be able to stand on its own field, but we have to just remember the history where it was a subsidiary a 100% subsidiary of Tinna Rubber till five years ago.

Saket Kapoor: Lastly sir about the business where we are one of the largest player in the country if you could give us the size globally the size of end of life tire companies what kind of business opportunities the work done globally and if you could give us some clear comparison for domestic also that will give us some understanding?

Gaurav Sekhri: I will mention two companies which immediately come to my mind in this space one is liberty recycling from USA which probably recycles half a million tons of tires annually and the other example Genan out of Europe which is similar in size maybe just a little bit smaller than liberty. So, we are this year we will be at around 70,000 tons of tire crushing in a country like India which is producing 2 million tons of waste tires annually. So, that is the scale and opportunity that India is presenting to us and we wish to be ready to recycle such large volumes, but the two nearest example would be Liberty Tire from USA and Genan from Europe.

Saket Kapoor: And do you have any number for the import of used charge of the country for the 9 months how much has been the import?

Gaurav Sekhri: I believe India's import of waste tires could be in the region of 300,000 tons.

Saket Kapoor: And this is the annual number?

Gaurav Sekhri: For the 9 months annual number maybe 300 to 500,000 tons.

Saket Kapoor: Lastly sir just to have better underlying of more dwelling do plant visit part and parcel can investors request for the same through the IR team or due to COVID policies and all they are not entertained?

Gaurav Sekhri: No, we are not entertaining plant visit as of now. Of course we are audited regularly and our customer visits happen from a tire companies, but at this point we are not taking anyone other than that to the plants.

Saket Kapoor: Lastly on the CAPEX how much have we spent this year I missed the number you did mentioned and from the next year how much we anticipate, what have we planned?

Gaurav Sekhri: So, this year about 3 crores total CAPEX is what we will do, some of it is done, some will get done in the next one or two months. I do not think we will cross 3 crores and in the next financial year the big major one where we have visibility is Oman, but we will not be taking any new debt for it and aside from that we are working on an opportunity of acquisition or a Greenfield plant within India, but that is something which is still only in the works.

Saket Kapoor: And the pace of road construction you did eluded to the fact that it depends upon the weather condition also, but the pace has gone down significantly, so from 33 kilometer, 34 kilometer per day has now come down to 21 and our honorable minister was guiding for 40, 42 going ahead doubling of the same, so that would give us some more indication of how things may look like going ahead if that comes into reality?

Gaurav Sekhri: The kind of even in the recent budget you must have seen the major allocation to the road infrastructure only. So, there is a great future, but again there is a lot of other things which are beyond once control that is something like environment clearances that is for the project then sometime it is the financial closure of the project. So, that all impacts to us also in terms of like the sales to the road developers get delayed, but for sure I mean the option of modified bitumen and the provision of using recycled rubber material in the road it is there and we are on day-to-day basis getting good inquiries on using the recycled rubber material for the road construction. So, it is just matter of time and I think like recently you must have seen even NHAI also has come up with some bonds or something they are collecting money. So, there is a huge investment in the infrastructure especially for the roll this plant so this will come back.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference over to the management from Tinna Rubber and Infrastructure Limited for closing comments. Over to you, Sir.

Management: Thank you. I would like to thank everyone for participating in this earnings concalls I hope we are able to answer your questions to your satisfaction and at the same time offer you insights into our business. You are welcome to write to us if you have any further queries or write to Valorem Advisors. Thank you again stay safe, stay healthy and please do look out for the Build India program on discovery channel which will be at 2nd of March. We are very proud that we were selected and featured in this program. So, it will be great if you can spare some time and please watch it. Thank you.

Moderator: Thank you Sir. On behalf of Tinna Rubber and Infrastructure Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.