TINNA RUBBER AND INFRASTRUCTURE LTD
CIN NO. : L51909DL1987PLC027186
Regd. Office : Tinna House, No-6, Sultanpur, Mandi Road,
Mehrauli, New Delhi -110030 (INDIA)
Tel. : (011) 4951 8530 (70 Lines), (011) 4900 3870 (30 Lines)
E-mail : tinna.delhi@tinna.in
URL - www.tinna.in

Date: 28th May, 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 May 26, 2023

Dear Sir/ Ma'am,

With reference to our letter dated May 26, 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 year ended March 31, 2023.

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: 2023.05.28 10:39:14 +05'30'

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

Tinna Rubber and Infrastructure Limited
Q4 and FY23 Earnings Conference Call
May 26, 2023

Moderator: Ladies and gentlemen, good day and welcome to the Tinna Rubber and Infrastructure Limited Q4 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 'star' and 'zero' on your touchtone phone. I now hand the conference over to Ms. Purvangi Jain from Valorem Advisors. Thank you and over to you, ma'am.

Purvangi Jain: Good afternoon, everyone and a warm welcome to you all. My name is Purvangi Jain 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 Conference Call for the Fourth Quarter of the Financial Year 2023.

Before we begin, I would like to mention a short cautionary statement. Some of the statements made in today's con call may be forward-looking in nature. Such forward-looking statements are subject to risk and uncertainty, which could cause actual results to differ from those anticipated. Such statements are based on management beliefs as well as assumptions made by and information currently available to the management. Audiences are cautioned not to place undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Now, I would like to introduce you to the management participating in today's earnings conference call and give it over to them for their opening remarks; we have with us Mr. Gaurav Sekhri -- Joint Managing Director; Mr. Subodh Kumar Sharma -- Director and Chief Operating Officer, Mr. Ravindra Chhabra -- Chief Financial Officer.

I will now hand it over to Mr. Gaurav Sekhri for his opening remarks.

Gaurav Sekhri: Thank you, Purvangi. I am Gaurav Sekhri and a warm welcome to everyone. Good afternoon. It's a pleasure to welcome you to our Earnings Conference Call for Fourth Quarter of Financial Year ending 2023. I sincerely hope everyone is keeping safe and well.

Let me first start by giving a brief overview and introduction of the company for the benefit of listeners who are new to the company, after which Subodh will take over and talk in more detail about the performance and the overview of the quarter.

Tinna Rubber was incorporated in 1977. And today we are the largest end of life tire recyclers in the country and amongst the global leaders in the manufacturing of recycled rubber materials. We are a prime example of the benefits of circular economy, how materials can be recycled and they can continue to be used and their useful life can be extended. We are a one-stop-shop that caters to the entire gambit of recycled rubber applications. Our company manufactures high quality products from recycling end of life truck and bus radial tires primarily. We are also doing some passenger cars radials but we are largely focused on trucks and buses radial tires. These are used in various segments. Our rubber goes into the infrastructure segment, which is primarily road construction, also what we describe as industrial segment, which is products like tires and conveyor belts, and also consumer products like rubber mats and sport surfaces, etc., The company is a pioneers and largest manufacturer of crumb rubber modifiers, and probably the only company in the world to produce micronized rubber powder of a very fine mesh size of 170 under an ambient grinding process.

We have four manufacturing plants strategically located across India. Three of them are at both locations.

And I'm pleased to inform you that we are in the midst of starting our first overseas plant in Oman, which is due to commence production by end of June, and this will give us a significant advantage in costs as well as make us familiar of operating our business outside India. So we're very excited about this and we'll talk more about it.

I'm pleased to inform you that the board has recommended a dividend of Rs.5 per share. This is for '23. And I now pass on to Subodh , who will give you more details about the financial performance and the business. Over to you, Subobh.

Subodh K. Sharma: Thank you, Gaurav, ji, and good afternoon, everyone. So let me first brief you on the fourth quarter financial performance and then the 12 months performance of FY23. The operational revenue for the fourth quarter of FY23 stood at Rs.2.7 crores, which grew by 18.4% year-on-year basis. EBITDA was reported at Rs.7.4 crores and the EBITDA margin stood at 10.18%. Net profit after tax reported Rs.6.8 crores and the PAT margin was now 9.35%.

Coming to the 12 months performance,. the operational revenue was Rs.295.4 crores, which grew by approximately 28.9% on year-to-year basis. The EBITDA stood at Rs.36.7 crores and margin stood at 12.42%. PAT for the year was Rs.21.8 crores, which grew by 28.9% on the yearly basis. EPS for the year is Rs.25.45 which is. 28.9% growth on yearly basis.

Additionally, we have significantly reduced our debt from Rs.68.82 crores of last year to Rs.58.67 crores as on 31st March 2023. As you can see, the company is consistently reducing loan, which was a peak of Rs.93.59 crores in 2016-17, this has also resulted in reduction in interest from Rs.8.97 crores last year to Rs.7.62 crores during FY23. Now, the company has achieved healthy current ratio of 1.328.

As you can see, now we have divided our entire product portfolio into three different sectors which are like industrial sector where we covered our sales the industry and the conveyor building industry, the consumer sector wherein like Gaurav ji mentioned the sales what we are making to the **(Inaudible) 7.52** segment, rubber material sections and tiling section, so that is covered in the consumer sector, and the infrastructure, earlier it was the road sector sales, now that has been converted to the infrastructure sales.

So starting with our industrial and consumer sales segment, so sales from industrial and consumer sector improved. In Q4 FY23, export of recyclable material almost doubled over FY22 and have shown a big headroom for us and there is a further prospect of growth in FY24 and thereafter also.

We have recently introduced our products in Bangladesh markets and also appointed our channel partners in Japan, Thailand and Indonesia for strengthening our exports and also have participated in exhibition in Thailand which is one of the biggest rubber show in Southeast Asia.

During the quarter, we have received breakthrough order from two major multinational tire companies and we have commenced the export to these countries.

Our Wada, Mumbai factory recently got certified for IATF certification. Prior to this financial year we got certified for our Chennai plant and this year we got certification for our Bombay plant. This will further strengthen our business with tire companies and we consolidated our reclaim operations by shifting our D1 canister plant from Panipat to Wada, and this will result in improvement in the operational cost.

On the infrastructure segment sales, we are impacted due to extended winter in the northern India. We secured work contracts for deployment of three mobile building units at national highway authority site with large road builders to process over 15,000 tons of rubberized bitumen processing over the period of 12 to 15 months.

The company commissioned a bitumen modification plant at Chennai to produce crumb rubber and polymer modified bitumen, which seems to be ultimate need for all expressways and highways, and this is also to strengthen our position in road sector business in Southern India.

On other highlights, as you may be aware, the company acquired a tire recycling business in Oman to expand footprint outside India and also help in building exports from Oman to neighboring countries.

We signed an exclusive trade contract with Maersk which helped lower-down raw material costs by setting up dedicated trains through intermodal transport arrangement with Maersk to move cargo for Tinna Rubber from Wada to Tinna locations.

Tinna became only recycling company outside the European Union to be audited by SGS and certified as authorized recycler. This will open up gates for more supplies from countries based in the European Union.

With that now we can open the floor to the question-and-answer session.

Moderator: We will now begin with the question-and-answer session. We take our first question from the line of Mr. Pranay Jain from Deal Wealth Securities. Please go ahead, sir.

Pranay Jain

Deal Wealth Securities: The first question is, if you could break it up into industrial, consumer and infrastructure, the three segments, what is the revenue mix in this year and what we are penciling in for the next couple of years?

Gaurav Sekhri: Our sectoral breakup is roughly 50% has come from the infrastructure sector and approximately 25% is from the industrial sector, roughly 7% is from consumer sector and the balance is essentially steel sales, which is a bi-product for us. This is for FY23. We expect the next few years, the revenue breakup to remain more or less consistent, although we see a lot of headroom in consumer sector because that's a bit nascent and the adoption of recycled rubber is catching on very fast. So. I think we could see higher contribution from consumer sector in the next one to two years.

Pranay Jain

Deal Wealth Securities: And with regards to the large order of 15,000 tonnes that we are processing currently, what could the revenue from that be as well as if you could give some light on other such large orders or projects that we are expecting to bag?

Gaurav Sekhri: We have various such assignments and orders that we continue to execute. But the order I think you're referring to is from IOC, which we have made a disclosure about. That is a significant order of a single order in terms of its value. So we made that disclosure. That is to be executed over 2 years and the value is approximately Rs.100 crores.

Pranay Jain

Deal Wealth Securities: And also the work that we are executing at the three NHAI sites, I was referring to that, what could be the revenue we could clock in this year and also such kind of projects that we are either at advanced stage or hopeful of getting this year?

Gaurav Sekhri: So there are various highway projects where top layer work is going on which we continue to execute. Many of them finish over three to six months and new ones get taken up. It is difficult, I think, for me to tell you all of them by list, but the revenue contribution will remain largely same is what I can share with you.

Pranay Jain

Deal Wealth Securities: And with regards to the industrial side, if you could give us some idea, since we had some partnerships, some breakthroughs you mentioned, so I'm more keen to understand what could be the growth on the export side since from a small base that is accelerating, so what could that number look like this year and next?

Gaurav Sekhri: So our exports have doubled from FY22 to FY23 and this has been our focus area, I think every interaction we've had with our shareholders, we have made that intention very, very public because we see tremendous headroom in it and results have begun to come, our exports have doubled. I expect us to grow exponentially in exports, and I think Subodh mentioned during his speech that we have now got a breakthrough with two multinational tire companies. I think that will be a significant contributor to our exports because some of the tier companies have multiple plants in various geographies. So when we get started with one, it is quite natural that we will also begin supplying to their other plans. So we expect to continue with this kind of growth trend that we have seen even in this year.

Pranay Jain

Deal Wealth Securities: So from Rs.295 crores revenue this year, how much was exports?

Gaurav Sekhri: It was exactly Rs.17 crores for FY23.

Pranay Jain

Deal Wealth Securities: And this could be let's say Rs.50 crores in two years' time, do you think that's possible?

Gaurav Sekhri: The opportunity is there and we have already shown that we have the ability to cater and service. So, I don't want to give numbers exactly, but we are very much on the path to see exponential growth.

Pranay Jain

Deal Wealth Securities: And anything on the consumer side, since we are seeing that sports activity investments, that kind of expenditure is picking up, so if you could also throw some light on that front, what we should expect?

Gaurav Sekhri: So on the consumer sector, the more established applications like sports services, gym tiles services, rubber tiles are now getting used extensively in schools to prevent injury amongst children in the play areas. So these kind of things and applications are still at a very nascent stage. As the awareness is increasing, tremendous growth opportunity here and we are counting on. It and that's also giving up on our production capacities.

Pranay Jain

Deal Wealth Securities: What kind of contribution we're expecting from our Oman business going forward?

Gaurav Sekhri: We expect to commence production by mid-June and we expect it to contribute approximately Rs.15 crores in top line in the current financial year.

Pranay Jain

Deal Wealth Securities: So, all of this put together, it could improve our margins back to last year's levels like say, 16%, do you think that's possible with the current environment that we are seeing?

Gaurav Sekhri: Yes, there is a variety of, developments, benefits of scale, even correction in freight rate costs, etc., because of which we are very confident that we can go back north of 15%.

Moderator: The next question is from the line of Mr. Keshav from RakSan Investors. Please go ahead, sir.

Keshav

RakSan Investors: Just an extension to your previous comment, so we've been maintaining this scale for I think 5-6 quarters, but our gross margins have taken a hit. So, I understand the freight costs and the prices were spiraling. So are you in the near term foreseeing any sizable respite in those prices and can we expect disproportionate EBITDA growth this year?

Gaurav Sekhri: Like I just mentioned that we are seeing various developments which are very positive for the EBITDA margin and I expect that we will show you the benefits of that very, very soon, and In the coming financial year, we are very optimistic that our EBITDA margins will be north of 15%.

Keshav

RakSan Investors: So would some realization be lost if the prices corrected or when you talk again grow in 15%, 20%, 25% and on top of that get that 15% kind of EBITDA?

Gaurav Sekhri: Our growth projections are intact; we've grown year on year 29% in FY23 and in the business that we are in and with the kind of unique place we have created for ourselves by catering to different sectors and having multiple options of origins for waste tires, etc., I believe that for us to achieve CAGR in sales of about 20% over next three years is very much possible and we are gearing up for that. And EBITDA margin is more a function of these exigencies, which came in the last 1-2 years, which affected us by about two percentage points. We are very much on the path to recover that and get back to our normalized EBITDA of greater than 15%.

Subodh K. Sharma: The initiatives we are taking about building this shipping line, so that will also add on our EBITDA margin because the special logistics services are being arranged with the dedicated shipping lines so that will help us in our raw material input cost.

Gaurav Sekhri: And that is just one of the initiatives. We have variety of such in the works.

Keshav

RakSan Investors: And sir, I missed the road sector contribution this quarter. Will you be able to repeat that please?

Gaurav Sekhri: Road sector for this financial year is 50% and for the quarter it is probably in the same range I'm guessing, but we can circle back with you and give you a more accurate number.

Keshav

RakSan Investors: The IOCL contract, would it be possible to give the contribution in FY23 what it was?

Gaurav Sekhri: Our IOC contribution in FY23, again, we can send you the exact details, but my guess is that in the previous year IOC contribution probably was in the region of maybe Rs.25 crores.

Moderator: The next question is from the line of Mr. Surya Narayan from Sunidhi Securities. Please go ahead sir.

Surya Narayan

Sunidhi Securities: Just to understand your business, I have a basic doubt that related to the weight division. Last year we had around 48,286 tons. If you can give this year total figure because in the presentation segregation is missing, but considering the last year's figure, the weight distribution was not matching to total, I'm assuming around 1% process loss. So if that was the case then the road is around 51%, non-road is around 84%. So how is it actually if you can clarify because out of 48,286 tons of process tires, 24,800 is towards the road and non-road is 40,627 and steel is 11,973.

Gaurav Sekhri: So firstly we have products within the. Infrastructure sector, which is sort of what we used to call road sector, now we have rechristened it as infrastructure sector. We don't only have rubber as a product, we also do bitumen and emulsion. So all of that get counted together. So maybe the anomaly is coming for that reason. And our total tires crushing for FY23 is close to 74,000 tons, that's what I can share with you.

Surya Narayan

Sunidhi Securities: So you mean to say that some of the road and non-road whatever you have reported, the classification is something which you need to correct it right sir?

Gaurav Sekhri: We don't need to correct it, Mr. Narayan. What I'm clarifying to you is that our road sector sales which we classify as infrastructure sales, has product other than rubber. So it is not a direct correlation how you are trying to calculate it. We also have other products which go to the road contractors like bitumen and emulsion.

Surya Narayan

Sunidhi Securities: But ultimately the segregation if you see 48,286 tons, road has gone into 24,800, non-road is 40,000 and steel is 11,973. You take out this steel altogether and let's say 1% to 4% process loss could be there, then where the non-road and road segment is fitting into, it is totally exceeding 100%?

Gaurav Sekhri: I think you can just mail us your query. We can answer it better like that. And the process loss I can confirm to you because that is a more definitive answer I can give you; our process loss is roughly 0.5 to 1%.

Surya Narayan

Sunidhi Securities: If you are so much bullish, so just to understand because you are sweating out the assets to close to four, four to five times currently. So it is necessitating that you should be raising the capacity apart from the Oman one, Oman is a very small facility. But what are we doing for capital allocation because our balance sheet can accommodate more debts and all. So why are you just now hesitating to go forward for any CAPEX ahead?

Gaurav Sekhri: We are not hesitating at all. We are crystallizing the opportunities which we are analyzing and in the current financial year FY24 we expect to do CAPEX of around Rs.30 crores.

Surya Narayan

Sunidhi Securities: Rs.30 crores of CAPEX will lead to what kind of revenue; I mean that is around Rs.100 crores maximum?

Gaurav Sekhri: Yes, yes it is possible for it to contribute approximately Rs.100 crores.

Surya Narayan

Sunidhi Securities: So that will take care of the growth that we are carrying in 2025?

Gaurav Sekhri: That's correct.

Surya Narayan

Sunidhi Securities: And more of the road segment, in our recent times. What transferred is that we do for the road project, we will be getting higher margin so. So what is the plan currently and whether going ahead also we will be devoting more towards the road rather than the tire segment?

Gaurav Sekhri: We don't approach this business In this manner. We are seeing opportunities in both sectors; in the industrial sector, there is a huge opportunity, in exports there is a huge opportunity, with multinationals there is a great opportunity, in consumer products in amplifying that business and in the roads as well as more and more projects are getting allocated for flexible payment and the rules are getting understood by even state level, we see very good growth there. So we will pursue all opportunities with full vigor.

Surya Narayan

Sunidhi Securities: And sir, why you discontinued giving the information about different statements this quarter?

Gaurav Sekhri: I don't think we have had any change in what information we give. If you have a specific question, you're welcome to e-mail it.

Surya Narayan

Sunidhi Securities: You can check out whatever you have been giving the information regarding segregating the revenue there, so that is missing, so I was just pointing at that.

Gaurav Sekhri: So you are welcome to e-mail us with a query and we will do our best.

Moderator: We take the next question from the line of Mr. Saket Kapoor from Kapoor & Company. Please go ahead, sir.

Saket Kapoor

Kapoor & Company: Sir, firstly, if you could explain the reason for the increase in other income, the nature of the sale from 1.68 crores to 3.33 crores and for year on year from 96 lakhs to 3.33 crores?

Gaurav Sekhri: So the other income, Mr. Kapoor is this year is Rs.6.33 crores and some benefit accrued to us on account of an ECGLS obligation which contributed about Rs.2.2 crores and some subsidy benefits for our plan for Maharashtra also are part of this. I mean, we can give you more details of it by e-mail, but that is essentially, the other income segment. We are not actively pursuing any such things to contribute to other income, but if by natural course of business, some income is generated which we cannot classify as core business will fall into this category.

Saket Kapoor

Kapoor & Company: So if we segregate the increase in other income also, If we take that December quarter number at 1.69 and remove the increase, then the margins are further lower sir. What explains the same? And also sir, I think the other expenses have gone up on a Q on Q basis from. 11.80 crores to 14.68 crores. If you could explain the reason for the same?

Gaurav Sekhri: Sure. So by isolating other income, our fourth quarter margin is around 10.2%, 10.3% and this is largely because we have considered to take a Rs.2 crores provision on account of doubtfulness. So that has really resulted in this drop to about 10.2%, but that is just on account of year-ending financials and advice from our auditors that we have taken that provision to give a more conservative sort of outlook of our business, but if you add that back then our margins are north of 12%.

Saket Kapoor

Kapoor & Company: So Rs.2 crores provision is added to your other expenses?

Gaurav Sekhri: Correct.

Saket Kapoor

Kapoor & Company: Going ahead for this year, as per our conversation earlier, an increase in top line by 20% for FY24, that is what you are emphasizing and margins moving northward to 15%, this is what the road map should be for FY24?

Gaurav Sekhri: Yes, that is the guidance that we can give, sir.

Saket Kapoor

Kapoor & Company: Are we in line with this because we are already two-third with this first quarter, I think so last time also this infrastructure part of the story is not completely gelling with our thought process, earlier also that was a lag and since it is the highest percentage in terms of the revenue pie, what are your fillers for the same as that has not contributed to the growth has been envisaged by you earlier also?

Gaurav Sekhri: It's a great question, Mr. Kapoor. We are extremely positive on the contribution from infrastructure sector for FY24. We are seeing benefits of that already in Q1 and I am very confident that with the sales number that we will show at the end of Q1 you will see some validation and confirmation of the growth projection we have given.

Saket Kapoor

Kapoor & Company: So when we look at your cash flow, we find provision for doubtful debt at Rs.2 crores has been informed by you, but the bad debt and sundry debt written off is also to the tune of Rs.1.11 crores. So there is another separate line item here. Could you explain? This part is now totaling to Rs.3 crores rather than Rs.2 crores.

Gaurav Sekhri: That's correct. Like I said, we have put this in detail and we found it prudent to make this provision although some of these receivables are more than three years old, so we found it fit to make this provision, and that is why you're seeing this outlying entry in this year. But if you see our last four to five years performance on debt management, credit management, our total provisioning and write-off including for this financial year for the last two years together is only .5%.

Saket Kapoor

Kapoor & Company: For the coming year what kind of provisions can we look for? This line item appears for the first time, it was not for FY22. What are you trying to convey, I missed your point?

Gaurav Sekhri: So basically, what I want to inform shareholders here is that if you see over the last four years, our sales to our provisioning ratio is 0.5% only, which shows in our view good credit control management. There were these amounts of approximately Rs.2 crores where we felt it is better for us to make a provision for it. Although these are still in court and recovery suits are filed and we are hopeful still of some recovery. But we felt because of its aging time it is better to make the provision. And if you see our other debtors, aging, etc., they are extremely under control and we are very happy to share some specifics If you have a question by e-mail.

Saket Kapoor

Kapoor & Company: Correct. So we have also an investment of Rs.2 crores in an associate company, which was also the line item for last year. This is the Oman part where we are investing this money?

Gaurav Sekhri: No, sir. I think you are referring to our investment in TP Buildtech, which is approximately 50% owned by Tinna Rubber and TP Buildtech business has grown from Rs.40 crores of revenue in FY22 to Rs.60 crores of revenue in FY23 and it has made a profit after tax of approximately Rs.1, 1.2 crores and we are very bullish on this business and this segment. As you may know that this company was struggling over last 3-4 years, but we have now managed to bring it in profit and very aggressive growth plan is planned for this business even in the current financial year. So it needed some growth capital. So we put our share and the other shareholders also put their share of Rs.2 crores.

Saket Kapoor

Kapoor & Company: One very small point here. When we look at the cash flow, but I'm telling it again to the same sir, there is also excess provision of written back. So why are they excess provision not clubbed with the same? We find excess provision written back of Rs.1.3 crores, then we have this bad debt sundry write-off of Rs.1.10 crores. So how are these two different, what is this excess provision written back of Rs.1.33 crores?

Gaurav Sekhri: The writeback amounts are on account of some settlements that we had with some of our creditors and this gain needed to be reflected and we have reflected as a write back, will go in other income and that is how it is being reflected, part of our core income, that's how we see it.

Saket Kapoor

Kapoor & Company: Sir, on the net debt part, what is our current maturity for this year and the cost of funds?

Gaurav Sekhri: I will let our CFO, Mr. Chhabra answer this.

Ravindra Chhabra: Our total debt is about Rs.58 crores, and out of that roughly Rs.19 crores has come down from State Bank of India, which is to be repaid over a period of next seven years and about Rs.8 crores is GECL loan, which is to be paid in next four years.

Saket Kapoor

Kapoor & Company: And what is the cost of funds, sir, for the term loan?

Ravindra Chhabra: Last year it was 12%, now it's about 10% this year.

Saket Kapoor

Kapoor & Company: And what is our current rating?

Ravindra Chhabra: It is BB and we have already filed for the revision and we expect it should go to BBB.

Saket Kapoor

Kapoor & Company: And for the dividend distribution, are we working with any different distribution policy? This time dividend payout is 20% of the EPS?

Gaurav Sekhri: Our attempt is to continue to distribute 20% to 25% of our profits to our shareholders. That's what we are aiming for.

Moderator: We take the next question from the line of Mr. Saumit Joshi, an individual investor. Please go ahead, Sir.

Saumit Joshi: The question here is two-fold. One is when it comes to the company, where are we looking at this company in terms of revenues and on a holistic picture in the next five years or something, I wanted to understand? The second part would be more short term and again I can be wrong. But what I was looking at is that over a period of time, your growth has been very good. So that's kudos to you guys. But right now, if I'm looking at targets of let's say 20 CAGR growth for the next two years, do you think it's a little conservative?

Gaurav Sekhri: Firstly, there is almost like a strengthening if that is a term that can be used correctly in this context of opportunities. In the recycling space, sustainability space, circular economy, space, the amount of innovation that is happening is just staggering. We are finding new applications, new possibilities which are just amazing. What we are certain of is what I feel it is better to share to give you correct guidance. And I believe 20%-plus, I use the word 'plus' is a growth that we feel is very much achievable, 20-25% CAGR is very much achievable over next three years. We are obviously being a bit picky on which opportunities to prioritize. For example, Oman, we found right up our alley in terms of expertise, we were already collecting tires in

Oman, we were bringing them to India for processing on analyzing of the geopolitical situation there, and the cost benefit of setting up the plant in Oman itself, it became a compelling proposition. So we prioritize it. Similarly, we are seeing extremely interesting opportunities which have a high degree of innovation where the applicability of rubber can increase manifold. Some of it is in relation to how rubber can be effectively used like other recycle materials like plastic. So all these opportunities we are pursuing. We have talent to be able to understand them better and the growth projection that I'm sharing with you comes from some of our business and verticals. And the new opportunities as they grew, they can bring about exponential turbo growth, but that would be premature for me to share with you today.

Saumit Joshi: Is there any target that the company has taken, it may not be the exact target or rough estimate also of where the company is looking at to be in the next four or five years, let's say I won't call it extremely long term planning, but generally organizations do have a five year plan in place to understand what they are targeting? If it cannot be shared, that's not a problem. But if it can be I would like a rough idea of what the organization is aiming at to be from a revenue perspective in the coming five years, is there any target that we've taken?

Gaurav Sekhri: See, 20%, 25% CAGR if you do the math you will come up with the number and I will give you the same. That is where we expect to be. But what we want to leverage effectively and in the choices we make is leverage our competitive advantages, leverage our learning, leverage our scale. Our learning in Oman will teach us how to harvest benefits in other geographies in Middle East possibly into Africa. So this is the direction we are taking.

Moderator: We take the next question from the line of Smita Mohta from Kredent InfoEdge. Please go ahead.

Smita Mohta

Kredent InfoEdge: Sir, rubber makes up the majority of your raw material. So we had seen a huge rise in the raw material price of rubber and slowly and steadily they are coming down. So where do you see this and what can be the. Impact on your financials? Second is as you are seeing huge growth in industrial as well as consumer, so if you can predict for five years growth trajectory for both of these segments? And since many companies are entering into recycling businesses because of government purchase and all, so do you think within 5 to 10 years are you sensing any competition or you are hearing any competition which are entering into this area?

Gaurav Sekhri: So I'm just trying to articulate all the things you've asked me. First is some relation between virgin polymer and recycle rubber, right? And your second question is on growth. And your third question I believe is on just competition and how that could impact us. So firstly in regards to the relation between recycled rubber materials and virgin polymers, these recycled rubber materials invariably are 1/3 or sometimes 1/4 the price of virgin polymers. So the advantage of using them from a price competitive basis remains very strong irrespectively. So I don't see any major impact or fluctuation of rubber prices on us. Of course when natural rubber or virgin polymers become more expensive, companies tend to become a bit more focused because supply lines become tight and they get a bit more focused on using more recycled materials. But I don't see any major change in their inclusion rates if the prices come down because the cost benefit still remain. Second is regarding growth. I think we have discussed extensively in the past couple of interactions that we had in the call. We have mentioned that we expect 20% to 25% growth over next three to five years, that's very visible and possible. In regards to competition, I think we have built some unique ports around our business, some unique competitive advantages around our business, whether it is our applicability of products into different sectors or it is our Pan India presence, we have the only business which has a Pan India recycling footprint, we now have an international footprint. So these are some very unique advantages we have created for ourselves. Of course, competition is welcome, good, informed, healthy competition is even more welcome because it makes us exert and become better. But I feel that with the kind of uniqueness we have built around our business we are way ahead I believe presently and even when I see in the future to people coming into tire recycling.

Smita Mohta

Kredent InfoEdge: The partners that you have made or the clients that you have got in the auto segment, so how much appreciation or growth do you feel can be there because of these two new tire companies that you got?

Gaurav Sekhri: The tire companies by nature are very conservative. It's a three to five year process to begin business with them, and that is a strong entry barrier also I believe and will create a competitive advantage for us in our view, that's how we see it. We are happy to go through the grind of this three to five years of getting our products approvals and things like that. We see exponential benefit, but like I said, the companies by default are a bit conservative, they are a bit slow to start and it is very difficult to answer and say that will a particular multinational suddenly start buying from us in ten of their plants or will they only limit us to three and then steadily increase, that's a bit early to say.

Moderator: The next question is from the line of Mr. Ankit Agarwal from Aditya Birla PMS. Please go ahead sir.

Ankit Agarwal

Aditya Birla PMS: Just one question like from your Oman facility, what kind of revenue we can expect at full capacity and what kind of EBITDA margin we can expect from there?

Gaurav Sekhri: We are expecting the revenue contribution just from the plant and the capacity we've set up to be on an annual basis close to Rs.20 crores and we expect that contribution to be around 10%.

Ankit Agarwal

Aditya Birla PMS: And further CAPEX to be required to add there?

Gaurav Sekhri: No, we've spent roughly $1 million. I don't foresee us doing any CAPEX in Oman in the current financial year.

Moderator: The next question is from the line of. Mr. Devansh Shah from Niveshaay. Please go ahead Sir.

Devansh Shah

Niveshaay: Sir, you mentioned the CAPEX of Rs.30 crores. Can you please elaborate on which segment it will be incurred?

Gaurav Sekhri: All I can share with you right now is that we are looking to set up a new facility in India and that's the CAPEX plan for it, it will be of course in the space of tire recycling and some downstream value added products, that is the plan.

Moderator: The next question is from the line of Mr. Arun Chakraborty, an individual investor. Please go ahead, sir.

Arun Chakraborty: See, we've got an order from IOC for the CRM. IOC is going to use it what purpose, are they end user or is the raw material they're buying from us?

Gaurav Sekhri: So petrochemical refineries, when they refine crude oil, a byproduct for them is bitumen, asphalt, which has broad applications and IOC produces bitumen at three of their facilities pan India and the crumb rubber modifier that they are procuring from us is blended into bitumen for enhancing the properties of bitumen and to make it available to the road contracting community.

Arun Chakraborty: So that means the chance of getting new orders from IOC is there still?

Gaurav Sekhri: Absolutely. While they foresee their own estimates show that they will need this kind of quantum of supply from us over next two years, if they are able to utilize this volume faster, then they will come back for more. There is in fact some clause already where they can opt to take a certain percentage of the contract value, they can add to it just to give them some flexibility.

Arun Chakraborty: And then what about HPCL and BPCL, they are also having the refineries?

Gaurav Sekhri: HPCL also has this product, but they may make their own modifier, sir. They have a joint venture with a French company called Colas, and the company is called HINCOL. So they make the exact same product as IOC. IOC buys some. HINCOL makes it themselves. But I must point out HINCOL is also my customer. So to make their modifier, they procure the rubber from us.

Arun Chakraborty: And then HPCL?

Gaurav Sekhri: HPCL has a joint venture is HINCOL. HPCL doesn't self-modify bitumen from refinery directly, so they have a joint venture for this particular product with (HCL) Hindustan Colas Limited. So they are basically promoting the modified bitumen in the market on behalf of HPCL.

Arun Chakraborty: And then BPCL also?

Gaurav Sekhri: BPCL isn't having presence in this field, but Indian oil is having like are directly doing and in addition in some of the locations Indian Oil Corporation Limited have made tie up with the Total. So there is a company like HINCOL.

Arun Chakraborty: So from IOC there is a chance of getting more orders in future, they're just satisfied totally with our product?

Gaurav Sekhri: Yes, that's correct. And like we also clarified even HINCOL which competes with us in crumb rubber modifiers. They are also buying the rubber from us.

Moderator: The next question is from the line of Munjal Shah, individual investor. Please go ahead.

Munjal Shah: Sir, a couple of questions. Sir, one, I was just observing since last eight quarters, our EBITDA margin has been on like it's going down. So can we assume that at 10.2% it is bottoming out because parallelly even gross margin is coming down. So I assume that because of the raw material cost, we are facing a margin reduction. And my second question is sir, if you can help me with the breakup of margins we are earning from industrial, infra and consumer?

Gaurav Sekhri: So on EBITDA margins, we mentioned and clarified that we believe in Q1 you will see already signs of revival of margin towards our target of 15%-plus and second even in Q4 our EBITDA margin, had we not made the provision was 12.5%. So there's already signs of EBITDA margin reviving in Q4 because in Q3 our margin was 11%-odd and we have moved up to about 12.3% or 12.4% without that provision that we made for write-off. So we are very much on target and you will see better margins hopefully in Q1.

Munjal Shah: My second question is the break up between margins in industrial, infra and consumer, if you can help me with the number?

Gaurav Sekhri: We do not like to disclose that information. We consider it relevant to our business to keep it private. So at this point we will not be able to share with you sector wide EBITDA margins.

Munjal Shah: Going ahead, how do we plan to focus on which sector, basically, are we focusing more on infra, industrial or consumer, so if you can just help me which will be the highest margin segment and which segment we are focusing on going ahead?

Gaurav Sekhri: We have three teams working on these three different sectors. All are highly motivated to push themselves and exert in all of them. I will not tell you today which we would focus on because we're focusing on all of them. We expect very good growth contribution from the infra sector because we are seeing now even state level adoption of crumb rubber modifier. We were not seeing much of that earlier. It was largely for national highway projects. In the industrial sector, we shared with you we got breakthrough because of our continuous efforts with two multinational companies and we see exponential growth coming from exports for the industrial sector. And consumer health needs, some education and some more dispensing of knowledge and benefits which we are actively engaging in. So that will also need effort but the growth potential is immense. So, it's very hard for me to tell you where we will be more focused on, we are focused on all three.

Munjal Shah: You mentioned that we are putting a CAPEX of Rs.30 crores. So will it be from internal accruals or we will add debt to it?

Gaurav Sekhri: Most of it will be from internal accruals. We will consider taking some debt because we are very happy and comfortable with our current debt profile, so might taking some additional debt.

Moderator: The next question is from the line of Mr. Saket Kapoor from Kapoor & Company. Please go ahead, sir.

Saket Kapoor

Kapoor & Company: When we look at the raw material to the sales revenue mix, it was for this year closer to 46%, raw material expense of Rs.135 crores to the revenue of Rs.295 crores wherein for the last quarter that percentage is already down to 43.5%. So if you could explain to us even after on account of the lower raw material mix to the sales, why are the margins lower, removing that Rs.2 crores exceptional part also? And also how is the raw material basket going to shape up?

Gaurav Sekhri: I think Mr. Kapoor, if you mail me this question with more specifics, I think we can look at it more accurately and give you a response. But the basket of raw material for us is truck and bus radial tires, occasionally we are also able to pick up some waste tires from certain geographies at a very competitive price. So it's a bit dynamic to capture it and see it on one quarter basis. But I think for me to better appreciate your question I think if you mail it. I may be able to do more justice to it.

Saket Kapoor

Kapoor & Company: Just going ahead, when you are specifying the higher EBITDA margins, what are you factoring in terms of raw material prices, you are expecting benign prices going ahead, that is the fair assumption?

Gaurav Sekhri: We are not expecting, we're actually witnessing downward correction in raw material prices. So, that is a positive sign that we are witnessing and largely that is because of our ability to create more options of supply. So that is where we are focused on and it should naturally benefit in better margins and that is why we are confident when we say that we should climb back to EBITDA of 15%.

Saket Kapoor

Kapoor & Company: In particular to the IOC order also, this order will also categorize into the infrastructure segment only?

Gaurav Sekhri: Very much so, yes.

Saket Kapoor

Kapoor & Company: And sir, going ahead what is the size of these kind of orders, what should Rs.100 crores order in this space signifies, what is your market size in this segment?

Gaurav Sekhri: In the crumb rubber modifier business, whether we supply to IOC or we also engage directly with some contractors by supplying them modifiers directly as well, or the crumb rubber which goes to people like HINCOL, which we just explained in the earlier question, these are all rolling businesses which continue to trickle in. So all of this constitutes for our sales into infrastructure sector.

Saket Kapoor

Kapoor & Company: No, I was just looking at the market size, what should Rs.100 crores order gives us an idea of catering going ahead if you could give some more color?

Gaurav Sekhri: When you see our market share within the crumb rubber modified space, let's say we would be 65% to 70% market share in the country.

Saket Kapoor

Kapoor & Company: Earlier participant mentioned about some numerical data about the metric tons. In your presentation, very sorry I could not find the same. So if you could help us out where the metric tons breakup is provided in your presentation or how should one conclude?

Gaurav Sekhri: I think we didn't fully understand how that number was being derived. If he does an e-mail the question and we'll do our best to answer it. So, I would answer you the same way, if you have some query please just send us the e-mail and we'll do our best to respond.

Saket Kapoor

Kapoor & Company: My suggestion is whatever feedback you get from participants like me and others you should look forward to revise our presentations for the benefit of the investing community at large and not keeping the conversation privy to only the participant who mail you, because then the benefit will only percolate to the person who mails to you.

Gaurav Sekhri: I will take your advice. We will consider it internally and see what other. Information we feel is okay to share, but you will appreciate that in every business that not everything can be shared also. But I take your feedback and we are happy to consider it and relook at it.

Saket Kapoor

Kapoor & Company: So just to sum up, for this year as the first quarter is in progress, two-third of its gone, we are more than confident of a revenue growth higher of 20% and our margins moving northward of 15%, this is what the sum and substance could be as well?

Gaurav Sekhri: In that direction very much.

Moderator: We take the last question from the line of Ms. Smita Mohta from Krescent InfoEdge. Please go ahead, ma'am.

Smita Mohta

Krescent InfoEdge : I just wanted to know if the management can give the break-up of the raw material cost.

Gaurav Sekhri: As a percentage to our sales? I think your question if I've understood correctly is what is the cost of these tires landed into our factory in relation to our end product pricing, is that right?

Smita Mohta

Krescent InfoEdge: Basically, I would like to know that whatever end product that you are making for that end product, the raw material that you are requiring, what is the cost of that raw material as a percentage of your sales?

Gaurav Sekhri: If I've understood correctly that would be around 24%, 25%, but again I think ma'am best is please send me a mail so we can respond more accurately. So you can just send it to our IR, Valorem and they will pass it on to us.

Moderator: Ladies and gentlemen, that was the last question for the day. I would now like to hand the conference over to the management for closing comments.

Gaurav Sekhri: Thank you to all our participants here, thank you for your interest in our business. We are grateful that you have allocated your valuable time to know more about our business and our performance. I greatly appreciate that and I hope that we will continue to live up to your expectations. Thank you so much.

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