



JIYA ECO-PRODUCTS LIMITED

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Date: February 12, 2019

To,
Department of Corporate Services
BSE Limited
P.J. Towers,
Dalal Street,
Mumbai-400 001

Subject: Conference call Transcript Q3 FY2019

Dear Sir/Madam,

Pursuant to Regulation of 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015 and with reference to our letter dated January 16, 2019, regarding conference call with Analyst/Investor on financial performance for Q3 FY 2019 on January 18, 2019, please find enclosed copy of transcript of the same.

The details of the same are attached herewith.

Kindly take the same on record.

Thanking You,

Yours faithfully,

For Jiya Eco Products Limited

Harshil Shah
Company Secretary & Compliance Officer



Jiya Eco Products Limited
Q3 FY-2019 Results Conference Call
January 18, 2019

Moderator: Good day ladies and gentlemen, welcome to the Q3 FY 2019 results Conference Call of Jiya Eco Products Limited. 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vivek Jain from Integrated IR. Thank you and over to you sir.

Vivek Jain: Thank you very much, welcome everyone and thank you for joining us for the earnings call for Q3 and nine month ended of Jiya Eco Products Limited. Please note that this result, press release and presentation have already been uploaded on the Exchanges and you can view the same on website of the company, that is, www.jiyaeco.com. To take us through the results and to answer your questions, we have today Mr. Bhavesh Kakadiya – Chairman and Managing Director and Mr. Vipul Vora – Chief Financial Officer of the company. We will be starting this call with Mr. Bhavesh Kakadiya giving us a quick overview of the company's business model to help those who are joining us on the call for the first time. Mr. Bhavesh Kakadiya will then update us on the key development during the quarter; this will then be followed by Mr. Vipul Vora running us through the financial performance of the company followed by Q&A session. I would like to remind that everything said on this call that reflects any outlook for the future and which can be constituted as a forward-looking statement must be viewed in conjunction with uncertainties and the risk that we face. Please note that the management would be comfortable in presenting the call and replying to investors' queries in Hindi, should Hindi not suit you; please feel free to ask your queries in English and I shall help translate it for you. With that said, I would now turn over to Mr. Bhavesh Kakadiya to take over the proceedings, over to you Sir.

Bhavesh Kakadiya: Hello everyone, I am Bhavesh Kakadiya from Jiya Eco Products Limited. I am the Managing Director and Chairperson in the company. We had done conference calls in the last two quarters, so many of you present here must be aware of our business model a little bit but there must be many such participants present today who might not have attended our last conference call. So I will just give a brief overview of our business for those who have not attended the calls previously; Jiya Eco Products is basically a Bio-fuel manufacturing Company. We produce Bio-fuel out of Agricultural and forest waste, which is a substitute of fossil fuel. This is a substitute for steam coal, lignite, firewood, diesel, LDO, gas, PNG, etc. which are used in Industries or for retail purposes, so our product is a substitute to all these things. We have three types of products under our product basket; bio-fuel Briquette, bio-

fuel Pellets and processed agriculture waste. Bio-fuel Pellets is basically a substitute for liquid and gas fuel which is used in Industries or in Retail sector, so we substitute them. Bio-fuel Briquettes and processed agriculture waste are substitute for solid fuel, which is used in large scale industries, so we replace it with our products. Our products are totally renewable, no hazardous gas is released from it, they are 100% eco-friendly products and our company has set up a well-developed network to procure raw material. We do the procurement of Agricultural and Forest waste that is generated within the periphery of 25 to 30 square kilometer of our plant and to get it supplied to our place where we want it in a uniform size, we have set up a network over there in such a way through our collection agents. Basically what happens is, as soon as the farmers harvest their crop whatever agriculture waste that is removed is our raw material. It is generated in abundance but it is left spread out all over. The biggest challenge for everyone is to process it and procure it, so what we have done is; we have appointed few agents in the villages which are within 25 square kilometers of our area. We provide equipments to those agents and then they deal with the farmer and collect the raw material from them through this equipment manually and then they will do the processing of sun drying and chipping whatever is required and then will deliver it to our premises. So we have develop a complete network for the collection of raw material and the availability of the raw material is 10 times more than is required at our existing plant situated in Vallabhipur, Navagam. Ideally we are using mostly 15-20% of that, there is no scope for shortage of raw materials at all. Regarding the forest waste, we have taken a contract through Central government with 52 villages to procure forest waste from all their Gauchar lands; the waste lands, whatever wild trees grow over there. So there also the availability of raw materials is in abundance. So we have two options; agriculture and forest waste. We are selling our products in two segments; one is industrial and the other one is retail. Industrial segment is such that the consumption is in bulk over there, the consignments are big but there the price is a bit low compared to retail customers. We supply fuel to all such places which includes textile units, chemical units, pharma industries and food industries; these are our main targets. Otherwise also, it can be used in many other industries as well but our main focus is on these industries. In retail segment, where the cooking is done in bulk, like places where Sweets, Namkeen, Farsan, etc, we supply bio-fuel Pellets in retail segments over there. There our profit margin is also quite good and there we work with users on long term agreement, we make 3-years agreement with retail users. Apart from this, there are lots of opportunities in export segment also but at present according to our production capacity, we have done long term tie-ups with Industrial and retails segments with our customers, due to which our focus is not on export at present but in future as our production capacity increases, we may give a thought to the export option. If we get good visibility over there, if the profit margin is good over there, if it is quite effective and if we are getting a sustainable business then we will give a thought to do business over there also. Remaining, you all must be looking at our results day by day, yesterday our results were declared; we are progressing quarter to quarter and our numbers are increasing day by day because we have a huge market for our business model, raw material sources are also quite a lot and also the profit margin is quite

good in the business. So that is the reason the company is having constant steady growth from the time it has been established. And our management ensures you that we would keep on working hard to achieve newer heights. That is all from my side, now our Chief financial Officer Mr. Vipul Vora will share and take you through the financial details of our results that were declared yesterday. Over to Mr. Vipul Vora.

Vipul Vora:

Thank you Bhaveshji, hello everyone. I am Vipul Vora – CFO of Jiya Eco Products Limited. I will give you a brief overview of the Q3 FY19 results that we have declared yesterday. Though everyone must have received it but I would still like to brief you all on it. Our Standalone total revenue is Rs. 45.58 crore, a growth of 66% up Y-o-Y, EBITDA is Rs. 6.64 crore, a growth of 55% YoY, PAT is Rs. 5.73 crore a growth of 80% YoY and EPS is 4.49. Our nine months' standalone results that I am sharing with you, revenue is Rs. 125.91 crore, a growth of 111% Y-o-Y, EBITDA is Rs. 19.47 crore a growth of 84% Y-o-Y, PAT is Rs. 16.62 crore a growth of 142% Y-o-Y and EPS is 13.2. Now I will give the consolidated results; our financial year consolidated revenue for Q3 is 57 crore, growth of 108% YoY, EBITDA is Rs. 8.35 crore, a growth of 95% and profit after tax is Rs. 6.82 crore, a growth of 115% and EPS is 3.55. Thank you everyone and now we start our questionnaire, thank you everyone.

Moderator:

Thank you. Ladies and gentleman, we will now begin the question and answer session. Anyone wishing to ask a question, may please press '*' and '1' on your touchtone telephone. If you wish to remove yourself from the question queue, you may press '*' and '2'. Participants are requested to use handsets while asking a question. The first question is from the line of Nilesh Karani from Magnum Equity Group, please go ahead.

Nilesh Karani:

Hello everyone. How much is our actual installed capacity right now and how much are we utilizing it? Suppose if we are fully utilizing now, then will our top line increase on this? I just wanted to understand on that.

Bhavesh Kakadiya:

Our existing facility which is in Vallabhipur, Navagam, there the installed capacity is ~ around 1, 20,000 ton per annum for Pellets and around~ 1, 20, 000 ton per annum for Briquettes, out of which we are utilizing around 90% but as you said that top line can increase, so what is happening in top line is our Briquettes is totally going to Industrial and the Pellets that is being utilized, out of it 70% is going to the Industrial and 30% is going to retail. On the same production, if our ratio increases on retail, then our top line and bottom line both will increase on our same production capacity.

Nilesh Karani:

That I agree but generally, suppose even if the ratio changes, for example you are on 70:30 now, probably you come to 50:50, so what could be that impact like, can your turnover, consolidated if we talk about from Rs. 50 crore, can it go upto Rs. 60 crore or what?

Bhavesh Kakadiya:

Sir, see now the ratio that is running now of 70:30 in industries and retail, if it goes to 50:50 then our annual top line can go up to 200, year on year.

Nilesh Karani: So basically growth will not come over there, capacity will remain the same, only growth will come more on EBITDA and PAT because of that product mix or consumer thing is, whatever.

Bhavesh Kakadiya: The growth would be in both in topline as well as in bottomline, when our product mix changes. We sell at a higher rate to our retail customers, thus it has impact on both. We are also ramping our capacity, as you must be aware we are expanding our plant in Gandhidham, which we expect to be commercially operational by the end of February. The Installed Capacity is higher in Gandhidham as compared to our existing facility. We hope to see the entire production of Gandhidham Plant to retail customers.

Nilesh Karani: Got it. Is there anything in debt or there is no debt or what?

Bhavesh Kakadiya: For details, I will pass on to our CFO.

Vipul Vora: Right now in debt; our Citibank loan is running now which is for Rs. 8 crore, we have taken a loan of Rs. 3.5 crore from NBFC as on today and we have Rs. 1.5 crore TL. Apart from these, there are no other debts.

Nilesh Karani: Any other repayment schedules?

Vipul Vora: No sir in repayment schedule, our CC interest comes every month and every month we get Rs. 13 lakh term loan installment.

Nilesh Karani: And what is the scene of our working capital cycle?

Vipul Vora: In working capital cycle; compared to our last year's debtor days were 240 days, we have successfully managed it to bring it down to ~145 days this year. Our incremental debtor days, this financial year, is ~80 days.

Moderator: Thank you. The next question is from the line of Abhishek Shah from DMS Investment Advisory Private Limited, please go ahead.

Abhishek Shah: My first question is on working capital. Our profits are increasing, top line, bottom line are increasing but there is no improvement on the working capital side. So what were the debtors before and how much are they now and how has our customer ratio; retail v/s industrial changed compared to last year and this year?

Bhavesh Kakadiya: Our last year's total debtor days was about 240 days, which we have decreased and brought down to 145 days this year. And now also our continuous efforts are going on to bring this down further, though our target is for 80 days. And as and when our demand increases in retail, the credit cycle will further improve, as the retail segment has around 30-45 days of credit period.

Abhishek Shah: So last year what was the percentage of our retail client in total turnover and how much is it this year?

Bhavesh Kakadiya: Last year's retail turnover was 20% of over sales, which we have increased to 30-35% this year and our target is to take this up to 50-60% in next one year.

Abhishek Shah: Okay and our margins on EBITDA levels for nine months was 17% last year and this year it is 15%. Why did it dropped down by 2% because we merged our other company Jiya Eco India Limited which is selling burners with this, so its margins also should be added now. So ideally the margins should have been more than 17%, right? So why has it decreased?

Bhavesh Kakadiya: The margin has decreased a bit, as earlier we were supplying everything directly to retail customers. As the retail customers are increasing, to ensure smooth and efficient running of business, we have aligned this business through distributors. The margin decrease is due to the commission provided to the distributors, which comes out to be Rs. 2000 per ton. Going forward all the business will take place through distributors, so the margins will not reduce further on to this, this has become the standard margin now.

Abhishek Shah: And this Gandhidham plant has not yet been established, right?

Bhavesh Kakadiya: Our complete set up has been done over there, we have made the sheds, all machineries have been fitted, only one thing is pending; The government's electric board out there has not yet issued the line power because there have been a lot of industries that have sprung up there, the last mile electric distribution at our site is awaited. We are in queue to have the power disbursed, we should get Power by February 1st week and we should be able to start production in full phase.

Abhishek Shah: No issues. This topline growth that we have witnessed, if we are working at 90% capacity for this Navagam plant, so how is this topline increasing because the new plant has not yet started production, so any particular reason?

Bhavesh Kakadiya: We had added a new product in our product basket the last year; Processed Agro waste, other than pellets and briquettes which we sell. Processed agro waste has witnessed good sales this year, because the people who used to use briquettes or crushed wood, now all of them are using our processing agro waste and in this we just have to process, there is no such mechanism involved, no machinery involved, we just process and sell it across, so because of which the sale has increased very much and this time we have recorded 48,000 tonnage of sale of processing agro waste. So, the main reason for increase in topline that you see is because of processing agro waste sale is growing and that you are seeing in the topline.

Abhishek Shah: And both these products have the same application? Pellets, briquettes

Bhavesh Kakadiya: In briquettes what people used to do was previously when we used to sell briquettes to our customers, they used to crush the briquette and then use it, we witnessed that with our two or three customers who were using it in such a way, so we came up with a plan why don't we ourselves give a processed end product to our customer. So this would mean saving of money in binding the briquette and customer would also get ready material, so we developed processing agro and we have recorded a lot of success there. So this is a big hit now and is very much in demand and hence you see the rise in topline.

Moderator: Thank you. The next question is from the line of Chitresh Lunawat from Jain Capital. Please go ahead.

Chitresh Ranawat: My first question is that, we are not paying taxes at all, would that mean we are going to pay all taxes in March?

Bhavesh Kakadiya: Sir, it is like we have MAT credit with us, for the past 5 years that we have paid as MAT 18%, which is currently in the form of credit with the government. So, in year ending they give us credit accordingly because the difference in taxable income and MAT is what we have to pay every year.

Chitresh Ranawat: Okay, so in year end how much would we have to pay as Tax?

Bhavesh Kakadiya: In last year we paid Rs. 3.12 crore as tax, we hope that this year we would have to pay somewhere around Rs. 4-4.15 crore as tax because this is our last year, so whatever credit is still in there will be given back to us.

Chitresh Ranawat: So, in last quarter we will have to pay that tax right?

Bhavesh Kakadiya: Yes, in last quarter you will see the effect of Tax.

Chitresh Ranawat: One more thing I would like to ask, our receivables till September was Rs. 72 crore, what is our receivables now?

Bhavesh Kakadiya: Our receivables now is Rs. 77 crore total. Our sale is for Rs. 125 crore against which Rs. 77 crore is the receivable.

Chitresh Ranawat: And how much of our receivables is more than 6 months?

Bhavesh Kakadiya: Around Rs. 3-4 crore for 6 months, nothing prior to it is pending.

Chitresh Ranawat: The receivable days previously were 130 days which we had brought it down to 105 days, where do we stand as of now?

Bhavesh Kakadiya: In previous year it was 240 days which we had brought down to 145 this year till last.

Chitresh Ranawat: That was working capital days right, debtor days?

Bhavesh Kakadiya: Our incremental debtor days now is 80 days.

Chitresh Ranawat: In last 6 months it was 105 days, so we have improved and brought that down to 80 days?

Bhavesh Kakadiya: Yes.

Chitresh Ranawat: And the new factory of Gandhidham which will be coming in soon, factory would have been commissioned and machinery set up, so we have already taken loan for it or we will be taking additional loans?

Bhavesh Kakadiya: No, we have not taken loan for it. We had issued Preference share for that. So, whatever money we got from Preference share that we have used in setting up this entire plant.

Chitresh Ranawat: So when the plant will be functional, it would only require working capital debt and nothing else.

Bhavesh Kakadiya: Yes, working capacity debt would be required as and when the need arises, as of now we have not taken any debt on it.

Chitresh Ranawat: So by when will this plant start functioning sir, by February 1st?

Bhavesh Kakadiya: We are completely hoping for it, we are in touch with the government constantly and the problem is that currently they do not have quota to issue power. Once they receive additional quota, we will be the first ones to receive power.

Chitresh Ranawat: And sir are there any additional fund raising plans because in market it was such that Jiya retail IPO would come in again?

Bhavesh Kakadiya: No sir as of now we do not have any such plans.

Chitresh Ranawat: In future would you have anything of such sort?

Bhavesh Kakadiya: No we do not have any such plans as of now. The management will take the appropriate call on the same

Chitresh Ranawat: Okay, because we have already diluted lot of equity by giving the preferential shares.

Bhavesh Kakadiya: Even if so, the fund raising would be for the new company Jiya Eco India and whatever development would be it is for Jiya Eco India only.

Chitresh Ranawat: Okay, so we have made Jiya Eco India separately for this, are there any plans to list Jiya Eco India?

Bhavesh Kakadiya: The management has not finalized anything on those lines as yet and will take a call in due course

Moderator: We will move onto the next question from Samal Shah an Individual Investor. Please go ahead.

Samal Shah: Our business model is one of the best and unique models till now. If I see your ROEs (Return on Equity) Capital everything will see a growth of 30-40% on a full year basis but economics concept states that whenever the market is so good and we have also discussed this earlier in your con call that in business we do not have any such competitive advantage that new players would not come, you said the market is open for all. So, I am coming to this juncture that if a new player enters your market; your margin which is 15-17% now, he will want to gain market share and he will come in with price cuts, you would also have to reduce prices and take hit on the margins whenever the new player would come in. When you mentioned that 15-17% is sustainable, so will it be for a period of 1-2 years after which the margins will drop to 12-10%.

Bhavesh Kakadiya: Let me tell you, the market demand is huge for Industries as well as retail segment. In the retail segment we sell our pellets at Rs. 14/Kg and this is by supplying burners to the customers from our end and having a three year long term agreement with the same. If in future, any competition comes and any of our client breaks the contract, we would keep the deposit and also take away our asset i.e. the burners. We foresee, that in this business, competition would increase, as I have told you earlier as well. But for the competition to reach our scale would be take time. Secondly, while our concentration is more on domestic market currently, we have also been receiving inquiries from Dubai and Japan from where we sense huge demand but face supply shortages probably. So we do have an opportunity that if at all we would be forced to compromise over prices domestically, we can always explore the export market which offer scale as well as profit margins. Currently, we are focused to work more on domestic front and have our roots developed strong.

Samal Shah: And sir in this I also wanted to ask that if you get any such distributor or network with whom you could share your technology and he would invest capital and capture other markets like Maharashtra, Southern Markets or Haryana side, so would that be interesting to you, a JV?

Bhavesh Kakadiya: Sir while we have internally discussed JV opportunities, our existing and upcoming businesses (Navagam, expansion at Gandhidham and another expansion in South Gujarat) are keeping us busy and would help us penetrate Gujarat well. Considering the huge retail market in some of our neighboring states like Maharashtra, Rajasthan, MP etc, we do see joint ventures as one of the ways of addressing the market. We are not averse to entering into a venture in states

with good offer raw material sources in which procuring raw material at cost effective prices and catering to the local retail market could be handled by the firm we enter into a JV with. That said this could be thought of it as a future pan, if we get an opportunity we will definitely think about it, if it falls in our favor.

- Moderator:** The next question is from the line of Prateek Poddar from ABC Capital, please go ahead.
- Prateek Poddar:** Sir can you give the absolute amount for your inventory and payables? You had mentioned that debtors is Rs. 77 crore, how much is inventory and payables?
- Bhavesh Kakadiya:** Sir our payable is Rs. 17 crore total, which includes transport, labor contract and the goods that we purchase from the vendors and our inventory is Rs. 6.5 crore.
- Prateek Poddar:** And sir these numbers that you are telling are as of 31st December, right?
- Bhavesh Kakadiya:** Yes sir, 31st December.
- Prateek Poddar:** And sir second question is how many burners have you capitalized as of 31st December?
- Bhavesh Kakadiya:** As of 31st December we have capitalized 211 burners and now our concentration is fully on our Jamnagar which was developed last year because there are more than 600+ factories who still use gas and diesel as fuel, so our operation is now over there to fit more and more burners in Jamnagar and further on we will venture in Morbi.
- Prateek Poddar:** So, these 211 burners which are there in this basically, you would have spent Rs. 2.5 lacs per burner, so broadly Rs. 5 crore is what we have capitalized in burners and these 211 burners you have a 3 year contract and this monthly consumers use 14 kg or?
- Bhavesh Kakadiya:** Every month the average consumption of these clients is about 6-10 tons. In beginning it is less as they intend testing the product quality and output and place incremental orders once they are satisfied with our product quality.
- Prateek Poddar:** So, on today's date 2000 ton per month Rs. 6000/ ton is going in retail. So apart from this is there anything else that is going in retail or?
- Bhavesh Kakadiya:** Not in retail. There is a different segment. There are a lot of consumers who want to use the best quality pellets because they want better combustion capacity. Then there are certain industries also, to whom we supply at lower rates and lower quality, who prefer to use the pellets that we supply to retail segment. There are lot of such industries, like in the food business for instance etc, who do not have our burners but yet use our retail quality pellets.
- Prateek Poddar:** And sir what will be your realization in this, the retail quality pellets?

Management: Prateek let me tell you something on this one. Like you were mentioning that we have installed these many burners but there a lot of food industries where thermo fluidic boilers are installed and they do not require industrial quality pellets, they want the retail quality ones which are there, they only require those pellets and we provide them that only.

Prateek Poddar: I understood sir, what I was asking is realization difference between industrial pellet and retail pellet.

Management: That Mr. Vipul will tell you and secondly, in retail the 211 burners that are there and as soon as Gandhidham plant will start, now we are not doing any new markets in retail because the production capacity we have with us till now is exhausted.

Prateek Poddar: I understood sir, since it is sold out you are not venturing. You had explained this in the last quarter, I wanted to ask this to you why was there a delay, Gandhidham was supposed to come in September end, then December and now February?

Management: In Gandhidham from our end whatever installation, setup we have to do all of those things are completed, the delay is due to delay in last mile utility connection which we have to yet receive from the electricity board. We are hopeful of starting our commercial operation in the month of February.

Prateek Poddar: And sir just one thing the realization difference between retail and industrial pellets? For how much do you sell retail pellet for?

Management: In retail, pellet we sell for Rs. 10,000 and industrial pellet is around Rs. 8500, it varies basis distance around Rs. 100-200 extra depending on the transit cost.

Prateek Poddar: And sir how much do we sell briquette for?

Management: We sell briquette for Rs. 5500-5700, it also varies Rs. 100-200 due to the distance involved.

Prateek Poddar: So, as you mentioned that the retail share will increase, since we have good margins there, consequently your margins would increase and working capital will automatically come down.

Management: Exactly.

Prateek Poddar: Let me speak aloud our rough thoughts on this, a year ahead from today. Let's assume that our Gandhidham facility gets functional by mid February and the production from this plant is ramped up after 6 months. So after 6 months our retail sales, which is higher in margins will increase and our working capital will also come down, giving a dual benefit, right?

Management: Right.

Prateek Poddar: So, sir why do we go for funding, that I am not able to understand, like you were saying our cash accretion is very strong.

Management: Now we have not finalised any funding plans. Like what you said that once our Gandhidham plant is setup, whatever we sell there in retail and whatever cash accruals will be generated from that plant, we intend using that to meet our CAPEX requirements for new burner installations and for setting up new plant at Ankleshwar.

Prateek Poddar: Sir, one more thing I would like to ask, you had mentioned capacity of Gandhidham to be 2,60,000 ton, right?

Management: No, Gandhidham's production capacity is 1,70,000 ton per annum.

Prateek Poddar: Correct, this will be ramped up to 2,60,000 tons eventually, right?

Management: That is our planning for the 2nd phase, the total setup will be ramped up to 2,60,000, proposed to be increased increase step by step.

Prateek Poddar: And sir fair enough to say Gandhidham will mostly be used for retail burners and not for industrial.

Management: Our efforts will be focused to ensure that production from Gandhidham facility will entirely be used for retail only and the second line of focus will be on exports. We have specifically chosen that location because the port is nearby to our facility, so while our first priority is retail and then we intend supplying to exports and finally to industrial consumers (if we are left with unutilized quantities).

Prateek Poddar: And sir this CRISIL rating we will continue to maintain right, you are rated BBB- and you had said that if your working capital improves, then your rating will also improve.

Management: Sir it will definitely increase in this, it will not go down, either it will be stable or will increase. And I can assure you on that.

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

Agastya Dave: I had one question with regards to the taxation part, you had replied to one of the previous questions that this year is the last for the tax benefits from MAT, am I correct in understanding?

Vipul Vora: No sir the period for MAT has expired, it was for 5 years and from past 2 years we are paying taxes, but we have credit with the department of MAT.

Agastya Dave: That credit will run down this year, right?

Vipul Vora: Yes it will run down this year.

Agastya Dave: So, next year onwards in your Profit and Loss account what will be the effective tax rate and at what rate will the cash outflow will be at what rate?

Vipul Vora: This year our tax is estimated at Rs. 3.15 crore which our profit and loss account may reflect and for the next year we estimated that around Rs. 4-4.5 crore of tax obligation could be reflected in the profit and loss account.

Agastya Dave: And sir will you be able to tell the rate in FY20 will it be 25% or 30%?

Vipul Vora: It will be 25%.

Agastya Dave: And sir the cash outflows, will that also be the same amount that will reflect in our P&L.

Vipul Vora: That much cash outflow will be there, right.

Agastya Dave: I was trying to understand this; I saw your supply chain the way you described, like from procurement to finished product that you have very well described in your notes, so like for example the agriculture waste, as far as my understanding goes we can get it at Rs. 3-4/kg, right? You collected from farms, what will be the farmers cost per kg, collection agents cost per kg, your cost per kg and post which you have mentioned in your P&L some manufacturing costs apart from cost of material that you have captured. So, on a gross level I wanted to understand your cost and secondly, the variation wise that you explained on this con call, how your gross margins have reduced but I also wanted to understand, your Other Expenses costs have also come down. Can you help me understand the cost part is moving because you mentioned realization like in retail it is Rs. 10000; I am guessing this is per ton, right? How is this transitioning for cost taking place was my question?

Vipul Vora: Let me answer this question first; let me first clear our costing for raw material to you. Our whole network is run through collection agents. We do not purchase directly from farmers because of the fragmented nature of farming community. We have appointed one collection agent, for instance, between 4-5 villages, who deals with the farmers of those villages. He will deal completely with the farmers for the raw material, say about Rs. 500, Rs. 600 or Rs. 700 per ton as per the material. After that he will inform us and we will send our shredder machine which will collect the whole lot of material from there. Then he will bring it to a big ground because there is 90-95% moisture in it and our requirement is only 5% of moisture. And the only option to dry it is sun dry. So he will keep it for sun dry in the ground, where the moisture will be dried, post which we send our other machine called a chipper machine which

will chip into small chips and that becomes our raw material. As on today, we purchase material from them at Rs. 3500-3800 per ton.

Agastya Dave: So, this is the cost at the collection agent's land, or is it including freight and all?

Vipul Vora: This is inclusive of all costs. He has to bear the diesel cost, labor cost, freight cost, everything is borne by him, our landing cost in factory is Rs. 3500-3800.

Agastya Dave: And sir last question is what is the reason for the drop in other expenses? and a follow up question. The raw material which you procure, you mentioned that 52 villages are covered and for 3-4 villages there is one collection agent. On what acreage is this waste available? Like for example for you to deliver output of 100 ton, what should be the area of land required?

Vipul Vora: Sir in one acre land 6-8 ton material can be extracted, depends on quality of goods.

Agastya Dave: And this is with 95% moisture content, right?

Vipul Vora: It is with 50% moisture content. Because he unroots the crops, and not merely cut it from the top. On Other expenses what you see is our Transportation cost for our sales because we sell FOR material and administrative expense to run the factory, rest all expenses we have put in production, labor, transportation costs, etc.

Agastya Dave: Why has it dropped so significantly in this year?

Vipul Vora: That is because we have managed transportation at a different place. And secondly, it's on account of processing Agro waste. We produce a fairly large quantity of processed agro waste which is pre-packed and sent to customers because of which we have reduced transportation costs, impacting other expenses also negatively. And also, there has been some effect because of IND AS. As the grouping changes with respect to IND AS, some of our groups had to be reclassified into the trading head instead of Profit and Loss head. So, while the overall gross profit would show some difference, it won't be a substantial one.

Agastya Dave: Thank you so much sir, I will connect with you offline as I have more questions.

Moderator: Thank you. The next question is from the line of Nidhi Jani from DFIJ. Please go ahead.

Nidhi Jani: Sir I wanted to know about the revenue contribution on the basis of pellets, briquettes and the new product launched; Process Agri waste?

Vipul Vora: In December'18 our total revenue contribution for pellets was Rs. 16.34 crore, briquette is Rs. 1.36 crore and Processing Agro Waste was Rs. 27.88 crore.

Nidhi Jani: And sir second question was on promoter holding, I can see from last 4 quarters the promoter holding has fallen down from 34%, so can you tell something about this?

Bhavesh Kakadiya: In last year the promoter holding has fallen is due to two reasons. One is that an ex-promoter, Mr. Harshad, withdrew from his directorship in the company and after which he has sold some of his stake. However, this stake has been purchased by investors known to us. Secondly, this is also due to the preferential issuance done by the company, which has now been converted into equity, raising the total equity base of the company.

Moderator: Thank you. We will move onto the next question that is from the line of Sanjeev Singh and Individual Investor. Please go ahead.

Sanjeev Singh: Sir I had one question. Out of the total burners that you have installed, how many of them would be prior to 6 months? I mean to say in last 6 months how many have we deployed?

Bhavesh Kakadiya: In last 6 months, if you see, we have installed 70-80 burners and rest 130 were prior to 6 months. At that time all of this was on experimental mode only, we had installed 3-4 burners in various industries, like Namkeen, sweet manufactures, and bakery. So we were constantly taking feedback from them to check how the burners function, their opinions on the trial and error etc which we were focused on. And in last 6 months we have installed 70-80 burners and as soon as our new production facility will start, so we plan to start setting up new burners in full fledged capacity.

Sanjeev Singh: So, now due to limited capacity, burner sales are slow, right?

Bhavesh Kakadiya: The current capacity that we have is committed with our existing industrial and retail customers. We are moving at a slow pace for adding burners on account of the new capacity not being commercialized as yet. Once the Gandhidham facility is ready, then we will set new markets and go in full fledge. Now we have a lot of enquiries, I think 400-500 burners worth of enquiries of installation as of now, for which we do not have the production support and hence we are going a little slow.

Sanjeev Singh: Sir one question I have with regards to your Agro waste. The existing machines used to manufacture briquettes and pellets wouldn't be used to manufacture processed agri waste, right? So, in that regards do we have any plans for expansion in this quarter?

Bhavesh Kakadiya: Sir for Processed Agriculture waste, we do not use the machines used to manufacture briquettes or pellets. We already have the the hot air dryer required for this product. We have also developed a mechanism for the dust particle separation. In future, we aim to increase capacities as and when we see more demand and manage it financially well.

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

Nakul Tandon: Sir I would like to ask the second plant on which you mentioned about the Power constraint and as we are aware about the power issues within the country. So I would like to ask if we see any more delays on this, is there any backup plan? Assuming if we do not get supply from the government, will we be able to run it through some other source?

Bhavesh Kakadiya: Sir let me first tell you we are liasoning with the electric board for the past 2 months. Given the situation that the neighboring areas were over industrialised when compared with the feeder capacity available. But now they are in the upgradation mode. So, I think as I mentioned we will start in February. Its upgradation work will get finished in February and the people who have queued up will get the power allotted. We are already ahead in queue and as soon as upgradation is completed we will receive connections but if there is any delay or in between there is any disturbance we can install DG(diesel) Set and start production, we will still be able to get attractive profits, despite slightly increased power costs.

Nakul Tandon: Sir I wanted to extend this question and ask you that if such a situation arises, how much will it hit the profit margins.

Bhavesh Kakadiya: Say about 10% expense from our total profit, not more than that. It will not affect much. Secondly, we also have an option; suppose by any chance if we may not get electricity in future, then we can generate gas from our raw material only and run gas generators but in that we would need some capex and this is our future planning. We may think about this in future, so what will happen is that the whole plant will be self sustained. It will not require electricity in that.

Nakul Tandon: Sir my next question is regarding the JV announcement that you had recently done with Korkia. I wanted to know a project charter would have been made with Korkia and the JV that is being made with them. So are we thinking of entering other markets through this because firstly Korkia is a very big international player. So basically I wanted to know, what work is Korkia doing related to Jiya Eco and which of the Korkia's capabilities are we going to utilize for our future growth? And there is one extension question related to this; if we put all these things under one basket how much is our future order book visible in today's date and what our own targets are for the coming three year in top line and bottom line.

Bhavesh Kakadiya: So as you said, Korkia has got such a management that they will make a report and show us the visibility as to how big is the market and what kind of sources are there. Even European Union countries are quite big consumers of Pellets globally. They will make a complete report of all these things and give us and going forward. If we feel that company is getting benefited in doing this, then only we will move forward in that or else we will not go that far. So we will

get this kind of report from Korkia and now our talks are going on for JV with them, so they are working on this project only.

Nakul Tandon: If JV happens with them in future, can you throw some light on what terms will be there in it?

Bhavesh Kakadiya: That will come under second phase. According to reports, it will be clear as to what all they are giving us and what all are the possibilities and what all they can do, the JV model will be made based on all these things. So right now, nothing will happen.

Nakul Tandon: Till when can we expect its visibility according to you?

Bhavesh Kakadiya: It can be by next quarter, approximately because that is also a long process.

Moderator: Thank you. The next question is from the line of Chitresh Ranawat from Jain Capital. Please go ahead.

Chitresh Ranawat: Sir I wanted to know about related parties transaction. As per last annual year report, I think 20%, 25% was related parties transaction, how much is it this year, sir?

Vipul Vora: Our previous director who was there, Mr. Harshadbhai Monpara, was a farmer himself and his entire family was into farming. So we used to purchase material from them, due to which what we used to purchase from them used to be counted as related party. Now he is no more our Director and they have stopped farming also. So related parties transaction has reduced a little now because of this.

Chitresh Ranawat: Has it reduced a little or has it completely stopped?

Vipul Vora: It has completely stopped with them because they have closed the farming work completely; they have sold all their fields, so we do not have any long term business with them now.

Chitresh Ranawat: Are there any other related parties transactions going on now, Sir?

Vipul Vora: Now our only director is Mr. Bhavesh bhai, his brother purchases raw material from us from Surat sometimes and there is one more related party transaction also.

Chitresh Ranawat: How much will it be as percentage of sales?

Vipul Vora: It is very minor; 0.01%.

Chitresh Ranawat: So it is very less, negligible. And now as our burners are increasing, so going forward what is our target for receivable days which is 80 days at present?

Bhavesh Kakadiya: Our target is from 35 to 40 days.

Chitresh Ranawat: How many years' target is this?

Bhavesh Kakadiya: About one, one and a half year, maximum 2 years.

Chitresh Ranawat: Then we will become free cash flow generating company know?

Bhavesh Kakadiya: No question at all, if you all are there with us then it will certainly happen.

Chitresh Ranawat: Then we will not require debts and equity dilution in future after that.

Bhavesh Kakadiya: No Sir, that is the reason there are no such plans. The company has already raised the liquidity we thought it would require Now our complete concentration is on the growing the business and reducing the working capital.

Chitresh Ranawat: I wanted to ask one more thing; since our machinery and all was set up in September, then why did we not start operating the plant, from that time, through other sources like diesel and gas, why did we take six months for it?

Bhavesh Kakadiya: For that we would have needed to incur further Capex as our the machine procured by us are designed to run on electricity. Besides, a constant hope of getting the required connections in the near term prevented us from resorting to any other plans. We are very hopeful of this getting commenced in February.

Chitresh Ranawat: If it starts in February then we will be able to run it only for four months only because monsoon season will start after that.

Bhavesh Kakadiya: We do not get affected by Monsoon because we work with hot air, now also our existing factory also works right through the Monsoon season, we never close during Monsoon.

Moderator: Thank you. The next question is from the line of Ajit S, an individual investor. Please go ahead.

Ajit S: My question was one thing you said that your payable days have increased a lot, if you see it was Rs. 70 crore you said. Last year payables were very less, so suddenly why has your payables increased so much?

Vipul Vora: Sir in payables what has happened in comparison to last year is that, last year we used to pay everyone directly through the factory but now we have done everything contract based. Payments are done through the contractors; whether for transportation, labor or anything else. Till last year, the production and sales volumes were relatively smaller. Now these numbers have increased significantly, calling for higher payables accordingly. As also, we have had to increase our raw material stock to 45 days now, from 22-25 days that we previously used to stock.

Ajit S: But you would need to give this money to the farmer now, your major payable will be to the farmer.

Vipul Vora: We give money to our collection agents; we do not pay directly to farmers at all.

Ajit S: If the collection agent does not have money then how will he give money to the farmer, he will also delay that along with us, know?

Vipul Vora: We ensure to pay the collection agents the amount he needs to conduct the business ie. Money required towards paying the farmer or the diesel required for transportation etc. Other than that, expenses like his godown rent or transportation expenses or any other head that he manages to prolong remains as payables with us for a bit

Ajit S: So what is your thought process on this? If we see it by number of days or how should your payable cycle be looked at? every year a new trend is reflected in your numbers. So while we see a sudden increase in your payables now, while receivables are decreasing (that is a very good thing and you are on track like you had committed), is our business model started changing. So how do we understand that as the scale increases what else changes can arise?

Vipul Vora: I will explain it to you; on 31st march, 2018 my payables was Rs. 13.6 crore, so in December it reduced down to Rs. 9.58 crore.

Ajit S: You said Rs. 70 crore know?

Vipul Vora: No it is Rs. 9 crore 58 lakh, that is consolidated, this is in total. So understand that payable will be Jiya Eco India, it will be Jiya Eco products debtors.

Ajit S: So if I see like to like, then what will be the same numbers in March?

Vipul Vora: It will be Rs. 13.5 crore.

Ajit S: So Rs. 13.5 crore has become Rs. 70 crore now?

Vipul Vora: No. Rs. 13.5 crore (march 2018) has become Rs. 16.5 crore now (dec 2018) and that too the payables have increased because of consolidation which reflects the material that Jiya Eco Product has sold to Jiya Eco India.

Ajit S: In consolidated, it will get removed face to face know, then Jiya Eco will be consolidated now?

Vipul Vora: No, this effect is there, that is why I am telling you know. This effect has not been removed, so now the cross effect will take place. There if the receivables will reduce then here the payables will decrease.

Ajit S: When we will consolidate; Jiya Eco India is our subsidiary only, of Jiya Eco Products, right? So when we will consolidate, then face to face it will go away.

Vipul Vora: Right but it has not gone away, that is the reason this effect is there. This effect is due to the IND AS and due to the IND AS we have to keep everything perfect, we do not want to separately consolidate for subsidiary.

Ajit S: I need to understand this with you. I will take this offline with you. My second question is we selected Korkia as a partner, so why did we select Korkia only, was there any other option or there was no other options because we do not have any knowledge about this at all as to why did we select Korkia only because there will be many options in Europe which will be Korkia's competitors when Europe is such a big market?

Bhavesh Kakadiya: Very true, there might have been several options apart from Korkia. However, we came in contact with Korkia through one of our friends. We got to know them only after we had a detailed meet with them. Post the meet, we internally discussed this matter and found their proposal acceptable. That is the reason we chose to do business with Korkia.

Ajit S: What I understand is, primarily our engagement with Korkia right now is with the feasibility study angle and what technology will be required going forward. Whether we do JV with them or not, that is for future but right now you will be giving consultancy fee, right?

Bhavesh Kakadiya: Yes right, this is what is going to happen.

Ajit S: So after you get interest after their feasibility study and proposal, then you will decide as to what you want to do.

Bhavesh Kakadiya: Exactly, Sir.

Ajit S: If I may take one more question; and with the purpose of technology in this. First thing is how big you can become as a business in the current form and secondly after achieving that level what technological changes you would require to manage the scale because the way we are working now, definitely lot of changes will come in that to manage and keep on growing at this pace. So where will the technology involvement come in this and what kind of technology is there in Europe which you are looking at?

Bhavesh Kakadiya: What I am saying is that when we started about 7-8 years back and have constantly invested in automating our plant from time to time, since then. There is no compulsion to invest only into building production capacity via greenfield capex. As reported earlier, we have added capacity in our plant, somewhere in January last year, by ~25% merely by resorting to upgrading our existing machinery. Besides, apart from technology there are other things also that impact productivity. Procurement of raw material for instance and the burners, boilers

etc used by different user industries for which constant innovation takes place and we get access to that technology. As we get to know, a better technology than that installed in our facility is available in the market. Though we do not have a complete report as of now, can be sourced from an agency that will provide us with the feasibility and steps to improve product quality etc.

Ajit S: And after that we will decide what we would want to do. This was very helpful, all the best Sir.

Moderator: Thank you. The next question is from the line of Avinash Gorakshakar from Joindre Capital. Please go ahead.

Avinash Gorakshakar: I have a couple of questions. Firstly, this preferential allotment that you did for funding of Gandhidham facility, to which all investors was this preferential allotment allotted to, are these private HNIs or some other funds, can you give us some idea on their profiles and what will be our equity after preferential and bonus?

Vipul Vora: Our preferential allotment doesn't include any fund or fund manager as such, all of these are individuals and you may find a record of this on the BSE with their names. There is no big company or investor involved. And secondly, the total equity will be of 3 crore shares, after preferential and bonus.

Avinash Gorakshakar: What will it be in value terms; I believe it was Rs. 10 crore in equity on March 2018 value wise?

Vipul Vora: Yes sir, it will be Rs. 30 core.

Avinash Gorakshakar: And secondly, if I am not wrong you mentioned around 211 burners we have installed till December, right?

Vipul Vora: Yes sir, correct.

Avinash Gorakshakar: So, in this year March 2019 what will your target be and in coming year FY 2020 can you approximately mentioned how many burners you will install?

Vipul Vora: By March' 19 we have an internal target to have installed 300 burners and in next year i.e. 2020 we have set a target that minimum we will take this number to 800-900 total burners.

Avinash Gorakshakar: So, you are eyeing a possibility of going upto 800-900 burners from 300?

Vipul Vora: Yes we will definitely try and make it a point to reach upto a minimum number of 800.

Avinash Gorakshakar: And tell me one thing. These burners that you sell in the market basically how is your marketing team setup? Since you have a very steep target so there would surely be monthly, quarterly targets. So how do you design the marketing plan, inquiry, commissioning, deal closing, how is this process done?

Vipul Vora: Sir, first of all we had done a survey for entire Gujarat, we have a total 2000 surveys, in which we have examined all aspects like what is their current capacity, amount of fuel used and what is the cost associated with it. After having studied this, we have identified the designated markets and potential customers who can utilize our product. Our marketing team contacts with these people, speaks with them and brings in orders. As on date, we have at least 350-400 orders pending, who have already committed to use our burners and as and when our Gandhidham facility is operational, we will start taking orders for the same

Avinash Gorakshakar: As on date what would be your current burner capacity, if you have to achieve this 800 target, so do you outsource it or you manufacture yourself?

Vipul Vora: No we have outsourced from two places and we are in talks with a third party and we are looking for a minimum of 4-5 places where we can make burners and outsource them. So, while our per month capacity is between 10-25 burners currently, going forward our target is to achieve a minimum of 50-100 burners per month.

Moderator: Thank you. Ladies and gentlemen we will be taking the last question that is from the line of Niraj Jain an Individual Investors. Please go ahead.

Niraj Jain: Sir I have a simple question. After issuance of bonus shares and warrant conversion our equity is 3 crore number of shares and our profit is at Rs. 6.8 crores on a consolidated level, so how are we claiming our EPS to be at 3.55?

Vipul Vora: Sir the number that you see is on a diluted basis, because the bonus which we issued and the effect observed was as of November 23. Which means a total of 38 days till Dec end quarter (including 7 days of November and 31 days of December) was accounted for calculating the diluted EPS, as per IndAs accounting system.

Niraj Jain: So full effect we will come to know about in the next quarter after dilution?

Vipul Vora: Yes, full effect will be observed in next quarter.

Niraj Jain: So, any guidance especially considering tax outflow? Will it also be there in next quarter and dilution effect will also be prominent, so any guidance what will be EPS in quarter 4?

Vipul Vora: Sir, as a company we do not provide guidance. We can assure you that we are working very hard and ensure that the growth momentum will continue

Niraj Jain: And one last question, now you do not have plans for equity dilution in next couple of years, sir?

Vipul Vora: No sir, nothing as of now, management will decide about it but no plans have been firmed up, as of now.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Vivek Jain for his closing comments.

Vivek Jain: Thank you all for joining us. On behalf of Jiya Eco Products Limited that concludes this call. If you need any further information you can get back at vivek@integratedir.in.

Moderator: Thank you. Ladies and gentlemen, on behalf of Jiya Eco Products Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.