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GRP
IMPACT POSITIVE

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To	To
BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001. **Scrip code : 509152**	National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051. **Symbol : GRPLTD – Series: EQ**

Dear Sir / Madam,

Subject: Earnings Call Transcript

Dear Sir / Madam,

Please find enclosed herewith a copy of transcript of earnings conference call held with analyst/ institutional investors on 4th June, 2019 to discuss Company's performance for fourth quarter and the year-ending 31st March, 2019.

Kindly take the same on record.

Thanking you,

Yours faithfully,
For GRP Ltd.

Abhijeet Sawant
Company Secretary

Encl : a/a

GRP Limited
Q4 & FY2019 Earnings Conference Call

June 04, 2019

MANAGEMENT: **MR. HARSH GANDHI - JOINT MANAGING DIRECTOR – GRP LIMITED**
MS. SHILPA MEHTA - CHIEF FINANCIAL OFFICER - GRP LIMITED
MR. KUNAL SHAH - STRATEGIC INITIATIVES – GRP LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the GRP Limited Q4 & FY2019 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as of the date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. 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, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Harsh Gandhi, Joint Managing Director. Thank you, and over to you, Mr. Gandhi!

Harsh Gandhi: Good afternoon. A very warm welcome to all the participants. I appreciate you all having taken the time to attend this maiden call of the company. I have here with me, Ms. Shilpa Mehta, who is the CFO of the organization, along with Kunal Shah who heads strategic initiatives within the company. I also have with us our Investor Relations Advisors, Strategic Growth Advisors, represented by Mr. Samir Shah.

since this is our first call, I will talk a little bit about the history of the organization and the various business segments that we operate in. A little bit about the financial performance of the company for FY2019 and thereafter we will be happy to take any questions that the participants may have about either the business or the performance of the company.

GRP was incorporated almost 45 years ago and over the years, we have grown from being a single product company to now manufacturing multiple products, but all of them with a single focus, of providing sustainable materials to the customer segments that we operate in. The focus has been on using a single source of raw material which is end-of-life tyres and trying to extract as much value as we can through multiple business units that have been setup, most of them very recently, as a result today the company operates five business verticals, Reclaimed rubber being the predominant one which is how the company was started and over the last few years, we have entered into the field of industrial polymers which is predominantly using the nylon from the end-of-life tyres to produce upcycled nylon and nylon compounds. Custom Die Forms a business where we are using the end-of-life tyres to make components for use in industrial and transportation segments. Tyre Retreading, which is a joint venture with an Italian company, and I will talk about it later. And a business on Polymer Composites, again where we are using some raw materials from the reclaimed rubber business along with certain other plastics to make composite boards. We are operating across eight manufacturing units in India and across all the five businesses; the total installed capacity of the company is 72000 tonnes. We believe very strongly in providing and servicing the needs of the global polymer industry and all our businesses are designed around the three R's, recycling, reducing and reusing mostly end-of-life tyres.

Let me take you through each of the business verticals for a better understanding. The core business of Reclaimed Rubber is where we recycle end-of-life tyres, automotive tubes and certain automotive products to make rubbers, which can be used by tyre manufacturers, conveyor belt manufacturers and other auto component manufacturers to blend along with the virgin rubber. So we help these producers fulfill their obligations of a circular economy and help them incorporate this as an important ingredient or a raw material in their process.

The product lends economic advantage but more importantly it lends a process advantage because when incorporated with virgin polymers it exhibits certain properties akin to additives in the compounding industry. So the applications that we serve is mainly tyres and apart from tyres the large segments that we supply to are the conveyor belt manufacturing, automotive products, roofing, adhesives, and a variety of other rubber based components.

For the manufacturers, reclaimed rubber consumption is obviously helping them fulfill their environmental obligations, but as I mentioned before, it is also offering them economic advantages and without compromising on the quality of the end products they are able to use anywhere between 2% and 25% of this material in their formulations.

We have seen that over the years, as sustainability as a concept continues to grow in the minds of not just the producers but also consumers and governments, there is an increasing affinity towards using the products and I must say there are several initiatives taken by customers to try and see how they can incorporate more of these materials in their end products.

At GRP we are supplying to seven out of the top 10 global tyre companies in the world and that is more of a reflection of a) our commitment to quality, b) our ability to move at the pace of R&D demands that the tyre industry has for performance and c) it also therefore means the geographic reach which spans more than 50 countries around the world.

We enjoy about 20%-odd share in the domestic rubber industry but our focus has been historically the international markets and I must say that at this stage, exports of GRP represent 50% of the industry exports out of India. For us exports is about 65% by volume and roughly 70% by value as far as FY2019 is concerned and reclaimed rubber as a business contributes to about 93% of the revenue for GRP for FY2019.

Our capacity for reclaimed rubber business is about 66000 tonnes and the rest of the capacity that I talked about earlier is spread between some of the other businesses.

I will move over to what our other businesses are, but I would be happy to take questions on reclaimed rubber at a later time. Of our other businesses, which are again built on the premise of reduce, reuse and recycle the business of industrial polymer spans recovering nylon from the end-of-life tyres and this we are upcycling and blending along with glass and other additives to make glass filled and additive filled nylon compounds. This product, which is a purified form of the nylon fiber, is extracted using a proprietary process, part of which is patented and it is then converted to granules using the extrusion process.

The nylon that we are selling in the industry is mainly sold to industrial, consumer goods and automotive industry and this business we believe has just kind of begun giving fruits of all the R&D efforts that we have put in the last many years and is poised for a fairly sizable growth on the back of the growth expected in the nylon industry as far as India is concerned. This is a business, which is 100% dependent on Indian markets across the three industry types that I talked about a little while ago.

The Customs Die Form business is a business where we are trying to use the engineering properties and the sound absorption properties of the end-of-life tyres and used in products that have been designed from end-of-life tyres and are used in the civil and agricultural applications. In areas where there is a lot of movement of heavy equipment as well as applications where sound insulation is required these are products that have substituted molded rubber products. So the objective of providing sustainable solutions based on reusing end-of-life is a focus as far as this business is concerned. This product is sold exclusively in North America and we are producing this in collaboration with a North American Company. The business has been around for more than 20 years within our portfolio and is a very good hedge as far as use of different raw materials or types of tyres are concerned, and it gives us a good control over our supply chain when it comes to sourcing of end-of-life tyres.

The Polymer Composite business is a fairly new business and has been started only about a year and a half ago. Here we have tied up with an American company on whose behalf we are contract manufacturing composite boards based on recycled rubbers and plastics, and these are boards and different kinds of end products which are used to substitute wood and concrete in a variety of end applications in the transportation sector, in the oil & gas industry, in the defense industry in North America and in the housing sector. This is a new business and we have a lot of hopes pinned on the growth as far as this particular business is concerned. Here again, we are using some of the raw materials which is produced in our factories that make reclaimed rubbers. So there is integration on the backend while the customer segments are fairly new and different.

We also setup about three years ago a joint venture in the tyre retreading business and this is in a joint venture with an Italian Company called Marangoni. Marangoni is amongst the largest independent tyre retreading companies in the world. Historically tyre retreading has been owned and housed by the tyre industry to kind of be able to use their customer base which is the loyal fleet owners to be captive and ensuring that they continue to use that companies products and not just after the first life but across multiple lives.

Marangoni has established around the world merit of being an independent tyre retreader and our objective of setting up the joint venture was to set it up as a franchised network across the country and is quite different from the way the traditional retreading industry in India is operating. Retreading industry in the country is going through quite a major transformation because of the change of the types of tyres moving away from bias to radial type and therefore a need to extend the life of the tyre to get maximum value to the transporter and help them reduce their cost per kilometer.

Our proprietary technology, which we have brought into the country, is RINGTREAD technology which is a step in that direction to help the fleet owners to bring down their cost per kilometer of operating their fleets. We have seen that over the short period of time that we have been in this business we have ramped up to about six franchises and are poised to sort of grow this network of franchises because all of them seem to be appreciative of the technology that we have brought in and the value that the customers are seeing in the industry.

These centres or franchises will be opened across strategic transportation hubs across the country and the reason for that is also to help GRP's reclaimed rubber business to be able to use the raw material that is generated from these transportation hubs back into its reclaim factories. So the principle is tyres that can be retreaded, are being retreaded by the joint venture and the tyres that cannot be retreaded which is beyond useful life are being recycled into the reclaimed rubber operation, so we are helping provide an end-to-end solution to the transportation sector.

Moving on to the financial performance for FY2019, revenue of the organization was at 357 Crores against 299 Crores in FY2018, a growth of 19% in value. In Q4 the revenues grew by about 23% to 92 Crores compared to 75 Crores for the corresponding quarter of FY2018.

Revenue from the reclaimed rubber business, which I mentioned is at 93% of the total, stood at about 339 Crores compared to 292 Crores in the previous fiscal, while revenues from the non-reclaimed business stood at about 17.7 Crores compared to 7 Crores in the previous fiscal.

For Q4 2019, 93% of our revenues are from the reclaimed rubber business and over the quarters the revenue from the non-reclaimed businesses has been growing and our focus as I mentioned before with the business comments is to try and see how we can grow the non-reclaimed businesses to a significant portion of the company's financial.

EBITDA for FY2019 was at 25 Crores versus 19 Crores in FY2018 registering a 31% growth and in Q4 2019 it is 3.7 Crores compared to 5.7 Crores in Q4 FY2018 with EBITDA margins at 4.1%.

The dip in margins in Q4 has been on account of increase in input costs because of certain import restrictions that came from certain geographies towards February and March. There has been obviously a major slowdown in the Indian automotive industry and that has had an impact on volumes in Q4 compared to the previous quarters and the oil price spike that we all witnessed in Q4 has led to certain other input cost increases mainly on account of freight.

Our focus as far as the reclaimed rubber business is concerned continues to be on increasing margins and several efforts are being put in to optimize costs, increase automation, and increase the share of the high margin grades of the reclaimer rubber portfolio namely the synthetic rubber grades.

As far as the PAT is concerned, PAT for FY2019 was at 6.4 Crores compared to a little lower than 1 Crores in FY2018, 5 times increase in the margins and at a percentage of 1.8% compared to 0.3% in FY2018. We are confident of improving these margins going forward on the back of higher volume growth in the reclaimed rubber business which will bring operating leverage and as the share of the non-reclaimed businesses continue to grow in the time to come, we are fairly positive that the PAT margins will continue to improve hereon forward. While we focused on improving the margins over the previous years, our focus has also been on reducing long-term debt. Our long-term debt stands at the moment at 2.8 Crores and short-term debt, which is working capital, utilisation remains at 59 Crores for FY2019. There continues to remain a fairly significant control over the debtors and inventories, as a result of which the cash position of the company is fairly healthy.

Having seeded the new businesses in the non-reclaimed space over the last three to four years, we are extremely satisfied with the progress and success of these divisions. These businesses will be the impetus for a longer-term growth of the company and will steadily increase the contribution to revenue in the coming years, which will definitely or more certainly add to the overall profitability of GRP.

The recent slowdown in the tyre industry has impacted the demand in the segment in India; however, we have been able to makeup a part of that by growth in the export territories, but these are temporary cycles in the business. We continue to be optimistic about the long-term fundamentals of the company as well as the reclaimed rubber industry and remain favorable for this sector in the times to come.

This is all as far as my update is concerned. With this I shall now leave the floor open for question and answers. I am happy to take questions on either the business and/or the financials. Thank you.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Jinal Seth from Multi-Act Asset Management Private Limited. Please go ahead.

Jinal Seth: Just wanted to touch upon the fact that if you look at your sales over the last five six years, just wanted to understand that what happened in this period where we have not really been able to scale up in that sense. Could you throw some light on that?

Harsh Gandhi: Thank you Jinal for the question. As far as the sales are concerned, yes we have seen a little bit of a muted growth in the industry. I think most of it has to do with the mood and tempo in the consuming sector, which is mainly the automotive sector. As you are aware, reclaimed rubber is used as a substitute to virgin rubbers, so while the desire to use more reclaimed rubber continues to be high in terms of priority for the end customers, prices do play a role as far as the usage itself is concerned. So part of the sales being flat is a combination of unit prices or realizations dropping and the other itself the muted demand across various sector, so the Indian automotive industry specifically the tyre sector in India continues to be sort of not seeing significant growth and therefore that has kind of reflected in our performance as well. The prices have also led to unit realizations of reclaimed rubber being marginally low, and is one of the other reasons why sales dropped between 2015 and 2016 and only after 2018 when there was a marginal spike in the oil prices the revenue kind of increased. Now the virgin rubber prices as I mentioned have a major role to play in this and those prices have actually decreased or dropped much more significantly than the price drop in the reclaimed rubber industry. So while we have noticed in the region of 3% to 4%

price reduction, the prices of virgin rubbers have dropped by a magnitude of as high as 30% to 35% over a five-year period.

Jinal Seth: So, are you saying that if the virgin prices come down then it has an impact of the reclaimed rubber industry?

Harsh Gandhi: Yes, there is a certain impact. To a certain extent there is a correlation between the two, and yes if the virgin rubber prices fall, there is a pressure on reclaimed rubber prices to also move a little lower in tandem.

Jinal Seth: I recall you mentioning that the rubber cycle usually are long, so where are we in that regards?

Harsh Gandhi: So, the rubber cycle as far as natural rubber is concerned, it follows a certain pattern because plantation to tapping is a seven-year cycle and trees mature and continue to produce rubber between seven to 21 years of their life. As far as synthetic rubbers are concerned, which are not linked to plantation cycle they are linked more closely to the oil prices.

Jinal Seth: Lastly, just wanted to understand the trends of margins where historically we have seen some strong double-digit margins which in the case in the last four, five, six years, has been on the single digit side, I understand you guys have been investing, so where can see this trajectory in the future?

Harsh Gandhi: As I mentioned in the presentation as well, our focus continues to remain on improving margins, if you look at the cost structure that we have, raw materials is one of the largest costs within our P&L followed by manpower and energy. As far as raw materials are concerned there is a certain degree of dependency of the raw material prices on our finished goods and sort of move a little bit in tandem. As far as manpower costs are concerned, it is a play of economy of scale and we are continuing to invest in automation and adopting technologies and processes which require less dependence on manpower, so we will see certain improvement and increase in margins on account of those spends going down. As far as energy costs are concerned, we have had over the last three, four years a little bit of a turbulent time in the industry and being unable to use alternate sources of power through third party purchases, but we have now supplemented a lot of that by investing in our own solar and wind power plants and at the moment, close to 50% of the company’s energy needs are now being sourced through clean energy sources and we will continue to invest in those to ensure that our energy costs also drop over a period of time.

Jinal Seth: Thanks a lot, Harsh.

Moderator: Thank you. The next question is from the line of Arpit Ranka from Kovil Investments. Please go ahead.

Arpit Ranka: Good afternoon. Thanks for good insights of the business. Couple of questions from my end. One is, can you help us understand the size of the reclaimed rubber industry globally because I recollect you mentioned that sort of 50% of the exports from India sort of comes from us, but globally what is the right way to think about it? It seems like it is a niche industry, so can you just help us understand that a bit better?

Harsh Gandhi: I would like to clarify firstly that reclaimed rubber industry is not serviced 50% from India. I am sorry, if it came out wrongly. I said GRP's exports 50% of the total reclaimed rubber exports out of India. The total reclaimed rubber industry is estimated to be in the region of about 3 million tonnes to 3.2 million tonnes at the moment, and is expected to, based on certain market research, grow at the rate of about 10% year-on-year until 2025. There are indications that the industry, I mean of course the growth of the industry in different parts of the world are very different, so for example, in India the percentage of reclaimed rubber used as a percentage of the total rubber is in the region of 10%, I would assume that a lot of the emerging economies also would have a similar percentage of use of reclaimed rubber, and the more developed economies which are dependent lot more on synthetic rubbers there the percentage of reclaimed rubber use would be marginally lower than this figure. So assuming a certain growth rate in the industry from 3.2 million tonnes and our capacities being at only 66000 tonnes; does that give you a fair idea of what the global size of the industry, the growth rate and therefore the opportunity is?

Arpit Ranka: It does. We are not even 5% of the global industry in that sense, and is it fair to ascertain that we may have a certain edge given the number of vehicles on the road in India and the raw materials being end-of-life tyres and I presume that in reclaimed rubber availability of end-of-life tyres is a key ingredient so where do we see things panning out over a 10-year period in terms of our standing today in the global industry in terms of volumes and in terms of how the industry will shape?

Harsh Gandhi: I am sorry, the question was not very clear. Could you sort of repeat it if you do not mind?

Arpit Ranka: See, end-of-life tyres being the raw material and India being one of the largest countries where we see automobiles on the road we may have a certain edge in terms of availability of raw materials, so is it fair to say that 10 years ahead our market share may end up going up or do you think there are certain constraints to that happening either by way of technology or stuff like that?

Harsh Gandhi: Two clarifications; one is while India is a fairly large market by itself, it continues to be probably just at the bottom of the top 10 when it comes to the tyre industry in the world. We produce a lot, but our consumption is not as high because our PARC as you are aware is much lower than a lot of other countries. Having said that yes, there is a lot of raw material available in the country. The estimate of amount of tyres that get discarded each year is in the region of 1.3 to 1.5 million tonnes just in India alone of which the reclaiming industry is not more than 25% of the same. So, when it comes to availability of raw material yes there is fair bit of raw material in the country; however, the types of tyres that are produced in India obviously range from different segments of the tyre and the type of tyres that we use as raw material for our processes are mainly commercial vehicle tyres, so that constitutes only about 60% to 65% of the total tyres available in the country. Now the other side of the question is whether India will have a dominant share in the world sale of reclaimed rubber? The answer will be a lot dependent also on how the market is adopting the usage of reclaimed rubber. So raw material alone may not dictate the consumption growth or the industry growth, I think, a lot will be driven by the industry that is consuming it. And there as I gave you my estimates based on third party research is that it is likely to be around 9% to 10% growth rate in the reclaimed rubber industry.

Arpit Ranka: Thanks for that. So what is the current utilisation you said we have a capacity of 66000 tonnes for reclaimed rubber, right?

Harsh Gandhi: Yes, at the moment our utilisation in the reclaimed rubber business is about 85%.

Arpit Ranka: So, one followup to the earlier question is as radialization share goes up, so does it effect your business negatively in terms of availability of raw material, can you help us understand that?

Harsh Gandhi: The radialization in the country is double-edged sword. As far as GRP is concerned, we have the technology and the ability to process both the nylon or the bias type of tyres as well as radial type of tyres, so as far as GRP goes, we are invested in the technology to be able to handle a growth in the radialization in the country. However, it could have a potential negative impact as far as the nylon business is concerned, the industrial polymer business that I talked about, because the availability of nylon is to a large extent dependent on the type of tyres that we process in the reclaimed rubber operation and therefore our need to process bias tyres is high more also to support and serve the industrial polymer business. Having said that, today of the total bias tyres available in the country, only 50% to

55% of those tyres are currently being reclaimed, so having said that if the industrial polymers requires additional volume of nylon there is adequate raw material availability in the country for us to be able to source and feed our industrial polymer business.

Arpit Ranka: That is very helpful. So one final question if I may, so amazing thing that we notice is that from say almost 1997 or it may be even before, we have not raised even more capital. Our equity capital remains the same, so whatever growth we have seen from say sales being 10 Crores to almost 400 Crores out of internal earnings being flowed back into the business, so how do you see that shift? Not that we like companies coming under the market or anything, but the businesses are shaping and also we are getting into newer businesses, so we need to raise capital over the next five, seven year period or do we foresee a situation like that arrive?

Harsh Gandhi: As I mentioned in my comments before we have continued to remain bullish on some of these newer businesses that we sort of invested in and incubated and now all of them seem to have gotten to a stage where a) they are self-sufficient and self-reliant financially and b) exhibit a fairly significant growth opportunity. At the moment, I believe our financials are fairly comfortable to be able to go on with the existing level of equity base that we have to continue to invest in these new businesses. As and when a need arises where the growth capital required is beyond what our existing equity can serve, we may certainly look at alternate options; however, debt would be our first preferred option followed by equity as and when, if and when required.

Arpit Ranka: Thank you Sir.

Moderator: Thank you. The next question is from Aman Vij from Astute Investment Management. Please go ahead.

Aman Vij: Good afternoon Sir. A few questions from my side. Could you give me the current price of virgin rubber?

Harsh Gandhi: When you say virgin rubber, I mean, again there is natural rubber and there are a variety of synthetic rubbers that our product replaces, I mean there are at least seven eight types of synthetic rubbers out there and within the natural rubber space also, there are different grades, so I am not sure what the question is.

Aman Vij: Sir, basically just to understand the price multiple difference between the reclaimed rubber which we are making versus the rubber which we are trying to substitute?

Harsh Gandhi: I can give you ranges at the moment that would be useful. As far as natural rubber is concerned, the range of prices as far as India is concerned; the prices range between Rs.124 and Rs.130 a kilo. As far as synthetic rubbers are concerned the two commodity grades of rubbers, which are closest in representation to natural rubber are SBR and PBR rubber and these are all in the price range of between Rs.105 and Rs.110 for SBR and PBR which is the polybutadiene rubber between Rs.120 and Rs.135. Against these grades of virgin rubbers where our product that competes against these grades our prices are between Rs.30 and Rs.40 a kilogram. There are certain other synthetic rubbers that we sell and there the virgin rubbers which is butyl rubber for example, which is one of our SKUs the butyl rubber prices, virgin butyl would be in the region of Rs.130 to Rs.145, against that our prices for the equivalent product category would be between Rs.60 and Rs.75. EPDM is another synthetic rubber that we produce. Prices of EPDM range between Rs.140 and Rs.155 and against that our product is again between Rs.60 and Rs.70 a kilo.

Aman Vij: That helps. The second question is on the reclaimed rubber business, which contributes to 340 Crores in FY2019, so could you give a rough split of what was the sales to say tyre versus non-tyres as well as what is the percentage of that synthetic rubber grades, which are normally high margin in this overall revenue?

Harsh Gandhi: As far as the reclaimed rubber business is concerned about 65% broadly I do not have the exact numbers here, but I mean, very broadly about 65% of that comes from the tyre sector. I would say another 7% to 8% comes from non-tyre automotive sector and the remainder comes from the non-automotive sector altogether. When you ask for the split between the natural rubbers and the synthetic rubbers generally it is by volume about 55% towards the natural rubber grades approximately and 45% towards the synthetic rubber grades. Does that answer your question?

Aman Vij: Just one small clarification on this, so this 45% which is synthetic are higher margin business for us compared to the natural rubber, would it be the right assumption?

Harsh Gandhi: I mean by and large yes; however, there are certain applications and certain SKUs within this which may not be necessarily as high margins, I mean there is a mix between both these portfolios, there is high margin grades and low margin grades or SKUs; however, you look at it.

Aman Vij: The next question is on the split of that 17.5 Crores turnover from the rest of the divisions we did, so could you give a rough split of how much was in?

Harsh Gandhi: Approximately all are equally within a certain range, give or take, so because they are too small at the moment and they are all at different stages of its evolution, it would be unfair to sort of say that this would be the typical mix of these businesses, but by and large they are more or less equal at the moment; however, these would keep changing as time goes on because the growth rate, capex cycles, utilizations, etc., would vary over a period of time.

Aman Vij: The final question from my side is could you give a rough, so what do you think the Marangoni JV contribution to our revenue could be for this year and may be three years down the line and what is non-reclaimed rubber segment contribution for the next three years?

Harsh Gandhi: So, the non-reclaimed rubber as I mentioned, currently the expansion plans or the growth plans are under preparation, so the blue prints of those are being worked upon, so it will be hard to put an exact number on those, but our expectation is over the next four to five years, we would expect that these businesses put together should kind of contribute to in the region of 25% to 30% of the overall topline of the company. So our expectation would be for these to grow to that level. Of course, we are far away from it, so therefore we would not be able to give or pinpoint an answer on where each of these or where together this would be, but I mean, we are working towards getting these businesses to contribute at least one third of our total revenues.

Aman Vij: Sure and on the JV side, if you can talk a little bit?

Harsh Gandhi: I would say it is all of these together we should look at in one bucket if I may, because each of these, are at a very nascent stages, some of them have just kind of gotten into the black, some of them are just hovering in that region and therefore the capex cycles and the growth plans of each of these businesses are under evaluation and under discussions.

Aman Vij: Any franchisee targets we have for say the next year or next three years in the JV?

Harsh Gandhi: Again, our joint venture partners and us, we continue to sort of put realistic numbers or targets against that. At the moment, we believe we are at about six franchisees with several others having been signed up, and I think a lot will depend on how the industry is growing. I mean, two years ago, this industry went through a significant dip in revenues and as a result the pace which we had expected or planned kind of could not be realised, so at this stage, we do not have numbers that we are putting out, but I think it would be fair to assume that the number of franchisees that we have currently we would like to try and see whether we can replicate those numbers, hopefully over the next year on an annual basis.

Aman Vij: Thank you.

Moderator: Thank you very much. The next question is from the line of Priyanka Singh from Atidan Securities. Please go ahead.

Priyanka Singh: Good evening Sir. I have two questions; the first one is related to the balance sheet. Sir, what is your working capital days in terms of debtors, inventories, creditor days?

Harsh Gandhi: The debtor days currently are at about 60 days, so more or less remains unchanged over the last several years. Inventory days I would say both the combination of the raw material as well as finished goods together is in the region of about 70 days. Creditor days are about 40, again very similar to the previous years; the total working capital cycle is at about 95 days.

Priyanka Singh: Sir, any change we are expecting for the next year?

Harsh Gandhi: If you have noticed this has already been a reduction over the previous two years where we were at about 120 plus days of total working capital cycle. In FY2019 this has come down to 95 days and of course attempts have been made to bring this down further.

Priyanka Singh: One more question on the industry itself so what steps are being taken by the government to eliminate this end-of-life tyre problem and if implemented how it will help out?

Harsh Gandhi: Of course any intervention that government does bring into the recycling or the end-of-life industry will certainly help us because it will make the industry a lot more organised and there will be obviously increasing pressure for producers to look at this more aggressively than they have in the past. Having said that at the moment while the government is working towards creating a policy, there is no policy which has been announced yet, so most of it is at the consultation and/or drafting stage.

Priyanka Singh: That was helpful. Thank you.

Moderator: Thank you. The next question is from the line of Jinal Seth from MultiAct Asset Management. Please go ahead.

Jinal Seth: Thanks for taking my question again. Just wanted to check what do you believe that over the next three to five years the non-reclaimed business as a percentage of the business could tilt towards because today reclaimed is 93%, so how do you see that shift changing?

Harsh Gandhi: I mentioned in an earlier question that our expectation is that we wanted to try and get to in the region of 30%, I mean, whether or not it happens is something that we are working hard at, but yes, we are expecting over the next four to five years for that number to be closer to the one-third.

Jinal Seth: Sorry, if you repeated this, but your margins on that piece of the business would it be better than the reclaimed rubber side?

Harsh Gandhi: I think all of these have their own cycles. I mean someone asked the question as to why reclaimed rubber margins are depressed at the moment, and I believe margins are a function of cyclality so I mean, I can say at the moment all the other non-reclaimed businesses have a higher EBITDA margins than the reclaimed rubber business but depending on how polymer prices and some of those businesses the substitutes that they are competing against which is concrete and wood will determine how those margins are likely to be, so at the moment I can comment that those have a higher EBITDA and higher margins than reclaim, but in the future it is tough to be able to predict.

Jinal Seth: Lastly just to get a further understanding, if I look at natural rubber prices since 2010-2011 we have seen a massive bear cycle so could that also have an impact on obviously because the way you explained it that that the substitute between virgin and natural so obviously with these prices coming down that would have an impact on our business?

Harsh Gandhi: Yes, I mean, if the prices fall, it would certainly have an impact on the reclaimed rubber business, yes.

Jinal Seth: Thanks a lot, Harsh.

Moderator: Thank you. The next question is from the line of Ankit Agrawal from ARC Capital Limited. Please go ahead.

Ankit Agrawal: Thanks for the opportunity. I have a couple of questions; the first one being about the crude oil price, Sir, I just wanted to understand that how does crude oil price movement effect our business?

Harsh Gandhi: Crude oil is the input or rather basically to put it differently the synthetic rubbers that I talked about are derivatives of styrene and butadiene, those are both oil derivatives, so to that extent prices of oil and/or naphtha have a bearing on butadiene and/or styrene prices and therefore on virgin rubber prices.

Ankit Agrawal: Thanks for that. I have another question from an operational point of view. What advantages does the tyre company get by using reclaimed rubber instead of natural or synthetic rubber?

Harsh Gandhi: Two or three benefits, one is in economic benefit. I mean you are able to replace reclaimed rubber, which has 50% rubber and 50% other ingredients at a price, which is less than half of the price of the natural rubber, or synthetic rubber. So therefore that is a fairly significant advantage. Second is that the process front, reclaimed rubber acts as an additive and therefore improves process ability for the tyre manufacturer or rubber compounder, which means their processing times, process safety improves and therefore that also adds to economic benefit. Having said that I want to sort of make a disclaimer that we do not recommend and we do not claim that reclaimed rubber can substitute 100% of the natural or the synthetic rubbers, depending on the end products that it is being used, the percentage of substitution is a balance between the properties or the end performance that the product is seeking, and therefore price is not the only consideration for people to use reclaimed rubber.

Ankit Agrawal: So in terms of safety both are same?

Harsh Gandhi: So again as I said, when used in a certain ratio and as a certain percentage reclaimed rubber does not deteriorate the quality of the end product, but if you use it beyond a certain percentage and I cannot comment on what that percentage is, it would have a negative impact on safety of the products, so yes therefore there is a fine balance on what is the percentage that can be used in different applications and in different formulations.

Ankit Agrawal: Thanks a lot. That is it from me.

Moderator: Thank you. The next question is from the line of Anirudh Jain from Investore. Please go ahead.

Anirudh Jain: I am asking which segment of auto industry the demand is higher for a reclaimed products or reclaimed rubber and if you could share the bifurcation between the segments?

Harsh Gandhi: So do you mean outside of the tyre industry because tyre?

Anirudh Jain: Let us say in terms of passenger vehicle, commercial vehicle, two-wheeler, three-wheeler something like this?

Harsh Gandhi: A) We are not privy to entirely the information that the tyre companies what is the percentage of reclaimed that goes into the different tyre segments. Having said that, very briefly from what we understand based on consumption lower the speed of the tyre, higher is the percentage of reclaim. I mean, I can just qualify that without going into specifics because then that is you know the tyre industry.

Anirudh Jain: So maybe in two-wheeler industry or two wheeler tyre, the reclaimed rubber percentage is higher?

Harsh Gandhi: You could say that.

Anirudh Jain: Also the other question whether OEMs are okay with the reclaimed rubber?

Harsh Gandhi: Absolutely. In fact they would be happy because that helps them fulfill their producer responsibility eventually.

Anirudh Jain: So, there is no as such bifurcation or kind of a thing with the OEM that we want the tyres from natural rubber or tyres from reclaimed rubbers something like this?

Harsh Gandhi: No generally they are not interested. I think they go by performance of tyres and not by the ingredients that are in the tyre.

Anirudh Jain: Perfect. Thank you so much Sir.

Moderator: Thank you. As there are no further questions, I would like to hand the conference to Mr. Harsh Gandhi for closing comments.

Harsh Gandhi: I appreciate everyone taking the time out from their schedules to attend this call. This was the first for us and we hope to continue engaging with each of you. I hope we have been able to answer all your queries. In case you have any other queries or any other questions about the business, please feel free to talk to our Investor Relations firm, which is Strategic Growth Advisors, and they will be happy to assist you with any queries that you may have. Thank you once again for joining us on the call today.

Moderator: Thank you very much. On behalf of GRP Limited, that concludes the conference. Thank you for joining us. You may now disconnect your lines.