20 MICRONS®
L I M I T E D

347, GIDC Industrial Estate, Waghodia - 391760, Dist. Vadodara, Gujarat, India.

6th June, 2019

To :

BOMBAY STOCK EXCHANGE LIMITED **Department of Corporate Services** **Phiroze Jeejeebhoy Towers,** **Dalal Street, Fort,** **Mumbai – 400 001.** **Scrip Code : 533022**	**National Stock Exchange of India Limited** **Listing Department, Exchange Plaza,** **Bandra – Kurla Complex,** **Bandra [East]** **Mumbai – 400 051.** **Scrip Code : 20 MICRONS**

Dear Sirs,

SUB: COMPLIANCE UNDER REGULATION 30 OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS 2015 - Transcript of Conference Calls.

In continuation of our letter dated 30.05.2019, please find enclosed the Transcript of Maiden Earnings Conference Call of 20 Microns Limited of Q4 FY19 held on 04-Jun-19 at 12:30 hrs IST.

This is for your information and records.

Thanking you,

Yours faithfully
For 20 Microns Limited

For 20 Microns Limited
[Anuja K. Muley]
Company Secretary

[Anuja K. Muley]
Company Secretary

Encl. : as above.

"20 Microns Limited Q4 and FY19 Earnings Conference Call"

June 04, 2019

MANAGEMENT: MR. ATIL PARIKH – MANAGING DIRECTOR

Moderator: Good day, ladies and gentlemen. And welcome to the maiden Earnings Conference Call of 20 Microns Limited for Q4 and FY19. This conference call may contain forward looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the 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 call, please signal and operator by pressing * then 0 on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Atil Parikh – Managing Director. Thank you and over to you, sir.

Atil Parikh: Good afternoon, ladies and gentlemen. A very warm welcome to all the participants to the Q4 and FY19 Maiden Earnings Conference Call of 20 Microns limited. Along with me on this call, I have KDA strategic Advisors LLP, our Investor Relations advisor. The results and investor presentation is uploaded on the stock exchange and on the company website. I hope everybody had a chance to look at it.

Since this is our first Earnings Conference Call, let me first start with a brief overview of our company 20 Microns Limited. 20 Microns Limited was incorporated in 1988, being the pioneer in the field of industrial minerals in India, and bringing an organized concept of micronization of various industrial minerals. Our current product portfolio includes minerals, such as calcium carbonate, talc, kaolin, mica, quartz, dolomite, feldspar, natural red oxide, and many more.

Initially we served to the paint and plastic industry with a niche micronized inorganic chemicals. However, due to absence of various Indian manufacturers in the Indian mineral space in the 1980s, fillers were mainly imported from various countries at a high price to get the desired quality, and consumed by various industries across India. Our company was agile and took the right decision to start the industrial minerals business at a very early stage with affordable pricing, catering to multiple sectors, like paints and coatings, plastics and polymers, ceramics, construction and construction chemicals, paper and printing inks, textile, leather, rubber, agro chemicals, to just name a few.

We have over 200 domestic and global customers for different products. And our key clientele is from varied industries including Asian Paints, Kajaria, Pedilite, L&T, Kansai Nerolac, Berger Paints, ITC, Finolex, ONGC, and AkzoNobel just to name a few. 20 Microns Limited has nine state of the art facilities located in various different states of Gujarat, Rajasthan, Tamil Nadu, Uttarakhand, along with multi-product mining capacities, having a total reserve of approximately 73 lakh tons. We are India's leading producer of ultrafine industrial minerals and specialty chemicals with expanding global footprint offering diversified product mix. We have a dedicated R&D team of approximately 18 scientists religiously working to innovate and offer different variety of products in our product application and innovation center. 20 Microns, through its innovative, continuous R&D and interaction with its domestic and overseas customers thrive to add further more value added products in its portfolio. Continuous R&D and innovation enables us to expand our product portfolio in the domestic and international markets. Over the years, our R&D expertise has instilled great confidence in our clients to jointly execute projects.

We also have a group of strong global footprint with a varied product mix. Our international clients are spread across 48 countries, majorly located in Bangladesh, Malaysia, UAE, Indonesia, Saudi Arabia, Sri Lanka and many more. Our exports contribute to around 17% in FY19 of the total sales. 20 Microns later delved into the world of specialty chemicals and functional additives, catering to the niche segments and formulations made through advanced and superior technology to serve our existing and new customer base for diversified applications. These innovative specialty product portfolios include white pigment, pacifiers, synthetic barium sulfate, matting agents, micronized waxes, flame retardants, and desiccants, just to name a few in the varied industries across the globe. The company later expanded its product portfolio with the introduction of B2C products such as 20 Microns construction chemicals, and mineral fertilizers.

We constantly endeavor to transform our business mix by focusing more on retail channels and product brandings to generate higher margin business. Also, to de-risk our business, we are targeting our product to industries other than paint, paper and plastics to broaden our horizon and portfolio of products, enabling us to access to newer markets in different geographical locations. Apart from this, the company envisages to become an integrated global producer of specialty chemicals.

Now, coming to our standalone quarterly financial performance, our revenue grew by 15% to Rs. 117 crores in Q4 FY19 compared to Rs. 101 crores in Q4 FYI 18, which basically is shift from our regular commodity business to the specialty chemical business. Our EBITDA grew by 25% to Rs. 16 crores in Q4 FY19 against Rs. 13 crores in Q4 FY18. The EBITDA margin stood at 13.8% in Q4 FY19, with an expansion of 108 basis points, largely driven by the sales of specialty chemicals. Our profit after tax grew by 72% to Rs. 5.8 crores in Q4 FY19 against Rs. 3.4 crores in Q4 FY18. The PAT margin for Q4 FY19 stood at 5% with an expansion of Rs. 164 basis points.

On consolidated annual basis our top-line grew by 11% to Rs. 479.7 crores in FY19 compared to Rs. 431.4 crores in FY18. During FY19 calcium carbonate accounted for approximately 48% of our total revenue followed by kaolin, talk and specialty chemicals contributing 21%, 11% and 10% respectively. Our EBITDA grew by 15% to Rs. 68.9 crores against Rs. 59.7 crores in FY18. Our EBITDA margin expanded by 60 basis points on year-on-year basis due to the higher sales of the specialty chemicals business, and a reduction in our manufacturing expenses as well. Our profit after tax grew by 22% to Rs. 24.9 crores in FY19 against Rs. 18.8 crores in FY18. The PAT margin stood at 5.2% for FY19 with an expansion of 50 basis points. Going forward, we are working towards becoming a zero-waste company. We are focused on product innovation and to introduce ultrafine minerals ranging up 0.5 microns going forward 0.2 microns. We also aim to improve our product mix by promoting waterproofing additives and fertilizer brands by entering into the B2C markets which are likely to generate higher margins. We also aim to enhance our exports by entering into newer markets and promoting newer products into these markets. We continue to see a healthy product pipeline domestically and across nations and varied industries we cater to. With our customers aspiring for improved product efficiency and continuous innovation, our continuous R&D efforts, and robust production processes provide us new opportunities and avenues for growth.

We would like to thank all our employees for their untiring efforts and our shareholders for their continued support and encouragement. With this, I would like to open the floor for Q&A.

Moderator: Thank you very much. We will now begin to question and answer session. The first question is from the line of Bhavesh Patel, an individual investor Please go ahead.

Bhavesh Patel: First of all, let me also appreciate a good presentation that you guys have put together. It's very informative and really like the way it's laid out. So my questions are actually couple of questions. Number one is in terms of shareholding pattern I went through, whereas I saw that there was a marginal very, very slight increase to 44% recently. So I would love to see you guys putting your money and taking it to more than 50%. And also, if possible, release the pledge. Though, I understand it's only 55% of overall holding, but it's still in the current scheme of things that's something not seen in the good light. So your response? And I will follow up with my other questions.

Atil Parikh: As you mentioned, the 44% shareholding pattern, the promoter is currently working towards taking that shareholding above 50% with certain reclassification, which happened earlier in the past few years, and more bound to happen in the next couple of months and quarters coming up. So you will see that happening very soon. And with the pledging of the shares, definitely, we will be working towards that as well, which is on the priority list as well for the company. And you would see that being unpledged also quite soon.

Bhavesh Patel: Okay, that's great to know. The next question is in terms of what are your strategic plans for sustainable growth, both in terms of sales as well as profit? Because honestly, over the years, you have grown, but not as significantly when a compound over last, let's say, five plus years, right?

Atil Parikh: So basically, as I mentioned in my introduction that the company is now more inclined towards sales of specialty chemical range that we have for the paints, plastics and various other allied industries that we are working on. So our R&D setup is quite strong and every year we churn out a lot of products for these kinds of industries, which are more high value added products, and they have a very hefty EBITDA margins and contribute towards the profits. If you see in the last year, our focus has shifted more towards that and also we are promoting those products in the exports as well. So, that shift you would eventually see in the coming years, but it is not going to happen significantly. So you will see a gradual shift happening year-on-year, quarter-on-quarter, which actually you will be able to, those results will be visible in the coming years.

Bhavesh Patel: Sure. That sounds good. And the last question is, now that you are getting into B2C, or from our perspective, more retail side, will it lead to further increasing your debt and then increase in working capital? Because I do want to compliment you on your reduction of overall debt to equity ratio, but then if you get into this kind of model do we see any impact to these two aspects?

Atil Parikh: Yes, it's a good question. 20 Microns currently is working on a philosophy of not borrowing much further for any kind of business we want to grow in, because we want to work on the internal cash accruals that we are generating. Now, the retail business practically comes from, it is a mineral based products only, so we are currently utilizing our own minerals and developing high value-added retail products for these particular industries that we will be catering to. So there will not be further debt which will be incurred into this, we are following a model and so we are going quite slowly in this as of now. And we will be following a model which does not incorporate much of borrowings or any further high investments, because we have sufficient capacities for the production. It is just on how to market those products in the country and spending on advertising which will be only the main area we will be looking into. But definitely that will be coming in from our own accruals itself.

Bhavesh Patel: Okay, that's really good to know. Once again, congratulations on good set of numbers. And again, great investor presentation and your initiative of connecting with us. So appreciate that. And all the very best. Thank you.

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

Aman Vij: A couple of questions. First is, could you give maybe growth in the four of our products which you have mentioned, so calcium carbonate, kaolin, talc and specialty chemicals, what was the growth in individual on these products for FY19?

Atil Parikh: Can you please repeat; I am unable to hear you clearly.

Aman Vij: Sir, I was asking what was the growth in the four products which we have mentioned, which is calcium carbonate, kaolin, talc and specialty chemical, individually what was the growth in these four products for FY19?

Atil Parikh: So, if you look at it, individually there has been a growth of almost 10% in the specialty chemicals, if you consider the overall breakup. And in calcium carbonate there has been about a 8% growth that we have seen. And in kaolin we have seen approximately 13% to 14% growth.

Aman Vij: And talc?

Atil Parikh: Talc is standard, I think about 5% to 6% growth, I would say.

Aman Vij: Okay. So going forward, my understanding is the calcium carbonate, the industrial minerals, basically, what kind of grow do you expect in this segment? And what kind of growth do you expect in specialty chemicals?

Atil Parikh: In specialty chemicals we expect that in the next two to three years we see almost doubling this to the next level of specialty what we are doing right now. And calcium carbonate will actually give us regular growth of about 10% to 15% year on year basis. So it's not going to have a big jump because we are not also too much focused on doing more of low value products. And the growth of the high value products is going to be restricted to that level. So, our company focus is now more on exports of talc, more on kaolin and more on the specialty chemicals.

Aman Vij: Okay. And what kind of growth you expected in talc and kaolin?

Atil Parikh: Talc and kaolin, again, what we are focusing more on the exports, so that would eventually double that we have as of now. And in kaolin it is going to be a regular growth of about 20% to 25%.

Aman Vij: Okay. So, in most of these segments you are seeing much higher growth compared to what was in say FY19. So what gives you the confidence that we will be able to achieve that?

Atil Parikh: Yes, the overall market scenario looks pretty good. When we look at all the industries we are catering to and the opportunities that we are seeing in the international markets, we see that there is a lot of room available for 20 Microns to cater to those areas. So, based on that model, we have worked upon these numbers.

Aman Vij: Sure. My second question is on the margins front. So, if you can give rough margins in the four products which we have mentioned.

Atil Parikh: That we will actually get back to you.

Aman Vij: Okay. If you can just highlight the best and the maybe lowest margin?

Atil Parikh: Yes, the best margins come from the specialty chemicals for sure. And the lowest margins come from calcium carbonate.

Aman Vij: Okay, that helps. Last question is on the specialty chemicals which you are applying to double up in next few years. So out of that, you mentioned number of products, which other products do you think will help us achieve that target of say achieving Rs. 100 crores in specialty chemicals?

Atil Parikh: Right now, we see a lot of opportunity in the waxes segment in the plastics industry. Right now, our company is mainly focused on developing those kinds of waxes, because majority of them are imported. So we have already started developing a whole range of it. And we have a target of setting up promoting those waxes in next few months in the markets. So that is going to be the main priority product for us. And for the paint industry, it's going to be more of matting agents, because there also we see a huge opportunity out there for those products, which are again, all import based.

Aman Vij: Okay. And then last question before I come back in the queue. So what is the CAPEX plan for the next year and over the next three years?

Atil Parikh: As of now if you see, what the company is currently doing is that it is kind of reallocating its assets and restructuring some of the unutilized assets that it has. So even for, if you look ahead, for the next few years we do not have any CAPEX lined up, except a few minor repair works or some minor installations that we might have to do for the processes to take it forward. But otherwise, there is no major CAPEX planned for the next couple of years, we can manage it through the current assets that we have.

Aman Vij: Sir, maintenance CAPEX is as in Rs. 10 crores, Rs. 5 crores?

Atil Parikh: That is anywhere in the range of Rs. 3 crores to Rs. 4 crores.

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

Vinay Pai: Sir, just one question. You have an R&D department in your company, do you get any benefits from the government to maintain, like income tax benefits or any other benefit by maintaining such an expenditure in R&D?

Atil Parikh: Yes, so whatever benefits we had we already used those benefits, because we are a government approved DSIR certified lab based in Baroda. So whatever benefits we have, so we do have certain rebates that we get on certain equipment when we import them into the country from overseas. So those kinds of benefits we already have utilized them in the past, and we continue to do so in the future as well.

Vinay Pai: As regards, if you sell one of the products which are developed by R&D for a specific use, do you get any GST rebate, or any rebates?

Atil Parikh: No, we do not get that on our product.

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

Harshit Gandhi: I have a couple of questions. Firstly, can you give me a breakup of your revenue in terms of how much is domestic and how much is international? And what is the probable mix that the company would want over a couple of years?

Atil Parikh: So currently we are at 83% of domestic sales and 17% of export sales. And we are in the process of increasing exports up to 25% in the next couple of years.

Harshit Gandhi: Okay. And what to do with a mix in terms of your product portfolio? Like I have heard the current mix, what is the target mix, let's say over the next three years, among those product portfolios?

Atil Parikh: Yes, so currently we have specialty chemicals which are at only 10% of our total sales, so that we need to increase up to 20%, because simultaneously the other products are also going to increase. But the major focus of the company right now is more on specialty chemicals. So we hope to double it in the next couple of years, as I mentioned before. And other products remain; they will have marginal impact on the overall sales.

Harshit Gandhi: Okay. And if this happens in terms of specialty chemicals, how much EBITDA margin expansion can we see over the next three years?

Atil Parikh: Well, when you look at it overall, right now what EBITDA margins we are looking at, it will range anywhere from 60 basis points to 100 basis points that we see year-on-year, that we hope to increase, because it's not going to be a major jump, it is going to happen gradually. So that is what we hope to see in the next couple of years.

Harshit Gandhi: Okay. I have seen that your gross margins are under pressure in the last couple of quarters. Are there any specific reasons, like any raw material change or FOREX changes or anything, something like that?

Atil Parikh: Well, FOREX is not much of a major concern, because we are trying to naturally hedge that internally. But the main is definitely if you are going to be increasing the specialty chemicals portion in our company, majority of the raw materials are imported in that. And so that would actually kind of increase the RMC cost, but simultaneously we are also working on the pricing levels for the customers to balance it out.

Harshit Gandhi: Okay. And our other expenses have kind of reduced, so are we adopting any cost saving methods or working on operational efficacies or anything?

Atil Parikh: Yes, we are working more on operational efficiencies, so that is what the result has been in the last year where we have kind of restructured a few of our manufacturing locations, and we have got the benefits out of it. And in the future we have formed cost control committees as well in the company, and we hope to reduce costs wherever possible. So, we have started identifying the areas and we plan to do so in this and the next financial year.

Harshit Gandhi: And you were talking about you are going to increase your product portfolio in the specialty chemicals, so how does that process work? Let's say you have identified a product that this is something you want to start or produce; how do you take it forward from there?

Atil Parikh: So, generally we identify the opportunity if there is for that particular product, our customers also we work very closely with them and they help us also in terms of development of products in certain cases. And then we kind of work on that for quite some time and we evaluate it based on the opportunity if that is a sustainable project for us or not in terms of the market opportunity, in the international and domestic space, and the lifecycle that that kind of product would have based on the opportunity available. So evaluating all those parameters then we decide if we want to go ahead with that product or not.

Harshit Gandhi: Right. And what is our average utilization? And let's say if there is a good demand coming in, so are we able to fulfill that?

Atil Parikh: Yes, if there is a good demand coming in, definitely we can fulfill it. But the evaluation periods of all these products are pretty long. So, if you launch a product possibly this year, the evaluations take anywhere in the range of 6 to 12 months for different customers, different industries. And then you get the results in the following year. So that cycle kind of takes some time. And in the process also there are some modifications which need to be done in the product as well, so that also happen in due course. And so you have to be a little patient in terms of these kinds of products which are there in the market.

Harshit Gandhi: Right. So how does your operating, I mean, working capital cycle work, and how do you plan to improve it to how many days let's say in the next three years?

Atil Parikh: Yes, so we are working more on the import products. Now, that import cycle, the payment terms are being worked upon and we are trying to extend those. The debtor's cycle is also being worked upon where we are getting payments on time, but we try to reduce that as well. So I think the working capital should reduce slightly in the time being, but it will not substantially see a big reduction. So that will still have its own, the cycle will still continue, but we are trying to minimize that gap as much as possible.

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

Aman Vij: Sir, could you elaborate our market share in the three, four products which you mentioned, like calcium carbonate, kaolin, talc as well as the specialty chemical which we are catering to, rough market share?

Atil Parikh: Unfortunately, when you look at these kinds of minerals, it's a huge, huge market out there. And it is very, very difficult for the company to establish a market share report or what size of the market is there, because there are multiple hundreds of industries which use certain kind of minerals in very low capacities to very high capacities. So, when you look at the overall scenario, it becomes very, very difficult for us to judge as to what market share we hold. But the company is making the efforts, at least for the analysts or for the investors or the shareholders, who demand for information, we are working on that and we are finding a way as to how we can calculate that market share. So once we have that ready, we will definitely share them with all of you.

Aman Vij: Okay, sure. On the specialty chemical side, what will be the contribution of our top-three products?

Atil Parikh: The top three products contribute mostly about 50%.

Aman Vij: Okay. And what is the contribution of waxes and mating agent as of FY19?

Atil Parikh: Yes, so that would be anywhere in the range of Rs. 25 crores to Rs. 30 crores.

Aman Vij: If you can split it?

Atil Parikh: I will share with you more information if you require, because as of now I think I will need that data.

Aman Vij: Sure. So we are targeting this to at least double, if not maybe 2.5 times?

Atil Parikh: Yes.

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

Vinay Pai: Sir, only two queries. The transcript of this concall, will it be uploaded on your website?

Atil Parikh: Yes, it will be in a three to five working days.

Vinay Pai: Okay. Secondly, what is the net operating cash flow this time for the year ended March 31, 2019?

Atil Parikh: We will get back; I don't have the figures handy with me right now.

Vinay Pai: Because the quarterly results do not show that figure actually, we don't have that figure. I didn't see your website but in the disclosure to the stock exchanges, this particular statement doesn't appear.

Atil Parikh: Yes, then I will get back to you. You can write to our Investor Relations, and they will get back to you with this.

Moderator: Thank you. As no further questions from the participants, I will now hand the conference over to Mr. Atil Parikh for closing comments.

Atil Parikh: I would like to thank all the participants for joining us on our maiden earnings con-call. It was a pleasure to have you all on the call. I look forward for your support in the future as well. Thank you all once again.

Moderator: Thank you. On behalf of 20 Microns Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.