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Date: 25th October, 2023

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

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

Ref: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
Sub: Transcript of Earnings Conference held on October 23, 2023

Dear Sir,

Pursuant to Regulation 30(6) read with Part A of Schedule III of the Listing Regulations, we wish to inform that the Transcript of Earnings Conference Call for Analysts and Investors held on October 23, 2023, with respect to the financial performance of the Company for Q2 FY24, is available on the Company's website at www.tinna.in

This is for your information & record.

Thanking you
For Tinna Rubber and Infrastructure Limited

VAIBHAV PANDEY Digitally signed by VAIBHAV PANDEY

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

Tinna Rubber and Infrastructure Limited
Q2 FY24 Earnings Conference Call
October 23, 2023

Moderator: Ladies and gentlemen, good day and welcome to the Tinna Rubber and Infrastructure Limited Q2 FY24 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*"then "0" on your touchtone phone. I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you sir.

Anuj Sonpal: Thank you. Good afternoon, everyone and a very warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the Investor Relations of Tinna Rubber and Infrastructure Limited. On behalf of the Company, I would like to thank you all for participating in the Company's earnings call for the second quarter and first half of financial year ending 2024.

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

I would now like you to introduce the management participating with us in today's earnings call and hand it over to them for opening remarks. We have with us Mr. Gaurav Sekhri, Joint Managing Director; Mr. Ravindra Chhabra, Chief Financial Officer; Mr. Anurup Arora, Senior Vice President of CPG and Business Development. Now, without any further delay, I request Mr. Gaurav Sekhri to start with his opening remarks. Thank you and over to you sir.

Gaurav Sekhri: Thank you, Anuj. And good afternoon, everyone. Welcome to our earnings conference call for the second quarter and first half of the financial year 2024.

Let me first brief you on the financial performance followed by some operational highlights. I'm pleased to state that the company has met its earning guidance projections given over the past few months. The consolidated operational income for the second quarter of FY24 stood at around 80 crores, which is a growth of 22% year-on-year. EBITDA was reported at 13 crores, which represents a 35% growth year-on-year. And EBITDA margins stood at 16.31%. Net profit is reported at 7.6 crores, which grew by 81% year-on-year, and PAT margins are inching closer to 10% and at 9.54%.

Coming to the first half of FY24. The operational income was around 160 crores which grew by approximately 9% year-on-year. The EBITDA stands at 25 crores which represents the growth of about 18% year-on-year and EBITDA margin for H1 is at 15.42%. Net profit is at around 15 crores for H1, which is a growth of 43% year-on-year and with H1 PAT margins at 9.18%. On the operational front, our tyre crushing volumes have increased by 15% year-on-year during the quarter. Sales from the industrial and consumer sector continue to deliver positive results in Q2 and deliver an approximately 15% combined growth year-on-year. With the sales from the consumer sector have been a very impressive we have seen growth of 250% in volume. Higher EBITDA margins have been achieved due to operational efficiencies and a reduction in the price of raw material as well as corrections in sea freight. We witnessed year-on-year growth of approximately 50% in sales in the infrastructure sector due to government's push for use of crumb rubber modifier bitumen in road construction.

On the CAPEX front, and status of capacity expansion which is underway. I am pleased to inform that our Oman plant commenced production in mid July 23 and achieved EBITDA positive in September 23. Varle plant at Maharashtra and the TPE lines, Thermo Plastic Elastomers line at Panipat both the projects are progressing well. We hope to meet deadlines, and shall be commencing production in the last quarter of this financial year.

On further updates, Tinna is the only company representing India as a member to the Rubberized Asphalt Federation USA. I'm also happy to inform you that we received an up-gradation in credit rating to BB+ by Care. We will be going for another round of valuation by them by the credit agencies very soon, because we believe we should be able to improve our credit rating. And now we can now open the floor to questions, and I again welcome you all to this call. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Mr. Dhruv Bajaj from Smart Sync Investment Advisory Services. Please go-ahead sir.

Dhruv Bajaj: My first question was that I observed that our volume growth was around 45% while our revenue growth was only 22%. So, is it because of higher growth in consumer division wherein the realizations are less, or have we seen our moderation in realization in our infrastructure segment?

Gaurav Sekhri: It's a combination Dhruv, you are right, the consumer sector products typically are priced lower compared to the products that we supply to the industrial sector for example. So, that has been one of the reasons also, there is an overall correction in the end prices because of the downward trend in raw material prices as a result some correction in sales prices have also happened. So, it's a combined factor of these two.

Dhruv Bajaj: Okay, got it. And I had another question which is a bit more typical regarding our business model as such. Sir, I observed that since we are growing at a very faster rate in the infrastructure segment, wherein we produce CRM as well as also provide CRMB, which is basically a mixture of bitumen and CRM. So, now, based on my understanding, we are procuring bitumen from outside. So, are these pure play bitumen players like Agarwal Industry for example, also providing CRMB in this market, and if not, then what stops them from producing this? Is there some technical complexity regarding this production or there is some difficulty in procuring CRM from players like this, because as you mentioned in the investor presentation, the benefits of CRMB are immense, but its current contribution to overall bitumen market is very low. So, am I missing something or if you can explain this case a bit better, that will be very helpful.

Gaurav Sekhri: So, there are five or six organized players in the CRM and CRMB business, we are one of them. The other notable players are in call, which is a joint venture between Hindustan Petroleum and Colas of France. There is also an entity called ITPL, which is a joint venture between Indian Oil and Total of France. Shell also has a joint venture in this place in India. So, there are a handful of organized players who are in the business of CRM and CRMB. But we are the only players who have access to some rubber, which is the CR in the CRM. So, as a result, it puts us in our view, a better position compared to our competition, because we are integrated all the way backwards to processing the tyres and making some rubber which is then used to make CRM and there lies some complexity, where the other players who are our competitors in this space, they are more of a bituminous product companies, they are not tyre recyclers. I hope that answers your question.

Moderator: Thank you. The next question is from the line of Mr. Bhavin Pande from Athena Investments. Please go-ahead sir.

Bhavin Pande: Sir, just one sorry for my lack of familiarity with the company, I could observe that there's some cyclical pattern when we look at the June and September quarter, September would always decline, we would always witness a decline in revenue on Q-on-Q basis. So, could you walk us through what is that trend, and how does it come into play?

Gaurav Sekhri: Bhavin, if I have understood your question correctly, your voice is slightly muffled. So, it's not very clear, but you are trying to understand some sort of cyclicality and seasonality in business quarter-on-quarter?

Bhavin Pande: Yes, sir.

Gaurav Sekhri: So, you are right, for us typically Q2 is a weaker quarter, because we tend to have slower sales especially to the infrastructure sector, because many of the road projects because of monsoon, et cetera tend to go slow. And the rolling work cannot happen basically in this period. So, to that extent, we witnessed some cyclicality in our business in Q2. We have successfully managed to overcome that to some extent or mitigate that impact of it because of our diversity of customer base, and this quarter Q2, we had the consumer sector kick in very nicely which helped with higher growth and made up to some of those lost sales, which we typically witness in Q2 from the infrastructure sector.

Bhavin Pande: Okay. And this expansion of margins that we have witnessed is also on account of the better sales mix?

Gaurav Sekhri: Expansion of margin is due to combination of factors which is because of operational efficiencies, scale as well as we have seen more efficiency coming our way on raw material procurement, some correction in sea trades. And we are witnessing some pricing power where, we didn't need to pass on all of those benefits to our end customers.

Bhavin Pande: Okay, those encouraging signs. And can we see more expansion from the vantage point, or it's difficult to predict right now?

Gaurav Sekhri: Can you ask me more specifically what you mean by that question, I didn't understand.

Bhavin Pande: Expansion of margins, do you think it is the peak or we can still expand our margin from here on as well?

Gaurav Sekhri: See, in our earlier calls we had mentioned that we are aspiring to reach 15% EBITDA and we believe that is possible and we have reached there, I believe this is the time to now consolidate and maintain those margins, which will be our focus.

Moderator: Thank you. The next question is from the line of Mr. Fenil Gala from NPL India. Please go ahead, sir.

Fenil Gala: My question is, on your Oman plant can you please share your views on the utilization level, which is currently operating and what utilization level is it currently operating?

Anurup Arora: Hi, this is Anurup. So, your question is about the utilization level for the Oman plant, right?

Fenil Gala: Yes.

Anurup Arora: So, right now the capacity of the plant is around 500 tonnes per month. And we are roughly operating at around 100% efficiency, and we plan to increase the expansion, before the end of the current financial year and the capacity utilization will be close to 80% to 90% by the start of the next financial year. That answers your question.

Fenil Gala: Yes. Thank you.

Anurup Arora: So, we are operating at almost 100%, basis whatever the capacity we have currently.

Moderator: Thank you. The next question is from the line of Mr. Kevin Shah from AMSEC. Please go-ahead sir.

Kevin Shah: Sir my question is on the EPR policy that has been modified, so when are we expecting this to be coming live and being displayed in our numbers?

Anurup Arora: So, we already have the policy notified, but as you know this government policy would take some time to implement in letter in spirit. So, we are already working with government on the actual implementation on ground level and we are also working with the tyre companies on collection mechanism, et cetera. So, next year we'll have something on how this turns out to be and what numbers it converts into. So, the next year we should have something to see on ground level. Does that answer your question.

Kevin Shah: Yes, sir absolutely. And also sir my second question is that are we seeing a good attraction in the domestic market so are we planning any entries into the overseas market as well?

Anurup Arora: You mean, exports?

Kevin Shah: Yes, absolutely.

Anurup Arora: So, yes, we have started scratching the surface like would you say for the exports market, and we are experiencing growth of 10% to 12% year-on-year for the exports market. And, so that's something we see good contributor to future growth for us.

Kevin Shah: And sir this export can be affected by what financial year, any timeline for it?

Anurup Arora: Can you just repeat your question specifically?

Kevin Shah: Sir any timeline for the exports to begun as an opportunity?

Gaurav Sekhri: Hi, this is Gaurav Sekhri, I just want to jump in. On the export side see, we have for the last year, year and a half been always stating how exports is a high priority area for us because we see a lot of headroom for growth for us. The time involved in customer acquisition is usually two to three years, especially when it comes to the tyre businesses, because they are very, very slow or you can call it thorough in their approval process, when they have to change any materials, there is very high motivation on their part because of all of them striving to become more sustainable, but still they will follow their due process. And that's a two to three year timeline. So, we have managed to successfully gained entry in two of the large multinationals where supplies have commenced, there are some more in the pipeline and this work has been ongoing for last one and a half year. And, usually we see a two to three year period before we start seeing results, but there are other industries where results can be seen faster, some other rubber industries where their process of approval is not as long as the tyre companies we are working with them as well. And I'm also pleased to tell you that, we have started export this year to four new countries. And we hope to add another two before the end of this financial year and the current year exports will be approximately we are forecasting 7% of our total sales while still growing at about 15% to 20% over last year.

Kevin Shah: Got it sir, this was really helpful for me. Lastly sir one more question, any plans to take on debt for further expansions?

Anurup Arora: For the time being with the expansion that we have underway, which is a CAPEX of approximately 50 odd crores we are, Chhabraji what is the exact term loan that we have?

Ravindra Chhabra: We are seeking term loan of about 28 crore from the banks and we are very near to concluding the terms with the bank and hopefully within a month they will be concluding this loan taking process.

Kevin Shah: Okay, got it. And also sir if I can squeeze one more question further, sir my question is we see that the highway construction phase has been slowed down and we see elections in December. So, do we see any muted demand in H2, because last year it was 24 kilometers somewhat or down that has even slowed down to 14 or 15 kilometer in H1. So, any insight on it?

Gaurav Sekhri: We do not see slow down for us personally in H2. See government's way of giving data on highway construction per day, sometimes they measure it on allotment of projects but not necessarily the progress of projects. The pipeline that we are seeing, the projects that we have visibility where already crumb rubber modified bitumen has been put in the specification in the BOQ. When we see that pipeline, we actually expect very good sales in H2. Many states are going into elections, the country will go into elections soon. So, there is a high motivation on part of government to finish ongoing projects and our product is used right at the end.

Moderator: Thank you. The next question is from the line of Mr. Fenil Gala from NPL India. Please go ahead, sir.

Fenil Gala: So, my question is, can you please share what is your current raw material price of PCR tyre?

Gaurav Sekhri: I'm sorry?

Fenil Gala: Can you please share what is your current raw material price of PCR tyres?

Gaurav Sekhri: We believe that is a sensitive information, we can give you some range of pricing of tyres, whether it is PCR, TPR, because we are processing more, and that is around Rs.13 to Rs.15 per kg.

Moderator: Thank you. The next question is from the line of Mr. Divyansh Gupta from Latent Advisors. Please go ahead, sir.

Divyansh Gupta: I wanted a few basic questions. So, what is our pricing arrangement with our customers, is it cost plus or how is the pricing of our products done?

Gaurav Sekhri: So, our pricing depends again on sectors, the pricing in the industrial sector which will be tyre companies usually the pricing arrangement or agreement is for about 60 to 90 days, and we don't really see any unless and until there is any major movement of 5% or 10% plus or minus is when we would probably have a conversation. Otherwise, it is fairly stable, the consumer sector pricing is more dynamic, because those grades are more commoditized in nature, where pricing arrangements are probably for about 30 to 45 days. In the infrastructure sector, again we see higher stability of pricing because typically when we start the project, and we work with the a contractor. Those projects are for about six months period and our post pricing agreements with the petrochemical companies, those are more long term in nature where we have one year price validity.

Divyansh Gupta: Got it and given that you mentioned that there are some long term agreements, how much of our sales right now or let's say an order book versus the visibility perspective, would be from long term agreements with our customers?

Gaurav Sekhri: I am giving you a rough guess here. But it could be not more than 15% to 20% of our total sales.

Moderator: Thank you. The next question is from the line of Mr. Bhavin Pande from Athena Investments. Please go ahead, sir.

Bhavin Pande: Sort of, 15 long term numbers. So, like we could see that 2022 onwards our ratios have improved, working capital has improved. So, could you walk us through what sort of changes have we made in our business that is quantifying in such a phenomenal way?

Gaurav Sekhri: I am sorry, Bhavin I didn't fully understand your question please.

Bhavin Pande: Sure. So, I was looking at return ratios, working capital days, so they have picked up well since 2022 over past couple of years, the ratios look fine. So, what sort of business initiatives have we taken to make this happen?

Gaurav Sekhri: So, it is due to multiple reasons, we have managed to successfully reduce dependence on any one sector that is a big change that we have worked upon since 2017. And the results of that started becoming more apparent from 2021 onwards. And that has resulted in us being able to work with better margins, better quality customers and we have created a lot of optionality for us in terms of sectors and then within sectors customer base, that has helped us a lot. Also, we have been able to manage our supply chain much better as a result our overall cash conversion cycle has improved dramatically.

Moderator: Thank you. The next question is from the line of Mr. Dhiral Shah from Phillip Capital. Please go ahead.

Dhiral Shah: Sir, what is the growth outlook for next two years in terms of sales and profitability?

Gaurav Sekhri: We have given especially since last two quarters now, our guidance that we expect our FY24 number to be at around 340 odd crores and we are very much progressing towards that and FY25 number we are expecting roughly 500 crores of revenue which is factoring in the new capacity both with the plant and barley as well as the TPE, Thermo Plastic Elastomers equipment getting commissioned, we believe we should be able to get to 500 and our vision for FY27 is to get to 900. So, I hope this will help you understand the path that we are on.

Dhiral Shah: How much this Varle plant and the Panipat plant will contribute in FY25?

Gaurav Sekhri: In Varle plant I believe should be approximately 100 crores and the TPE plant is approximately 10 crores.

Dhiral Shah: Okay. So, base business will grow at around 10% to 15%?

Gaurav Sekhri: That’s right.

Dhiral Shah: And sir when you talk about 900 crore kind of revenues, the incremental growth will come from these two plants or we are also focusing on the new CAPEX that you talked about 50 crore?

Gaurav Sekhri: The CAPEX I spoke to you about that was specifically in relation to the Varle project and the TPE and Oman, which is already underway. We do expect to add some locations in order to achieve our target of 900 crore by FY27.

Dhiral Shah: So, for that how much we are looking to incur the CAPEX for the incremental growth from 500 to 900 crores?

Gaurav Sekhri: I believe that new CAPEX would be in the region of about 100 crores, but I see that only happening in early FY26, not in FY25.

Dhiral Shah: And the margins would remain around 16%, which we are doing right now sir?

Gaurav Sekhri: We expect to improve on it sir.

Moderator: Thank you. The next question is from the line of Mr. Divyansh Gupta from Latent Advisors. Please go ahead, sir.

Divyansh Gupta: Couple of more questions. So, the EBITDA margin that has seen an increase since Y-o-Y, how much would have been the contribution of lower sea freight, for this expansion in margins?

Gaurav Sekhri: We believe that is privileged information that we can't get into specifics of the exact contribution on account of different contributors.

Divyansh Gupta: Got it and just the previous question that the earlier caller asked. So, the growth outlook that you have given 900 crore by FY27. What is the realization that you are assuming, is it the let's say previous quarter realization, this quarter realization, any visibility if you can give on that?

Gaurav Sekhri: I do not know how to answer that question linking into quarter performance with something that we expect to do in FY27. I didn't fully appreciate your question, if you can please elaborate on it.

Divyansh Gupta: Let me rephrase it. So, by FY27 what is the likely capacity that you are expecting to have which will lead to this 900 crore revenue?

Gaurav Sekhri: Okay. We expect that our tyre crushing capacity in FY27 will be north of 250,000 tonnes.

Divyansh Gupta: Okay, got it. And sales mix, any plans of respect to desired sales mix?

Gaurav Sekhri: No, we are very happy with the sales mix that we have today between the various sectors. However we do foresee a higher contribution from exports, over the next two, three years yes.

Moderator: Thank you. The next question is from the line of Mr. Sampath Nayak from Tiger Assets. Please go ahead, sir.

Sampath Nayak: Sorry, I must have skipped it somehow. But what are the government policies regarding EPR, Extended Producer's Responsibility and how are we favorable to it, and how serious it is the ground level work which currently is happening do you have any idea about it?

Gaurav Sekhri: Hi, this is Gaurav Sekhri, There are two, three parts to your question. They are all linked to EPR. So, let me answer as I've understood. One, we believe government is very serious about it, we are following the global example of Polluter Base Principle, whereby any person generating any kind of product which tomorrow becomes a waste that company business has to become responsible for it, that is the basis of the EPR as the name suggests, Extended Producer's Responsibility. How the policy has been made is that, a tyre manufacturing companies will have to acquire some credits from recyclers and those credits will be generated to the recyclers basis their recycling of waste, that will get completed and if there is a mismatch between the credits that a tyre company needs to have versus it got, then there will be certain penalties involved. So, as someone who will be as Tinna we will be generating these credits, we will have an opportunity to monetize them, as this policy gets operationalized. Now to what extent that will add to our bottom line, when will that get actually operationalize is difficult to say today, we are of course very optimistic, we think it is very positive and we are very opportunely placed to benefit from it. But, when and to what extent I would not hazard a guess today.

Sampath Nayak: Okay. And sir what would be the opportunity size regarding it, if that is possible for you. So, EPR currently has been looking at steel and other metal.

Gaurav Sekhri: So, Mr. Sampath you have asked me about the opportunities for us, but they need to be a EPR policy right, was that your question?

Moderator: So, the line for Mr. Sampath has dropped. We will move on to the next question from the line of Mr. Dhruv Bajaj from Smart Sync Investment Advisory Services. Please go ahead sir.

Dhruv Bajaj: I have couple of more questions. Sir, first one is we have seen a drop in steel sector revenues. Sir is it because of lower demand scenario or are we deliberately focusing our attention in other areas like consumer and infrastructure?

Gaurav Sekhri: Did you say drop in which sector did you say drop?

Dhruv Bajaj: Steel sector.

Gaurav Sekhri: Steel for us is byproduct, in a tyre when we process some steel is generated, so it is not an area where we do any tremendous value addition, we do some but like I said we are really after the rubber, steel is a byproduct.

Dhruv Bajaj: Got it sir. And sir my second question is that, since we are targeting to increase our crushing capacities so 30,000 in FY24 to 250,000 metric tonnes. So, you have already answered what is the type of CAPEX that will be required, but I wanted to understand what is the steady state asset turnover that we expect from this CAPEX. So, like in FY23 we were talking around 4.2 times and in current H1 FY24, it is around 2.4x. So, what is the targeted asset turnover that this business can generate?

Gaurav Sekhri: I believe that our asset turnover ratio is around three, is a fairly stable number to work with. Of course, we will strive to do better, but around three is what we believe is a stable number.

Moderator: Thank you. We have the next question from Mr. Nikhil from Perpetual Capital Advisors. Please go ahead.

Nikhil: My first question is, I'm fairly new to the business. So, can you tell me what is the difference between crushing of truck and bus radial tyres and passenger car radial tyres. Is the end product different for both of them?

Anurup Arora: Hi, this is Anurup. So, truck and bus tyres and the passenger car tyre both of them differ in the kind of rubber they have, for example the truck and bus radial tyre mainly have the natural rubber. So, all our premium products are made from truck and bus tyres, for example micronized rubber powder, and passenger car tyres mainly have synthetic rubber. So, all the basic grade material, they can be made from the passenger car tyres. So, that is the elemental difference between the two-application wise. Does that answer your question?

Nikhil: Yes, very much. Thank you for that. Next is, in the last few quarters the company has acquired a plant in Oman. So, can you explain the rationale that why a company that was primarily focused on domestic market, why did it go outside the country to acquire the plant?

Gaurav Sekhri: So, this is Gaurav Sekhri here. For us, we have always had this aspiration to leverage our learning's in India to also implement them in a very opportunistic way outside India, and Oman connected us with this opportunity where we found it's a very interesting geography where there was hardly any recycling happening, they had a steady generation of waste tyres, very organized, very good working laws for foreign companies. For example, one can own the business 100%, very conducive policy for investment. So, when we saw all of that, we found that to be a fit case to test out our theory. And I am pleased to say, from what we have seen till now we believe that many of our assumptions have come correct. And we hope that, once we gain stability of our operations in Oman which I had mentioned we have already achieved EBITDA positive status in the month of September. That's within three months of starting operation. We will certainly then look to leverage and see which are the geographies we can grow. We believe this is a very interesting opportunity where our learning of deconstructing tyres and extracting high value of the recovered products is something that we can really successfully leverage in many geographies. And Oman is a starting point for us.

Nikhil: Got it and in terms of the return profile. Do you expect the return on capital employed to be the same outside India?

Gaurav Sekhri: I believe so. At least in the Oman project I can tell you the EBITDA margin we are aspiring for, return on capital are very similar to what we achieve in India.

Nikhil: Got it and the product mix, so see tyre crushing is one bit of it now.

Gaurav Sekhri: Sorry, did you finish your question I didn't fully understand.

Moderator: I'm sorry sir. The line for the participant has dropped. As there are no further questions, I now hand over the conference to the management from Tinna Rubber and Infrastructure Limited for closing comments.

Gaurav Sekhri: Thank you. I would like to thank all our participants for listening in today. I hope we were able to answer your question satisfactorily and at the same time offer insights into our business. If you have any further questions or would like to know more about the company, please reach out to our Investor Relations managers at Valorem Advisors. Thank you, stay safe and stay healthy.

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