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GRP
IMPACT POSITIVE

11/11/2023

To
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001.

Scrip code : 509152

To
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

Please find enclosed herewith a copy of earnings call transcript held with analyst/ institutional investors on 3rd November, 2023 at 3.00 p.m. to discuss Company's operational and financial performance for the quarter and half ended 30th September, 2023.

Kindly take the same on record.

Thanking you,

For **GRP Ltd.**

HARSH RAJENDRA GANDHI
Digitally signed by HARSH RAJENDRA GANDHI
Date: 2023.11.11 00:08:14 +05'30'

Harsh R. Gandhi
Joint Managing Director
(DIN No. 00133091)

"GRP Limited

Q2 and H1 FY'24 Earnings Conference Call"

November 03, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 3rd November 2023 will prevail.

MANAGEMENT: MR. HARSH GANDHI – JOINT MANAGING DIRECTOR – GRP LIMITED
MS. SHILPA MEHTA – CHIEF FINANCIAL OFFICER – GRP LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to GRP Limited Q2 and H1 FY'24 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 on date of this call. These statements are not the guarantee 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. 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand over the conference over to Mr. Harsh Gandhi, Joint Managing Director, GRP Limited, for his opening remarks. Please go ahead, sir.

Harsh Gandhi: Thak you, good afternoon, ladies, and gentlemen. Thank you for joining us on the quarter two and half yearly earnings conference call for GRP Limited. Along with me today, I have the company's CFO, Ms. Shilpa Mehta; and SGA, our Investor Relations advisors on the call. We have uploaded our investor presentation on the stock exchanges and website, and I hope all of you had the opportunity to go through the same.

The last six months have been an exciting time for all of us at GRP, on account of a positive outlook in the end-of-life waste recycling sector, fruition of several initiatives the company has taken in the last few quarters, and we are quite excited at the prospects of what lies ahead of us in the upcoming years.

I'll pick up from our last call and provide an update on several of the key initiatives that we took up in the recent past. In line with the investments, we've made in renewable energy sources, which was a combination of wind and solar energy, in addition to our capacity over the last three quarters, I'm happy to report that the company has now achieved an overall use of about 32% of its energy needs through renewable sources across all its locations in quarter two of FY'24. This is compared to only a 7% of its energy needs in terms of units being met through renewable sources last year.

Mind you, our capacity on a like-to-like basis is already at about 45% to 48%. However, the energy consumption on account of solar and wind having its own yield losses is at 32% overall. As I said, investments have already resulted in a total saving of INR 14 million in the first half of this year. We continue to explore more such opportunities for switching fuel types and incorporating, bio-based and renewable sources of energy for future needs.

In a power-intensive industry such as ours, it is paramount that we continue this quest to reduce our dependence on fossil fuels and bring operational efficiency in our processes.

A key incident that affected us in the previous fiscal was a fire at our plant in Solapur. I'm pleased to report that our teams have worked tirelessly to restore operations without loss of customer confidence.

The Engineering Plastics business currently operates at pre-fire levels and is likely to surpass the pre-fire revenues in the current quarter of this fiscal. We continue to achieve increased success in the Repurposed Polyolefins business across the lubricant and paint pail packaging industries with the key brands having approved our product for use by their converters.

We remain enthusiastic about the prospects as we close in to April 1, 2024, which is the government-imposed deadline, mandating the use of recycled content in these packaging materials.

Let me now take some time to provide a brief macroeconomic update that has been affecting your company. To begin with, the Government of India's initiative on setting up of the extended producer responsibility has advanced in the quarter and the registration for Tyre Recyclers has commenced.

The CPCB has been conducting road shows in different parts of the country, encouraging and mandating recyclers to register and update data on the portal. With the tyre companies having already registered and are current in terms of the data uploaded, it is expected that the recycler shall also be able to upload all the data in the coming months and we hope that the transaction portal will be operational by end of this calendar year. This will provide significant advantages and encourage increased but more importantly, responsible recycling of tyre waste in the country.

The global tyre markets continue to remain subdued on account of the geopolitical tension, which is leading to economic uncertainty. While the passenger and light truck tyre segment demand remains flat, with OE demand being stronger than replacement, it is the truck tyre market in major geographies of North America and Europe that are trending significantly lower than in the previous year.

Closer home in India, the consumption of rubber in the tyre sector is marginally up by 2%. However, consumption of reclaim rubber during the same period is lower by close to 8%. Prices of synthetic rubbers such as SBR, PBR and EPDM and the polyolefins, which is polypropylene, and polyethylene are all trending lower on average between 10% to 15% compared with last year on account of either overcapacity of key inputs like butadiene and other oil derivatives or demand.

The uncertainty in the coming quarters on account of the above factors are hard to predict, but your company continues to maintain strong relationships with its customers, ensuring our share of wallet is unaffected while maintaining lower material inventory to be able to better adapt to changing price volatility and availability.

Let me now focus on the key highlights of GRP in the last six months, and I will first start with the Reclaim Rubber business. While the global demand of rubber, as indicated a little earlier, has trended lower, including in India. GRP has been successfully able to maintain volume growth over last year. The loss of volumes which we are seeing in the half year are mainly on account of drop in Q1, but I'm glad to report that in Q2, the volumes are actually trending higher by about 7% over the corresponding period of the last year.

The marginal loss in revenue that we see in the books is not on account of volume but is mainly on account of the lower ocean freights. There has been a sharp reduction in ocean freight rates compared to previous periods.

And while that has led to a reduction in revenue, it has also helped improve margins since a large part of the freight cost, which is roughly INR131 million in the previous year, has dropped to as low as INR38 million in the current year on a like-to-like basis. And this is cost that we were unable to pass through to the customers in the past on account of economic turmoil, but now the lower freight rates are actually helping profitability.

However, we remain cautious of the recent tensions in the Middle East and any impact to freight costs in the coming months on account of this could potentially be a detriment to the company going forward. The ocean freight and the energy cost reduction, detailed earlier, has helped improve the EBITDA margins for the current year and likely impact of further savings in energy and employee cost per tonne, we expect the full year margins for Reclaim Rubber to be in line with what has been achieved in the Q2 of this fiscal.

On the non-Reclaim Rubber side, post the fire at our plant in Solapur, both the Engineering Plastic and the Polymer Composite businesses have returned to normalcy. The order book in both the BUs continue to scale previous highs and with additional customer approvals for existing and new products coming through.

The improved utilizations, coupled with new SKUs being sold, has resulted in improved margins in these BUs. Our aspiration for a significantly higher EBITDA margin is likely to be achieved in the upcoming quarters.

The polymer composite business had previously slowed down due to financial challenges facing our customers in the U.S. and the fire in the plant in Solapur. I'm glad to report that supplies have resumed in Q2 of the current year and are likely to reach past levels in the upcoming quarter of this year.

The above highlights signify a positive momentum on account of strong intention of the brand owners in the tyre and plastic packaging space to embrace circularity and sustainability. The recycling industry in India is undergoing a significant transformation, also more on account of the evolving landscape, including the extended producer responsibility norms that have been recently introduced.

We, at GRP, believe the next few quarters are the right time to pursue opportunities and build significant scale in the end-of-life recycling sector in the country.

In response to these developments, we are actively exploring two or three new projects in allied spaces along the value chain. We firmly believe that there is a wealth of opportunities in this shifting environment, and we are keen to take proactive steps in the direction.

With this optimism and to ensure we capitalize on the opportunities that lie ahead, the GRP Board has decided to initiate a rights issue to allow us to be capital ready as we embark on a growth agenda over the next years. This decision has been taken in the best interest of all of our investors and aligns closely with the long-term strategic plans of the company. This initiative not only benefits our investors but also empowers us to be agile in pursuing opportunities that lie ahead.

While the details of the issue will be shared in due course post approval from the respective stock exchanges, the total amount to be raised will not exceed INR45 crores. Eligible shareholders of the company as of the record date, which will be determined in due course, will have the opportunity to participate in this.

Let me now hand over the call to Shilpa, who will take you through the financial highlights of both the quarter as well as the half year, and we shall take any questions you may have post that. Thank you.

Shilpa Mehta: Good afternoon, everyone. Let me take you through the consolidated financial highlights for Q2 and H1 FY'24. Let us start with Q2 of FY'24.

Total income in Q2 FY'24 stood at INR1,148 million as compared to INR 1,234 million in Q2 of FY'23, which is down by 7% year-on-year basis. Revenue degrowth is because it includes the component of ocean freights pass-through, which has reduced from INR 132 million in Q2 of FY'23 to INR 39 million in Q2 of FY'24.

As a result, there is an overall reduction in the total income. On a sequential basis, our total income was up by 15%. Before going to discuss profit comparative for Q2, I would like to say that in Q2 of FY'23, there was an extraordinary item of gain of INR 55 million on sell of JV shares.

Now coming to gross profit for Q2 of FY'24, it stood at INR 608 million as compared to INR 710 million in Q2 of FY'23. So that is down by 14% and sequentially, it was up by 15%. EBITDA for Q2 FY'24 was at INR 115 million as compared to INR 124 million in Q2 FY'23, which again, down by 7% year-on-year basis, but sequentially, it was up by 64%. EBITDA margins for Q2 FY'24 stood at 10.02% as compared to 10.03% in Q2 of FY'23. PAT for Q2 FY'24 was at INR 47 million as compared to INR 62 million in Q2 of FY'23, which is down by 24% on a year-on-year basis. Sequentially, again, it was up by 138%.

Now coming to H1 of FY'24. In H1, also, again, total income was -- for H1 FY'24 was at INR 2,147 million as compared to INR 2,477 million in H1 of FY'23, which is down by 13%. And this decline, as earlier said, is due to ocean freight reduction, which is passed through into the revenue. And profit-wise, again, here, previous year H1 includes that gain on sale of JV shares. So profitability-wise, gross profit for H1 FY'24 stood at INR 1,135 million as compared to INR 1,362 million in H1 of FY'23, which is down by 17%.

EBITDA for H1 FY'24 was at INR 185 million as compared to INR 186 million in H1 FY'23. The growth in EBITDA, is led by an improved operational efficiency and cost savings from windmill energy. EBITDA margin for H1 of FY'24 is at 8.6% as compared to 7.5% of previous year. And PAT for H1 FY'24 is at INR 67 million, which is, compared to previous year, down by 8% on a year-on-year basis.

On the debt side, our gross debt, which includes both long-term and short-term debt, stood at INR 939 million in H1 FY'24 and debt equity ratio is at 0.62 in H1 FY'24. And all operating ratios have improved considerably, particularly ROCE is increased by 470 bps compared to previous year.

With this now, we open the floor for question and answers.

Moderator: The first question is from the line of Rishabh Shah from Opal Sec.

Rishabh Shah: So just one question. What are the initiatives or strategies that company is planning to implement in order to reduce its labor cost? Hello?

Harsh Gandhi: Yes. I got the question. No, thanks for the same. But as we said, I think if you take out the overhang of the freight costs, which we have highlighted on a net revenue basis, the employee costs are actually trending lower than what it has been in the previous years. The numbers are quite evident.

I mean if you take off the INR 131 million versus the INR 38 million from the revenue on both sides, you will see the trend of the employee costs are already reducing. So I think we're already on track to achieving the reduction in that area.

Rishabh Shah: Okay. Actually I asked that question because I just wanted to know if there are any automation or similar measures that we have taken to somewhat bring this trend to go.

Harsh Gandhi: I think it's ongoing, which is what we have been saying for the last several quarters or several half yearly calls. And it's actually starting to now result in the benefits coming through. So I think on a net basis, the employee costs are trending much lower than what it used to be, let's say, 2.5, 3 years ago. And these are all on account of the automation and process changes that we have brought about in our processes.

Moderator: The next question is from the line of Jigar Shah from AK Securities.

Jigar Shah: I have a couple of questions. So could you please provide insights into the demand and customer feedback from pilot trials of Repurposed Polyolefins launched by subsidiary GRP Circular Solutions Limited?

Harsh Gandhi: You said you have a couple of questions. Why don't you list down all of them, and then I'll be happy to answer them all.

Jigar Shah: Yes. So my second question is we were to exclude the ocean freight pass-through costs. What is the revenue growth and how significantly might this exclusion impact revenue stability and volatility?

Harsh Gandhi: I'm sorry, I didn't follow that question correctly. Could you go back -- go over it again? Your voice is also not very clear. Can you speak up a little louder, please?

Jigar Shah: Yes, yes. So if we were to exclude the ocean freight pass-through costs, what is the revenue growth? And how significantly might this exclusion impact revenue stability and volatility?

Harsh Gandhi: Okay. Any other questions or...

Jigar Shah: No, sir. No, no. That's it.

Harsh Gandhi: So as far as the Repurposed Polyolefins is concerned, in the call in May, we had indicated that we had an approval from Mobil, which is one of the largest lubricant brands in the world. And we're starting to work with several of their converters in supplying them the material from the manufacturing location. We continue to work with several other lubricant manufacturers. At this stage, we're close to approvals from a few other brands, but I'm not at liberty to name it.

As far as the other sector is concerned, along with the lubricant we have started working with the Paint Pail manufacturers as well and this is a much larger category than lubricant sector is. I'm sure, again, we are very close to approvals with some of the largest paint brands in the country.

Trials are underway, and we are in the last stage of approval with several of the converters of these brands. So possibly during this quarter, we should get the final approval by way of a formal acknowledgment of the same. But at the moment, multiple converters of these Paint Pail manufacturers are already working with our materials. That's probably what I can say.

As far as the ocean freight pass-through is concerned, I've been maintaining that when -- during COVID and post that, when the freight costs were at its historic high, part of those, we were able to pass through to the customers. But a large part of it, we had to sort of take the brunt of or had to bear in our books because otherwise, it was affecting the material affordability for our customers. And since we have a large part of our portfolio of customers, which is based on exports, we were not able to pass through the entire freight burden on to the customers.

With the easing of the freight costs and the reduction to levels which are close to pre-COVID and in some cases, even lower than pre-COVID, the share of the revenue that we -- our share of the freight costs that we had to take the burden of, we're obviously kind of getting the relief on that, and that is aiding profitability, for sure. I don't know how this will pan out over the course of the next 2 quarters.

So your question on how this will affect or be impacted going forward, I'm unable to answer. But if the current levels of freight rates continue we will continue to enjoy these margins because there is no pressure at this moment from the customers to reduce prices because they have all been updated and aware of the impact of freight cost hit that we've had to take during and post COVID on account of the freight increases.

So to the extent that we have had to bear that extra freight cost that has already been passed through to them, which means our prices have marginally dropped to them to reflect the change in the freight cost. But the shares that we had or rather the share of our burden, we will now kind of add that to the bottom line going forward.

Again, as I said before, I'm kind of cautiously optimistic because with the Middle East tensions, we don't know how that spike will affect the freight rates going forward. So for the time being, we believe these margins will obviously continue to accrue. But as there's a significant change in freight costs going forward, we don't know how that will pan out. I hope that answers both your queries.

Moderator: The next question is from the line of Ajay Surya from Niveshaay.

Ajay Surya: Congratulations on a good set of numbers. Sir, my question was -- sir, my first question is, is there any price realization difference in reclaim rubber in the domestic and export market? Or would it be par?

Harsh Gandhi: Yes. Go ahead, as I said, please complete all your questions if you have more than one, and I'll answer them all together.

Ajay Surya: Sir, my next question is on the line of -- sir, as you mentioned, you were -- you are going to do a right issue of around INR45 crores. So sir, I wanted to know what will be the end use of these proceeds, like -- would we -- would that be going into our primary Reclaim Rubber business? Or would it be towards non-Reclaim? And can you just throw some more light on what is the purpose of this right issue? That's it.

Harsh Gandhi: Okay. So as far as the prices in India versus the rest of the world are concerned, I think it's a combination. I mean we have a differential set of pricing with our customers. With some customers, we have annual pricing contracts, with some it is 6 monthly and some it is quarterly, and with some it is monthly spot pricing.

So I can't give you a single point answer on whether the prices in India are higher than rest of the world versus the other way around. Currency also has a role to play. But all I can say is that we operate within a band of pricing for different SKUs or different type of Reclaim Rubber that we produce.

And therefore, as long as we are within the band, there may be times when Indian prices are better than international and some vice versa, depending on a, combination of currency, freight and all the other factors that I mentioned before. So again, very tough to provide you this as a broad number.

However, I can only say that whenever -- wherever we have long-term price contracts where several of our customers also give us a long-term commitment on volumes there, the pricing tends to be marginally better than the rest because they want more supply security for their respective locations, and we need to maintain inventory for them, so that kind of is in built into the pricing. In some cases, we also maintain inventory at international ports or warehouses.

And that's why, in some cases -- in those cases, the prices to the customers are marginally higher. But otherwise, we broadly operate in a range. So at different points, depending on freight, currency, sometimes international prices are better and sometimes Indian prices are better. I hope that addresses your concern.

As far as the rights issue proceeds are concerned, I think I've already said this, I mean, we are evaluating 2 or 3 new opportunities. They are all along the same value chain. So this will be along the lines of tyre and plastic recycling, which is where we are at the moment. I cannot highlight any specific projects at this stage because we don't have the final mandate from the Board on the investment into any of these projects.

So we are envisaging that the whole rights issue process will take up to 90 days to kind of conclude and complete. And we are also hopeful that within this period of 90 days, we will have an opportunity, which we would have evaluated and we would have a more concrete information to share with you.

In any case, some of this information will come through in the offer letter of the rights issue. So I'm sure at that stage, you will be updated about and appraised about the project.

Moderator: The next question is from the line of Rajvi Shah from Bright Securities.

Rajvi Shah: I have two questions. The first one is, what are the company's strategies for expanding our non-Reclaim Rubber business, especially in Engineering Plastics and polymers...

Harsh Gandhi: I'm so sorry, but your voice is absolutely not clear. I don't know.

Rajvi Shah: Okay. Yes, I'll repeat.

Harsh Gandhi: Yes, please.

Rajvi Shah: What are the company's strategies for expanding our non-Reclaim Rubber business, especially in the Engineering Plastics and Polymer Composite segment? Could you provide an update on the current order book and whether we are witnessing increase in demand in this area? And I had one more question. What is the current capacity utilization of reclaim and non-reclaim business separately?

Harsh Gandhi: Okay. So as far as the non-Reclaim Rubber business is -- just one second. As far as the strategy for the non-Reclaim Rubber, specifically the Polymer Composite and the Engineering Plastics business, as you asked, I'll take them one after the other. As far as Engineering Plastics is concerned, there, our mainstay product is nylon or polyamide 6. And there, again, as I mentioned, of the multiple lines of production that we had, a few lines were damaged in the fire. They are now more or less all operational. Some equipment are yet to be commissioned still.

So while we have reinstalled about 70%, 75% of our capacity that existed pre the fire, we have a fairly healthy order book. And as I mentioned this quarter, for example, the current quarter, which is Q3 of this fiscal, we should exceed the sale that we did on a pre-fire basis. So therefore, that business, the order book is quite healthy and the capacity utilization month after month is growing.

The demand in this is a combination of orders from the automotive and the compounding industry. And we're working with several global brands as far as compounding is concerned to be able to offer our Engineering Plastic materials to these manufacturers, mostly in India.

As far as the Polymer Composite business is concerned, this was completely destroyed in the fire and we were able to restart that operation only in June of this year. But again, we are not operating at peak capacity. We are operating today at about 65% of the original capacity, which we had pre-fire.

As far as the order book for this is concerned, the lines are 100% utilized, which means we have orders to suffice for the entire capacity that we have. But we still need to add the other 1/3 capacity that we have lost in some ways to the fire. The order book will take us post the commissioning of that line close to 75% to 80% of the utilization of the capacity. So that's where the polymer composite business is concerned.

As far as the Reclaim Rubber is concerned, our utilization in the Q2 has been closer to about -- closer to 85% to 87%. For the whole half year, it is a little lower than that because in Q1, you have seen that we have had a significant reduction in volume on account of a subdued demand. So that's really the 3 questions. I hope I've addressed them all.

Moderator: The next question is from the line of Faisal Hawa from H. Hawa and Company.

Faisal Hawa: So sir, are we looking at some kind of an arrangement where a major part of income comes from something like very -- which is a counterpart of the carbon credits or having some big arrangements with any kind of global measures for an EPR or something like that? And secondly, have you done any kind of hiring at the very senior level management, really -- have a better growth of the company?

Harsh Gandhi: Thank you. Thank you for these questions. Extremely important ones. So as far as the income source is concerned, a thing to what the carbon credit kind of income is, there is -- as I keep mentioning about the EPR, which is the extended producer responsibility, the extended producer responsibility in the tyre industry is set in a way that recyclers such as us will generate a stream of revenue from the tyre companies, which are the brand owners because the brand owners have a responsibility to ensure that responsible recycling of end-of-life tyres happens and as a result, income for that will go through to the recycler.

Mind you, the purpose of the Government of India is not only to enrich the recycler, but to ensure that the recyclers that are going to generate this income need to invest that back into the supply chain for efficient collection, sorting segregation and also in technology advancements to ensure that an increased level of circularity can be achieved by the brand owners.

So yes, there will be an income accruing, but I would say that most of the income at least us as a manufacturer are taking on the responsibility to continue to invest it back into technology upgradation and upliftment and organization of the sourcing supply chain.

Your second question on the senior management recruitments, very, very pertinent. Since we started to invest in the non-Reclaim Rubber businesses, which is the recycled polyolefin business as well as the Composite Business and in expansion and growing of the Engineering Plastics businesses, we have brought in several individuals from the field at varying levels.

So for example, plant head, the business head, technical services head as well as a Managing Director for the Repurposed Polyolefin business, these are all individuals that have had extensive experience in the petrochemical value chain, having worked with large Indian and/or multinational companies in the synthetic rubber or the petrochemical product space or in the business development of Engineering Plastics or having managed plants of large recycling companies and compounding companies.

So yes, a lot of these individuals that have come in to hold in the last 15 to 18 months have a very, very rich experiences. And we are very clear that this was not a capability set that we necessarily had within the organization, and we have gone all out to get the best talent that there is from the industry.

Faisal Hawa: And if I can just have two more questions, if time permits, otherwise I can come back into the queue.

Harsh Gandhi: It's up to the moderator, not to me, but I think it's best for you to fall back in the queue because there will be adequate time. I would recommend we have the opportunity for the others to ask, but I'll certainly back to you for another round of questions.

Moderator: The next question is from the line of Prachi Sharma from Ace Capital.

Prachi Sharma: I just have a couple of questions. And by the way, great set of numbers. What were the reasons for, say, choosing the rights issue over, say, fundraising through debt or something? I just wanted like to know the rationale behind this decision?

And the secondly, how does the export performance currently looking? And are we experiencing any headwinds due to the global issues?

Harsh Gandhi: Thank you. And again, very pertinent questions. Thank you for the same. Again as I mentioned, the opportunities of size -- opportunity size that we are looking at in the EoL waste recycling space is going to be much larger than what I think we can take by way of only debt.

I think we're very cognizant of what our debt equity and serviceability ratios would look like. And since the projects that we are evaluating are: A, multiple projects; and B, we likely to involve larger quantum of funds, we felt it would be most prudent to look at a combination of equity and debt going forward. So it is not that we are not looking at debt, but I think taking on 100% debt for the quantum of projects may not be prudent. So therefore, we are taking a balanced approach in there.

As I said, more details of the same will be available once the offer letter comes through to the shareholders. But we are not looking at 100% equity or not looking at 100% debt, and that's why the balance in here.

The second question, as far as the export -- or rather the headwinds as far as the exports are concerned, I think we did face some challenges in Q4 of the last fiscal year and Q1 of the current fiscal. However, as we've indicated, even in our investor presentation, there has been an improvement in the volume sales in the current quarter -- well, in Q2 of this fiscal. And we are hoping that this level of exports will continue. But at this stage, we are not seeing specific headwinds. Yes, there are certain geographies and certain SKUs where we are seeing certain slowdowns.

For example, the tyre sector in North America and Europe has been really trending low in the first half -- the first 9 months of the year, but there are signs that those slowdowns were partly on account of the excess inventory that was accumulated either by the tyre manufacturer or accumulation of raw material inventory on account of long lead times as far as logistics was concerned.

Since a lot of that has moderated, we expect and believe that the demand should kind of come back to normal in most of these categories. There are certain other end users, categories where the demand continues to be much lower. For example, the mining sector in different parts of the world, there is not much investment going on in the mining sector.

So the entire ancillary to the mining sector, which includes conveyor belts is subdued. Similarly, the housing market in North America is quite subdued on account of the interest rates in North America, and that does have an impact on a particular product category of ours, which we were selling mostly to the housing or the roofing markets in North America.

So some of these sectors, yes, have been affected, but some others, we believe that the rationalization of inventory has been completed, and therefore, the demand pickup will come through. In fact, we're starting to already see the signs of that pickup starting Q2 of this fiscal and continuing in this quarter as well.

Moderator: The next question is from the line of Ajay Surya from Niveshaay.

Ajay Surya: Sir, my question is regarding -- sir, as you mentioned, the EPR policy has been live and the portal is live and will see the revenues coming in from maybe the end of the quarter. Sir, my question was regarding -- due to the EPR policy, will there be any consolidation in the industry like where smaller players will get out of the industry or there would be more mergers and acquisitions in the industry?

And sir, would that lead to our increase in market share for us? Or would we be a preferred supplier to the brand owners like CEAT, MRF, or any of these companies?

Harsh Gandhi: I should actually take you through the conversations with our customers because what you're saying is what we are hoping for. Thank you for asking this question. So I think -- I mean, I would answer this differently that the EPR is, as I said before, it's intended by the Government of India to ensure that there is responsible recycling happening in the country.

So yes, you are right that the way the policy is structured, it will incentivize manufacturers of products that are engaged in responsible recycling, which essentially means adherence to all the laws and statutes of the land. The current recycling practices in the unorganized sector in certain industries and end segments have not been completely, I would say, toeing the line of the law. And therefore, yes, there will be pressure on some of those to either upgrade their own operations or possibly look at holding up.

So yes, there will be some level of shakeup as far as the industry goes, because, mind you, while this policy is coming in, it is also very clear that this is not optional. So every recycler in every jurisdiction, who has a permit under the CPCB guidelines, will have to mandatorily register. So if you do register, you toe the line. If you don't, you pretty much lose the license to produce or be a recycler. So yes, there will be that shakeout that we expect which will happen.

Now your second part of the question is whether this will give us as a company undue advantage. I don't know and I don't think that would be a fair thing to say. I think there is several other responsible recycling companies across the country. And I don't want to comment on whether this gives us any specific advantage over the others. We are aware of what is the quantum of credits that we could generate given the way the policy is.

We don't have any clarity or being on what could be the impact to us as far as the financials are concerned. But yes, we are having ongoing conversations with our customers, who are the tyre companies for helping them and fulfilling their obligations for purchase of credit. But I don't think that we are going to exploit the situation for any advantage specific because this is an industry-wide practice.

We strongly believe that the entire industry should benefit by this. And we strongly believe that the industry should spend on upgradation of infrastructure, technology and upskilling of the supply chain. So I don't believe that any one manufacturer will have an undue advantage over another.

Ajay Surya: That was helpful, sir. But sir, like if I ask you, like what would be your current market share? And what kind of market share are we aiming in Reclaim Rubber going forward, like because EPR as a policy will bring in new demand for Reclaim Rubber, if my understanding is correct. So like what kind of market share are we aiming in this Reclaim Rubber going forward?

Harsh Gandhi: So two parts to it. I think whether this will lead to an increase in demand for Reclaim Rubber, you are right, it should potentially because -- but I don't think the regulation will force the brand owners to use more Reclaim. I think most brand owners have been very, very forthcoming with setting their own targets on use of recycled materials with Reclaim Rubber being one of those. So I think the both are happening independent of one and another.

As far as the impact to us is concerned, again, I mean, we will generate credits for our entire production while the obligation rests only on the domestic tyre company, it does not rest on the international tyre companies. The second is that import of waste tyres does not qualify for EPR credits. So companies that are dependent on import sources of raw material will not be eligible for or will not benefit from the regulations that the government has put in place.

And the third is the market share that you asked, I think we don't look at the market share in India as our end goal. I think our end goal is looking at a combination of different markets. I mean you are aware that 70% of our revenue comes from the international markets. So for us to have a target of domestic market only because there is an EPR, I don't think it's the way we are looking at the business plan. We are very clear that the opportunity for sale of Reclaim Rubber is global.

So we will continue to focus on maintaining and increasing share of wallet with customers across the world. So we don't have a specific target on Indian or domestic market share and a specific target on international market share. We focus more on kind and type of customers we want to work with. I mean our focus has always been the tyre sector.

So I think if you look at our numbers, our share in the domestic tyre industry is the highest while our overall market share in the country may be low. So -- but to answer your question, are we going to look at market share targets based on the EPR income, I don't think that's the right way -- or at least that's not the way we are looking at it.

Moderator: The next question is from the line of Faisal Hawa from H Hawa and Company.

Faisal Hawa: Sir, is there any technology improvements or improvements in the supply chain that we are making, which will probably help us garner a bigger share of the used tyre market and where we can collect more efficiently? Is something like a hub-and-spoke arrangement or anything in those terms?

And is there any thinking within the management to -- because this is now done for tyres, we could do it for plastics and even for paper and many other things. So are we -- is there any thought process within the management to go towards that space as well?

Harsh Gandhi: Thank you, again. So I think we've been indicating in the past and I think it holds today as well is that as an industry or in fact, as a company, I'm sorry, we continue to evaluate plans of upgrading our technology. We have kept maintaining my stand that Reclaim Rubber in its current form will have a certain usage potential.

But if that potential has to be increased, it is clearly the onus on us as manufacturers to upgrade the technology of Reclaim Rubber that we produce. So yes, there are ongoing efforts that GRP is taking to improve its technology and therefore be able to produce improved quality or ultra-high performance of Reclaim Rubber, which we believe then the tyre companies can use in much larger percentages than what they are using today.

So yes, there are plans underway. In fact, we do have pilots running in different locations to help us with the technology upgrade. And therefore, the type of technology that we choose is something that we are very, very conscious of and we are spending and investing quite a lot of our resources on that.

As far as the supply chain is concerned, you raised a very, very important point. Yes, we are investing in upgrading and upskilling our entire supply chain. That includes a combination of setting up the hub-and-spoke model. I think that is a clear winner in terms of case study if one has to do effective collection of waste. So yes, we are investing in several points.

Now when I say investing, it doesn't necessarily mean putting in money, but it is also a combination of partnerships that we get in with some of our suppliers and also incentivize them by them investing in certain equipment such that part of our processes can be offset or taken over by them. So yes, those efforts are ongoing and are yielding positive results in a few sectors and geographies.

Your last part of the supply chain question was whether we are able to leverage this for other commodities. In fact, that is a very -- idea with which we looked at the plastic recycling space to be able to capture another material stream or being able to recycle. Now mind you that India is a fairly large country and the collection of waste is very, very, I would say, sector-specific.

So a tyre recycler or a collector of tyre waste will not necessarily be the same as the ones that will be collecting plastics and so on. Yes, there are some synergies. But for us, the greatest advantage is actually learning and knowing what are the nuances of these collection networks and therefore, being able to work with the suppliers.

So while we can't say with confidence that our suppliers of tyre waste are the same as the suppliers of plastic waste. I can say that the practices that we have introduced and are continuing to work on with our tyre recycler collectors are the ones that we are able to sort of cross-pollinate to the plastic recycler, and that's helping us increase loyalty and being able to provide us the material that we require.

But the same supply chain is not usable for different material types. Every stream in the country has a different supply chain and we need to, in some ways, work with a different set of players in this.

Yes, there will be a straight case here and there where the tyre collector will also be willing to collect, let's say, plastic waste or lubricant waste or e-waste or whatever it is, but that is an anomaly that is not the normal.

Faisal Hawa: And sir, would it be a right statement to make that so far you have been very financially prudent over almost say in the last 2 decades. And now the time has come for the company and as well as the industry, which that it is now at a very big inflection point. So would it be a right statement to make that we are now ambitious enough because these are a few times that we have ever raised any equity, and we've been very conservative.

And I think you are known to be very close to Chairman of MRF also, so -- who guides you very often. So I mean would it be a right statement to make that now we are coming of age and we want to really grab hold of this inflection point? Is the ambition of the...

Harsh Gandhi: Yes, I mean, I couldn't have captured it better. I think Faisal, you have literally indicated and said what I would have. I think it is an inflection point for the industry. I think it is an inflection point in some ways for the country.

As I said, the government's initiatives at setting these companies to ensure that the waste is responsibly recycled and circularity is embedded in the practices of the large brand owners, that, along with the fact that the brand owners are themselves conscious of, they are new-age customers and therefore, the new-age customers expectations on sustainability and circularity are so high, that the brand owners are themselves taking on targets to embed these. It's part of their business strategies.

So of course, this is the right time for the country. This is the right time for our industry. This is the right time to tap into several opportunities that will present itself over the course of the next years. And therefore, you're right, this is therefore the right time for us to look at taking bolder bets and becoming more ambitious.

And in that light itself, as you rightly said, the rights issue is a step in that direction. But eventually, everything boils down to execution of the strategy. So we are hoping that with the onboarding of several experts from different fields as well as our own legacy of experience, we should be able to drive success in this field and we're able to grow successfully at a much faster pace than we have in the last one decade.

Moderator: As there are no further questions, I would now like to hand over the conference over to Mr. Harsh Gandhi, Joint Managing Director, GRP Limited, for closing comments. Please go ahead sir.

Harsh Gandhi: Thank you again, moderator. I mean, again, as I keep saying in all my calls, I learn a lot from these calls. So rather than me sharing about what our plans are, I always end up getting a lot of new ideas from the insights that you guys share through the questions that you all pose to me. Again, I'm enthused by the response. I'm motivated by several of the questions that you have all asked and the understanding that all of you have developed about this industry.

What I would encourage is a lot of you to please share some of these thoughts and recommendations through our Investor Relations page on the website. But as I said, this is as good a time as any for our industry and for our company, and we are looking forward to making large bets in the coming quarters.

So I look forward to your support for the rights issue and also as we make the investments, the guidance that you all can provide us. Thank you all for participating on the call and look forward to the next one in another six months. Thank you so much.

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