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"Tinna Rubber & Infrastructure Limited

Q3 & 9M FY25 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the Tinna Rubber and Infrastructure Limited Q3 FY '25 Earnings Conference Call hosted by Go India Advisors. 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 star then zero on your touchtone phone.

I now hand the conference over to Ms. Sana Kapoor from Go India Advisors, thank you, and over to you, ma'am.

Sana Kapoor: Thank you, Rutuja. Good afternoon everybody, and welcome to Tinna Rubber and Infrastructure Limited earnings call to discuss the Q3 and 9 month FY '25 results. We have on the call Mr. Gaurav Sekhri, Joint Managing Director; Mr. Subodh Kumar Sharma, Director and Chief Operating Officer; Mr. Ravindra Chhabra, Chief Financial Officer; and Mr. Anurup Arora, Senior Vice President, CPG and BD.

We must remind you that the discussion on today's call may include certain forward looking statements, and must be therefore viewed in conjunction with the risks that the company faces.

May I now request Mr. Gaurav Sekhri to take us through the company's business outlook and financial highlights, subsequent to which we will open the floor for Q&A. Thank you and over to you, sir.

Gaurav Sekhri: Thank you, Sana. Good afternoon, everyone. Thank you for joining us today for the Q3 and 9 month FY '25 earnings con call of Tinna Rubber and Infrastructure Limited. Our financial results and earnings presentation is available on our website and on stock exchanges. I believe you have had a chance to review the same.

I will briefly take you through the strategic updates and operational performance highlights, post which my colleague Subodh, our COO will take over and give details about the financial performance for the quarter and 9 months.

I am pleased to share that Tinna Rubber has delivered strong financial and operational performance in 9 months of FY '25. We have achieved revenue of INR376 crores in 9 months of this financial year, surpassing the total revenue of FY '24. I am pleased to confirm that we are on track to achieve our earnings guidance set out at the beginning of the year, exceeding INR500 crores of sales for FY '25.

Coming to operational performance, the volume of tires processed in 9 months has increased by 42% year-on-year and on quarterly basis, the volume has increased by 20%. Coming to 9 month segmental performance, revenues from Infrastructure, Industrial, Consumer and Steel segment have increased by 23%, 17%, 70% and 111% on Y-o-Y basis, respectively.

Infrastructure segment's volume has grown by 30%. This growth has been supported by 52% volume growth in CRMB processing and over 80% volume growth in the bitumen emulsions business. In the Industrial segment, we witnessed a volume growth of 18% and exports have grown by 51% in volume in the 9 months of FY '25 and will continue to remain our focus area.

In Q3 of FY '25, the tire industry saw a sharp decline in net profits, mainly due to high finished goods inventory and low capacity utilization, resulting in weak demand for our recycled rubber materials. Tinna's strong performance on exports is proving to be a key strength in overcoming these domestic challenges and for driving growth for us.

Consumer segment experienced a strong volume growth of 79% and sales in this segment are growing and will remain our focus area for better capacity utilization at our new plant at Varle. Steel segment witnessed an outstanding growth in volume of 120% due to higher volumes of tire recycled and addition of steel abrasives to our product basket in FY '25.

Coming to strategic updates. Out of the INR48 crores of capex planned in the current financial year, INR38.6 crores has already been spent and the work is progressing as per plan. Company is evaluating other avenues of revenue generation and capex will be deployed accordingly in Q4 and onwards.

Credit rating of the company has been upgraded to CARE BBB minus, resulting in reduction in cost of borrowing. Also, I am pleased to inform that Tinna Rubber has got released all of its corporate guarantees, which were given to associate concerns. And as of today, no more corporate guarantees are there from the company.

Providing a brief overview on the project updates. In the 9 months, Varle plant has contributed about INR36 crores of sales. Going forward, we are on target for Varle to contribute approximately INR100 crores of revenue annually.

MRP's additional capacity of 5,000 tons at Gummidipoondi plant has been commissioned. With this, Tinna has become the largest MRP producer in the world, having capacity to produce 20,000 tons of MRP annually.

In the PC and MB business, which is polymer composites and masterbatch business, we have undertaken extensive R&D and product development in last 2 quarters. From Q4 onwards, we expect the plant to operate at around 30% capacity utilization, which is only at around 15% until now. We expect PC/MB business to operate at 60% capacity utilization by H1 of FY '26, which will contribute approximately INR30 crores of revenue.

Renewable energy, solar power system has got commissioned in Q2 of FY '25, and it has contributed to INR16 lakhs of savings in power cost and bringing us closer to our goal to becoming a more green business.

Coming to international projects, in Oman, the facility has processed approximately 10,000 tons of end-of-life tires in 9 months, and it has generated a revenue of about USD 3 million. To have better control on cost and to increase our optionality on selection of type of waste tires, Tinna has set up additional equipment to also process off-road tires in Oman.

In Saudi Arabia, we are in the process of identifying suitable land for establishing the plant to support our planned investment to set up a 24,000 ton per annum tire recycling facility. Our aim is to commission the project by first half of FY '26.

In South Africa, I'm happy to share that the JV company has got permission to export 24,000 tons of semi-processed end-of-life tires. The first phase operations are set to begin in Q1 of FY '26.

With that, I would like to hand it over to you, Subodh, and you may please share your insights and comments on the financial performance. Over to you, Subodh.

Subodh Sharma: Thank you, Gaurav ji. Am I audible, Sana?

Moderator: Yes, sir, you are. Please go ahead.

Subodh Sharma: Thank you so much. So I will take you through the Q3 9-month financial year '25 financial performance of the company, post which we will open the floor for questions and answers.

Coming to consolidated financial performance for 9 months. Our revenue increased by 49% to INR376 crores due to increase in tire crushing volumes and operational efficiencies. Overall cost increased due to increase in raw material cost of end-of-life tires, higher ocean freights, weakened INR, drop in steel scrap prices and some onetime cost of repairs.

Despite these challenges, EBITDA increased to INR59 crores, up 46%. EBITDA margin stood strong at 15.58% at consol level. PAT increased to INR37 crores, up by 49%. PAT margin increased to 9.75%. On a stand-alone basis, Tinna showed a similar growth story with revenue, EBITDA and PAT up by 48%, 30% and 34%, respectively.

Coming to the consolidated financial performance for Q3 FY '25, revenue increased to INR123 crores, up 32% on Y-o-Y basis and 4% on a Q-on-Q basis. In Q3 FY '25, Tinna has accrued EPR credits worth of INR2.76 crores. EBITDA and PAT saw a drop on both Y-o-Y and Q-o-Q basis due to increased raw material costs and few onetime expenses.

To shed light on the strategic levers for margin improvement moving forward, I would like to highlight that we have completed initial investments in setting up Varle and PC/MB business and now higher capacity utilization at these facilities will drive margin expansion. Additionally, discussions with customers regarding price increase are underway with the impact expected to be visible from Q4 FY '25 onwards.

The recent credit ratings upgraded to BBB minus has facilitated better interest rates on CC limits, while ongoing power cost savings from solar power plants will continue to support margin growth for us.

So in summary, Tinna Rubber is making remarkable strides towards its Vision 2027. Aiming to expand recycling plants from 6 to 10 locations, achieving a revenue CAGR of over 25% and revenue of INR900 crores, with consistent profitability growth. Additionally, its diversified and customized product portfolio focus on international operation and global expansion and experienced management team backed by strong stakeholder support further strengthened its growth prospects.

I would now like to open the floor for question and answer. Thank you, and over to you, Sana.

Moderator: There first question is from the line of Parikshit Kabra from Pkeday Advisors.

Parikshit Kabra: Could you please elaborate on what was the nature of the increase in your raw material costs and onetime costs this quarter because the fall in margin has been consistent for the last couple of quarters. So just wanted to see if there is some underlying trend here? Or is it truly just a one-off and we're expecting next quarter the margins to come back to your normalized levels?

Gaurav Sekhri: This is Gaurav Sekhri here. We have seen because of higher freight rates and just generally, there is some tightness of availability of raw material at origins. We have seen some pressure on the pricing. A large part of it is really more because of freight, and that is what has put pressure.

To mitigate this, we are doing 2 things, 3 things actually. One, we are increasing our optionality on the type of tires that our plants have ability to process. If you recall, we were only a TBR recycler until about a year ago, then we added a PCR recycling plant. We are now looking to add off-road tires also and to create ability to process off-road tires that is in the works to mitigate this.

And we are always looking at new origins. Our investment in South Africa will also support creating a new origin to feed our plants in India. And thirdly, of course, there is also an initiative which has now been undertaken to pass on some of these pricing pressures to the customers, and we are seeking some price revisions.

Parikshit Kabra: So I understand that the raw material prices can fluctuate. And I don't think we have the ability to hedge ourselves. But is this again due to time or even on an immediate basis, if our raw material prices increase, we are not able to pass on the cost to the customer?

Gaurav Sekhri: We are able to pass it on. You see we also have to see some trends over a period of time and then decide to engage with customers. And we have to be considerate of our customers as well. Now realizing that these prices more or less are stable. And while there is some downward correction expected, which will be welcome, but I don't think it will be very, very dramatic. So it is a very good time now to engage with customers, and there is -- we have a convincing argument. And we have already started receiving some favorable responses on the price increase.

Subodh Sharma: See, we are -- I'm Subodh here, Parikshit. So we are consistently requesting customers, as you know, with the EPR and everything in the practice, customer resistance is also by tire companies specifically on increasing the prices because they are always like EPR is also coming to you as icing on the cake.

So why? But now with the dollar, now with the raw material and the consistent request since almost now 2 months, we are seeing some positive impact on pricing from this quarter onwards.

Parikshit Kabra: So will it be possible for us to get some kind of guidance or at least a directional number of how we see this moving back to higher levels and what may be according to you, stable levels to be expected?

Gaurav Sekhri: Our -- the EBITDA levels that we have achieved up to 9 months, which is around 15%, 15.5%, we think that is the right kind of levels that we feel we can achieve with all the initiatives that we are putting in place.

Moderator: The next question is from the line of Aayush Rathi from Aditya Birla Money.

Aayush Rathi: Sir, first, could you provide insights into the planned utilization of the INR150 crores fund raise? Like what are the key areas where the capital will be deployed?

Gaurav Sekhri: Sure. I mean we are going to use this money to -- for our expansion plans in Saudi Arabia, South Africa. We are also looking at some expansions at our existing facilities, the PC/MB business. These are the primary areas where we are looking for deployment of this money.

Aayush Rathi: So the next question would be on the revenue front. So what percentage of the total revenue was contributed by the exports during the first 9 months of FY '25? And continuing on that, looking ahead to FY '26, because of the geopolitical scenario, how do you anticipate the export to domestic sales mix evolving in the next fiscal year?

Subodh Sharma: So I'm Subodh here, Aayush. So from the export side, the volume growth we can see we have grown almost 50% in the first 9 months. But on the basis of percentage of my total top line as of now, 5% is the value growth in the export for us. 5% is our contribution of exports in our total turnover, even though we've grown about 50%.

Aayush Rathi: This is on a 9-month number, right?

Subodh Sharma: Yes, 9 months.

Aayush Rathi: And looking ahead to FY '26, how do you anticipate the export to domestic sales, like will it change significantly or it will remain at the same level?

Gaurav Sekhri: Gaurav here. See the -- its contribution as a proportion to our overall business, it is hard to predict and tell you. But I am confident or we are confident that we will continue to grow at a very good clip because we see very good headroom in export growth. We've grown 50-odd percent this year. I expect us to maintain a very robust growth rate on exports.

Aayush Rathi: And just extending my question, when we look at exports, so are the margins also better -- significantly from the domestic propulsion?

Gaurav Sekhri: Yes, they are.

Aayush Rathi: And next question would be on the Varle plant and the PC plant. When do you see both of them to reach optimal utilization level? And according to you, what is the estimated optimal utilization rate as well? And how does it compare to the utilization level recorded in the Q3 FY '25 for both Varle and PC plant?

Gaurav Sekhri: Gaurav here again. See, on the Varle plant, we have now reached a fairly stable production. I expect Varle to bring in about INR100 crores of sales in 12 months in the new financial year. And that is in line with what we have given you guidance earlier as well. The PC/MB business, even in the coming financial year, we expect it to operate at around 60% capacity utilization towards the middle of next year because there is still some work to be done to stabilize the formulations and getting customers on board, product approvals and things like that.

Aayush Rathi: And just last question, you had already mentioned about the decline in the margins and some one-offs. So just to confirm, 15.8% EBITDA margin is something on a sustainable basis, we can take for the modeling purposes, right?

Gaurav Sekhri: We believe so.

Moderator: The next question is from the line of Nihal Shah from Prudent Corporate Advisory.

Nihal Shah: So as we mentioned that because of the dollar rate and the supply of raw materials being a problem. So was it mainly from the raw material that we import or it was from the local markets as well, the supply crunch?

Gaurav Sekhri: Gaurav here again. Both the things are -- the markets move quite closely in tandem. So the price increase has been felt on both domestic as well as the materials that we import.

Nihal Shah: So what is the difference between the cost there in the imports and ones procured from the domestic market? Can we give that number?

Gaurav Sekhri: See, it is -- it could be anywhere between INR3,000 a ton to INR6,000 a ton in that range, depending location-wise and the time of the year.

Nihal Shah: And one more thing that there is a 53% increase in the employee benefit expenses in this quarter year-on-year. So why would that be so?

Gaurav Sekhri: See, we have -- there are 2 or 3 reasons. One, of course, the company, as you know, has grown from INR360-odd crores last year to about INR500 crores this year, and we are really gearing up for our plan to reach INR900 crores to INR1,000 crores by FY '28. So we are getting new talent, hiring new people.

We've got an ESOP plan in place, which is -- there is a provisioning to be done when you have an ESOP plan. So that has had some impact in our overall employment cost. So -- plus we are building a whole new business of PC/MB, which is a new vertical and requires new talent. So all of these 3 or 4 things have come together and impacted our cost. But we believe it to be as the investment in future.

Nihal Shah: So what do we expect the asset turnover to be for the new upcoming plants and the one that we've recently, I guess, the Varle plant, how much do we expect that to give us?

Gaurav Sekhri: Asset turnover, if you ask me specifically, and we have dealt with this in the past as well. Usually, we get 2.5 to 3x revenue of capex at optimal capacity utilization.

Moderator: The next question is from the line of Sunil Jain from Nirmal Bang.

Sunil Jain: Sir, was there any EPR contribution, EPR certificate sale contribution in this quarter?

Subodh Sharma: Yes, sir. Subodh here. So like I said in my opening speech, we have taken approx INR2.76 crores of this particular quarter, Q3, to our top and bottom line both.

Sunil Jain: Can you share the corresponding figure for last quarter and last year same quarter?

Subodh Sharma: See, if you see, I mean, in the quarter 1, we accrued that was for the last whole FY '24. And in the Q2, what we accrued was basically for the 2 quarters together. So in this quarter, you will find like it is particularly for this quarter only. Total for the 9 months we have accrued approximately INR24 crores.

Sunil Jain: 9 months, how much sir, INR24 crores?

Subodh Sharma: INR24 crores, yes.

Sunil Jain: But that was figure of last year also, but how much is for the current year, 9 months?

Subodh Sharma: For this current year, just a second. Yes for the 9 months is around INR6 crores to INR7 crores approx.

Sunil Jain: And so, this INR2.7 crores will be consistent now for all the quarters -- coming quarters?

Subodh Sharma: Yes. On the quarterly basis, yes, because see, in the Q1, whatever we accrued, it was basically for the last 2 years.

Sunil Jain: Yes. But is that realization also happening now?

Subodh Sharma: Yes, it is happening. And in fact, in the Q3 itself, we sold a decent numbers after accruals. And going forward in Q4 and Q1, we also expect to sell some of these units. We were waiting and holding the units in Q2 because there was a price correction was expected. It has happened as per the policy and that we declared in our previous call also. So we have started transacting these available EPR credits.

Sunil Jain: And sir, last question is related to import. Out of how much raw material we import and how much is domestically we purchased? Any share you can -- how much percentage, if you can share?

Subodh Sharma: It fluctuates for us, sir. We go with least cost options at various plants. But I would say that we are about 70% on imports and about 30% domestic.

Sunil Jain: And what I understand that the transport -- the freight cost, which has increased earlier, is that coming down now or no?

Subodh Sharma: We should see it. All the signs are there now for the freight to be -- for freight rates to come down after the tension in Middle East, et cetera, is scaling down as well. So that should have a positive impact, but it's early to say.

Sunil Jain: Because -- in the cost of procuring that raw material from international market, the major cost is transport only because you have to just pick up the --

Subodh Sharma: That's correct.

Sunil Jain: So any decline in that will be direct benefit to us?

Subodh Sharma: Yes.

Moderator: The next question is from the line of Viraj Mahadevia from MoneyGrow India.

Viraj Mahadevia: Congratulations on running a tight ship on financial metrics. Given the various growth levers around the new plant getting operational, is it possible to deliver INR100 crores to INR150 crores revenue in FY '26.

Gaurav Sekhri: Viraj, your voice is a bit muffled, but I think your question is that can the company add another INR100 crores, INR150 crores to top line? Is that the question?

Viraj Mahadevia: Absolutely.

Gaurav Sekhri: We are geared up. We would like to believe that, that is possible. Our projections and our first cut business plan is also showing and indicating us to be north of INR600 crores in the coming financial year. But I would like for us to go through Q4 and Q1 to give you a guidance with more firm footing. But in the past, historically, very early in this year, we had told you that we expect our company to cross INR500 crores, and we were at INR360 crores last year, which has happened. And I can tell you that we -- with a high degree of confidence that we believe we will cross INR600 crores in FY '26.

Viraj Mahadevia: Excellent. My next question is given the capacity expansions, do we have capacities that are still coming on stream later this year, which will start contributing in '27? And is FY '27 really the inflection year in terms of your revenue growth for your '28 targets?

Gaurav Sekhri: As mentioned earlier, Viraj, we have 2, 3 things in the works already. The Saudi plant, we hope to become operational by the end of the year. It will start showing full impact in FY '27. South Africa work is ongoing already. And the scale-up in PC/MB business is also going to be a very important contributor. So we have the sort of 3 new growth engines to bring in turbo growth into the business.

Viraj Mahadevia: And what will be -- sorry, just apologies if it's in the presentation. What is going to be the capex spend between Saudi and South Africa? I'm trying to figure out from an asset turn point of view, how much revenue can they can generate in '27.

Gaurav Sekhri: See, we don't want to get too granular on some of these details on calls like this. But typically, our capex to sales ratio is between 2, 2.5, 3x. In India, it is more like 3x from a plant, it is more like 2, 2.5x. So something similar will also come from Saudi and South Africa. And PC/MB business, in any case, it's a more expensive product. So it will have a larger impact on the top line contribution.

Moderator: The next question is from the line of Sunil Shah from SRE PMS.

Sunil Shah: Sir, my question is from the next 2, 3 years point of view, how do you think this regulatory environment will be strong enough for the tire manufacturers to actually go about using this recycled product? So if you could give us some direction about the strength of the regulatory pressure which could -- could you share that, please?

Subodh Sharma: Subodh here. So on the side of like regulatory pressure for the tire company, I don't think will have that large impact, but it's a self-motivation by the tire company to go for the sustainable and green product. See, for the tire and all, it's very, very complex products. So unless they are fully sure on the end parameter and the quality aspect, safety aspect, so no pressure is going to work. But yes, government definitely is considering the recycled rubber material usage for the Infrastructure segment, like we have covered in our opening…

Moderator: I'm sorry to interrupt, sir, we are unable to hear you.

Gaurav Sekhri: Am I audible now?

Moderator: Yes, you are. Please go ahead.

Gaurav Sekhri: Yes. So I was mentioning like with the tire company, it's a bit difficult to pressurize them to use more unless because there is a safety, there is other aspects in case of tires, but they are motivated to use more sustainable material. So it will grow, but gradually, not like with the pressure or something.

But in the Infrastructure segment, the approach of the Ministry of Road Transport & Highways and all, so they are considering the recycled rubber material more for the blending with the bitumen, and that's where the growth is also reflecting in our numbers from the Infrastructure segment.

Moderator: The next question is from the line of Karan Gupta from InvestSavvy PMS.

Karan Gupta: My question is regarding the margin profile of each product. So can you share the margin of individual products that you have?

Gaurav Sekhri: Karan, we have not shared this data in the past. And we believe this information to be sensitive to company. So we don't share product-wise margins.

Karan Gupta: Fair enough. But comparatively, if you just give high and low kind of indication across the products in terms of margin which is available?

Gaurav Sekhri: Let me attempt -- the question. See, products like micronized rubber powder tend to deliver higher margins versus a regular crumb rubber powder because that is more of a commoditized business. And in terms of segments as well, the Consumer segment, which largely takes different types of crumb rubber tends to have lower margins and the Industrial segment, which is really catering to tire manufacturers as well as conveyor belt or more complex products tends to give us...

Karan Gupta: And what do you think about the tire pyrolysis market? What are the opportunity you are seeing there? If you want to add this product in your portfolio?

Gaurav Sekhri: Sure. See, it's more a different form of recycling pyrolysis. Up until now, we at least did not come across a technology which was environment-friendly and scalable in nature. Therefore, we resisted. And as per various studies done, the most prime example of circularity is material recycling, which is our business today.

Saying that, lately, I believe there are some better technologies for pyrolysis available. We are looking at them. We are evaluating them. And I think we are getting to a position where we are now more convinced about this business than we were before, and it's something that we are considering.

Moderator: Sorry to interrupt. May I request Mr. Karan Gupta to please rejoin the queue. We have participants waiting for their turn. The next question is from the line of Aakash Javeri from Time & Tide Advisors.

Aakash Javeri: My first question is that if I see Industrial sales for Q3 FY '25, which is about INR50 crores, if I'm not wrong, and I compare --

Moderator: Mr. Javeri, but we cannot hear you that clearly, sir. Can you switch on your handset mode, please? Yes, please go ahead, sir.

Aakash Javeri: So if I see our infra sales for Q3 FY '25, I'm getting about INR50 crores worth of sales. And if I compare that to Q3 FY '24, it's more or less coming flat. Am I missing something here? Have we not been able to grow? Just in Q3, I'm not talking about 9 months, just Q3 last year versus Q3 this year. Could you just throw some light on that? And is my calculation correct?

Gaurav Sekhri: Your question is in relation to the infra business, right?

Aakash Javeri: Infra in both the divisions, I'm not being able to see a lot of growth year-on-year in Q3 FY '25 or Q3 FY '24.

Gaurav Sekhri: Let us come back to you on that. You can maybe mail us this question, and we will inform you of the growth. In Q3 has performed quite well. So there is growth, but just to compare the quarter-wise growth, why don't we come back to you on that?

Aakash Javeri: Sure. And the second question was, could you throw some light on the competition landscape in our Infra and Industrial sales divisions?

Gaurav Sekhri: Can you be more specific, please? What are you trying to ask?

Aakash Javeri: My question was like based on my calculation, if there's not that much growth, then is there a lot of competition that has come in, in the last 1 year, which is kind of affecting our growth?

Gaurav Sekhri: I don't know how you are reaching that conclusion. I mean in my opening comments also, I had mentioned some growth numbers that we have experienced year-on-year. And our top line, we have achieved INR370-odd crores of sales in 9 months versus INR365 crores last year. So the growth is there. I don't know from where you are picking up that there is no growth. But if maybe we are not understanding your question properly, if you nail us your question, maybe we can address it better.

Moderator: The next question is from the line of Dev Agrawal from Fincom Family Office.

Dev Agrawal: Sir, in the opening remarks as well as in the presentation, you have mentioned that you are seriously evaluating other avenues of revenue generation and will deploy some capex in Q4 FY '25. So can you throw some light on that, which are those avenues, sir?

Gaurav Sekhri: As mentioned, our focus area is to get our Saudi business up and running as fast as possible, also stabilize our operations in South Africa, scale up of PC/MB business now that our product R&D and development is more or less at completion stage and initial supplies have already gone. So this will remain our focus in Q4 and onwards.

Dev Agrawal: And previously, you have mentioned that you are looking into getting into TPO. And so will you be also getting into rCB?

Gaurav Sekhri: Very much so. I mean that's something we are evaluating. See, everything starts with the pyrolysis process for where one will get the carbon black to then convert it to recycled carbon black. So those technologies are under evaluation. We are keeping an eye on it.

Moderator: The next question is from the line of Shweta Mehta from Credent Info.

Shweta Mehta: So basically, my question was pertaining to the last con call that you had taken where you [inaudible 0:40:46] revenue would be possible for FY '25. So that is my first question. Second of all, with the input of tariff by U.S. on metal products and all, so as we were thinking of increasing our non-rubber business, which is a high-margin business, would that be getting affected at all with all of these? So just these two questions, sir.

Gaurav Sekhri: Can you please repeat? There was a brief moment in between when we couldn't hear you. Can you repeat your question, please?

Shweta Mehta: Yes. So first question is that we were supposed to complete this FY '25 with INR500 crores of revenue. So would that be possible, first of all? Second of all, we were supposed to increase our non-rubber business, which would be a high-margin business. So with tariff implementation by U.S., would that be affecting our product and sales at all in the automobile segment?

Gaurav Sekhri: So the answer to question one is we are very much on target to cross INR500 crores. And the answer to the second question is that no, we are -- our business and projections are not dependent on this regulations that you are mentioning.

Shweta Mehta: And what about the TP Buildtech business, how much of revenue and growth have we done in that?

Gaurav Sekhri: TP Buildtech business this year will probably end at around INR80 crores to INR85 crores of revenue versus approximately INR60 crores last year. So the growth has been very satisfying. Also, there is excellent margin improvement in that business where it is now operating at between 18% and 20% EBITDA.

Shweta Mehta: So how much is that compared to our total business?

Gaurav Sekhri: How much is that, sorry?

Shweta Mehta: How much is TP Buildtech compared to our total business of our company?

Gaurav Sekhri: TP Buildtech is -- Tinna Rubber owns about 48.5% in the company. So its top line is not included in Tinna Rubber. That's point #1. So it's 2 separate businesses. It's a separate company. And point #2, TP Buildtech has its own excellent growth trajectory plan, especially with the business now operating at a very healthy margin.

New products are being considered to add to our portfolio and also set up a couple of new plants. So all of that is in the works. And the good part is they will be able to do most of it and all of it probably just with internal accruals and some debt. So it doesn't need any further equity from Tinna Rubber.

Shweta Mehta: So my last question, sir, for the raw material. Normally, if the rubber prices increase, the automobile companies want more of recycled rubber for making their own products. But however, we have found out currently that because of high inventory and high rubber material prices, our margins went down. And sequentially, if we are seeing Q-on-Q, this is going down. So going ahead, is it going to improve? Do you see that -- foresee that in future?

Gaurav Sekhri: See, our fortunes to some extent, are completely aligned with that of the tire companies. So that is a given. If they see good growth, we also see good growth. When they have some growth challenges, it is to have a hedge that we have these other segments. And we have also taken a lot of pride in mentioning that; we are unique in that respect.

We are not dependent on just one sector. We have an Industrial segment, infra segment, Consumer segment, which enables us to have a good hedge. So yes, it does impact us, but not to an extent that it compromises our overall growth. In regards to cost pressures, et cetera, that is more end-of-life tires, and we don't have that much of a correlation with natural rubber prices.

Moderator: The next question is from the line of Raj Lakhani, an individual investor.

Raj Lakhani: So my question is how difficult is it to source scrap in this space and till 70% as you mentioned that 70% of the…

Moderator: Sorry to interrupt you, but you are not clearly audible, sir. Can you please repeat your question?

Raj Lakhani: Is it better now?

Moderator: Sir, you're sounding very muffled.

Gaurav Sekhri: It's okay. We'll try to answer it. Please go ahead. I think you just have some background noise behind you, but that's okay. Please go ahead.

Raj Lakhani: So sir, my first question is, so how difficult is scrap sourcing in this particular space? And as you mentioned that 70% of procurement is from imports. So going forward, what would be the mix of procurement? And how is tire scrap availability market currently India shaping up?

Gaurav Sekhri: See, in regards to our percentage of sourcing from India or overseas, I don't see a very major change in the ratios going forward. But I think eventually, over medium to long term, it's highly likely that we will be using a lot more domestic tires.

And to mitigate challenges sometimes in the tires that we import, we already work with about 10 or 11 different origins, and we continue to seek to add new origins in the mix, and then we work on a least cost basis. So this is what has worked for us, and we continue to be aggressive in this area.

Raj Lakhani: And sir, the follow-up question. So how is currently the Indian scrap availability market is shaping up like largely it is informal or something like that? Any, I guess --

Gaurav Sekhri: It is getting more organized, thanks to the EPR policy implemented by government. Nothing in our country goes for waste, everything gets used. However, now with the EPR policy in place, we hope it will result in more environmentally desirous form of recycling.

In other words, it will come to people like us rather than it getting burned illegally in brick kilns or going to, let us say, some pyrolysis plants, which are not following proper environmental and safety norms. So that is the benefit that we think will be accrued to organized players like us and the whole collection process will also get more organized.

Moderator: The next question is from the line of Chandu Gupta, individual investor.

Chandu Gupta: So my first question is on this new PC/MB vertical, which you mentioned. So can you give us some idea about what exactly is this product, what are its applications and some background about how much is the size of the opportunity over here?

Subodh Sharma: Yes, Mr. Chandu, this is Subodh here. So PC/MB business is a new vertical, which we started. I think our machine got commissioned March 2024, and we took quarter 1, quarter 2 to stabilizing the formulation and all. So idea is basically to develop something which is a blend of plastic and the recycled rubber. Plastic by nature is 100% rigid material and with a little bit of rubber to it can give you elasticity and the cost benefit as well.

So we are working in that space and the application could be anything like pallets, industrial dustbins and many more in the automobile sector. So this is the vertical. And till now, like we covered in our opening speech, we were operating this business up till now around 15% of capacity utilization.

And going forward, by end of H1, FY '26, we expect it to operate at around 60% of capacity utilization. So that will give us the confidence and that's the idea of further expanding this business to other locations. As you know, we have already 5 plants in India, Northeast, West, South. And out of India, we are operating in Oman.

So we are also -- it's a testing phase for us to stabilize this business at one location. And once when we are through with this, we can easy cut copy paste at the other location, further expand and strengthen this business. Hope I could reply to your satisfaction.

Chandu Gupta: Yes, yes. So how much is the investment into this -- and how much we are expecting as the revenue in the long run?

Subodh Sharma: At the moment, we have spent under INR10 crores in building a pilot scale plant. And in the coming financial year, we expect that we will allocate another about INR15 crores to scale up this business.

Chandu Gupta: And how much revenue potential it has?

Subodh Sharma: In the coming financial year, we are expecting approximately INR45 crores, INR50 crores to be contributed by the PC/MB business.

Chandu Gupta: The second question is on this EPR credit, which we are doing on accrual basis. So can you give the figure how much we have actually sold in the quarter, EPR?

Gaurav Sekhri: So we have sold about 3-odd -- INR3.5 crores worth of credits. Why don't you answer Subodh?

Subodh Sharma: So like we mentioned in the Q3, we accrued around INR2.76 crores and whereas we sold around somewhere close to INR5 crores worth of credits.

Chandu Gupta: So that includes some of the earlier accruals also is it, like that's…

Subodh Sharma: Combining all the quarters out of which -- and we are talking here about the Q3 accruals, INR2.76 crores worth of.

Chandu Gupta: But is there a possibility that when we are doing this accrual, is there a possibility that we may not be able to sell it and it will lead to some reversals in the future because we are continuing to accrue, but I believe there is some issue with actually executing the sale because there is a resistance from the tire manufacturers and all.

Subodh Sharma: See, as per the policy, I mean, this trade can happen for the 2 years for all the accrued points, number one. Number 2, at my side, like we mentioned, we are -- our buying policy is 70% of import and 30% of domestic. So we also have our own obligation towards sets of our -- EPR obligations, against import.

Chandu Gupta: No, my question is like -- or if you can give me some number on since we started last year, from last year till now, how much we have accrued and how much we have sold totally, cumulative? If you can share number, if you have?

Subodh Sharma: Sir, why don't you just send us a mail. I think we will respond to you. But our run rate of credit that we accrue will be -- at this point of time, it seems approximately about INR3 crores a quarter. That's point number one. And second, there is no challenge we have felt as of now. We have sold all our credits to some of the most marquee names and who are our customers.

So we don't expect any challenges in selling them also. We are holding inventory because we do expect the prices to improve of the credits.

Moderator: The next question is from the line of Atharva Shaledar, an individual investor.

Atharva Shaledar: Sir, actually, I want to know that in your PPT, you mentioned discussion initiated for a price increase with the customers, impact will be visible from Q4 FY '25 onwards. So do you think we have bargaining power to bargain our terms, sir?

Subodh Sharma: Yes, very much, sir. And in fact, this whole exercise has started from the -- at the time of closing of last quarter, and we are seeing the visible impact from the January onwards. And we see there is a positive impact when we shall be completing this quarter, and that will be visible when we are going to declare our next quarter results.

Atharva Shaledar: And sir, last question is, how do you see margin going forward for FY '27 Vision, sir?

Subodh Sharma: FY '27, you're talking about?

Atharva Shaledar: Yes, sir.

Gaurav Sekhri: Gaurav here. We are aiming -- we have given in our vision that our aim is to get to 18% EBITDA margin, but we are at around 15.5%. So we expect to be in this range. In the coming financial year, we think 15.5%, 16% is more achievable, but our desire is to go up to about 18%.

Atharva Shaledar: You mean it is possible to reach 18% that you guided for FY '27?

Gaurav Sekhri: That is our vision that we have mentioned almost 1 year, 1.5 years ago, yes.

Moderator: The next question is from the line of Karan Gupta from InvestSavvy Portfolio.

Karan Gupta: My question will be related to this TPO side. What are the opportunity and market size you are seeing if you are evaluating this segment? That is one. Second is, can you just share the revenue percentage of your reclaim rubber segment in Industrial part?

Gaurav Sekhri: Your first question, I think, is relating to TPO, tire processing oil.

Karan Gupta: No, pyrolysis, not processing.

Gaurav Sekhri: Pyrolysis.

Karan Gupta: Yes.

Gaurav Sekhri: Pyrolysis, the product is TPO, which is tire processed oil. It is something we are evaluating very seriously. Like I said, we have higher confidence now than what we had before in terms of clean, good, scalable technology being available. Once the technology is verified, validated, we think the opportunities are immense because there is opportunities in recycled carbon black.

And of course, in the oil, which is recovered, there is a ready market. In fact, we see a very good correlation in our existing customer base of road contractors because all your hot mix plants are fairly large users of this oil. So we see some benefit there because we are already supplying our modified bitumen and those kind of products to road contractors. But it's a call we will take over the next couple of quarters. That's point number one. And can you just remind me of your second question, please?

Karan Gupta: Your revenue percentage of reclaimed rubber and what's the industry margin there?

Gaurav Sekhri: Our revenue business is only about 10% of our overall top line.

Karan Gupta: And can you share the margin, the industry margin?

Gaurav Sekhri: We don't share product-wise margin, sir.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments.

Gaurav Sekhri: Thank you very much, and appreciate everyone who's participated today. We sincerely appreciate you giving your valuable time to this conference call and trust that we have effectively addressed all your queries. If you require any further information or have additional questions, please feel free to contact our Investor Relations team at Go India Advisors. Once again, thank you for your engagement and continued support.

Moderator: Thank you. On behalf of Go India Advisors that concludes this conference. Thank you for joining us, and you may now disconnect your lines.