



Trusted Cooling Partner

Ice Make Refrigeration Limited
4th Investor Conference Call

Moderator: Good afternoon, ladies and gentlemen. I am Steven, the moderator for this conference call. Welcome to the fourth Investor Analyst Call of Ice Make Refrigeration Ltd. arranged by Aaryana Matasco, Reputation PR and Communications Focused PR and IR Consultancy to discuss the financial results for the financial year H1 FY20 and share company's strategic direction roadmap. Ice Make Refrigeration Limited, which is leading supplier of innovative cooling solutions and manufacturer of refrigeration equipment and has been successfully satisfying the needs of its customers from production to after sales service since 1993. The company is engaged in the business of providing customized cooling solutions to diverse set of clients across wide range of industries for manufacturing supplies of high quality refrigeration products and equipment.

We have with us today Mr. Chandrakant P. Patel, Chairman & Managing Director; Mr. Nikhil Bhatt, Vice President Strategy; Mr. Ankit Patel, CFO and the key management from Ice Make Refrigeration Ltd. At this moment, all participant lines are in the listen-only mode. Later we will conduct a question & answer

session. At that time, if you have a question please press * and 1 on your touchtone keypad. Please note that this conference is being recorded. I would now like to hand the floor over to Mr. Patel. Thank you and over to you.

Address by Mr Chandrakant Patel: Good afternoon to all. I am Chandrakant Patel. I welcome you all to the fourth Investor Conference Call of Ice Make Refrigeration Ltd. Ice Make, which provides Innovative Cooling Solutions, and Refrigeration Equipment is one amongst the top manufacturing companies in India. We have a long chain of over 50 products, which is not available with any of our peer group companies. Our company has five business verticals that include cold room, commercial, industrial, transport and ammonia refrigeration. Over the last five years, the Company has been successfully maintaining a healthy pace of growth at about 26.5 % in revenue, 42% in EBIDTA and PAT is growing at 64% CAGR.

In the current financial year in spite of recession, we have been successful in maintaining a marginal growth in our revenue in the first half of FY20 backed by 100 percent growth in export sales. You will be happy to know that in this half year of FY20 itself we have crossed the total export revenue of last year. Last year our exports stood at 2.19 crores and in this financial year it is currently at 3.14 crores. Going forward our order book size currently stands at Rs 37 crores out of which 7 crores order is in ammonia vertical.

We expect the growth for full year in the range of around 12%-17%. We are seeing good opportunities for exports in Srilanka, Kenya, Nepal, Uganda, Rwanda where the company is focusing strongly too. Ice Make has taken concrete steps in strengthening marketing and sales addressing our fast growing segments and overseas markets. The Company participated in African Dairy Conference and Exhibition at Nairobi and Nepal Dairy Exhibition in August and September 2019 and received good interest and response from potential customers.

Company has also focused on business segment like online food chain, cash and carry van etc.

Our efforts to grow prudently now bring us to a critical juncture when we become eligible to migrate to main board of NSE in Dec.2019 and we are happy and confident about this move as early as possible.

Now our CFO, Ankit Patel, will brief you about the financial performance. After that we will start the question and answer session. Mr Ankit.

Ankit Patel: Good afternoon everyone. Ice Make Refrigeration Limited was established in 1993. With over three decades of experience the company has grown from a small-scale business to one of the prominent player in the refrigeration industry. It is the most trusted brand in providing cooling solution to diversified set of customers in India. Our promoter directors have around 70 years of combined experience in the Cold Chain Industry which is immensely helping the grow faster and bigger each year. We have a strong team of about 500 plus employees and many industry professionals and experts heading our various business verticals that have

a diversified product range of 50 plus refrigeration and cooling equipments for meeting the varied requirements of most of the B2B players. The Company has two state of the art manufacturing facilities located in Gujarat and Tamil Nadu.

The company successfully serves large number of varied clients and customers by producing innovative cooling & refrigeration solutions to industries like Dairy, Ice-cream, Food Processing, Horticulture, Agriculture, Pharmaceuticals, Cold Chain, Logistics, Hospitals, Hospitality and Retail among others.

The Company has posted total revenue of Rs. 57.30 Cr for H1FY20, which stood marginally up as compared to Rs 56.38 Cr recorded in the corresponding period of H1FY19. However, inspite of improved order book, on account of higher employee expenses towards new skilled manpower and top management recruitments its standalone and consolidated net profit for this period stood lower at Rs 0.95. Cr and Rs 0.61 Cr respectively compared to Rs 2.63 Cr posted in H1FY19

To help us in our growth journey the company has recruited and built a team of highly talented and experience people. The upfront cost of this drive to building capabilities will be now visible in the financial performance going forward. During the period company's EBIDTA margin stood at 6.15% as compared to 8.81% for H1 FY19

Thank you.

Now we can open question & answer session.

Moderator: Thank you very much. We will now begin the question & answer session. The first question is from the line of Vikram Sharma from India Nivesh. Please go ahead.

Vikram Sharma: Sir, in this quarter, in the first half, our sales and profit were down, so what were the main reasons for this?

Nikhil Bhatt: Yes, we have not performed better than the first half of the last financial year; however, In addition to sluggishness in the economy, there are so many other reasons like the monsoon period has run longer this time. Due to which many projects were not executed including many civil works and related jobs. The order book that we already have at this point in time is bigger than (Nearly 7.6 Crores) compared to last financial year. However, we think because of longer monsoon and overall weak condition of market and position, the banks are approaching the projects finance in a conservative manner. Therefore, our various clients who have given orders, but we were not able to deliver them. There was also election in the first quarter of this year, so as the most projects remained in wait and watch position and that could be one of the reasons for lower growth in sales.

Vikram Sharma: Like, if you compare the sales, then it has increased from 56 crores to 57 crores. It is not that down. But net profit has been hit. So which are the major expenses that have increased now?

Ankit Patel: We had planned our expenses really well. We hired some professionals and top management members to enhance our human resource capability and productivity. So if you compare previous H1 and current H1, then the salary increase is around 1.7 crores and Rent expense increased by around 24 lakhs. Interest has increased more than 45 lakhs, commission expense has increased by 45 lakhs. If you take depreciation of Rs 63 lakh, the CAPEX we did

from IPO and the machinery was installed in second half. So this year full depreciation has been claimed and in that too there is an increase of 3.5 crores. Because of recession there has been difficulty in achieving, maybe in bank finances, we were facing difficulty. So we could not take benefit of it in this half, in spite of having good order book. Our order book has increased by 7.5 crores compared to last H1. So if we include the previous orders, then the profit would have been done comparatively to the last year.

Vikram Sharma: And what is the total order book now?

Ankit Patel: Now, our pending order book is around 37.5 crores.

Vikram Sharma: And in what time it is executable?

Nikhil Bhatt: It could be two months or so.

Vikram Sharma: So second half we could complete the margin for full year compared to last year?

Ankit Patel: If we talk about the second half, then year-on-year growth we can expect of 12%-17% because in first half generally 40% business happens, if we see the sales trends of last 2-3 years around 60% of our business happens in second half. Now, we have a sizeable orders of exports. So some orders are around 1.5 lakhs USD. So that too will get dispatched in this month. So we think that, with strong order book, we should have a strong next half of FY20.

Vikram Sharma: And sir, you guided in the starting, about migrating in NSE main board. So how much time will it take and how company can migrate to that?

Chandrakant Patel: We are eligible and positive for main board migration. That procedure will take 3-4 months.

Vikram Sharma: Sir, when will we be eligible?

Chandrakant Patel: This year in December, after one month.

Vikram Sharma: And after that we are planning to migrate to NSE main-board?

Chandrakant Patel: Yes.

Vikram Sharma: And sir, what is our debt position now. What is the debt of the company now and what is the plan related to it?

Ankit Patel: We have already got sanction for 25 crores working capital. Plus we have taken a term loan of 3 crores. There was a nearby premise in Pfizer Road which was rented which we have purchased. We have a bank loan of 3 crores.

Moderator: Thank you. The next question is from the line of Vidyan Sheth, an Individual Investor. Please go ahead.

Vidyan Sheth: Sir my question is, the vertical bifurcation of our order book, can I get it please?

Ankit Patel: Yes, please. Our total order book is around 37.5 crores. In that cold room refrigeration business vertical order book is around 15.5 crores, Commercial refrigeration pending orders is around 6 crores, Industrial refrigeration around 4 crores, Transport refrigeration reefer vehicle, that is around 1.25 crores and Ammonia is around 11 crores.

Vidyan Sheth: Okay sir. And the remaining period the increment in order book, how does it come?

Ankit Patel: Sorry.

Vidyan Sheth: Compared to previous period, how much has the order book increment this period?

Ankit Patel: Our current pending order book is around 37.5 crores and if you compare apple-to-apple, in 6 months our order book has increased by 7.5 crores.

Moderator: Thank you. The next question is from the line of Pritam Singh, an Individual Investor. Please go ahead.

Pritam Singh: Sir our results are not up to the mark now and our sales are also not increased that much. So what is the reason for that sir?

Nikhil Bhatt: As we have mentioned earlier, though we have a good order book, but we were not able to do the conversion or dispatch the orders, which has been delayed because of long monsoon. Also bank's conservative views on loan dispersal is one of the reason because

of which our clients loan process is also running slow. So accordingly, we generally dispatch the order against the payment and there was delay in that.

Pritam Singh: Okay sir. And sir, our top-line, that compared to last year is almost the same and our profit also is not that much encouraging. So why is that sir?

Ankit Patel: We have recruited certain professionals. So the project which we have done, we maintained accordingly. But if you compare the previous half year and this year, then our project has increased in manpower. That I have also explained earlier that there has been an increase of 1.7 crores increase in expense in manpower and the grant, interest and commission cost has also increased. So we have not increased that accordingly. If our sales would have increased by about 7-8 crores, then would have reached the breakeven of last year. Orders are there, but nothing has got dispatched. That is the main reason.

Pritam Singh: And sir, our current half performance, it is only average, how do you see the second half performance? What will be the forecast?

Chandrakant Patel: Second half will be around 12%-17% growth. We haven't been able to grow much in this first half, but compared to last year it will be 12%-17% in the remaining 5 months.

Moderator: Thank you. The next question is from the line of Siddharth Shah from Your Capita. Please go ahead.

Siddharth Shah: Sir, first let me correct, it is your capital, but that is fine. May I speak to the CFO of the company?

Ankit Patel: Yes.

Siddharth Shah: Yes sir. I just need to know whether the turnover which have shown a marginal incremental that is totally acceptable, but whether that is due to the increment in the price of the units sold or due to the quantity sold. Means, I need to know the variance between that. If we are saying that turnover has increased from 53 crores to 57 crores. This Increment of 8%-10% is due to the change in prices of, means the sale price have rose by 5%-10% or the quantities have rose by 5%-10%?

Ankit Patel: That is mainly because of quantity in sales and not price increase.

Siddharth Shah: Okay. That is what I am about to know. One more thing sir, regarding the movement over the BSE Main platform, except the positive impact of this and we are expecting it to be done by the December end. But on a scale of 0 to 5, what are the probability that there is going to be any rejection or such kind if we are applying for that. Can the company reply on this in any way?

Ankit Patel: We have done our homework. We have also discussed this with exchange person and there are some guidelines and those are described on the site. We have check internally and we are also in discussion with our consultants. So we don't think there will be a type of a rejection or anything. But we don't think that our

application might be rejected on any other grounds because we are matching each and every thing that they have prescribed.

Siddharth Shah: Okay fine. You mean as per the SEBI guidelines, we are eligible and we can move on if the exchange and SEBI accepts it. There are no other say issues which may pop up in between to stop the movement to the main board.?

Nikhil Bhatt: According to us, we don't think that there is anything which prevents us from getting into the main board.

Siddharth Shah: Okay. I got your point. First of all from our side we would wish you good luck and we also expect good fundamental, say strong result like this one in the coming future. And thanks for providing such a good business to the overall market.

Nikhil Bhatt: Thank you for your wishes.

Moderator: Thank you. The next question is from the line of Vikram Sharma from India Nivesh. Please go ahead.

Vikram Sharma: Sir, what is our capacity utilization in the current first half?

Ankit Patel: Now it is 55% capacity utilization. We can generate up to 300 crores topline with this set up, from this infrastructure.

Vikram Sharma: Okay. So is there any CAPEX plan for next 1-2 years?

Nikhil Bhatt: I don't think in 1-2 years we require any more CAPEX.

Vikram Sharma: So where will we utilize cash flow, in the next 2 years that we generate?

Ankit Patel: We will reinvest the cash flow in the business itself and there are also plans for growing the business.

Vikram Sharma: What is our export targets, like this year first half we have done export of 3 crores, compared to 2 crores in the last full year?

Ankit Patel: Right.

Vikram Sharma: What is our full year export target?

Nikhil Bhatt: According to the product, export has 10% to 15% margin more than the domestic.

Vikram Sharma: And what is total standalone target, export sale, what is the total target? This year how much target we can achieve?

Nikhil Bhatt: This year export could be between 5 -6 crores. It maybe more as we have already crossed the 50% of the target.

Ankit Patel: We had done export of 3.5 crores as of now.

Moderator: Thank you. The next question is from the line of Shashikant from Dalal Street Journals. Please go ahead.

Shashikant: My question is, during AGM, I heard quite a bit about growth plans of Ice Make, and read in press release too. So in that, what is your

plan regarding the reefer van segment and how much growth could come from this?

Rajendra Patel: If you see in the market, the requirement in India for reefer vehicle is 25% that is about 60,000 vehicles. But currently in automobile segment because of pollution the electric model is getting launched by March. Because of that transporter and logistic players are a bit in cautious mode. Indian government is increasing strengthening the food safety norms which will increase the demand for reefer van. So considering that, even if reefer van demand is not there but requirement for refrigeration is definitely there. Meeting is happening with some customers, they are OEM customers. There is a standard model, company will work with them and will provide full solution and customer will take the vehicle from showroom itself. Talks are going on in that direction, but it will take some time.

Shashikant: And in airport flight kitchen, new segment, like food servicing, cash and carry, talk is going on with the company, so what kind of developments are happening and what growth plans are there?

Rajendra Patel: In cash and carry van, we have made vehicle, which customer will take it next week for end use. And after buying it, how much satisfaction he gets, the weight become little light and because of that the average also changes. So next week or like 15-20 days later, some positive signal will come for sure.

Shashikant: And regarding export, like you were studying Bangladesh market, and other overseas markets, how much the company can do next 2-3 years, how much business we are expecting?

Chandrakant Patel: See, since we have concentrated on the current year, we are able to grow 3 times. So now if we put more effort, exports we will be able to grow by minimum 50%-60%, means, current year if we do 6 crores business then next year it could be 9 crores because initial base is small for exports. Means, every year export will be able to grow by 50%.

Moderator: Thank you. The next question is from the line of Siddharth Shah from Your Capital. Please go ahead.

Siddharth Shah: I just got one question to ask. When I checked the financials of this current period, the company has shown commission raised by some percent as stated by the CFO. My question is that, if the turnover is on the same lines and if the quantity of sales has not got a big increase then how could the commission have such big increase by percentage value. Can company give me some justification on this regards?

Ankit Patel: Commission is basically on cash to cash basis. Sometimes it happens that we have some sales, but the realization is not received. So there are different types of criteria. Till the time realization is not received, that this commission will not be taken as a due. So there are many other cases. So that may be happen that

sale is done around previous year. But till the time we receive commission, we will not give his commission.

Siddharth Shah: So you are saying that the payment may have been done during the current period but the sales may have been incurred in the previous quarters or years?

Ankit Patel: So it is not like that, 6 months commission is only book. So this is a cycle.

Siddharth Shah: Sir, what you are trying to say is, probably it could happen that last 1-2 years we have done the sale and the commission was paid in the next year?

Chandrakant Patel: Right. It could be like that and actually it is not electronic or any fixed one, every dealer works on different ways. Many times when such a project comes, in which commission is more and it difficult to control. It could be less in some and could also be very high in some other case.

Siddharth Shah: Accepted Sir, One more question, when the company is focusing now on exports and that is actually the good step to go ahead in our eye as an investor also. I would like to know which product company is basically targeting on. All to see these are differential products and with the companies working up on or only on some specific products which company finds say of use to the export markets.

Chandrakant Patel: Actually in export, we have around 60% sale of cold room business. The country which we are focusing on is in initial growing stage. There our product target focus is cold room and there will be some other refrigeration solutions as well. In reefer van segment there are different patents, laws and rules, so it appears to be a little difficult to penetrate that segment of the market. Industrial refrigeration is solution based. So we focus more cold room business which will be more.

Siddharth Shah: Okay sir. And if we talk about India, as you say that you are leading company and I can happily accept it. You actually are a leading company in this market, in India which would be say a competitive peer company on a global scale which you would be facing up. So that we could have a comparison and we could understand the actual performance with the lines of the global market. Can you give me any idea if you have any?

Nikhil Bhatt: So far as peer group is concerned, there is no single company compared to what we are offering in 5 our verticals and that were we are different from other companies in this business space. We offer complete basket of 50 plus refrigeration and cooling products. Our peers are in only certain product verticals. So leading companies like Blue Star, Voltas and others are competing in the 3 or 4 verticals and in transport refrigeration, only there are two major player in India and in the cold room project and all other things they are 3 to 4 companies. So we suppose there is no single

company which offers full range integrated and customized solutions as of now.

Siddharth Shah: I got your answer sir. But the question is different. I am repeating it again. I am not asking for India. I am aware about the India conditions, as you said that are leading and we accept that you are a leading company in India on all the 5 verticals. But as sir said, he is focusing on cold rooms for the time then could you name a company which would say the competitors to us on a global market. So that I could compare that how the performance could be working upon. Because I am looking for a big fish investment into your company, so I need to know who that will be.

Nikhil Bhatt: Sir, globally if we can see that, there are some European company as well as Japanese company also like Daikin and Panasonic, now they are entering the refrigeration industry in India as well as globally. So there can be a competition with them and even one or two be there, just like Blue Star, but globally there maybe European company and these two Japanese companies, and Carrier we have two in the cold room segment.

Siddharth Shah: Can I get the names if possible? I am not asking on a note basis, if possible.

Nikhil Bhatt: Which names, I have already mentioned.

Siddharth Shah: Both European or Japanese companies which may have an impact on our business just because of competition.

Nikhil Bhatt: Sir Daikin is the main. Then another Panasonic is also entering this month and Carrier.

Moderator: Thank you. The next question is from the line of Aditya Shah from Vikram Advisors. Please go ahead.

Aditya Shah: Sir, I have 2-3 questions. First is regarding, as Ankit Bhai said that 5 crores addition has happened in tangible assets and that is for the H1, is that right? Am I right in assuming that?

Ankit Patel: Yes.

Aditya Shah: So what is the reason for increase in long term loans and advances from the 3.5 crores to 8 crores?

Ankit Patel: The increase in loans and advances, in that we have a bank loan of 3 crores.

Aditya Shah: In the asset side, 3.5 crores, which has become 8 crores, so for whom have you given 4.5 crores, you guys have given that.

Ankit Patel: 1.5 crores advance we have given for Bharat Refrigeration. In that there is no working capital facility. So we support from Ice Make itself and the 3 crores advances which we have given, that is given as a security deposit for the premises given for which we get interest too.

Aditya Shah: So these which you are saying, it happened in this half year itself. The remaining 3.5 crores whom you have given?

Ankit Patel: Sorry. We couldn't hear.

Aditya Shah: Total 8 crores we have given. In that, the breakup which you have given is for 4.5 crores. The remaining 3.5 crores is given to whom from which region?

Ankit Patel: See, long term loans and advances is around 4.5 crores.

Aditya Shah: Your balance sheet shows 8 crores.

Ankit Patel: In cash flow, our loans and advances is 4.5.

Aditya Shah: I am not taking about cash flow. I am talking about standalone assets and liabilities.

Ankit Patel: The remaining loans and advances that has gone to Bharat refrigeration. The 1.5 crores is additional.

Aditya Shah: Okay, got it.

Ankit Patel: It is a group company.

Aditya Shah: So, now the question is that the borrowings which you have done, what is the average rate of interest for that, for long term and short term?

Ankit Patel: Our long term interest is 9.75% of term Loan, and short term is 9% of Citi Bank and around 9.75% of CC same as term loan.

Aditya Shah: And why did you need to borrow a huge amount of 15 crores during this 6 months? Borrowing cost end up at, it has increased by

15 crores-17 crores in this 6 months. So the 5 crores asset which you have taken, so remaining where have you utilized it because of which you had to take such a big loan as compared to March 19.

Ankit Patel: Why taken loan, means where has the cash flow went, you mean to say this, right?

Aditya Shah: Exactly, because it is a very big jump, like let us say the short term borrowing in March was 2 crores, it is 17 crores now.

Ankit Patel: See, the business plan which we had, like our sales will improve but it has not improved that much. Our inventory has increased to about 2 crores-2.5 crores around. There has been difference in our debtors realization and advance. So our working capital cycle has been impacted because of this slow down. And 40% business which has happened in this half, in that we cannot do expected growth. Our sales also has not improved that much but expenses has increased.

Aditya Shah: Okay. So by the end of this year, means March 2020 end, how do you see your borrowing situation? How much you expect in long term, and how much for short term according to your expectation?

Ankit Patel: Long term borrowing which we have taken for term loan, there in higher requirement than that. And in working capital, as our 60% business happens in second half, that will come in advances. So cash flow which is negative now will become positive in H2. Our working capital loan might be use by 7 crores more.

Aditya Shah: So 10 crores you will reach. Now the 17 crores, in that 7 crores will be done with, so it will be 10 crores.

Ankit Patel: Yes, it could happen.

Moderator: Thank you. The next question is from the line of Vipul Goel from Eris Capital. Please go ahead.

Vipul Goel: What is our present external rating of the company and if you could please give a breakup of the debt on the books in terms of short-term loans, fund base limits and non-fund base limits?

Ankit Patel: Our external rating is BBB+.

Vipul Goel: And it is on which external rating agency?

Ankit Patel: CARE India rating.

Vipul Goel: And BBB+ is a positive outlook?

Ankit Patel: Yes

To answer your first question regarding breakup of debt, our limit is 25 crores, in that sub limit is there in two banks. We have 6 crores finance from Citi Bank and CC of 19 crores is with Canara Bank.

Vipul Goel: And this is under multiple banking arrangements or is there a consortium?

Ankit Patel: No. There is a multiple banking arrangement. It is no consortium.

Vipul Goel: And what is the collateral that you have offered?

Ankit Patel: 8 crores non fund basically we can use it. And the other is working capital.

Vipul Goel: And sir what is the collateral you have offered on this kind of debt from both the banks?

Ankit Patel: The premises of the company, the land and building, plus plant and machinery all are in for collateral security.

Vipul Goel: And what would be the present market value of all these collateral that we have offered to both the banks?

Ankit Patel: That is more than our existing loans,that could be around 24 crores-25 crores.

Vipul Goel: 25 crores worth of collateral we have offered for a debt of around of an equivalent amount.

Ankit Patel: The plant machinery value that is different.

Vipul Goel: Okay. And we have a small term loan of 3 crores.

Ankit Patel: That is the exclusively charged against purchase of land.

Moderator: Thank you. As there are no further questions, I now hand the conference over to the management for closing comments.

Nikhil Bhatt: Okay. Thank you very much. Before we close this conference session, I must say that Ice Make offer fine investment opportunity

to prudent long term investors looking for better results this quarter release. I believe we have a strong response strategies in place to beat the current slowdown challenges and which may not affect our business as much because of the necessity and the vitality of cooling and refrigeration system in our life and growth. On behalf of Ice Make Board of Directors and Management, we would like to thank you all for your participation in the earnings conference call for H1 FY20 and thank you for the listening and have a great time ahead. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Ice Make Refrigeration, that concludes this conference. You may now disconnect your lines. Thank you.