

Ice Make Refrigeration Limited
Q2 FY22 Results Conference Call
November 19, 2021

Moderator: Good afternoon, ladies and gentlemen I am Neerav, the moderator for this conference call. Welcome to the 11th Investor & Analysts Conference Call of Ice Make Refrigeration Limited arranged by Ariana Matasco, Reputation PR, Communications Focused PR and IR Consultancy to discuss the financials with us for Q2 & H1 FY22. Ice Make Refrigeration Ltd. is a leading supplier of Innovative Cooling Solutions and Manufacturer of 50+ refrigeration equipment's. The company has been successfully satisfying the needs of its customers from production to after sales service for last 30 years. The company is engaged in the business of providing customized cooling solutions to diverse set of clients across wide range of industry by manufacturing and supply of high-quality refrigeration products and equipment's. We have with us today Mr. Chandrakant P Patel- Chairman and Managing Director, Mr. Nikhil Bhatt – Vice President, Strategy, Mr. Ankit Patel – CFO and the key management of Ice Make Refrigeration Ltd. At this moment all participant lines are in the listen only mode. Later we will conduct a question-and-answer session. At that time of 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 sir.

Chandrakant P Patel: Good evening. I welcome you all to this Investor Concall. As compared to the struggles faced by business due to COVID-19 we see substantial improvement and the positive impact is seen on our business as well. And we can see this in this financial year's results. E-Commerce, Cold Room, Dairy, Ammonia, Export, we are seeing good number of orders in all these sectors, Ice Cream and Hospitality segment have normalized as well and we have started getting orders from them as well. We have been associated with a lot of big brands of e-commerce and we have good number of orders in hand as well. I am pleased to announce that we have crossed Rs. 100 crore worth net sale and in Q3 & Q4 we are expecting good growth here, and usually our second half is strong. Our pending orderbook is Rs. 53 crore. Now, our CFO Mr. Ankit Patel will give information on the financials and our VP, Strategy- Mr. Nikhil Bhatt will give business update post which we will take up questions.

Ankit Patel: A very good afternoon to all of you. The company has posted strong growth and improved its profitability, led by fast recovery in the demand. During H1 FY22, consolidated revenue from operations shows a strong 69% year on year growth. Consolidated revenue in Q2 FY22 stood at Rs. 47.98 crore as against Rs. 32.55 crore, quarter on quarter. Impact of raw material prices are a bit concern, yet the company is gradually passing on the price hike to customers. Average price hike of the product was around 8% in Q2 FY22. We are able to pass effective price hike

around 1.5% to customers in Q2 FY22, compared to Q1 FY22. Standalone EBITDA margin for Q2 FY22 is 6.58% and for H1 FY22 it is 4.33%. The company is having positive cash flows and are able to control finance cost effectively. We are looking forward to post good numbers in next quarter, along with improved margins. Thank you.

Nikhil Bhatt:

Good afternoon the economic environment has been really tough and challenging now, however, our experienced team has been quick to respond with the plans and strategies, which has proved to be fruitful in tackling the current environment. Interestingly our basket of 50+ products and services have placed well in the market, cooling and refrigeration systems have become necessity of the modern lifestyle and thanks to the under penetration, we have been able to bounce back fast and grow at decent pace even in difficult environment.

So, far as the business vertical and the growth is concerned, we have observed that during Q2 and in particular Q1 also, the current H1, all the verticals have grown historically as on, as updated by earlier by our CMD regarding the order on hand, so it is considerably in the cold room sector, which is our main/core product, in that part also we are getting good orders. We have approximately Rs. 20 crore orders on hand, as well as we have also associated with National Level cold chain business and we have supplied almost, we have received 43 cold rooms orders from a single customer.

So, far as exports is concerned it is also growing, what we have done in the past financial year is we have also achieved in this current H1. Ammonia sector is also improving, as you know we have received one big order of Rs. 15.5 crore in the Q1 and in the Q2 also we have received one good order from one of the cocktail sectors, through one of our associates. Commercial segment it is also growing, as e-commerce is also developing fast and we have also associated with one of the leading companies in the e-commerce platform and we are updating orders for that.

Reefer van business is also growing, as we had expected. Commercial **(Inaudible)** 7:09 we have also, we are looking for the association for the business association for reefer van in the Southern states and our strong dialogue is on the process and we are hopeful that we will close the matter for the business with Southern area. So, as we have done in the east area, we are knowing that we have associated with one of the body builders for this reefer van business, just like that we are looking for the Southern area also. We have also developed a new design in the reefer van which is basically corrugated there, so far as we are doing business with GRP based reefer van and now, we have also developed corrugated reefer van which is at demand in the southern trades. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Shriram Raja Ram from Ratnatraya Capital Partners. Please go ahead.

Shriram Raja Ram:

Sir what is your current orderbook?

Ankit Patel: Our current orderbook is Rs. 53 crore.

Shriram Raja Ram: And what was it during March' 21 sir?

Ankit Patel: In March it was around maybe Rs. 40 crore, nearly Rs. 40-45 crore.

Moderator: Shriram, do you have any follow-up questions?

Shriram Raja Ram: No, thank you.

Moderator: Thank you. The next question is from the line of Aryan Rana from Ariana Matasco. Please go ahead.

Aryan Rana: Sir, can you throw some light on your exports as to how it is doing compared to the last quarter and even if you can throw light on how it has been in H1 of this financial year?

Ankit Patel: Our H1 exports for the current half year, our export is around Rs. 7.5 crore and we are also having pending export orders around Rs. 2.5 crore and previous year our export was Rs. 6 crore, for whole year, we have already surpassed that exports and we are expecting our export to be maybe around Rs. 10 crore + in current financial year. After COVID-19 we are expecting our export growth will be a bit higher, due to corona restriction travelling was restrictive, now we are hoping that export can contribute to our top line to a greater extent.

Aryan Rana: Okay and any update on any association with any foreign parties, last time in the conference call the management had mentioned that you are collaborating with one foreign company, so what is the update on that sir?

Ankit Patel: That collaboration is going really nice, we are having Rs. 1 core pending order as of now for that US party and we have already dispatched maybe Rs. 1.5 crore to that party in current half year and we are getting continuous repeat orders from that party. Other than that, also, we are getting good orders from Nepal also.

Aryan Rana: Okay, any other market in terms of exports, the company is tapping and what is the progress like in African countries that you are trying to penetrate?

Nikhil Bhatt: See actually due to this Corona restrictions and that which it was not possible in both the ways to travel, now we have that now the restriction is over and most of the travelling will be there, so we are expecting the customers who were waiting for there to visit India as we were also planned to visit somewhere in African cities, so we are able to plan out further and be able to explore more possibility for the exports.

Moderator: Thank you. The next question is from the line of Shriram Raja Ram from Ratnatraya Capital Partners. Please go ahead.

Shriram Raja Ram: Sir for the first half is it possible to disclose the revenue breakup for volume, **(Inaudible)** 15:12?

Ankit Patel: Your voice is not audible can you repeat?

Shriram Raja Ram: Yes, is it possible to disclose the revenue breakup for 1st half sir?

Ankit Patel: Just a minute. For commercial vertical sale was around Rs. 14 crore, cold room contributed Rs. 46 crore, Industrial is around Rs. 3.5 crore and transport has contributed Rs. 7.85 crore and ammonia around Rs. 5 crore for our vertical.

Shriram Raja Ram: And sir going forward you mentioned H2 will be better than H1?

Ankit Patel: Yes, our H2 is generally stronger than H1 and we are also having very healthy orderbook in our hand and current leads are also very nice and we are hoping that we will be able to penetrate our H2, in a larger quantum than H1.

Shriram Raja Ram: And sir the current orderbook is healthy and business enquiries are good for these, so is there any sort of spillover in demand from FY21 to '22? I mean I just want to understand is there any pent-up demand that is getting reported here and which will normalize over a period time?

Ankit Patel: Actually, your voice is not clear, so we are not getting. There is some technical issue I think this is there.

Shriram Raja Ram: Is it audible sir?

Ankit Patel: It is audible but voice is not clear.

Moderator: If you speak with the handset, it will be helpful.

Shriram Raja Ram: Is it fine now?

Nikhil Bhatt: Yes better.

Shriram Raja Ram: Sir I just want to understand we have good order pipeline so is there any spill over in demand from FY21 to FY22? Because last year we did about Rs. 140 crore, this year I believe we should do much better than that, so you have done Rs. 80 crore already in first half, so what do you think about the current demand situation and what is driving the demand?

Nikhil Bhatt: Yes, actually the demand situation is improved, so far as we have observed that last year due to this corona and everything the ice cream industry was totally in dip, so now ice cream industry is also picking up, as well as, looking into the awareness food processing industry is also developed and is also growing, as well as health sector is always there, so we are hopeful that this current financial year, it will be better.

Moderator: Thank you. The next question is from the line of Aryan Rana from Ariana Matasco. Please go ahead.

Aryan Rana: Yes sir, also just wanted update on your products like solar powered cold storage units, so what is the status on that, sir? I think the company had launched these products some two years ago, so how is it going and you know, now the summer will be coming after this cold is over, so will there be some demand happening or is company in touch with various government's or various agricultural this thing, for this particular product, solar cold room?

Nikhil Bhatt: Yes, I think this seems to be improving, as well as there is already a, we are having one model on the 5-metric ton size and now we have dedicated focus on the solar cold room, we are associating or we are just dialoguing with the government agency, government office taking care of this area, mainly renewable energy and various size of the cold rom, that is not only 5-metric ton, we are also getting order of 10-metric ton recently and there also it is on the pipeline. So, we have focus now on the solar cold room and one of the experienced dedicated persons we have hired for cold room only, solar cold room as well as other solar products whatever the visibility or what is the viability. So, we are hopeful, by H2 we will be able to improve ourself in the solar cold room also.

Aryan Rana: Okay and how about e-commerce, how is it going on? Also just wanted some update on your Reefer van business, how is it taking off, I mean are you getting orders for Reefer van also?

Nikhil Bhatt: Yes, so far as e-commerce is concerned, we are getting regularly orders. We have understanding with the global party and as per the standards, we have also developed one or two products for them, on that. **Otherwise**, concern we have in Q1, we have received a repeated order from this _____ 21:28 we have supplied to one of the customers. And Reefer van, we are developing one of the agency seems with other State, that maybe in Andhra Pradesh or Kerala as we have done in the West Bengal earlier, so they will be taking a security form and they will complete the body building work for the Reefer van because the transportation is a key hurdle for the refrigeration van business, so it will be more shortly what we expect.

Aryan Rana: Okay sir, how about the other segments that you were looking at, like cash and carry van something and also there was another one like Airport business, we had that sometime ago, in fact that you are targeting those segments also which will be doing well?

Nikhil Bhatt: No, that is true but so far is concerned, we have already dialogue earlier but there is no, that strong positive development that we space but it will ...

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

Vivek Mehta: Good afternoon, everyone. Your results are good according to the business as compared to the last quarter, I have two questions related to margin and price hike. What is the margin we are expecting in this year FY22 and secondly, have we taken any price hike with the increase in the raw material prices or have we not taken it because I have read the transcript of Bluestar and other companies, so they had taken a price hike of 12% to 14% normally, so have we done anything as such, is there any universal policy or not, this is what I want to know?

Ankit Patel: If we talk about Q2, you are right that the raw material prices are quite volatile this time and more than expected they have been quite volatile and they are increasing now also. So, in Q2, we had also taken a price hike of average 8%, which we had passed on to the customer but effectively its effect has come maybe around 1.5% in Q2. Our margins had dipped more in Q1 but they have improved slightly in Q2, so we are also continuing to increase our prices. In many big projects, we do price hike case to case also, otherwise we have also changed the discount policy and we have also started to pass on the price hike on our routine customers also. So, in margins, our Q3 and the second half will be much improved as compared to Q2.

Vivek Mehta: Okay and secondly, now Mr. Patel said that we have crossed a turnover of Rs. 100 crore in sales, so in the last year FY21 we had done a turnover of around Rs. 134 crore, so this year now we have crossed Rs. 100 crore in November and you said that your second half remains strong, so what is our company's and management's expectation, have we targeted as to what percentage growth will be there for FY22 as compared to last year or what will we do?

Nikhil Bhatt: We are expecting that the current market scenario that is there and our planning that is there, so we are expecting that we will get a growth of 30%, year to year.

Vivek Mehta: Right, 30% growth.

Ankit Patel: Yes, we will easily be able to do minimum around 30% growth.

Vivek Mehta: Okay and have you targeted for the years after that, for the coming two or three years minimum or something like that?

Ankit Patel: If we keep a horizon of five years, then we can move forward with a growth of 25% to 30%, that is our planning. And looking at our products and the demand now and we are also the new markets that we are exploring, against all these things it looks like we will be able to bring a growth of 25% to 30%.

Vivek Mehta: Okay and the capacity utilization that you talk about every time during the conference calls, so have any changes been made in that or will your capacity utilization remain the same?

Nikhil Bhatt: No, this time the capacity utilization has increased a little because you will see the way we are receiving orders, so previously our capacity utilization used to be about 55%, this year our capacity utilization is nearly 65% average now.

Ankit Patel: And if we talk about monthly orders, from July till now, we have done around Rs. 17 crore. Rs. 18 crore minimum booking every month. So now there is quite a healthy positive pressure on the production also and we are hopeful that this time we will bring the H2 growth quite substantially.

Vivek Mehta: Right, you said total order book pending is of Rs. 53 crore, so can we get it vertical wise, how much will it be individually in your five main verticals.

Ankit Patel: Cold room pending order book is around Rs. 20 crore, say Rs. 19 crore to Rs. 20 crore, commercial is around Rs. 9 crore, industrial vertical which is the chiller one, in that the pending order book is of around Rs. 3 crore, in Reefer van it is around Rs. 6 crore to Rs. 6.25 crore and Ammonia is around Rs. 11 crore to Rs. 12 crore and Dairy segment which comes under commercial, so that is also around Rs. 3.5 crore, so commercial's total will be around Rs. 12 crore.

Vivek Mehta: Okay, has any new partner come in, amongst your competitors, like in normal situation Bluestar, Voltas, etc. are there but has any new big one has come in like a new organization?

Nikhil Bhatt: From past one or two years, Daikin is doing quite well, Voltas is also there but we feel happy that when a big player come in the market then they see a big and a good market, so maybe going forward the market will grow quite a lot, that is the reason these companies have come in. Both are good but we are not worried about them looking at the market reputation that we have for our products, the feedback that we get on our products from our customers. Considering this, we do not have any worry with the competitors that we will not be able to do business in front of big players.

Vivek Mehta: Okay, thank you sir. Congratulations for the result and all the best for the future.

Ankit Patel: Thank you.

Moderator: Thank you very much. The next question is from the line of Shriram Raja Ram from Ratnatraya Capital Partners. Please go ahead.

Shriram Raja Ram: Sir, when do we expect a steep plus normalized margin, 7%-8%, can we expect it from Q4 of this year?

Ankit Patel: You want to say, what will be our margin in coming second half?

Shriram Raja Ram: Yes, correct.

Ankit Patel: We hope that our Q2 was improved by 1.5% effectively and our consumption ratio was nearly around 72 - 73%, so we expect that there will be further improvement in Q3 but raw material prices are highly volatile. So, considering current scenario, if we are increasing price, then the raw material price stabilizes then we can say maybe around 1.5% to 2.5% or maybe 3%, we can pass on but we are still looking for raw material prices, what will be the next levels but we are hopeful that Q3 and our second half will be at least 1.5% improvement will be there, minimum.

Shriram Raja Ram: 1.5% improvement, okay thank you.

Moderator: Thank you very much. Ladies and gentlemen, that was the last question for the day. I now hand the conference over to Mr. Mandar Desai, company secretary for closing comments.

Mandar Desai: Thank you very much ladies and gentlemen. With this, we conclude this quarter's earnings call, we offer you season's greetings and wishing everyone the best of health and stay safe. Do feel free to revert to us in any case, of your questions were not fully answered, we will be happy to provide you additional details by email or in person. Thank you very much and good bye. Thank you.

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