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GRP
IMPACT POSITIVE

19/05/2025

To
BSE Limited

Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai-400001.
Scrip code : 509152

To
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra (E),
Mumbai-400051.

Symbol : GRPLTD – Series: EQ

Dear Sir / Madam,

Subject: Earnings Call Transcript

Please find enclosed herewith transcript of earnings call held with analyst/ institutional investors on 12th May, 2025 at 3.00 p.m. IST to discuss Company's operational and financial performance for Q4 & FY 25.

Kindly take the same on your records.

Thanking you,

For **GRP Limited**

Jyoti Sancheti
Digitally signed by Jyoti Sancheti
Date: 2025.05.19 18:18:36 +05'30'

Jyoti Sancheti
Company Secretary & Compliance Officer

Encl.: As stated

"GRP Limited

Q4 and FY25 Earnings Conference Call"

May 12, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 12th May 2025 will prevail.

MANAGEMENT: **MR. HARSH GANDHI – MANAGING DIRECTOR – GRP LIMITED**
MS. SHILPA MEHTA – CHIEF FINANCIAL OFFICER – GRP LIMITED
SGA – INVESTOR RELATIONS ADVISORS – GRP LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the GRP Limited Q4 and FY '25 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode 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 touch-tone phone.

I now hand the conference over to Mr. Harsh Gandhi, Managing Director, for his opening remarks. Thank you, and over to you, sir.

Harsh Gandhi: Thank you so much and a very good afternoon to everyone. I appreciate all of you taking the time to join GRP Limited's earnings call for quarter 4 of fiscal year 2025. Joining me today are our CFO, Shilpa Mehta; and SGA, our Investor Relations Advisors. The investor presentation has been uploaded on the stock exchanges as well as our website and trust you've all had a chance to go over the same.

I'll begin with a brief narrative on the key highlights of the quarter, followed by an overview of our quarterly and annual performance and also the operating environment as of today. I will then walk you through a little bit around our strategic priorities going forward.

A key milestone during the quarter ended FY '25 was the commissioning of our crumb rubber facility, which not only strengthens our capacity, which now exceeds 122,000 tons; but also enables for increased downstream integration with our upcoming pyrolysis plant, our recovered carbon black plant, while also opening avenues in sectors like road surfacing.

Our income during Q4 grew by about 16%, primarily driven by the sale and accrual of extended producer responsibility credits during the quarter. The volumes during the quarter were adversely affected by continued volatility in the macroeconomic environment.

The tire sector, especially the OE segment, experienced a slowdown across key markets where we operate. The demand in the replacement tire segment remained stable. However, on the global front, lot of uncertainty persists due to the proposed tariff measures in the U.S. While final treaties are still pending, early signs of the impact in Q4 was already visible in the form of reduced availability of containers and an imbalance in the demand across different markets where GRP operates.

GRP responded proactively by diversifying its customer portfolio, strengthening certain regional supply chains, and leveraging its inland customer network to maintain service levels.

Consequently, during the quarter, excluding EPR income, consolidated export revenues declined by about 2%, while domestic revenues rose by 6%.

On the profitability front, EBITDA margins rose by 45% in Q4, expanding by 404 basis points to reach an EBITDA of INR 333 million (Errata: Actual number to be read as INR 331 million), primarily supported by EPR-related income. However, at the stand-alone level, operating margins in the reclaim rubber business, excluding the impact of EPR income, faced significant pressure due to persistent inflation in raw material costs, especially synthetic reclaim rubber, which, as highlighted in the earlier calls, remains elevated. Profitability was further impacted by delayed price corrections from customers for certain grades and an unfavorable product and regional sales mix.

Additionally, a one-time inventory write-off of INR 10.5 million was recorded during the quarter, affecting our gross margins. Employee costs rose from 9.9% to 10.7% of revenue, driven by a combination of ESOP-related charges and provisions for variable pay. On the other hand, other expenses saw a slight decline owing to ongoing cost optimization efforts and automation initiatives.

Our standalone Non-reclaim rubber business posted a 3% revenue increase in Q4. However, our Polymer composite and the Custom die forms segments, which were closely tied to the U.S. market, saw a reduction in volumes compared to the previous periods.

On a consolidated basis, including our subsidiary, GCSL, which is GRP Circular Solutions Limited, volumes grew by 29% year-on-year during the quarter, led by the higher output from the specific subsidiary, which continues to report sequential improvements in revenue.

Looking ahead, with the EPR framework for plastics in place from April 1, 2025, we foresee increased demand from brand owners, who will be now required to incorporate up to 30% recycled content in their packaging materials.

On a stand-alone basis, focused efforts to improve margins in the non-reclaim segment through disciplined cost control have yielded significantly positive results. Margins improved from a negative 7.3% to 7% on a year-on-year basis during the quarter.

An annual update on the performance. As far as the year has gone by, the outlook for circular materials continues to remain optimistic, supported by regulatory mandates, increasing consumer consciousness and the sustainability agenda of global brands. Both natural rubber and synthetic rubber prices remained elevated throughout the year. We made significant strides in expanding our infrastructure, deploying new technologies and extending our market presence.

Against this backdrop, we are pleased to inform that the company has delivered strong performance, recording double-digit revenue growth of 19% for the full year, driven by an overall 11% increase in consolidated volumes and accrued income of EPR.

This growth was achieved despite prevailing macroeconomic headwinds. The global economy showed a very modest GDP growth of 3.3% in calendar year 2024 compared to 2023, which was at 3.5%. This reflection of the sluggish global trade had an impact as far as the demand for overall rubbers is concerned.

India's reclaim rubber exports increased by 10% in FY '25 over FY '24, reversing the stagnation seen in the prior year. GRP, in this context, outpaced the rest of the industry, enabling us to maintain a share of more than 35% of reclaim rubber exports out of India.

Domestically, India continues to demonstrate strong momentum with recorded GDP growth at 6.5% for 2024, making it one of the fastest-growing major economies globally. Despite the high GDP growth, rubber consumption in India grew only by 3% during calendar year 2024. However, reclaim rubber grew at a faster pace of 8%, indicating a higher level of substitution for the virgin rubbers.

GRP capitalized on this momentum. And on account of the improved relationships that it has with its customers, its domestic share from calendar year '22 (Factually corrected), which was at 16%, has jumped and increased to 20% in calendar year '24, a testament to the strong customer penetration and the wider product acceptance of our company.

Our volume performance, both in exports and domestic markets, has remained aligned with these broader geographic trends. Our standalone non-reclaim rubber business posted a 15% revenue growth for the full year, primarily driven by a 14% increase in volumes. Within this segment, Engineering Plastics saw a robust 23% volume growth (Factually corrected), while on account of the geopolitical tensions in the U.S. market, volumes in polymer composite and custom die forms segments remained more or less flat for the year.

On the profitability front, EBITDA margins expanded by 128 basis points, leading to an EBITDA of INR694 million for the year, supported by EPR-related income and improved operating performance supported by process automation and the transition to renewable energy. Employee costs as a percentage of revenue reduced from 11.8% to 11.3%, and this includes onetime charges on account of ESOP and variable pay expenses for FY '25.

Our green energy initiatives are yielding tangible savings, almost INR 73 million of reduction in energy cost in FY '25, while this is significantly contributing to reduced greenhouse gas emissions from our operations. Operational expenses for the year also include INR 15.6 million write-offs related to obsolete equipment and product development costs on account of pyrolysis processes.

During FY '25, GRP's R&D-driven low-CO2 reclaim rubber technology under customer evaluation earlier this year has received formal approvals from one of the tire majors, validating the effectiveness of our innovation strategy.

In Engineering Plastics, key initiatives during the year included streamlining of alternate materials, the adoption of automation, portfolio expansion for the product as well as securing approvals for the newly developed grades from an international compounding company.

For Polymer Composite and Custom Die Forms, the strategic focus remains on cost optimization, margin enhancement and starting to tap into opportunities for new markets in India and some of the other geographies away from North America.

With regard to capital expenditure, we have incurred approximately INR 49 crores during the year towards setting up of our integrated facility for converting end-of-life tire [ELT] waste to Energy. The necessary documentation for funding from the DFI was completed, and part of the funds was also received in Q4 of FY '25.

While global uncertainties persist and the outlook for calendar year 2025 from global tire companies points to continued stability in replacement tire demand, the original equipment demand is expected to recover only in the second half. This, therefore, means that FY '26, based on all the projects that we are executing, is poised to be one of the most transformative years for GRP.

Driven by a strong sense of purpose, a clear vision and focused strategy, we're targeting a threefold capacity expansion across our key business verticals, not merely scale, but meaningfully becoming future ready for enhanced growth thereafter.

First, in our reclaim rubber business, we are scaling rapidly with the deployment of the next-gen high-margin technology that will help us lead the market in both performance and sustainability. On the innovation front, we have an exciting pipeline of high-performance materials that will be introduced in the coming year to help our customers, the brand owners enable increased circularity.

Second, our end-of-life tire-to-energy vertical is moving from concept to reality, with facilities for crumb rubber, tire pyrolysis oil and recovered carbon black, all entering its operational stage. This is a major milestone, enabling us to extract even greater value from waste and contribute to cleaner energy alternatives.

We're also stepping into a completely new territory, road surfacing as an industry through our crumb rubber platform. The technology selection and validation of our recovered carbon black will be completed in the coming quarters. And the strength of our relationships with brand owners, in our view, puts us in a pole position for exciting long-term prospects.

Third, in the recycled plastic space, under the subsidiary GCSL banner, we are responding to the surging demand to improve capacity utilization with a significant focus being placed on profitability and turnaround for financial profits.

To support this entire scale of transformation, we are also making critical investments in technology. Our shop floor automation initiatives are already underway, and digitalization of the shop floor has started to yield results. And all of this will be crucial as we migrate towards SAP S/4HANA. And we expect these to significantly enhance efficiency, transparency and decision-making across the enterprise.

Of course, none of this would have been possible without the backing of our investors. We're proud to have announced a bonus for our shareholders on the momentous milestone of our 50-year journey and as a reward for your continued trust and perseverance.

To further our ambitions, I'm pleased to share that we have received Board and shareholder approval for equity infusion through a qualified institutional placement, which along with debt support from Proparco gives us the financial muscle to pursue the above with confidence.

With stronger fundamentals, improving return on capital employed, a deeply committed team and a mission-driven approach, I truly believe GRP is well positioned to deliver lasting impact in FY 2025-26 and beyond.

With this, let me now hand over the call to Shilpa Mehta to take you through the financial highlights of the quarter and the year gone by. Thank you.

Shilpa Mehta: Good afternoon, everyone. Let me take you through the consolidated financial highlights for Q4 and FY25. We start with Q4 of FY '25. Total income in Q4 stood at INR 1,606 million as compared to INR 1,381 million in Q4 of FY '24, which is up by 16%. We have booked EPR gain of INR 309 million in this quarter.

Gross profit for Q4 FY '25 was at INR 936 million as compared to INR 790 million in Q4 of FY '24 which is up by 18%. Gross margins is at 58.3% for the quarter, which is a growth of 108 bps on a year-on-year basis.

A one-time inventory write-off of INR 10.5 million was recorded during the quarter, affecting gross margins. Further INR 22.7 million in ESOP charges and provisions for variable pay included in employee cost. And INR 15.6 million towards obsolete equipment and pyrolysis product development costs are also accounted for in Q4FY '25.

EBITDA for Q4FY '25 is INR 331 million as compared to INR 229 million of the Q4 of the last year, which is up by 45% on a year-on-year basis. And EBITDA margin is at 20.6% as compared to 16.6% in Q4 of FY '24, which is a growth of 404 bps on a year-on-year basis.

Profit after tax for Q4 of FY '25 is at INR 194 million as compared to INR 117 million in Q4 of FY '24. Percentage-wise, it is 67% up on year-on-year basis. Our subsidiaries, GCSL and GSPL, the revenue amounts to INR 75 million with an incurred loss of INR 13 million. However, as the businesses scale and mature, we expect them to contribute meaningfully to the bottom line.

Now we go through the FY '25 results. Total income in FY25 stood at INR 5,518 million as compared to INR 4,630 million in FY24, up by 19% on a year-on-year basis. This included INR 220 million from the sale of EPR credits and additional of INR 214 million in accrued EPR income, which is backed by a maturing EPR regime, consistent credit demand and price stability in the market.

Gross profit for FY '25 stood at INR 2,980 million as compared to INR 2,537 million in FY '24, up by 17%. Gross margin stood at 58.3% (Errata: Actual number to be read as 54%) for the FY '25, which is a growth of 108 bps on a year-on-year basis(Errata: Actual to be read as degrowth of 79 bps on a year on year basis). EBITDA for FY '25 is at INR 694 million as compared to INR 523 million in FY '24. EBITDA margins is at 12.6% in FY '25 compared to 11.3% in FY '24, which is a growth of 128 bps.

Profit after tax for FY '25 is at INR 307 million as compared to INR 226 million in FY '24, up by 36%. Our debt-to-equity ratio is 0.76 in FY '25 compared to 0.68 in FY '24. In addition, for FY '25, the Board has declared a dividend of INR 14.50 per share, representing 145% of the face value. These actions reaffirm our continued commitment to delivering value to our shareholders while maintaining financial discipline and investing for long-term growth.

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

Moderator: The first question is from the line of Divya Agarwal from Ficom Family Office.

Divya Agarwal: So sir, firstly, on the gross margin, I wanted to know, the gross margins, if we remove the EPR income, it's down by around 300 basis points and 400 basis points in Q4 quarter-on-quarter and year-on-year, respectively. So what is the particular reason for that? And will this pressure continue in coming quarters as well?

Harsh Gandhi: Is that the only question? Do you have any other questions? I'd rather you take them all together.

Divya Agarwal: I do have other questions as well. Secondly, sir, I just wanted to know the impact of the U.S. tariffs on our operations? And are you seeing any delay in offtake from the U.S. clients? Thirdly, on the new crumb rubber plant, so in the previous conversations, you had said that the capacity would be around 40,000 to 50,000. But I mean the capacity that was commenced was around 31,800. So why was there a deviation? And lastly, I just wanted to know the update on the RCB plant and progress of the Phase 1 expansion.

Harsh Gandhi: Okay. So I'll take each of these separately. So as far as the gross margin is concerned, I've mentioned this even on the previous call. We are seeing specific pressure on gross margin on a particular product category only, which is butyl reclaim which is one type of a synthetic rubber reclaim. And as I mentioned, then unfortunately, that is actually a much larger portion as far as our total revenue is concerned.

This is two things. One is, as far as our selling prices are concerned, they're pretty much depending on the customer internationally. It's either annual, 6-monthly or 3-monthly pricing contracts. And as a result, our ability to pass on that impact was not there.

We've seen that the margins in this particular product category have declined for 3 quarters in a row. However, this quarter, as we speak right now, a lot of the price adjustments and corrections have already started to happen. Bulk of our customers work on calendar basis when it comes to pricing. And for some of them work, whether it's quarterly, we've been able to adjust the prices in this quarter.

So that is one particular product category where currently the demand has exceeded quite a bit in the supply, and this has been true over the last 9 months, as far as this particular quarter, more or less now that we are midway through this quarter, I can say with confidence that, the trend has kind of started to reverse a little bit because we've been able to effectively pass on parts of those price increases to our customers.

When it comes to the rest of our product portfolio, from a volume point of view, that particular product category was 1/3 of our total volumes. The remaining 2/3 of our portfolio, the gross margins continue to be equal to or better than what it was in the previous year. But the product category where there is a margin reduction, as I said, is 1/3 by volume, but closer to 45% by value.

Now the gross margin reduction is also, as I mentioned and as Shilpa indicated, partly on also on account of a onetime write-off of material costs. And that's the other reason why the gross margin for the current quarter of Q4 appears to be lower than that for the previous quarters.

The second question, which is as far as the U.S. tariff and its impact is concerned, I mean, I guess, in Q4, we saw that there was obviously some amount of anxiety around the tariffs, but the impact was not felt entirely in Q4, especially when it comes to U.S.

But several of the other geographies, in particular countries where the tariffs announced were fairly significant and there were large exporters of tires to North America, case in point being likes of Thailand, Vietnam, etcetera; our exports to some of those geographies did suffer a bit of a dip in Q4. And that was very immediate because there, the lead times are not as long. And therefore, a lot of inventory correction, as far as volumes are concerned, continue to happen there.

As we are having conversations with our customers, we are seeing that a lot of the tire companies are adjusting volumes and producing or addressing their production in different countries sort of, in some ways, navigate the tariffs in the U.S. I mean a case in point, somebody that has a plant in Thailand will now supply materials to other geographies. And manufacturing plants in other geographies will now start diverting exports to the North American market.

So this is something that a lot of the brand owners are going through. And I guess until all treaties are in place, we will not know what sort of trade flow impact this will have globally and therefore, consequently to our supplies as well.

So early days. And I would say, as treaties get finalized, we will have better clarity. But there has, obviously, from our customer portfolio perspective, win in shift where we've started to export to some other geographies and not to some of the other geographies that we were exporting to. So that internal shuffling has already taken place.

When it comes to the stage of start-up as far as RCB and pyro is concerned, I mean this plant of energy or rather waste tire to energy is a consolidated plant, which will be set up in three phases, crumb rubber, subsequently followed by pyrolysis, followed by recovered carbon black.

The plant for crumb has already been established and commissioned, as I indicated. The plant for pyro should get set up within the next 30 to 45 days. And when it comes to the RCB plant, that will be set up and commissioned by Q4 of this fiscal. So I think that's to address your query on the start-up date.

As far as the capacity itself is concerned, the capacity that we have added as far as crumb is concerned, is closer to about 40,000-odd tons. But you know that some part of it goes for different end applications. And therefore, the entire the nameplate capacity is very different than what we eventually end up producing.

There is possibility that we may produce a certain size of crumb which reduces our capacity. If we produce a certain other size, the capacity goes up, etcetera. So we take a more or less a safety capacity, and that's how the 40,000 tons of capacity is the reported number, as far as this 122,000 tons is concerned. I believe that answers all your questions. We can move on to the next.

Moderator: The next question is from the line of Jatin from InvestSavvy.

Jatin: Sir, we'd like to know that when you're accruing the EPR benefit, the pricing that you are taking, is it -- does it have a margin of conservatism in that? Against the realized price and the price for accrual, is there a difference which you have been seeing?

Harsh Gandhi: Sure. Any other questions, Jatin, or is this it?

Jatin: No, that's all.

Harsh Gandhi: So we take the -- again, I mean, given, as I mentioned, that now that the portal is established, the demand for the credits is more consistent, and the whole regime and the regulatory mechanism is now in place; there was comfort in us being able to take an accrual-basis accounting.

We are accruing everything at the minimum price, as specified under the guidelines, which is INR 2.52 a kilo. The range is INR 2.52 until INR 8. In the past, we have sold credits at also a price higher than the minimum reserve price. But when it comes to the accrual of the income, we have taken everything at the base price of INR 2.52.

Jatin: And how do you see this price moving with increased emphasis on environmental focus of -- on the environment by the government?

Harsh Gandhi: I think the prices, as I said, this bandwidth that is specified between INR 2.52 to INR 8 a kilo. As I said, again, we have conservatively accrued all the income at the base price. How this evolves, I think, will be a function of demand and supply in the long run. At this stage, I can only say that we have accrued it at the base price. While in the past, we have been able to realize a number which is even higher than that.

Jatin: And in this quarter, have you sold anything? As in what is the average pace at which you've sold and how much?

Harsh Gandhi: In Q4, we have sold roughly at the same at the base price. In some very small cases or instances, it may be a little marginally higher as well. But by and large, I mean, just a little higher than the floor price is what we have sold. When it comes to the absolute number, I think it's given in there, but I think it is closer to INR 7 crores. (Errata: Actual number to be read as 9.5 crores)

Jatin: Total for the year is INR 30 crores.

Harsh Gandhi: The total sold for the year is INR 22 crores, INR 30.8 crores is sold and accrued in Q4 (Factually corrected)

Moderator: The next question is from the line of Radha from B&K Securities.

Radha: So my first question is...

Moderator: Sorry for the interruption. Could you be a bit louder?

Radha: Wanted to know what is the full year sales volume for rubber and the...

Harsh Gandhi: Sorry, I can't hear you clearly. Could you -- I mean, your voice is muffled.

Radha: Yes. Sir, what is the full year sales volume for RR and non-RR business?

Harsh Gandhi: Full year?

Radha: Sales volume.

Shilpa Mehta: Sales volume for RR and. Non-RR Business

Harsh Gandhi: I think RR sales was around 66,000-odd, 65,500 to 66,000 tons

Shilpa Mehta: 66,000 tons.

Harsh Gandhi: Yes, 66,000 tons. As far as the non-RR is concerned, again, it's different categories of products. So we don't look at those -- because each of these the -- there are some categories as far as the composite and CDF is concerned where sales are on a per-piece basis, etcetera. But by and large, if I was to aggregate everything in tonnage form, it would be closer to 4,800-odd tons, would be the sales of the non-RR, excluding GCSL sales (factually corrected).

Shilpa Mehta: 66,000 is RR and 5,000 is non-RR, Radha.

Radha: The second question is a follow-up on the first one. So, on the basis of these volumes, the EBIT per metric ton of RR has fallen from last year around INR 7 to INR 5 this year and non-RR from INR 12 to INR 2.5 this year. Sir, could you please give us a bit of color on what has led to this? And how do you see this pan out in the coming years?

Harsh Gandhi: Sorry, you said the EBIT has dropped to -- I didn't understand where you're coming from.

Radha: Yes. EBIT for RR, ex of EPR and unallocable, is coming to INR 5.5 per kg compared to INR 6.9 last year. And non-RR is coming to INR 2.4 compared to INR 12.5 last year on the basis of volumes that you have just stated.

Harsh Gandhi: So what's your question? I didn't understand.

Radha: Yes. Sir, what has led to this drop in EBIT for both the businesses? And how do you see this pan out in this year?

Harsh Gandhi: As I said, I think as far as RR is concerned, we've been making it very abundantly clear over the last two calls that the gross margins are what are affecting the margins -- overall margins. I mean the reduction in the EBIT, as you mentioned, is clearly a function of the gross margin reduction as far as the RR is concerned.

In non-RR, I think we are not comparing entirely apples-to-apples, given that some of the businesses, like as I mentioned, the rubber composite and CDF, the volumes are very different. So I think within the non-RR, it's not, I would say, 100% comparable to have all of the businesses together. Having said that, at an EBITDA level, actually, quarter-to-quarter, when you compare it to our non-RR, the margin has actually gone up. Last year was a negative 7.3% versus 7%.

So I'm a little unclear and confused about your non-RR EBIT margins that you talked about. But I think at a quarterly level, there is actually a reversal and the margins are actually growing. So a little confused, but RR is very clearly, it's a gross margin impact.

Radha: I have taken full year FY '25 number based on the 5,000 volumes that ma'am has mentioned.

Harsh Gandhi: Again, I'm happy to address this offline. Currently, we need a couple of minutes to sort of pull out the data.

Radha: Yes, sir. Sir, please give us a geography-wise breakup of exports.

Harsh Gandhi: What about it? Sorry?

Shilpa Mehta: Geography-wise.

Harsh Gandhi: No, we can give you an overall export versus local. But I mean, geography-wise is tough to sort of be able to provide, as far as the volumes are concerned.

Radha: Okay, sir. Sir, just last question. In pyro plant, have we received any customer approval, considering the plant has been commissioned, the...

Harsh Gandhi: Sorry, Radha, I mentioned that the crumb rubber plant has been commissioned, pyro plant has not been commissioned so far.

Radha: Yes, sir. Sir, regarding that in the last quarter, you mentioned that the company has received one approval from a large carbon black player. However, final decisions are pending. So just wanted to understand, what is the customer feedback in terms of the crumb rubber or the pilot -- or the sales from the pilot plant of TPO and carbon black?

Harsh Gandhi: Those are only to sort of work for assessing our own product and the MSDS as well as get some validation done. I mean those are very soft approvals. We need to demonstrate the same once the commercial plans are set up. So obviously, it's a success, but I would say it's too early to start in any way counting our chickens yet.

As far as crumb rubber is concerned, until pyrolysis starts, we started -- we're supplying this to the road surfacing companies, where they're starting to blend this along with bitumen for manufacturing of crumb rubber-modified bitumen. So, sales to that segment have already begun.

And we are waiting for our pyro plant to start before we can start utilizing the plant to use the material in-house for our own needs.

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

Ajay Surya: A couple of questions on my side. First question is, I wanted to know, how much capex have we deployed till now in the Phase 1? And if you can break that into how much of that source was from internal accrual, and like if we have taken any debt? And a follow-up on this is, how much more do we plan to deploy further in the current financial year? And also like in H1 and H2, if you can break that further, that will be helpful.

My next question is, we have taken a one-time inventory write-off in this fiscal. So can you please highlight what was that amount or which product category was it? And going forward, do we see any more such write-offs? And last question, because of the EPR coming into place, and the working capital days for the company has reduced significantly from what I can see is 94 to 76 days. So going forward with the capex and everything coming in line, what sort of working capital days do we envisage going forward? So that's the three questions from my side.

Harsh Gandhi: I'll let Shilpa take all these questions on the capex spent during the year versus internal and external and plan for the current year. The second question was on material write-off, whether it is one-time or likely to go on and then the working capital days. So I think let Shilpa take these three questions.

Shilpa Mehta: So capex we have incurred in FY '25 total of INR 66 crores. As we have already mentioned that INR 49 crores is for our new project for this pyro and crumb. And for the sourcing of this capex, it was INR 23 crores of term loan we have received, and rest is internal accrual.

And going forward, the plan is of INR 80 crores to INR 90 crores, which, again, as we have already said that we have this Proparco loan, DFI loan is approved, and we are taking it in tranches. And additionally, we are going for QIP also, and internal accrual also. So all these sources will fund capex.

And second question is about the stock write-off material. So it was like this raw material, which lost its property, old raw material and some imported which came for trial purposes. So that was some -- that stock line that we wrote off, and this is something one-time we have considered.

Working capital days, yes, it is 76 from 94 days from previous year. And stock creditors status everywhere, considerable improvement in days we have seen. And we are striving to achieve 70 to 72 days further working capital cycle. So that is what we want to say.

Ajay Surya: Just again, on the raw material losses property, which product category was it, like other than the reclaim business or the non-reclaim or the engineering aspect like...

Shilpa Mehta: It's a mixture of all. It is reclaim and non-reclaim also and plus some consumables also, where machineries -- machinery itself was obsolete and no longer in use. actually, write-off is the word we have used, but we have devalued. So we will dispose it off. And there again, there will be value. That is what it is.

Moderator: The next question is from the line of Rohit from ithought PMS.

Rohit: Congratulations, sir, and I think fantastic performance on -- especially the other expenses side, where we've seen a very good cost control, and this is despite all the one-offs that you just sort of alluded to. So sir, coming to the coming year in FY '26, you sort of mentioned that the headwind in terms of a segment of reclaim by -- reclaim that is sort of now abating and with the plastic recycling also coming in. And also I think your -- as those losses also probably will reduce or will start to contribute in some form, so how do you see the margins in the coming years?

And also with the new capex, at least would come crumb we just started, so how do you see that sort of ramping up in this financial year? If you can just maybe give an overview. This 12%, 13% margin that you've done in this financial year, how do you see this sort of inching up in FY '26 and then maybe something in FY '27, given all the initiatives you have done with respect to cost and also product introductions and the new technology with respective Reclaim, etcetera? So I mean, I just wanted to get a sense on that.

Harsh Gandhi: Sure. Thanks, Rohit. So again, three questions. I'm just sort of reiterating if you can confirm. One is the question on when will the gross margins normalize as far as Reclaim Rubber is concerned. Secondly, what's the likelihood of the subsidiary company getting to a steady state of profitability? And third is the plan of the new capex utilization. Am I correct in these three?

Rohit: Yes. And as overall, what kind of impact do you have on your operating margin in this financial year?

Harsh Gandhi: Yes. So guidance is the last question, which we generally prefer not to answer, but I'll answer the three. And hopefully, you will get an answer to your own question. I'd say, as far as the normalization of the gross margins for this one particular product category is concerned, I wouldn't say we will be back still up at historical levels as we speak right now, as far as this quarter is concerned.

We do expect and anticipate that as the monsoon set in, the supply of this material type does improve. And on the other side, the demand, in our view, will not significantly grow from the level that it has reached so far. So I do assume that there will be some sort of softening of prices over the course of the Q2 and Q3. That's been the historical trend.

And assuming that the kind of sales prices and the renegotiation of prices we've been able to get from the customers so far, and some of it which will come in from July, we do hope that for the whole year, I'd say, we would kind of be marginally better than what we have seen in H2 of last financial year.

As far as the rest of the product categories are concerned, as I said, the margin continues to be robust. And obviously, with the operating efficiencies kicking in, we are hoping that for the rest of the product categories, we will see an improvement in margin by a few percentage points because of the impact of energy as well as manpower cost rationalization.

As far as the GCSL or the subsidiary company's performance is concerned, as I indicated that we are seeing demand is growing month after month with the regulation on EPR and plastics already in place. We should start seeing a profit scenario once we get past 75% of utilization of the capacity.

So I would say, for the year as a whole, we may about get to that number. And that's when I would imagine that the profitability and the numbers will be more in the black compared to what they are in the current year period.

The third question, as far as new capex utilization is concerned, I mean, assuming we start the pyro line within this quarter, we are fairly confident that we will get there, as we start, let's say, take a couple of quarters for the stabilization of the process, the recipe mix as well as the energy mix is concerned.

And we are fairly confident that for H2 of the year, we will certainly start operating at beyond 70%, 75% utilization because this product, especially the oil is concerned, is sold as a replacement currently to fuel oil. But given the partnerships that we are working on, we're fairly confident that we will be selling this as upgraded oil and not just a fuel oil.

So yes, I think utilization of the pyro plant will pick up pace and get to 75-plus percent within a fairly short span of time. Unlike other businesses where we need to look for markets, etcetera, this is a product category where it should not take as much longer.

As a result of all of this, we've been giving indications of what capex turns as well as the potential EBITDA margins for each of these businesses could be. So one could assume that reclaim rubber will operate at closer to the 85%, 90% utilization. GCSL by the end of the year, should get to about 75-odd percent, which means for the year, we'll be trending at closer to 60%, 65% utilization.

And the new line as far as energy I mean, tires to energy is concerned, should for the year, assuming that we commissioned it in Q1 for the rest of the 3 quarters, should also be beyond 66% to 70% utilization of assets. I guess using that, one can simulate what could be the possible growth revenue as well as bottom line numbers. So without giving a guidance, there's adequate information for you to get out what's the likely.

Rohit: No, no, that's fair. That's pretty clear, sir. And sir, just one more question in terms of capex. So we have to deploy another INR 100 crores around for the Phase 1. So I mean so this will be largely through better internal accruals? Or are we going to raise QIP for this as well? Because we are generating around INR 45 crores to INR 50 crores of cash. I mean there's around INR 45 crores cash flow this year, I think it could be similar or higher next year. So just wanted to get a sense on that. I understand for the overall capex, we may need some more money, but just to get a sense from you this Phase 1.

Harsh Gandhi: Yes. So I think you answered your question, Rohit. I think we will have adequate internal accruals plus the debt that we have. We have adequate cash flows. However, as Shilpa alluded to, we do have the approvals both from the Board as well as to the shareholders to do a QIP if there be a need.

Yes, we continue to be wanting to be in the driver's seat when it comes to funds, just so that if we have to -- if I may accelerate the pace of investment that we had earlier planned and if some of the businesses require cash at a much faster pace than what we have anticipated, it's always good to sort of have a certain cushion of equity available. But it's not something that we need for the first phase. So you're absolutely right in that.

As far as, therefore, whether we will do it or not, I think it lot depends on the timing, interest etcetera. And we will, at all stages, make sure that there will be a prudent mix of debt and equity, such that we are not either over-leveraged or we will not sort of have excess equity which we cannot deploy. So I think we'll maintain that prudent mix and invest as we sort of need.

Moderator: The next question is from the line of Koushik Sekhar from Vermillion LLP.

Koushik Sekhar: Congratulation on a set of good numbers. My question was that what is the impact of these tariffs and changing tariffs since April? There's been a lot of movement, especially in the North America. What has been the impact? And where do you see this settling down? And the second question is that do you see selling reclaim rubber from India into U.S. having some tariff advantage over other geographies?

Harsh Gandhi: Yes. Thanks for the question. I think I'll take the second question first, Koushik. I mean, when it comes to the North American markets, imports of reclaim rubber have been from 3 or 4 major geographies, India being one of them. Second being China, third being Europe and fourth being certain Latin American countries. From a volume perspective, India was always the largest exporter into North America, followed by China, followed by Europe, and I think Latin America was last.

Whether this gives us an advantage, clearly over the Chinese players, for sure. Of course, we don't know enough about the fine print of the U.S.-China tariff deal that has been already signed up. And I don't know whether this particular product category falls within that ambit or not.

So yes, for the last few months, there was obviously that innate advantage that we had over the Chinese. However, the European and Latin American exports to the U.S. were at lower duty than 10% as far as India is concerned. So from that perspective, there was that ambiguity, which existed.

Having said that, and I would sort of say that import of tires into the U.S. was a much larger determinant of factor of reclaim rubber consumption than the import of reclaim rubber itself. And to put it in context, our exports or consumption of reclaim rubber in, let's say, Thailand or in Vietnam or in Indonesia; that would have a much larger play and impact on the overall imports into the U.S. because these countries were exporting a large part of their tire production into the North American market.

So again, as I mentioned in the previous comment or in the previous question, our exports to some of these geographies were affected because there, the duties for the tires were much higher than the duty for tires from India.

On the other side, therefore, tire manufacturers in India had an advantage over the likes of Thailand, Vietnam, Indonesia because tires into the U.S. were cheaper being sourced from India than it was from some of these countries. To that extent, our export reduction in some of those markets got offset by an increase in consumption domestically by the tire companies here. So that's broadly how the last 3 months have been.

Whether this is a likely trend going forward, which was part of your first question, actually, I don't have an answer to that, Koushik, because depending on how some of these tariff deals get structured, we don't know whether we will sell more reclaim to North America versus sell more reclaim to countries that are going to finally export tires into North America.

I think that's something that is currently still a fluid state. And as we're talking to customers, they are themselves realigning their capacities to cater to different markets. So I don't have a clear-cut answer. I'd say, once most -- trade treaties are in place, we will have a better sense of how this will affect both our exports of Reclaim as well as tire imports into the U.S.

Koushik Sekhar: My last question is, are reclaim rubber and tires on the table, as far as these free-trade agreements are concerned, the negotiations with USA?

Harsh Gandhi: I believe they are all at standard. I don't think there's any preferential duty, at least so far, being talked about either for Reclaim or for tires being exported out of India. I believe it is still all part of the same basket under the 10% duty structure.

Moderator: Your next question is from the line of Devan Shah from Credent Asset Management.

Devan Shah: Yes. Sir, actually, the 31,875 crumb rubber capacity that we have, so just wanted to know the breakup in the pyrolysis segment. I mean how much have we allocated or rather how much capacity are we adding in pyrolysis, the reclaim rubber in Phase 1 as well as Phase 2? How much capacity will we be adding in the non-reclaim rubber segment across phases?

Harsh Gandhi: Is that the only question? Or is there...

Devan Shah: That's the only question.

Harsh Gandhi: Okay. So as far as -- I'll answer. I mean, pyro as a segment, we are setting up 2 lines, first line, which will be operationalized as I mentioned, within the next month or so, which is by the end of this quarter. And there, the capacity is going to be 15,000 tons annualized. The second line that we will put up will be an additional 15,000 tons. So therefore, the pyro will take 30,000 tons of crumb rubber in total.

We will have some part of the crumb rubber allocated for reclaim rubber consumption and some part of it also for the sales to the road surfacing industry. As I mentioned, I think some of these capacities are fungible. So depending on the size that we require or we take for the Reclaim Rubber plant, the rest of the capacity gets sort of exchanged.

As far as crumb rubber is concerned, it is a fixed size of materials. So there, our capacity will be closer, to begin with, around 6 KTA, but the Pyro is more or less, therefore, clear. As I said, it will get to 30KTA. Crumb rubber will be at about 6 KTA. The remaining would be more or less for reclaim.

Now having said that, as I said, capacity of crumb rubber is fungible, depending on the size we want. Reclaim rubber takes a certain size. Crumb rubber takes the finest and pyrolysis takes the coarsest. So within that spectrum, we have the choice to kind of switch interchangeably. And therefore, a correction that the capacity indicated 31,875 is based on a certain size. However, what we have commissioned can flexibly go up to 40,000 tons of overall capacity. So I hope that answers your question.

Devan Shah: Yes, sir. And sir, for the non-reclaim rubber segment as well, are we planning some capex in Phase 1 or Phase 2?

Harsh Gandhi: As far as non-reclaim is concerned, it will be incremental I mean there won't be a major capacity expansion, as far as FY '26 is concerned or at least there won't be effective capacity in FY '26. We may undertake investments in capex for optimization of production as well as being able to take alternate materials to use.

As far as the subsidiary is concerned, we will make investments to be able to clean and do sorting of the materials and so on. So it is going to be incremental investments, but to augment and strengthen our production processes, nothing at this stage is envisaged to be adding to capacity in FY '26. We may start spending in FY '26, but effective capacity for that in the non-rubber side may come in only in FY '27.

Devan Shah: Okay. But that is the plan of that includes in the INR 250 crores capex that we planned, right?

Harsh Gandhi: Yes. It's part of the overall INR 250 crores. But it won't be adding adequately to capacity in FY '27. Another part of the investment of what INR 80 crores to INR 90 crores that Shilpa mentioned, there is also some amount of investment earmarked for renewable energy substitution.

I remind you, we have been constantly saying that we do have an internal target to take up our energy from renewable sources to closer to 50%. So there will be some amount of investment being made in renewable energy sources.

Devan Shah: Got it, sir. Sir, just last one. The 30,000 tons is on Phase 1 itself or both the phases?

Harsh Gandhi: For pyro, it will be both phases put together. Phase 1 -- but Phase 1 is divided into Phase 1a and 1b. And there is entire INR 150 crores of capex and outlay that you talked about is a combination of 1a and 1b. 1a is what we complete in Q1 of this fiscal. And 1b gets completed, originally envisaged to be completed by December 2025, but likely to be more or less complete by March 2026, which is still in this financial year.

Devan Shah: Got it. So one -- the Phase 1 in total of 1A and B includes 15,000 and the Phase 2 that might take the next year...

Harsh Gandhi: No, 1A and 1B together is 30,000. 1A is 15,000, 1B is 15,000. That's a collective 30,000 of pyro.

Devan Shah: Understood. And any excluding this 30,000, anything else in the Phase 2 of the INR 100 crores that you are going to spend in pyrolysis?

Harsh Gandhi: There is a plan to expand our capacity even further. I think our long-term stated plan is to get to 60 KTA of pyro capacity. And that's part of the Phase 2.

Moderator: Thank you. Due to time constraint, that was the last question. I now hand the conference over to the management for closing comments. Thank you, and over to you, sir.

Harsh Gandhi: Thank you all for attending the call. Again, appreciate the set of questions that have been asked. If anybody has had questions and was not able to ask it on the call, I encourage you to be more than open to reach out to our Investor Relations Advisors, and we'd be happy to schedule a one-on-one call separately.

But other than that, I appreciate all the inputs that we've received. And we're looking forward to FY '26 with, as I said, renewed vigor and hopefully, we'll be able to improve significantly the performance for this fiscal. Thank you all for taking the time.

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