January 28, 2025

DCS-CRD **BSE Limited** First Floor, New Trade Wing Rotunda Building, Phiroze Jeejeebhoy Towers Dalal Street, Fort Mumbai 400001 Fax No.2272 3121/2037/2039 Stock Code: 543213	Listing Compliance **National Stock Exchange of India Ltd.** Exchange Plaza, 5th Floor Plot No. C/1, 'G' Block, Bandra- Kurla Complex Bandra East Mumbai 400051 Fax No.2659 8237/8238 Stock Code: ROSSARI

Dear Sir/Madam,

Sub.: Transcript of the Earnings Conference Call held on January 23, 2025 for Q3 FY25

Pursuant to the Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and with reference to our intimation dated January 16, 2025, regarding Earnings Conference call with Analyst(s) /Investor(s) held on Thursday, January 23, 2025, we would like to inform that the transcript of the aforesaid conference call is attached herewith and the same is also available on the website of the Company at www.rossari.com/announcement under the head 'Investor Call'.

The same may please be taken on record and suitably disseminated to all concerned.

Thanking you,

Yours Sincerely,
For Rossari Biotech Limited

Parul Gupta
Digitally signed by Parul Gupta
Date: 2025.01.28 19:30:50 +05'30'

ROSSARI BIOTECH LIMITED MUMBAI

Parul Gupta
Head - Company Secretary & Legal
Membership No.: A38895

Rossari Biotech Limited

Q3 FY25 Earnings Conference Call Transcript
January 23, 2025

Moderator: Ladies and gentlemen, good day and welcome to Rossari Biotech Limited's Earnings Conference Call.

I now hand the conference over to Mr. Anoop Poojari from CDR India. Thank you, and over to you, Mr. Poojari.

Anoop Poojari: Thank you. Good evening everyone, and thank you for joining us on Rossari Biotech's Q3 FY25 Earnings Conference Call. We have with us Mr. Edward Menezes, Promoter and Executive Chairman, Mr. Sunil Chari, Promoter and Managing Director, and Mr. Ketan Sablok, Group Chief Financial Officer of the Company. We will begin the call with opening remarks from the management, following which we will have the forum open for a question-and-answer session.

Before we start, I would like to point out that some statements made in today's call may be forward looking in nature and a disclaimer to this effect has been included in the earnings presentation shared with you earlier. I would now like to invite Mr. Edward Menezes to make his opening remarks.

Edward Menezes: Thank you, Anoop. Good evening, everyone and thank you for joining us on our earnings conference call. It's a pleasure to have you with us as we discuss our operational and financial performance.

We are pleased to report another quarter of resilient performance, demonstrating the strength of our business, despite a dynamic operating environment. All business segments registered healthy YoY growth with exports playing a crucial role in driving overall performance amidst softer domestic market conditions.

Our HPPC division delivered a steady performance across key product categories while the Textile Specialty Chemicals business showed a strong uptick supported by improved exports. The AHN business also performed well during the quarter, driven by increasing traction in select end-user industries.

Exports sustained strong double-digit growth with this quarter, reflecting our continued focus on scaling our presence in key global markets. By targeting high potential geographies, we are steadily expanding our customer base and deep relationships with existing partners. Our efforts to invest in technology and enhance capabilities have enabled us to deliver innovative and customized solutions that cater to the specific needs of international markets.

Innovation remains the key pillar of our strategy, and we are deeply committed to our R&D capabilities. Developing intelligent, eco-friendly and sustainable solutions has consistently helped us address evolving customer needs. These innovative offerings are enabling us to expand our presence in global markets, where the demand for sustainable specialty chemicals continues to grow. Our ability to cater to these markets with tailored solutions highlights our strength in aligning with global sustainability trends and customer expectations.

With this, I would like to conclude my address and now hand it over to Mr. Chari for his comments.

Sunil Chari: Thank you, Edward Ji. A warm namaste to everyone.

I would like to begin by reflecting on Rossari Biotech's healthy growth trajectory, which continues to be driven by a combination of organic and strategic initiatives. This quarter, we are proud to have crossed the Rs. 500 crore milestone in quarterly revenues and we aim to build on this achievement to deliver an even stronger performance in the future. Our focus on diversifying our customer base and reach into new geographies has been instrumental in sustaining our growth and positioning us for long-term success.

Exports have been a key focus area for us, and I am pleased to share that we have made significant progress in developing our global markets. We have strengthened relationships with existing customers, entered new geographies and tailored our solutions to meet the unique needs of international businesses. Our international business registered YoY growth of 21% during the quarter and 28% over the nine months, providing strong support to overall performance.

Meanwhile, we are making steady progress on capacity expansion initiatives at our Dahej facility and through Unitop chemicals. Currently in the execution phase, new expansions are expected in a phased manner in the coming months. Once operational, these expansions will enhance our capabilities across industries and enable us to cater to high-growth segments in both domestic and international markets.

While our strategic investments have impacted margins this quarter, they are crucial for laying the foundation for future growth. These investments include capacity expansions and nurturing businesses in their growth phase, position us well to unlock new opportunities and scale effectively. As these initiatives mature, we are confident that the resulting higher operating leverage will contribute to margin improvements in the long term.

Looking ahead, we remain optimistic about delivering sustained growth across our business segment. The HPPC segment continues to benefit from strong demand fundamentals and innovation-led offerings while the Textile business is showing early signs of recovery, presenting emerging export opportunities. In the AHN division, we anticipate further improvements as demand conditions strengthen. As the business environment stabilizes, our focus will remain on improving capacity utilization, introducing innovative products, and expanding our global and customer footprint to unlock new opportunities and drive long-term growth.

On this note, I would now like to invite Ketanji to share his perspectives.

Ketan Sablok: Thank you, Mr. Chari, and good evening, everyone. Let me provide you with a brief overview of the financial performance for the quarter ended December 31, 2024.

We delivered a good performance during the quarter, with consolidated revenues increasing by 10.5% YoY to Rs. 512.7 crore. All business segments reported growth, with exports driving overall performance, amidst a challenging domestic business environment. Our HPPC division delivered 9.6% YoY growth, achieving revenues of Rs. 390 crore. The Textile Specialty Chemical Division recorded revenues of Rs. 95 crore, reflecting a 14.5% YoY increase, again primarily driven by exports, while the AHN division reported revenues of Rs. 28 crore, a 12% YoY growth supported by stable performance in the end-user markets. In terms of segmental contribution, HPPC accounted for 76%, TSC for 19%, and AHN for 5% of the overall revenues.

Our gross margin improved by 137 bps YoY during the quarter, supported by a favorable product mix and operational efficiencies. However, higher expenses related to ongoing growth initiatives, capacity expansion, and certain businesses in their growth phases, such as our institutional cleaning vertical impacted the EBITDA margins, which stood at 12.6% compared to 13.7% in the same period last year. We remain confident that these initiatives achieve scale and reach operational maturity. They will contribute to margin improvement in the future. Furthermore, the shift of our new office and leasing of two warehouses impacted depreciation and interest costs due to the adjustments made under IND-AS lease accounting standards. Consolidated EBITDA was at Rs. 64.8 crore, with PAT at Rs. 31.7 crore.

On our CAPEX project, including the ethoxylation capacity expansion at Unitop's Dahej facility and the Dahej expansion of HPPC, both are progressing well and are on track for commissioning in a phased manner in the coming months and some of them in Q1 of FY26. These new capacities will enhance our ability to cater to high growth segments, including agrochemicals, home personal care, and specialty chemicals, while positioning us to capture emerging opportunities across both domestic and international markets.

In conclusion, we remain focused on achieving consistent growth and profitability by leveraging strategic investments and maintaining operational excellence. As we progress with our capacity enhancement initiatives and drive innovation, we are confident in our ability to tap new opportunities, strengthen our position in key markets, and create long-term value for all stakeholders.

That's all from my side. I would now request to open the forum for any questions the participants may have. Thank you.

Moderator: We will now begin the question-and-answer session. The first question comes from the line of Rohit Nagraj with B&K Securities. Please go ahead.

Rohit Nagraj: Thanks for the opportunity and good to hear that the exports have been growing. First question again on the exports front. Which geographies are particularly seeing the traction? And out of the three segments, which segments and maybe if it is HPPC, which subsegment is seeing traction in a particular geography?

Sunil Chari: Our major exports are to America, which includes Latin and South America, to Europe and also to Turkey. But now we are opening up geographies also in the Gulf area. Basically, I think geographies remain the same, but we are trying to add new customers and new segments in the businesses. In terms of HPPC, the surfactant business, which is our core business, continues to dominate over everything else.

Rohit Nagraj: Second question is largely from FY26 and onwards perspective. Given that during this year we had constraints on the ethoxylation capacity and still we have been able to grow reasonably at 10%-11%, given that we will be having the capacity in place sometimes during the next few months, is it possible that next year there could be a significant improvement as far as performance is concerned given that ethoxylation capacity is available? At the same time, even we are going ahead with geographical expansion as you just mentioned.

Ketan Sablok: Some of these planned geographical expansions which we started a couple of quarters back were keeping in mind the new capacities that are going to come up. We should have these capacities as I said in my opening remarks, some will come probably in this quarter around March and some will come in the first quarter.

Given that it will take us a couple of months, at least a month to stabilize the plants and get the product quality, we should have at least nine months minimum is what our plan is that we will have capacities available, and we will slowly scale up production in these plants and next year we should see the revenue numbers ramping up with these additional capacities that will come up.

Rohit Nagraj: And any sense in terms of, again, just to support this particular narrative, on the margins front, that given that the margins have been slightly different during the quarter and even for the nine months, and ethoxylates, in my opinion, would be high value and high margin product, there could be improvement in margins as well, as we scale up further?

Ketan Sablok: Rohit, since it will be the first year of these capacities coming up, we would not like to guess on really where the margins would go, but I think on the gross margin front we should definitely see some improvements. On the fixed cost side, because it's a newer plant we may end up, you know, some costs may come up. We have already hired a lot of people in our R&D and in the production side given the capacities coming up. There will be some more hires coming up next year as these plants start getting operational. Currently, I think we would still be okay to, at least for the first year, to come up with similar kind of margin levels of 13% plus minus.

Moderator: Thank you. The next question comes from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: First question in terms of the growth revenue that we are seeing in, so we have been seeding newer products, newer segments across different segments as well, apart from increasing the distribution in terms of the global markets. If you could share your thoughts, any new verticals or segments which offer a good promising growth for us apart from the specialty chemicals as well as the performance chemicals there?

Sunil Chari: We continue to focus on our core segments of HPPC, Textile and AHN. HPPC, as you know, has grown stellar growth in the last 4 years since our IPO. We believe the surfactants business, basically ethoxylates and propoxylates would be our core areas of growth for the future. Our capacity expansion is also happening in the surfactants area. Esters are also surfactants which we think could grow in the future.

The Buzil Rossari Private Limited, which we all call as Rossari Professional now, the institutional cleaning chemicals, hygiene, which has some connection, but also the consumer businesses is something which we feel will grow. This year, in the first nine months, Buzil Rossari has done Rs. 200 crore, which is like a 50% growth over last year. And this is a segment where we think, and we have put the maximum number of employees also in this year, in this segment, 100 people we have added in Buzil Rossari. We feel this could be a big growth area for us in the future.

Normally, these are all seeding opportunities where we, if you see this Rs. 200 crore, practically, which is very low EBITDA, but it could create a lot of value for all of, in Rossari in terms of growth and profitability. If you remove this Rs. 200 crore, the rest of the business looks at a very, very good position. And Animal Health and Nutrition should of course grow, and Textile has grown already. And we see signs of growth in the Textile industry in India and abroad. Exports have done well also.

Overall, I think, across the company, we see possibilities of growth in all the divisions, primarily Buzil Rossari and then the surfactants, and then followed by Textile and AHN is what we see.

Ankur Periwal: The reason I ask that was because if I look at Textiles as a business, YTD, we are largely paltry share and even same in AHN as well, the growth has been slightly lower v/s HPPC, which has been driving the growth largely for us. Is it that there is a pricing correction and probably from a volume growth perspective, things are better here? If you can highlight maybe the volume-led growth, let's say YTD in nine months across the three segments, HPPC, Textile, as well as animal health.

Ketan Sablok: Ankur, I think it would be fair to say that the YTD nine months growth that we are seeing about 11% kind of growth, the entire growth has come out of volumes. Prices have not really played a key role in terms of the growth. I would say the volume would have grown about 9%-10% and a couple of percent increase would have come from pricing. And this has been across the three verticals.

Sunil Chari: Ankurji, I would like to add here to Ketan sir, is our gross margins for the first nine months of this financial year compared to the gross margins of the last financial year have been nearly 30% up. I think it has been substantially increased in gross margin. This is something which is very heartening. Of course, we have spent more on recruiting people. We have spent more on travel. Freight has gone up a little. But the gross margin increase is something which gives us strength that the future looks good.

Ankur Periwal: Sure, Chariji. Ketan bhai, just to follow up on that, so my question on volume growth was more specific to the business segment. If I look at HPPC, broadly we have a 13%-14% growth in nine months. The Textile is largely flat. AHN is up some 5%-6%. So, will we dare to say that this will also be largely the volume growth across all the segments?

Ketan Sablok: Yes. If you see on a YTD basis, HPPC, as you rightly said, has grown around 12%. Textile has grown about 5%-6% and so has AHN. Most of this growth I would be okay to say has all come out of volumes in all three divisions.

Ankur Periwal: And just on the margins front, especially EBITDA margin, the reason on consolidated basis we are seeing slight dip in margin is essentially probably if I do A-B, which is your subsidiary performance, which has seen a decline in EBITDA margin despite gross margin expansion there. Any specific reason you could highlight why the overheads being higher, which have been steadily higher over the last couple of quarters?

Ketan Sablok: As Mr. Chari also said, we have been in the process of adding in terms of if you see, there is an increase in the employee cost. There is also an increase in the other expenses. Our overall expense basket has gone up. If you see on the employee side, QoQ, if I say, the number of employees have gone up by about 35-40 people. And on an annualized basis, YoY, almost 190 people have been added.

Now, most of these new additions have come up in our consumer or the Rossari institutional cleaning business. We have added, if I say out of this 190, we would have added about 120 odd people in that division itself. These are the employees across function in sales, marketing, business development.

This is one business I think we are, as we have always said that this is a business we believe in, and we are taking these initiatives to set up this business from a very long-term view. And we are seeing good traction in this business with the top line growing quite well. Currently, we have already crossed Rs. 200 crore in nine months. We have done about Rs. 158 odd crore last full year. Our hope is that we should be closing this year Rs. 250 crore plus in this business.

Currently, this business is giving us a very low EBITDA because of the nature of the business. It's more consumer focused business. That's where the costs have majorly gone up. And apart from that, yes, we were also bringing in a few people, keeping in mind the new project that will come in. We have also strengthened our R&D. We brought in some senior people in the R&D division also. And in the other expenses, which has gone up, the YoY increase is high because the expenses on freight forwarding, travel, we have attended a lot of exhibitions, export commissions have gone up. As the business is taking traction, some of these costs are now getting played into the numbers. I think this rate, the expense rate for this quarter should be what we will now be incurring mostly on a quarterly basis because a lot of these expenses have been placed into the numbers of this quarter. And then hopefully once as the top line starts showing its growth, the leverage will start playing out.

Ankur Periwal: Just lastly, the limitation of ethylene oxide earlier, to my understanding that concern is sort of largely over. Given that scenario, what should we look at in terms of our revenue growth over the next, let's say, 2-3 years, given there are new capacity also which are coming up?

Sunil Chari: We are waiting for newer EO capacity to come up in Reliance. Reliance is still not confirmed by when they will start giving. This may be a constraint till we have clarity from Reliance on the higher allocation of EO.

Ankur Periwal: Sorry, Chariji, this was supposed to come in Q4, right? Are there some delay here?

Sunil Chari: But Reliance is delayed. We are waiting for confirmation from Reliance.

Ankur Periwal: But over a 2-3 year window, what should be our target revenue growth? What should we be building-in broadly?

Ketan Sablok: This new CAPEX which we have put in, we had estimated that over a period of three to four years at its peak utilization, it should give us an asset turn of about 3.5x-4x. Assuming these constraints even if they are there for the first year or so, but we will be able to scale up the capacities over a period of around 3-3.5 years, we should be able to scale up to full capacities.

Moderator: The next question comes from the line of Sanjesh Jain with ICICI Securities. Please go ahead.

Sanjesh Jain: I have a few of them. First on the exports business. On the EBITDA level, is this export business accretive to the margin or diluted to the margin because that continues to grow quite strongly and probably that requires a lot more effort to push in because these are newer geographies, newer customers and all? How are the margins playing out in the exports market?

Ketan Sablok: Sanjesh, the export margins are, in terms of gross margins, I would say are slightly better than what the domestic margins fetch us. While you are right, since it's the growth phase for us on the export side, a lot of the costs are now started coming in terms of commission etc., setting up the business, traveling, a lot of sales and distribution related expense, exhibitions, etc. But I think these are the expenses which we need to incur to keep, to bring this export business to a certain level. These expenses, we think that over a period of time will definitely pay off and given that the domestic market is not really showing much sign of growth for us. I think we have taken the right decision to set up the export business.We have already set up offices in Vietnam, in Thailand, and we are in the process of also setting up an office in Turkey. A lot of these initial costs and all will play into the P&L for a few quarters and then the leverage will start playing out. And also in Dubai, we have also set up in Dubai.

Sanjesh Jain: That's clear. But on the Textile side, we were planning to build in the larger team in the Bangladesh market and on the Vietnam market and Turkey market. Is this the offices what we are referring is all focused on the Textile business?

Ketan Sablok: No. These will play out for all businesses. Textiles and the HPPC. Some of them will be more Textile focused, especially say Vietnam office and the Turkey office. And we will also be promoting all our products through these branch offices that we set up.

Sanjesh Jain: Still the Textile business continues to remain not so impressive. That means that the exports on Textile is not picked up. Probably other segments are doing much better, Unitop or Tristar.

Ketan Sablok: No, so in Textile if you see YoY, we have grown about 14% and most of this growth has actually come up out of exports. The export market is something we are now tracking very, very diligently for the Textile because the domestic market is growing at a very low single-digit kind of a number for us. All this growth is mostly coming out of exports.

Sanjesh Jain: Textile, domestic still not growing for us?

Ketan Sablok: Yes, not really the way we would want it. It's growing for us at about 5%-6% kind of a number.

Sanjesh Jain: Second on the Buzil Rossari where we tend to invest a lot and growth is coming in. A lot of this margin expansion is because of Buzil because that will have 50%-60% kind of a gross margin. I can understand at the EBITDA level, but at the gross level that should boost margins, right? And hence why we see gross profit margin growing so sharply in ex of the standalone business while it's still not translating into EBITDA growth.

Ketan Sablok: See, the Buzil Rossari business, as we are expanding, we are introducing a lot of new products. We have introduced products for the segments, disinfectants, hospital segments. And as we had talked earlier also, we are trying to become a complete hygiene solution kind of a company. Just selling chemicals to the institution is not going to really propel the growth because the institutional cleaning segment includes all sorts of cleaning and most of the institutions want a complete solution. You will have to give them cleaning equipment, you have to give them tools, some machines also for cleaning. You have to give them products like cleaning tissues, papers, everything. Now as this business is growing, lot of these products are also getting added apart from the cleaning chemicals. While earlier when we were a pure, pure chemical cleaning company, we used to have gross margins of 50%-55%. Now with this entire basket coming out, the gross margins have come down to closer to 35%-40%. That's why this expansion is not really completely at that 60% kind of margin levels.

Sanjesh Jain: But Ketanji, then this business is becoming more trading from manufacturing for us, right? Chemical, we are backward integration. For equipment, paper, tissues and all, we are just buying from somebody and selling it. We will become trader, right?

Ketan Sablok: No.

Sanjesh Jain: I understand it will be much higher because there is no investment to it. EBITDA is a cash flow for us. But purely from the business mode perspective, this transition is not so great. That means the quality of that 50% growth in Buzil Rossari is more coming from the traded products.

Ketan Sablok: Traded or we are getting it all job worked through some company. But the way this business is going to grow is once you have these other tools and equipments supplied, that's when the chemicals also start going to these institutions. So, this business, just per se, chemicals will not grow. It will remain at that Rs. 50 crore kind of level. For this business to completely grow as a consumer-based business, we will have to give this entire set of services. And that is what the competition is doing. We have to match what the competitors are doing. We will have to give this entire basket as a service. And that's where finally, as a consumer business, this will bring in value to Rossari.

Sanjesh Jain: That's fair. One of the earning growth side, I completely appreciate the revenue growth where we are delivering. Probably in a challenging market we are outperforming, but when it comes to earnings, I think we are catching up on the investment and hence it's dragging the PAT. Do you think FY26 will be a year where we will at least start growing the PAT at the rate of revenue growth?

Ketan Sablok: See, that is what we are expecting. But now, as Mr. Chari just said, we are still awaiting a feedback from Reliance on their EO capacities coming in. If those capacities get delayed by a quarter or 6 months, then our plans of bringing in additional revenue and margins with the additional capacity could slow down a little bit and could get delayed. We will get a better hang of this probably by the end of this quarter or early Q1 as to what Reliance is planning to do with their new expansion. We have timed our CAPEX closer to what we got an understanding from them that their expansion is going to come.

Sanjesh Jain: No, no, I understand you said this when you made the announcement on the CAPEX that our CAPEX will come in line with Reliance's expansion on ethoxylates, which is our EO. Assuming they get delayed by 6 months, do we have any other option in terms of procuring EO or we have to just run an underutilized plant?

Ketan Sablok: We do not have any option because Reliance is the only supplier of EO and we cannot import or transport the EO. We are already discussing with Reliance and we are asking them for a higher share in terms of the EO that they have given us this year. As I said, we will get complete clarity on this probably later end of this quarter or maybe early next year whether they will allot us additional quantities of EO or not.

Sanjesh Jain: And one last point, you said that we have moved to a new office. Congratulations on that, and two new warehouses, which has led to the depreciation, amortization and interest costs, which has gone up. Can you give us how much has that added the cost below EBITDA?

Ketan Sablok: This quarter, if you see, we have this office, and we also took two warehouses near our plant. One for Rossari and Unitop and one for our institutional cleaning business. All these three leased properties, the impact of, you know, they come as an asset and then charged off in depreciation. We had a nine-month charge which has come in this quarter. There is a onetime charge in depreciation of about Rs. 1.5 - Rs. 1.6

crore kind of a number which has come in this quarter. Going forward, the charge that will come in the depreciation will be about Rs. 1.4 crore kind of a number. If you see in totality, this quarter, we have had a total charge of about Rs. 3 crore in depreciation, out of which about Rs. 1.6 crore is a onetime charge.

Moderator: The next question is from the line of Bhavin Soni with Anand Rathi Share and Stock Brokers Limited. Please go ahead.

Bhavin Soni: I just wanted some clarification on which geography specifically contributed to the growth in Textiles.

Edward Menezes: Yes, for the Textile, we have focused on 3-4 geographies in the last quarter. One of them is Egypt. The other is Turkey and the third is North Africa. These were the three geographies that we focused on and fortunately for us the Bangladesh business where we have a new leadership in place, they have also performed well. Even though Bangladesh was a bit disturbed, but still the orders were good from Bangladesh especially because the new leadership has penetrated key accounts and so these orders are also expected to be stable in the near future. And as the dollar crisis in Bangladesh becomes better, I think Bangladesh will also contribute to growth for the Rossari exports.

Bhavin Soni: And just wanted some clarity that you had mentioned that you want to make Bangladesh a Rs. 100-crore geography in coming years. Is that target still intact?

Ketan Sablok: Yes, the target is intact. The timelines have changed. Our plan initially was to do at least Rs. 3 crore - Rs. 4 crore of monthly target in Bangladesh by the end of this year. We have not actually reached that target because of the issues that are there. But we are working on some other plans. We have plan B to address Bangladesh. We are working on that. Our goal of Rs. 6 – Rs. 7 crore of monthly sales to Bangladesh is still there. I think it will take a little more time now given the current situation there.

Bhavin Soni: And sir, with respect to the institution cleaning business, since you mentioned that it's contributing very less on the EBITDA front, what are the targets with respect to where you want to reach on revenue fronts in 2 years? And then how can it contribute in a positive manner to the EBITDA? Like at what size will it contribute positively?

Ketan Sablok: In 2 years, we want this business to be double of what it is today. Our two-year target, if you see, we should be closer to Rs. 450 – Rs. 500 crore kind of a revenue. And we expect that once it reaches that number, it will start contributing to the EBITDA. At least currently at Rs. 200-odd crore, we are already at EBITDA breakeven. Lot of expenses we have already factored in this number. Once this business reaches a size of say about Rs. 500-odd crore, we should see some good EBITDA numbers coming out of this.

Moderator: The next question is from the line of Ganesh Nagarsekar with Bharat Bet Research. Please go ahead.

Ganesh Nagarsekar: My question is regarding the Textile recovery this quarter. As you said, the domestic Textile business is not kind of growing too fast. How sustainable do you think the broader recovery in the Textile segment could be? And over the next few quarters, do we have some visibility about how this segment could perform?

Edward Menezes: Thank you for that question. In the Textile business in the domestic market, we are focused very strongly on the product mix, especially the finishing chemicals. And this quarter and the next quarter, we will be paying additional attention to the pretreatment segment because of our backward integration into surfactants. We have this advantage of our own in-house surfactants manufacturing. We have strategized that. In the next couple of quarters, we will focus on pre-treatment. Here, we have gained traction which has contributed to volumes. However, value is under some pressure. But because the success comes from corporate customers in these segments, in the pretreatment segment where there are continuous bleaching ranges, or continuous dyeing and printing, there the corporate customers, the business is very sustainable. And the corporate customers, they demand a particular quality. And because of this demand and Rossari's ability to provide that quality, we are confident that the growth is going to be sustainable as this business comes from key corporate customers. That is as far as the domestic business goes.

Like I said, in Bangladesh, in Egypt, we have a new leadership. And because of that, we have been able to crack or penetrate a lot of key accounts. And the customers in these countries are large. That means they may be double the size or 4x the size of customers in India. And therefore, that has given an impetus to growth in these countries. And again, just like how we can sustain customers in corporate customers or key accounts, this business is also going to be sustainable. That's the idea. And besides this, the company has also planned to enter the spin finish business for synthetic fibers as well as regenerated cellulose. And we are well on track with this product range and in this quarter, these products are going to be launched, whereas another initiative which the company has done is to produce all the silicon-based raw materials in-house, just like the surfactants we have backward integrated and finally, now we produce all silicon-based products in-house.

Another segment that the company will focus on in the future is coating chemicals in the technical Textiles as well as the silicon wax lubricants. In all, we see that we are very positive about the growth in the Textile business.

Ganesh Nagarsekar: And sir, just a follow-up question on this. You mentioned in the mix we are focusing on the finishing chemical segment. This is typically a higher margin segment, if I understand correctly. Going forward, will this be a larger part of our mix, and will that incrementally help our Textile margin?

Edward Menezes: Yes. That's one of the reasons that we have grown in Textiles because of being able to penetrate large corporates with our finishing products. And the product mix offering will tilt towards finishing chemicals. Having said that, we will also be very competitive in the pretreatment segment because of our backward integration into our own surfactant manufacturers.

Moderator: The next question comes from the line of Nitin Gandhi with Inoquest Advisors Private Limited. Please go ahead.

Nitin Gandhi: I would like to understand what is the team's spend which we have done who are yet to start contributing to the revenues? You said the expense, salary expense and other things have gone up, but if you can quantify to have first out of 120 or 70 people for other than institution.

Ketan Sablok: No, I have not got your question. Can you repeat it?

Nitin Gandhi: Let me reiterate. During the commentary, we were told that approximately 190 people have been hired, 120 in institution and 70 in other. And some of them are yet to start contributing to the business because they are expansion related, which we are coming up in the next quarter and two quarter thereafter. And so basically they are doing the events and other things. I just wanted to know what is the amount spent on these people for which business is yet to flow?

Ketan Sablok: Some of these 110 people that have joined in the consumer business, they have joined over last year and the current year. We are expecting much more contribution from them in terms of top line and revenue. Since they have just joined over the last year, some of them have joined recently, some have joined last quarter. Their actual potential will start showing in the next few quarters, that's what we said, that a lot of investment in people has gone up. And we have also added people in R&D and projects. Some products are coming in. Some products, they will start contributing and developing as the projects come up. I cannot quantify that exactly in terms of numbers that who will give how much.

Nitin Gandhi: There aren't a team which is yet to be for the new products or the new expansion. It's already an institution which is existing that I can understand which will move from Rs. 200 - Rs. 450 crore over the next two or three years. But besides that, is there a team which is yet to have the product or something? Or there is nothing like that?

Ketan Sablok: No, there is nothing. We have, as I said, brought in people in R&D and in projects, these people are in the process. New products will come up. We cannot quantify that number. If somebody is a scientist working in R&D, today he may bring in one product, next quarter he may bring nothing, next quarter he may develop five products. A lot of these investments are keeping in mind the long-term growth story. That's what we have meant when we talked about this.

Nitin Gandhi: Post the expansion two units which are going in next two quarters, what is the peak revenue potential at existing prices?

Ketan Sablok: At peak capacity, they should be closer to 4x the asset turns.

Nitin Gandhi: No, so can you quantify the blocks, what is the total amount spent there?

Ketan Sablok: It's about Rs. 140 crore.

Nitin Gandhi: Rs. 140 crore into 4, maybe Rs. 550 odd crore will flow from that at current prices and institution will give an additional, Rs. 200 crore, right?

Ketan Sablok: Yes.

Moderator: The next question comes from the line of Deekshant Boolchandani with DB Wealth. Please go ahead.

Deekshant B.: Congratulations management as we are also looking for growing opportunities in these environments, firstly is my question on our expenses. Do you think that on our employee benefit expenses and as well as other expenses, is this the peak of expenses that we are seeing or do we think that we need to spend more in order to cultivate our relationships for the new businesses?

Ketan Sablok: See, people cost is such that as we grow, we will have to keep adding resources and resources will not only be in marketing but also in other functions like production, quality, R&D, etc. For me to say today that this is going to be the peak of employee cost would be little difficult, but at least for the next couple of quarters, I think we should be around the same number. Once the projects come in and also as we grow the overall market in other geographies, we keep adding a few people, but maybe the rate of adding people would be slightly lesser than what we have done in this year.

Deekshant B.: Of course. I mean, in order to grow, we must use our resources for sure. The idea of asking the question is that is this the sort of expense that we can plus minus 10% on the plus side for the next 4-5 quarters, do you think that this is the kind of expense plus 10%-15% maximum that we can expect in the going 4-5 quarters?

Ketan Sablok: Yes, at least for the next year we should be around this range plus minus 10%, yes.

Deekshant B.: Sir, the next question is on capacity utilization for HPPC and AHN. Could you like just give us a breakup of what is our current capacity utilization? I am asking this of course post our CAPEX cycle has been completed.

Ketan Sablok: Currently if you see in our ethoxylation business, our capacity utilization is almost close to 80% plus. If I break it down in terms of the companies in Unitop, we are almost at 80%-85% capacity utilization. In Tristar, we are at about close to 90%-95% capacity utilization. In the core ethoxylation, we are almost fully utilized in terms of capacity. That was the reason why we decided to set up this new ethoxylation capacity, that was the plan.

Deekshant B.: Of course, and on our CAPEX right now, how much capacity are we looking to add? And what would be our utilization? I see from our last conference call, we had said that in Q3-Q4, we will be revising, we will be looking at how much more capacity to add. Could you give us some color there?

Ketan Sablok: We are adding about 30,000 tons of ethoxylation capacity. As I said, it will take us about 3 years or so for these capacities to get fully utilized.

Deekshant: When can we see the new capacity actually starting to take the actualization on numbers in our book? I am not saying from a revenue side, but maybe from a cost side. Because of course, adding new capacity will lead to maybe more cost to us on a running basis, right?

Ketan Sablok: Yes, the revenue should start showing up from Q2 of next year.

Deekshant B.: Sir, last question is, basically, apart from our institutional cleaning business that we are focusing on, what other growth drivers should we be looking for in the coming FY or in the coming 5-8 quarters?

Ketan Sablok: I think in terms of growth areas, apart from the institutional business, export is a geography that we are very keen to grow. We have seen a good growth in the last few quarters. And that's going to be one area where we are going to push products across all our verticals. Both HPPC and Textile, the growth in the coming quarters will mostly come, or at a higher rate, it will come from the export. We are already, as we discussed, in the process or have already set up various offices across key locations where we think could be the key business hubs. For Textiles, we are looking at Southeast Asia, Vietnam, Thailand for setting up offices. And for both HPPC and Textile, we are also looking at Turkey where we will be soon setting up a base. And when I say base, I mean, we may have an office with people over there who can help in business development. We have already set up in UAE. These are some of the initiatives which we are taking, keeping in mind the growth that we anticipate in the next 5 years. And as I said, a lot of this will happen through the traction we get from the export market.

Deekshant B.: Sir, just a last follow-up on this particular export front that you have mentioned. Do you think that this EO for us, the next 4-5 quarters is going to be consolidating our forces and expanding on the export, the numbers we might start seeing maybe at H2 of FY26 or is it going to take some time?

Ketan Sablok: You are talking about the export growth?

Deekshant B.: Yes, sir. Because we are just starting the ramp up.

Ketan Sablok: Yes, you are right, it will probably start seeing some good traction H2 onwards.

Moderator: The next question comes from the line of Rohit Nagraj with B&K Securities. Please go ahead.

Rohit Nagraj: Just a couple of bookkeeping questions. One is, what was the exports quantum during this quarter and for the nine months in absolute terms?

Ketan Sablok: Rohit, this quarter we have done about Rs. 156 crore of exports. And for the nine months, we are at about Rs. 405 crore.

Rohit Nagraj: And one last question, in terms of the debtors and inventory, how it has changed over the last three months? Has there been any material changes post the first half?

Ketan Sablok: Debtors has been slightly better for us. Debtor days has come down by about 4-5 days it has come down. Inventories are still high. We have maintained some high inventory because we were getting some raw material at good pricing. As on December end, we had slightly higher inventory level, but hopefully by the end of the year we will be able to streamline the inventories and the receivables for them and bring it in line with or better than what it was last year.

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

Edward Menezes: Thank you everyone. I hope we have been able to answer all your questions satisfactorily. Should you need any further clarification or would like to know more about the company, please feel free to contact our team or CDR India. Thank you once again for taking the time to join us on this call. Good evening.
