

**LAXMI ORGANIC INDUSTRIES LTD**

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May 28, 2024

**BSE Limited**

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**Scrip Code: 543277**

**National Stock Exchange of India Limited**

Exchange Plaza, Bandra Kurla Complex,  
Bandra (E),  
Mumbai – 400 051  
**Trading Symbol: LXCHEM**

Dear Sir / Madam,

**Sub: Disclosure under Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

Pursuant to Regulation 30 read with Schedule III of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), we wish to inform you that the Company participated in the investor conference as given below:

<b>Date and time</b>	<b>Type of Meeting / Event</b>	<b>Location</b>
Thursday, May 23, 2024, at 13:30 hours (IST).	Investor & Analyst Meet to discuss performance for the quarter and year ended March 31, 2024 hosted by Strategic Growth Advisors	Conference Call through dial-in

No Unpublished Price Sensitive Information was shared / discussed in the meeting with the investors.

Further, please see enclosed the transcript of the Investor & Analyst Meet.

We request you to take the above on record.

For **Laxmi Organic Industries Limited**

**Aniket Hirpara**

Company Secretary and Compliance Officer

**Encl.: A/a**



“Laxmi Organic Industries Limited  
Q4 FY '24 Earnings Conference Call”  
May 23, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 23<sup>rd</sup> May 2024 will prevail.



**MANAGEMENT:** **MR. RAVI GOENKA – CHAIRMAN–LAXMI ORGANIC INDUSTRIES LIMITED**  
**DR. RAJAN VENKATESH – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER –LAXMI ORGANIC INDUSTRIES LIMITED**  
**MS. TANUSHREE BAGRODIA – CHIEF FINANCIAL OFFICER – LAXMI ORGANIC INDUSTRIES LIMITED**

**MODERATOR:** **MR. NISHANT DUDHORIA - STRATEGIC GROWTH ADVISORS (INVESTOR RELATION ADVISORS)**



**Moderator:**

Ladies and gentlemen, good day, and welcome to the Laxmi Organic Industries Limited Q4 and FY '24 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on 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. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nishant Dudhoria from Strategic Growth Advisors. Thank you, and over to you, sir.

**Nishant Dudhoria:**

Good afternoon, everyone, and thank you for joining on the Q4 and FY '24 Earnings Conference Call for Laxmi Organic Industries Limited. We have with us on the call Mr. Ravi Goenka, Chairman; Dr. Rajan Venkatesh, MD and CEO; Ms. Tanushree Bagrodia, the CFO. The company has uploaded its financial results and investor presentation on company's website and stock exchanges. I hope everybody had an opportunity to go through the same. We will begin the call with opening commentary by the management followed by Q&A session.

Before we begin, I would like to point out that this conference may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements do not guarantee the future performance of the company, and it may involve risks and uncertainties that are difficult to predict.

I would now like to invite Mr. Ravi Goenka, Chairman for Laxmi Organic Industries Limited, to give his opening remarks. Thank you, and over to you, Mr. Goenka.

**Ravi Goenka:**

Thank you very much, Nishant. Dear investors, esteemed colleagues and partners. I hope this call finds you all in good health and spirits. As you may have seen, the global chemical sector has seen significant headwinds in the last 1 year. Despite the challenges that the summer heat, the election fever and the business climate have brought, I'm pleased to announce that our company has shown remarkable resilience and has delivered results that surpassed industry trends.

This achievement is the testament to our conscious endeavour to create a team which is empowered and committed to driving innovation, efficiency and excellence in all our operations under the able leadership of Dr. Rajan Venkatesh, our Managing Director and CEO, who has actually now completed 1 year in our company. He has played a pivotal role in achieving this performance and transitioned our company to an extremely outcome-driven organization.

Moreover, I'm delighted to welcome Mr. Arun Tadarwal as a member of our Board. Apart from being a highly reputed practicing Chartered Accountant, he brings with him an extensive



experience of being on highly credible boards, such as Welspun Corp, PTC Cables, Bharat Foxconn, Nesco, etc. His addition to our Board underscores our commitment to fostering a governance structure that prioritizes best-in-class ethos, the right culture and professionalism, alongside delivering robust financial results. Thank you once again for your unwavering support.

And we will now proceed with a detailed discussion on our annual performance and the strategic initiatives that will drive our future growth. Over to you, Rajan.

**Rajan Venkatesh:**

Thank you, Ravi. Namaskaram from my side. This time, I'm even more elated for 2 reasons. One is I got to vote after quite a few years. So I hope this goes a long way to nation building. And secondly, as Ravi nicely said, completed 1 year in the job. So it's also a big thank you to my team to manage my eccentricities. As for 1 year, there's a lot to be spoken about, but I think I'll try to keep it in focus, otherwise Tanushree will certainly nudge me in the direction.

I think so let's start with macros, you heard that from Ravi. Certainly, chemicals has not seen the best of the year. Even if you talk beyond the chemical space, you talked about the inflation which has been accompanying us for quite a few quarters, expectation was the Fed toward cut it rates from the current 5.5% by maybe 4 times in the year. That's certainly not yet manifested. So all of that is an important, I would say, placeholder to bear in mind.

The second one, which we also shared last time, is with the entire geopolitics. The way they are lining up with the Red Sea crisis unfortunately not yet abating, we are certainly seeing pains from that impacting the global shipping network with availability, cost and time being impacted.

Coming closer to the chemical industry, I think the big mover was certainly China. If you see since the last quarter, we had this conversation at least we do not hear a big change in the macro environment in China or the micro environment when it comes down to chemicals., Referring then to Europe, which is another important player in the chemical space, natural gas pricing continues to be higher than the pre Ukraine-Russia levels, and that's why high cost lower prices and lower demand certainly makes it more challenging. and there's an excellent paper from SFIC which captures the mood of the European economy.

North America certainly has the advantage of more preferential feedstocks and that's where we see demand in North America continuing to be better as compared to other regions. India continues to be, I would say, a positive lighthouse. We've had domestic demand in the chemical space being good last year in relation to the peers that I just spoke about, and we are also seeing that continue into quarter 1.

So that's the macro broadly. Then coming closer to the feedstocks, and we always talk about 2 key feedstocks. One is ethanol and other is acetic acid. I was looking through the previous last quarter report, and I'm glad that the numbers that we shared were in line with what we landed up, both these feedstocks. So in the SDS, that's ethanol, we were in the range of about \$720 to \$750, and that is what we are also anticipating will continue. This is dollars per metric ton I'm referring to. And when we talk about acetic acid assets, again, from a supply side, there is enough and more capacity out there. We saw in quarter 4, the prices like we had anticipated, were in the



\$430 to \$450 range, and that is what we are also anticipating will persist into quarter 1 of this year. So those are the feedstocks.

Then comes down to the really industry and our customer lens, and let me call out the big ones. I think, again, one big takeaway, and I hope you've had a chance to see the presentation we uploaded, one of the strengths of Laxmi is our diversified industries that we are serving, and also diversified customer base, both domestic and international that we are serving, which I believe is one lever which is keeping us in a good state.

Coming to the specific industry, and I'll call out the key ones. The coatings where we go in with our know-how of formulations and solutions, I think as we also shared last time, we were expecting our quarter 4, which was the quarter 1 for the global innovators, to be better, and that's exactly what we saw. And we also see that now for their quarter 2 and also our quarter 1 now, we are seeing that demand momentum continuing in the coating space.

In the pigment space where we are also a key supplier, we have certainly seen demand improving into quarter 1 of the international innovators domestically and also globally. And we are also certainly well positioned to support them, and that's the same trend when we see into quarter 1.

In the pharma, if you remember last time around, a lot of conversations with customers was the domestic demand was stable, but they were facing challenges on exports. What we are seeing reflected is, yes, domestic continues to be stable, exports are improving, but pricing for their end products continue to be under pressure.

When we come down to the agro, the pronounced conversation in the course of last financial year on inventory is certainly not as pronounced. This is something we also shared in our last con call, but the topic is there is that demand pickup and also the competitive intensity for the end products, for their end products continues to be under pressure. So that's clearly an area we are continuing to monitor, but we are well positioned with all the agro innovators.

Packaging, another important segment that we serve our solutions to. I think reflecting on quarter 4, after the seasonal uptick that you normally see during the Diwali period, especially domestically, we saw the demand calibrating to the normal levels, and that's what we saw in quarter 4 and also as we enter into quarter 1. So that gives you, I would say, a landscape when we talk about customers.

When we talk about competition, and the lens we have always taken is global competition here, not only domestic, we really are able to hold our own. Our results certainly are a testimony that as Laxmi, we are able to hold our own share in the current competitive landscape. We certainly see China not bringing in "material" into India, especially into our essential space.

Where we tend to see them is more in the export areas, but our lens is also wide the narrative of overcapacities in China. Given that China's demand remains very muted post COVID, I think we are seeing that maybe the prices again this is our lens that prices may have plateaued out, but this is again a wait and watch, but that's the lens we are hearing, both when we speak to the market, customers and all the other market players.



Then coming closer to home projects, and I think I'm sure top of the mind is the project which is also close to our heart, our fluoro intermediates, where we have now nestled it in what we say site three, that is our Lote new setup. We were very transparent to say that project has got an escalation to INR550 crores cost to complete, and I'm very glad to report that we have achieved our revised time lines, both on a cost and also the mechanical completion of majority of the assets there.

So that focus is the ramp-up will happen in FY '25, that will be our first full year of ramp-up, and FY '26 and '27 the 3-year period still holds, and we are very happy to really bring that on board as part of the Laxmi family and actually bring in a new range of products from a technology and a market lens to our customers.

We've spoken about the first wins already last time, first product qualification, qualification for new agro intermediates, signing a new contract with an MNC with an adjacent technology beyond what we had purchased. And I think the new update we would like to provide is we dispatched on-spec product to a key customer in quarter 4 of FY '24. So that keeps us in good stead and gives us confidence as we take the important steps in this journey of ours.

The other very important project is Dahej, which is now site 4 from our lens. So we have done a bit of a site rebranding, as you can guess. I think we have what we parked with you is that we are working very diligently to receive the relevant approvals. And I think we have received the first round of relevant approvals. That is the inorganic CTE, which will basically enable us to start construction. We also had the unique privilege do to the Bhumi Pujan on the auspicious day of Akshaya Tritiya, which was 10th of May, I think, so hopefully, the stars are aligned and we are really embarking on a good journey for us for years to come from the Dahej lens.

Now very quickly, also then reflecting back over the last 1 year, again, I gave a lot of kudos to my team to manage my style and my eccentricities, but again, on a more stronger note, we really took a lot of focus. What all did we do? We focused on our strategy. So what that employed was, what is the game we play?

What is the strategic relevant markets we are actually active in and want to be active in? What is our right to win? We did an excellent cost benchmarking. We spoke to customers. We really redefine our business models from a lean and reliable to a standard package to a fully customized solution provider. And that's all we said, we are 'Geared to win' and we are 'Geared for Growth'. That's how we set up our organization at Essentials and Specialties.

We are focused on talent, and talent while is a broader landscape. We really one of our key focus was bringing in more gender diversity, more female talent. I'm very glad to reflect that today, as we speak, 8% of our workforce at Laxmi are female employees. And a big chunk of that jump has really come in our manufacturing, not in RHO. And actually, and as we very continuously discuss in our organization, attraction is only the first part in a longer journey. Providing the ecosystem and retaining this talent is going to be an all important element which we are committed to.



Culture, I think, really, we are focusing a lot more on leading indicators in every gamut of what we are operating, and more importantly, our culture, as they say, culture starts from the top. So me and my leadership team are also really working as one A team. And I can just call out one thing which we all agreed to as a leadership. As we embark, there will always be topics where we may have disagreements, we may have different views. We said, what we do is we see it, we say it and we fix it, and we do that in 24 hours. So it starts with us, and I believe that will really percolate into the organization.

And I would say another element was execution excellence. We spoke about that pretty extensively in the course of last year where we had project overruns and also operational excellence, which has really provided us great dividends into the previous financial year, and will continue to provide us dividends into the years ahead. I must say I'm very glad to have a new member of my leadership team, Mr. Salil Mukundan. He comes with 35 years of very strong experience, and I always jokingly tell Salil, I hope you read the fine print. There's a lot of things we are expecting of him, and we'll support him to get us going in the right direction.

We have also since this is the end of the year, we've also taken the liberty to really share with all of you the CSR thrust areas that we have been investing in Laxmi for years on the thematic of sustainability in the ecosystems that we operate, health education and water. I do hope you've had the time to go through that. We are super proud and we remain committed to embarking on this.

Last but not least, I cannot stop by concluding what gives me the biggest thrill. Apart from the fact that we have delivered robust volume, profitable growth, I think what stands out for me is the cash flow from operations. Really in a year where we are in a capex cycle to be in the range of INR500 crores, close to INR600 crores is something that is very, very credible and will keep us in a good stead.

As we have started the financial thing, that's a great to segue for me to pass it on to Tanushree. Tanushree, the floor is all yours.

**Tanushree Bagrodia:**

Thank you, Rajan. Ladies and gentlemen, thank you for joining us this afternoon. As Rajan mentioned, financial year 2024 for Laxmi Organic Industries was a year of focusing on our strategic priorities, and top of that was operational and execution excellence. The operational excellence focus has resulted in the company increasing the volumes dispatched consistently quarter-on-quarter throughout the year. For quarter 4 of financial year '24, the overall volume dispatched increased by 14%, while for the quarter, on a year-on-year basis, the volumes increased by 23%. These additional volumes come without capacity additions in the fiscal.

In addition to the volume increase, the product mix for the company has also improved. In the Essentials BU, the share of new products on a larger volume has increased 2% quarter-on-quarter. And in the Specialties BU, the improved product mix has resulted in continued robust growth in top and bottom line. These efforts have resulted in the total income for the stand-alone entity for quarter 4 of financial year '24 at INR826 crores, which is 18% higher quarter-on-quarter and 15% higher year-on-year for the quarter.



Operational excellence and the improved product mix have resulted in a higher gross margin for the quarter at 36% versus 32% in quarter 3 of FY '24. The quarterly EBITDA at INR106 crores is 50% higher quarter-on-quarter and 44% higher year-on-year for the quarter.

The company has filed an insurance claim pertaining to the floods in July 2021 at its site 2 in Mahad. The stock portion of the claim and the loss of profit was settled in Q4 FY '24. The loss of profit has increased the EBITDA by INR10 crores. After adjusting for the loss of profit impact, the growth in the EBITDA is 36% quarter-on-quarter and 31% Y-o-Y for the quarter.

Finance costs for the stand-alone entity is 36% lower quarter-on-quarter and 50% lower year-on-year, driven by higher imports. The resulting profit after tax for the stand-alone entity for the quarter at INR55 crores is 41% higher quarter-on-quarter and 112% higher year-on-year for the quarter. The stand-alone entity for the full year FY '24 for the top line at INR2,873 crores, which is 6% higher than the full year of financial year 2023. This top line increase is driven by higher volume sales in both BUs. Further, the coal price reduction has resulted in approximately INR25 crores savings on power and fuel, despite the higher volumes produced.

Other expenses also have seen INR6 crores improvement, which is largely driven by an improvement in the freight costs year-on-year. The combination of these factors has resulted in the stand-alone entity having a full year EBITDA at INR319 crores, which is 17% higher than FY '23.

Once again, adjusting for the loss of profit impact, the EBITDA increase year-on-year for the stand-alone entity is 13.5% year-on-year. The depreciation has increased given the full year capitalization for the 2 projects at Site 2 in Mahad that came onstream in Q3 and Q4 for FY '23. The finance costs has remained almost flat, leading to a PAT of INR156 crores, which is 16% higher versus FY '23. The payable days has improved due to higher imports. The inflow from insurance claim and the optimized working capital has generated INR560 crores of cash flow from operations for the stand-alone entity, which is 175% higher year-on-year.

Coming to the consolidated results, On a consolidated basis, the top line of INR800 crores for quarter 4 of FY '24 is 14% higher quarter-on-quarter and about 9% higher year-on-year for the quarter. Gross margin at a consolidated level is 37% for the quarter versus 31% for quarter 3 of FY '24 and 34% for quarter 4 of FY '23.

The EBITDA at INR98 crores is 70% higher quarter-on-quarter and 52% higher year-on-year. Adjusted for the loss of profit impact, the consolidated EBITDA of INR88 crores is 53% higher quarter-on-quarter and 36% higher year-on-year for the quarter. The depreciation on a consolidated basis has increased quarter-on-quarter given the capitalization in the subsidiary. The consolidated PAT for the quarter at INR44 crores is 64% higher quarter-on-quarter and 83% higher year-on-year for the quarter.

Total income of INR2,893 crores at a consolidated level for the company is a growth of 3% year-on-year, largely driven by the performance of the stand-alone entity. While the gross profit margin remained flat year-on-year, the coal price reduction of INR23 crores and a reduction of other expenses by INR21 crores has led to an increase in the EBITDA. At INR284 crores, the





consolidated EBITDA is 11% higher year-on-year, and adjusted for loss of profit, the EBITDA is 7% higher year-on-year.

Annual depreciation at a consolidated level has increased by INR34 crores, largely due to the subsidiary capitalization in FY '24, leading to a PAT of INR120 crores, which is in line with the PAT of FY '23, which was at INR124 crores.

Active inventory and receivables management has led to a release of working capital at the group level. And thus, the cash flow from operations at a group level for the financial year FY '24 is at INR598 crores, 140% higher year-on-year. This improvement in the cash flow and operations, as Rajan mentioned, supports the company in our growth capex endeavour and ensure that we maintain our commitment to a prudent debt-to-equity ratio.

Given the strong cash flow from operations and the robust profitability, the Board has recommended a dividend of 30% of face value per share, with a total payout of INR16.5 crores. Lastly, the Board has approved the merger of the wholly-owned subsidiary at Lote, Yellowstone Fine Chemicals Private Limited, into Laxmi Organic Industries. Not only will this merger be more efficient from a capital funding and asset utilization perspective, but also rationalize the corporate structure, resulting in savings of administrative and compliance costs.

With this, I hand over to Nishant.

**Nishant Dudhoria:** Thank you. We may now begin with the Q&A session.

**Moderator:** The first question is from the line of Ankur Periwal from Axis Capital.

**Ankur Periwal:** Congratulations on a decent set of performance. First question on the AI part. How has been the volume growth in FY '24? And how much further capacity headroom do we have in terms of volume and the growth here?

**Tanushree Bagrodia:** Ankur, Tanushree here. Ankur, the volumes on our Essentials portfolio has grown about 20% year-on-year. And as we've stated in the past, we continue the debottlenecking exercise, and we can continue to debottleneck to say, about 5% annually. The continuous operational excellence program that we have running focuses majorly on these aspects. and hence, the volume increase comes without any additional capitalization.

**Ankur Periwal:** Correct. And this 20% volume growth is for the full year, right, not for the quarter?

**Tanushree Bagrodia:** It is for the full year. Quarter-on-quarter, like we mentioned, it is roughly about 14%.

**Ankur Periwal:** Okay. Secondly, on the Specialty Intermediate business, how has been the customer feedback there? You did allude towards slowdown in agro overall as a market. But if you can share some thoughts there in terms of how the demand outlook is across the existing as well as the older products?

**Rajan Venkatesh:** So the first is, I think our results speak for itself. The fact that we are able to grow volumes from our asset base enable to place them with our customers, I think I hope that is perceived as a real



testimony to our robustness. So as we also have shared in the past, we are nicely pegged and hedged when we come into our Specialties segment. So we have about a 25%, give or take, exposure to agro. We have 25% to pharma. We have 25% to what we say is pigment solutions, and we have 25% exposure to industrial formulators. And under industrial formulators is the whole case segment, coating segment.

So I think that is what is giving us, I would say, the leverage to play this. We are consciously finding the right balance and also the customer mix across these segments to move along. I hope I gave you insight into what we are hearing from our customers in the various segments. So I'm wondering would you like me to repeat that specifically, but I thought I'd given you a flavour of what we saw and what we are expecting moving ahead from the key segments that we are serving.

**Ankur Periwal:** Sure, sure. Just a follow-up on that. In terms of demand uptake, because this quarter, we have seen decent growth, especially in SI business, both on revenue as well as on margin front. So how does one look at it? Is there a seasonality handle to it? Or broadly, this is the broader run rate that should continue going ahead in FY '25 as well?

**Tanushree Bagrodia:** So I'm going to -- let me just give you some statistics, right? So I think we've shared that and it's there on the presentation that the revenue from the Specialties BU has increased 15% year-on-year. Even if you see quarter-on-quarter, there has been a robust growth in the sales. Even year-on-year for the quarter, there has been accrued. So the endeavour is that we continue to grow this business in line with keeping a diversified customer and industry base.

**Rajan Venkatesh:** And to add to that, the capex that we have earmarked for Dahej is certainly an expansion of our capability for the keeping value chains, which will also keep us in good stead to further penetrate these segments and expand.

**Moderator:** The next question is from the line of Ronak Chheda from Awriga Capital.

**Ronak Chheda:** Congratulations on the results. My first question is broadly on the industry, where we've been adding a significant capex over the next 2 years. And when we hear your peers in the domestic market, even they are putting up a significant capex. So how should we think of the industry capacity? Will we have a period where there will be an overcapacity? Do we see that as a risk? That's the first question.

**Rajan Venkatesh:** Yes. First and foremost, as I have always shared, and I think I have the unique privilege of coming with the experience of running a global business and not necessarily running only an India business or an Indian company, and I think that's what gives me an interesting thing. It's a fair question. I think, as we have always said, first and foremost, independent of capacities, overcapacities, one needs to clearly understand what is one's right to win. And that comes from your technology edge and that comes from your cost positioning.

And you will see that and you're experiencing that as we speak, right, in a product like ethyl acetate, if you look at the landscape of suppliers just domestically, right, you will find a plethora



of up to 15 of them, many of them having subscale capacities and as you see the margins evolving, you see some of them being not competitive and actually turning down their assets.

So I think that will be always the lens. Even today, as we speak in certain segments now, if you take a global lens, there are especially even more upstream, I'm talking about crackers, polyolefins, monoethylene glycol, a lot of those value chains, we will certainly we already see overcapacity.

And that is why prices are suppressed as we speak. So hence, for us, as Laxmi, and I can really talk only about Laxmi is, when we are being very, very clear, do we have a right to win. And when I talk about the right to win is really from a cost positioning perspective, and our right to win is are we clearly serving our customers' needs. So that's what is giving us the comfort that we are well positioned to ride this wave, and that's why we are investing.

**Ronak Chheda:**

Understood. That's a fair assessment. Just on global opportunity, just from an exports point of view, where you would be competing directly with the Chinese peers, right, how are you seeing competitive intensity largely in the 4 subsegments which we've talked about? Where do you see just from this right-to-win lens where we could have a significant play?

**Rajan Venkatesh:**

I think so let's stay with Essentials because the business model is distinctly different, right? And I know the colleague from Axis was still referring to AI and SI. I think they have been associated with us for a long time. So we call it Essentials and Specialty. So in the lens of Essentials, we were always having a good exposure to exports and that's also seen in the presentation that we highlighted. And if you look at the previous financial year, we consciously took a step back because we found the demand shrinking.

And when you see the demand shrinking, you find people at times taking arbitrary decisions. We felt it did not make business sense. But in quarter 4, we have seen also exports kicking in. So in our Essentials portfolio, we have 30% of our business. If you look back historically, and if you see the run rate is what we will strive for and as primarily ethyl acetate to begin with as a key product. So that already, I hope, gives you a sense of what is our right to win.

And secondly, also the fact that despite certain overcapacities in China, you do not see imports of ethyl acetate coming into India is I also believe a testimony to our spend to operate and right to win and exist in this market. Specialty is a very different ball game. It is all about what is the functionality our products are offering.

So in fact, we are very glad to share also that in one part of our Specialty portfolio, we are serving Chinese customers. While the narration is always China coming here, that is also going to show the differentiated and strength in certain parts of our portfolio in our Specialties, that is providing us again a right to win.

And the prices again, it is very much on the Specialties space as we have also shown you in the triangle, the topic from customers is reliability in supply, especially with also the Red Sea crisis and others. Again, the sense of having not just in time, but just in case in certain segments of the industry is popping up. We will need to see how that evolves. And the topic is more about the



functionality and are we able to support their requirements. So that's how we see at this point of time between the Essentials and Specialty, and that is what you also see getting reflected in our share of domestic and international.

**Moderator:** The next question is from the line of Nitesh Dhoot from Dolat Capital.

**Nitesh Dhoot:** My first question is on the fluorochemicals. So how do you see the fluorochemical ramp-up in FY '25? You've signed a contract with an MNC for delivery in FY '25. So if you could just elaborate the size of the contract. And on the duration, is it only FY '25 or beyond the same?

**Rajan Venkatesh:** Nitesh, thanks for the question. So let me first address this broadly. So the asset that we have established in Lote, what we have always mentioned is we will take 3 years to ramp up that facility, and that will provide us a peak revenue of INR200 crores. The effort in the last financial year was to really bring this project in control, which we have done, and we are very happy and a big shout out to the team who has been an enabler to make that happen.

What has this also provided is that now customers are viewing us as a very credible player. And hence, that's where we got an opportunity, which we called out last time, that with another MNC which is an adjacent technology where we have signed it off. I must confess, I would like to keep the details of that at bay.

I hope you can respect that because we are still in the competitive landscape, and I do not want to throw out too much there. But I think the 2 elements what I want to talk with you, our line of sight for the INR200 crores remains in good stead with the mechanical completion of all the key assets that we have done at our current noted sites and new opportunities are coming our way. And that's how I believe you should view it.

**Nitesh Dhoot:** Sure, sir. Sir, on the capitalization for FY '24, roughly around INR270 crores, INR275 crores. So of this, how much would be fluorochemicals? And what will be the remaining part, if you could just share?

**Tanushree Bagrodia:** So Nitesh, we capitalized about INR190 crores at YFCPL or in the subsidiary. The rest, capitalization shows, like I said, from the 2 large projects in at site 2 that got capitalized in Q3 and Q4 of FY '23 and then there are smaller capitalizations that have flown through. If you would want a very detailed breakdown of that, happy to sit with you and give you that.

**Nitesh Dhoot:** Sure. Just one last question, if I may. On the working capital side, the improvement was primarily led by the payable days. So there's a sharp increase in the payable days. If you could just elaborate on the same and also on whether such elevated payable days would be sustainable? Or will it come back to the normal levels in due course?

**Tanushree Bagrodia:** So that's a very fair question, Nitesh. If you look at FY '23, right, in FY '23, what was happening is that a lot of our purchase, especially for ethanol, was domestic. And in the domestic landscape, when we purchase ethanol, we'll end up paying advance on and we borrow working capital.



While when we import, we buy on an LC basis. Now what has happened is that in FY '24, not only had we bought almost about 95% to 97% of ethanol as imports, but we've also consciously realized that unless there's a major price arbitrage, it may make sense for us to continue to import. As that trend continues, our payable days will continue to be, as you see currently.

Having said that, it will only be complete to say that while we do see this impact over a period once this LC unwinds the sale, the payable days does come down. So while over a period, you will see better cash flows from operations, there will be times when they are very high and then they are normal. So we've got to look at this from an average perspective and not at a period of time perspective.

**Moderator:** The next question is from the line of Aryan Bhakoo from Mehta Equity.

**Aryan Bhakoo:** First of all, congrats on good set of numbers. Actually, we have just added your company to our watchlist. So can you just help me understand the ethyl acetate business, like what are the margins that are the in this business and the revenue contribution?

**Rajan Venkatesh:** Let me take that first. So I think one is, I would say -- as I said, please give us some right to exist also. If we keep everything on the open, that makes it too easy for competitors, right? So I think -- so the ethyl acetate, as we said, again, let's start with the business model. When we have spoken to customers, what are customers seeking of us as a reliable supplier? One, they talk about they want predictability in supply chain guarantee. And the second element is they talk about competitiveness in pricing. The third element they also remind us is their demand is growing. So they are also looking at a partner who can support their growth. So I think that is going to be the first thesis.

The second one, as in a lean and reliable business, which you might well know, is you require an end-to-end agility right from your buy pattern to the way you are looking at cost positioning, your technology differentiation, and that's what gives you the right to say that even in certain times, and I gave this example in the call, that why we do not see any Chinese material coming into the Indian market is a case in point. So you need to understand what is the right to win when you are playing in this market.

The segments we are going to, it's again very diversified. It's part of our presentation and the big call-outs like packaging is there you've got agro, you've got pharma, you've got the perfumery, so it's coating. So you've got such a very large diversified segment, which is also giving us from an accessible market or a strategic relevant market, a big scope to play with, both domestically and we are also exporting. We are the largest exporter from India of ethyl acetate, as one specific example.

**Tanushree Bagrodia:** Just to add to that, right, I think we've been stating this for the last few quarters that on our Essentials portfolio, we want to diversify our product profile. And that's something that we've achieved. Also, I think if you look at our past presentations, you will see that in the Essentials BU, we have said that we will look at targeting a 3 to 5x asset turn and an 8% to 12% EBITDA margin.



- Aryan Bhakoo:** Right. Okay. And I see the ethanol is the main raw material for ethyl acetate, right. And so what has been the trend of ethanol in the last few years and what the future holds, like just your comment on it?
- Rajan Venkatesh:** Sorry, can you just repeat your question, please?
- Aryan Bhakoo:** Sure, sure. I'm saying, ethanol is the main raw material for ethyl acetate, right? So what's been the impact of ethanol in the past few years on this and what the future holds? Recall this is something that can have a big uptick in your business, right?
- Rajan Venkatesh:** No. So I think one needs to understand again, when you're running a business like lean and reliable, again, as I said, ethanol, for more clarification, ethanol is not the only raw material. Acetic acid is as important of raw material. You've always got the energy cost that you heard from Tanushree.
- The important element is independent of how prices are moving on the RM side is what is the flexibility you have to pass them through. That is the criticality. So are you having the best buy side? And are you having really the flexibility in the sale side. And the way we have designed, I think we have already brought in that flexibility. And that's why you can really look back at history, and we have also shared in the July quarter 3 '24 the history thereand maybe you can have a reference to that one.
- Aryan Bhakoo:** Okay. That's really helpful. Just the last point. What's the capacity that we are looking for in the next financial year? And if you can share, what's the specific capacity for ethyl acetate?
- Tanushree Bagrodia:** We don't share specific capacity. And as an organization, we don't give guidance. And as you have just started following our company, if you have any more questions, our request is you get in touch with our IR colleagues at SGA and they will help you understand a little more.
- Moderator:** Ladies and gentlemen, this will be the last question for today, which is from the line of Sanjeev Damani from SKD Consulting.
- Sanjeev Damani:** Actually, I had a lot of questions, but one very good direction has been given that I can refer to IRA, I mean Investor Relations agency for more details. Actually, one clarification I would like to see. Today also, are we import dependent for certain products that we manufacture or as raw material for our final product? Or are we fully able to procure locally all our raw materials?
- Tanushree Bagrodia:** Sir, as we've discussed, we do import, and we do plan to continue to import our major raw materials.
- Sanjeev Damani:** But are the products that we are consuming as raw materials imported? Are they available in India or we have to only import them?
- Rajan Venkatesh:** So I think it's a very important element. Thanks for the question again. But the very important element, as I said, is the excellence in end-to-end steering. What we will always look for is various economy of scale and competitiveness. In India today, for many of these key building blocks, we do not have economy of scale capacities. Just to give you an example, Celanese,



which is one of the largest producers of acetic acid, recently opened up a new facility of 1.2 million metric ton capacity in North America. The capacities in India are 1/10 of that. So I think so for us, the lens is always to be from -- at the end of the day, we want to be competitive and support our customers. So we need to find the right levers to make that happen.

**Sanjeev Damani:** Agree, sir. I mean as such available here , but not at competitive prices.

**Rajan Venkatesh:** and not at the scale.

**Sanjeev Damani:** Right, right, right. These days the prices of acetic acid and all have gone down. And one word I have heard is ethanol. So ethanol is the one which is being mixed with the petrol, that is also our raw material or it is some other product, sir?

**Rajan Venkatesh:** So there are various grades there. So you're correct. So there is a percentage which goes into fuel blending, but there is also a percentage that comes into the consumer side and there's a percentage that goes into the industry side.

**Sanjeev Damani:** Okay. So we are importing ethanol also or we are procuring...

**Rajan Venkatesh:** Yes. So we are primarily importing. So if you specifically talk about FY '24, as you heard from Tanushree, a big chunk was imported. We, in fact, run two facility but that's a smaller part of our captive. Majority is procured from the open market.

**Sanjeev Damani:** Okay. Sir, if I can understand Essentials, when you use the word, so is this a chemical name or we have given this name to our product?

**Rajan Venkatesh:** So Essentials is not a chemical name. Essentials is basically the business unit. And I would request if you could refer to our July FY '24 presentation, you will get more insights of how we have defined our 2 BUs at Essentials and Specialties. These are really coming from customer interaction models. And that's how we really bucket our offerings in both these segments as Essentials and Specialties.

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

**Rajan Venkatesh:** Thank you. So I think -- thanks a lot for joining in. Again, let me, first and foremost, conclude a few things. One is healthy cash flow from operations at close to about INR600 crores for FY '25 will fund our growth projects. Our hedged product portfolio catering to diverse industries across geographies. Ongoing capex to serve our customer needs will all deliver future growth. With this, we are 'Geared to win' and 'Geared for growth' and remain committed to create long-term value for all our stakeholders.

At this point of time, I would also like to call out our customers for valuing us, our shareholders for trusting us, my team for their commitment, our communities where we operate for working with us, and last but not the least, the Board for their unwavering support. With that, thank you all. Have a great day ahead.



*Laxmi Organic Industries Limited*  
*May 23, 2024*

**Moderator:**

Thank you, members of the management. Ladies and gentlemen, on behalf of Laxmi Organic Industries Limited, that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.