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May 21, 2024

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(Listing Department)
P. J. Towers, 1st Floor,
Dalal Street, Mumbai – 400 001.

National Stock Exchange of India Ltd.
Listing Department,
Exchange Plaza, Plot No. C/1, 'G' Block,
Bandra-Kurla Complex,
Bandra (East), Mumbai – 400 051.

Scrip Code: 524200

NSE Symbol: VINATIORGA / Series: EQ

Dear Sir/Madam,

Sub: Transcript of Investors Conference Call

Please find enclosed transcript of conference call with Investors which was held on May 17, 2024.

You are requested to take the same on record.

Thanking you,

Yours faithfully,
For **Vinati Organics Limited**

MILIND
ARVIND WAGH

Digitally signed by
MILIND ARVIND WAGH
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“Vinati Organics Limited
Q4 FY’24 Earnings Conference Call”
May 17, 2024



MANAGEMENT: **MRS. VINATI SARAF MUTREJA – MANAGING
DIRECTOR AND CHIEF EXECUTIVE OFFICER – VINATI
ORGANICS LIMITED**
**MR. N. K. GOYAL -- CHIEF FINANCIAL OFFICER –
VINATI ORGANICS LIMITED**
**MR. KAVIRAJ DEVARAJ – VICE PRESIDENT
CORPORATE FINANCE – VINATI ORGANICS LIMITED**

MODERATOR: **MR. ARCHIT JOSHI - BATLIVALA & KARANI
SECURITIES INDIA PRIVATE LIMITED.**



Moderator:

Ladies and gentlemen, good day, and welcome to the Vinati Organics Q4 FY24 earnings conference call hosted by Batlivala & Karani Securities India Private Limited. 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.

Please note, due to time constraint, the duration of this call will be only 30 minutes. I now hand the conference over to Mr. Archit Joshi from Batlivala & Karani Securities India Private Limited. Thank you and over to you, sir.

Archit Joshi:

Thanks, Seema and good evening everyone and thanks for attending the Q4 FY24 earnings call of Vinati Organics Limited. From the management we have with us today, Mrs. Vinati Saraf Mutreja, Managing Director and CEO, Mr. N. K. Goyal, Chief Financial Officer and Mr. Kaviraj Devaraj, Vice President Corporate Finance.

We thank the management for giving us the opportunity to host the call. I would like to hand over the floor to Mrs. Vinati for her opening remarks, post which we can have a Q&A discussion. Thank you and over to you, ma'am.

Vinati Saraf Mutreja:

Good afternoon everyone and thank you for joining the conference call. Let me first give you a brief view of the financial performance for the quarter as well as the year ending 31st March. Also note that in Q3 since the scheme of amalgamation with Veeral Additives was finally sanctioned and approved with effect from 1st April 2021. Accordingly, the financial results and other information for the quarter year to date and the year ending March 23 have been restated to take into account the merged entity.

Now starting on a sequential basis of Q4 FY24 compared to Q3 FY24 the total income this quarter stands at INR560 crores as against about INR457 crores in the previous quarter which is a 23% increase. EBITDA is at INR160 crores as against INR123 crores in Q3 which is a 29% increase. PAT is at INR104 crores against INR77 crores which is about a 30% increase.

Now coming to the year versus year FY24 versus FY23, the total income in the financial year 24 decreased from INR2100 crores approximately to INR1930 crores which is about a 9% decline. EBITDA decreased from about INR620 crores to about INR509 crores which is a 18% decline and the PAT decreased from INR419 crores to about INR323 crores which is a 23% decline.

Now I will give you a brief overview of the operational performance and the current business environment. During this fiscal year while overall in the year ATBS sales were down compared to last year, but however as mentioned in the previous earnings call ATBS sales have now normalized. The destocking is over and as you can see in the results of Q4 we are seeing a recovery. We anticipate the demand for ATBS remaining strong and this should lead to a robust double digit growth in ATBS sales in the next fiscal financial year.

Our global market share also in ATBS remains unchanged at 60% to 65%. Butyl phenols has been a revenue contributor this year. The sales were approximately INR300 crores coming from this segment. We saw good growth and we expect this business to continue delivering growth in the next financial year as well.

Coming to isobutyl benzene, IB and other customized products, these products have remained flattish this financial year compared to 2023. However, this basket of customized products which contains some niche products is expected to give us a steady EBITDA and income flow. Over the last four years, this basket of products has doubled in revenue to about INR150 crores and we expect good growth in the coming years as well.

Now coming to the antioxidant business, the revenue in this financial year was about INR130 crores. The value synergies are growing from a doubly backward integrated plant and our efforts have led to our presence being felt in the domestic as well as the export market in this segment.

Even though the demand for AO is still going through a weak period, we anticipate scaling up our AO sales quite significantly in FY25 and we expect it to be a growth driver for the company. Our research and development department is also working on adding more antioxidants to our product portfolio and the long-term outlook for AO remains positive.

This financial year, we did a capex of about INR360 crores some of it in our subsidiary VOPL and some in Viniti Organics itself expanding capacity as well as adding some new products. VOPL which is a 100% owned subsidiary, is of course into the manufacturing of niche chemicals. The total capex in VOPL will be approximately INR500 crores, mainly consisting of anisole, MEHQ Guaiacol, 4'-Methoxyacetophenone and a couple of isoamylene derivatives.

These products are used in polymerization inhibitors, oil-free resin, flavors, fragrances, personal care and pharmaceuticals. One plant in this product portfolio making MEHQ Guaiacol was commissioned in March. However, since it is recently commissioned we are still working on getting our product tested and sampled with customers as well as we are working on enhancing the yield and efficiency of the plant.

We expect revenue contributions of any significance really only coming from the second half of financial year 2025. We also expect the other products, the anisole, 4-methoxyacetophenone, tertiary amyl alcohol as well as para tertiary amylphenol to be commissioned in the second half of this financial year.

Similarly, the ATBS expansion is expected to be completed somewhere in the second half of financial year 2025. The overall capex in the coming financial year should be around INR550 crores including the subsidiary. As of today, we have commissioned total approximately 33 megawatts in solar power which helps us in reducing emissions as well as reduces our dependence on conventional sources.

We expect to have maintain a revenue CAGR of approximately 20% over the next 3 years mainly driven by the new products as well as some of our existing products. That's about it from my side and we are now open to Q&A.

Moderator: Thank you very much. We will now begin with the question and answer session. We take our first question from the line of Surya Narayan Patra from PhilipCapital India Private. Limited. Please go ahead.

Surya Narayan Patra: Thanks for the opportunity, ma'am. And first, congratulations for the great set of numbers. My first question is on the ATBS. It seems that we have seen very strong recovery the way that you have guided long back post the inventory rationalization.

Fourth quarter should be seeing a kind of strong recovery and exactly that is what it is looking like. So now after this performance, what would be the kind of revenue mix that we would have seen from ATBS in this first quarter, ma'am? That is the first point.

And secondly, you have also indicated about the capacity execution happening, the expanded capacity execution happening in the second half. So it seems that you are preponing your project execution in the ATBS front. So how to read whether the demand visibility or the recovery is really strong than expected or how is it?

Vinati Saraf Mutreja: See, ATBS overall this financial year contributed about 32%. Even in Q4 it was similar because even butylphenols and antioxidants have contributed to the revenue. The demand is looking strong and we want to commission our new line as soon as possible, but due to delivery constraints of some of the equipment that we have ordered from Europe the plant I do not think will start before December or January. That is what realistically it is looking like.

Surya Narayan Patra: Okay. And then if that is the case ATBS remaining at whatever 30% level, slightly more than 30% level utilization for the quarter. The margin improvement sequential what we have seen that is looking really interesting.

Also possibly because of the saving on the power and oil front what we have seen because of the solar initiatives. So if you can give some sense what has driven the sequential recovery in the margin whether you have seen some price recovery in your product in general or it is the improving product mix or it is something else that would have contributed to the margin?

Vinati Saraf Mutreja: Honestly, generally it is just the volume recovery. Demand was suppressed last year in the calendar year 23 and mainly because like I said in 22 customers bought too much and they were sitting on a lot of inventory in the beginning of 23 and once that stock got consumed and so the demand came up. So we are really seeing volume recovery across of course ATBS, but also butylphenol saw a jump in volume and most products we are seeing good growth in volume.

Surya Narayan Patra: Okay. So just one last question from my side, ma'am. So in fact the **margin [inaudible 11:30]** strong then because if we are trying to achieve or going back to the kind of normalized revenue mix from the ATBS then obviously the product mix is likely to improve compared to last year and on the other hand on the antioxidant business front, we are likely to see the full end-to-end integrated benefit also from IV to butylphenol to then antioxidant. So these two put together, don't you think that the margin scenario could be meaningfully different for FY25 compared to last year?

- Vinati Saraf Mutreja:** I expect to maintain or to see EBITDA margins in the range of 26% because this is how the product mix is going to stay going forward. Butylphenols, antioxidant businesses they have a different margin profile. So I don't see the margin really changing much and I wouldn't change it in my projection.
- Surya Narayan Patra:** Sure, ma'am. Yes. Thank you. Wish you all the best for the strong set of numbers.
- Moderator:** Thank you. We take the next question from the line of Abhijit Akella from Kotak Securities. Please go ahead, sir.
- Abhijit Akella:** Yes good afternoon and thank you so much for taking my questions. The first question was just on the revenue breakdown for the quarter and year while you gave us ATBS. Would it be possible just to share the others as well, the key ones for the quarter and year?
- Vinati Saraf Mutreja:** I'm not going to share specific product-wise numbers or breakups or margins.
- Abhijit Akella:** Okay. All right. Fair enough. The other thing was just with regard to butylphenols how much more growth is possible in fiscal 25? Are we where are we in terms of capacity utilization there?
- Vinati Saraf Mutreja:** Yes, sure. So in FY24, we were at about 65% 70% capacity utilization in butylphenols. We are already seeing it close to 100 this quarter.
- Abhijit Akella:** Understood. And on VOPL with the second half start-up commercial sales, is there any numbers which we can work with for fiscal 25 and then maybe 26 sales for that business?
- Vinati Saraf Mutreja:** See, one can expect sales to double, at least double. I mean, we did INR130 crores. I think we should do close to INR280 crores, INR300 crores this financial year.
- Abhijit Akella:** Yes, got it. Sorry, I was referring to actually Veeral Organics.
- Vinati Saraf Mutreja:** Veeral Organics, I don't think see I don't think you can take meaningful sales this year. Maybe I have sales of is this correct In FY25 maybe INR100 crores not even 100. INR50 crores they are saying because the other products will get commercialized only by December, January. So it's not going, mostly the revenues will come in FY26.
- Abhijit Akella:** And what would the peak revenue potential be for that business? You had about INR500 crores, 1 is to 1 asset terms and if so how many years can we expect to get there?
- Vinati Saraf Mutreja:** That is correct.
- Abhijit Akella:** So 3 years is a fair assumption, to get there?
- Vinati Saraf Mutreja:** Three years from today. Correct.
- Abhijit Akella:** Just one last thing is just the peak capacity utilization for ATBS and maybe our other products also, where can we go, to the optimal extent? Like, is it possible to go to 90%, 95% or is it limited to say 75%, 80% or so?

- Vinati Saraf Mutreja:** Today, obviously, we are running, again, it depends on the quality mix of ATBS, which is in demand. Today, we are seeing good demand for the higher purity ATBS. When that is in demand, then you can produce less. There is capacity constraint. Now, given that, we are close to 100% utilization. Now, after the new line comes in place, again, it will take at least three years for it to achieve that full capacity utilization.
- Abhijit Akella:** Okay, so just to clarify, we are at 100% now for ATBS on our existing capacity.
- Vinati Saraf Mutreja:** But that is, you have to use the, because we are making high purity.
- Abhijit Akella:** Okay, understood. But this is still up from 65% last quarter, is it not?
- Vinati Saraf Mutreja:** Yes, definitely. From last year, there is a significant improvement in volumes and production.
- Abhijit Akella:** Okay, great, understood. Thank you so much and wish you all the best.
- Moderator:** Thank you. The next question is from the line of Aditi Loharuka from CD Equisearch, Private Limited. Please go ahead.
- Aditi Loharuka:** Good afternoon, ma'am. My first question is, why did we keep restocking in ATBS?
- Vinati Saraf Mutreja:** Sorry? What is your question?
- Aditi Loharuka:** Why did we see restocking in ATBS?
- Vinati Saraf Mutreja:** Why did we see what in ATBS?
- Aditi Loharuka:** Restocking.
- Vinati Saraf Mutreja:** Restocking. Okay, so because they were, so they had a lot of inventory in the beginning of the year. And so they consumed this inventory throughout the year. That is why they purchased less, which is what restocking means. And so now, again, by the end of 2023, their inventory was over or at optimum level. And so they started buying what their normal consumption is again. And hence, you have seen a pick-up in sales.
- Aditi Loharuka:** Okay, now my second question is, given that the company has such a strong pricing path, so in most of the leading products, so why is the recovery not so robust?
- Vinati Saraf Mutreja:** Your voice is not clear, but I am seeing a sequential growth of, I don't know, 23% or 30% in PAT. And I expect FY'25 to be at least 20%, 25% higher than FY'24.
- Aditi Loharuka:** Ma'am, I was talking about the operating profit, like operating profit has de-grown by 17.7%?
- Vinati Saraf Mutreja:** It's uploaded on the stock exchanges.
- Aditi Loharuka:** Sorry, ma'am?
- Vinati Saraf Mutreja:** It's uploaded on the stock exchanges.

- Moderator:** Thank you. Ms. Aditi, does that answer your question? Ms. Aditi, does that answer your question?
- Vinati Saraf Mutreja:** Can we move on to the next participant?
- Moderator:** Sure, ma'am. We take the next question from the line of Rajesh Mangal Agarwal from Rajesh Mangal & Company. Please go ahead.
- Rajesh Agarwal:** Yes, good evening, ma'am. I just want to know that this result has been declared and uploaded before 30 minutes, I think. And we have arranged this call within 30 minutes. So may I request you to upload this result before 7 hours to 8 hours at least, so that person will go through it and ask any questions if he does have?
- Vinati Saraf Mutreja:** Yes, so this time the board meeting lasted a bit longer than we had anticipated because it was the end of the year meeting, so there were bigger agenda items. We could have done the call on Monday, one Monday being elections. Hence, we had planned the call at 4. We expected the board meeting to end by 2, but it went on till 3.30.
- Rajesh Agarwal:** Okay. And it can be conducted on Saturday also, ma'am. No issue, I think.
- Vinati Saraf Mutreja:** Sure. Next time, keep that in mind.
- Rajesh Agarwal:** Yes, thank you.
- Moderator:** Thank you, sir. We take the next question from the line of Archit Joshi from Batlivala and Karani Securities. Please go ahead, sir.
- Archit Joshi:** Hi, ma'am. Thanks for allowing me for the question. I had one question on antioxidants. Ma'am, if I recall correctly, we were supposed to have a peak potential of around INR700 crores from AO. Correct me if I'm wrong, ma'am. I'm just referring from the previous transcript. Also, the extent of butyl phenols that was going to be internally consumed. Has that equation changed by any chance? If you could throw some light on that?
- Vinati Saraf Mutreja:** Very good question. And you're absolutely right. The potential is still INR700 crores. See, last year, we were at about 25% capacity utilization. Since the market in plastics is still slow, I'm expecting to do at least 50% utilization this year. In 25%. Also, in antioxidants, we have seen a price erosion in the last year or so. There is a lot of product coming in from China and places like that. Again, because the market is slow, as the market recovers, maybe the price may also improve. So, let's see. Your question is absolutely valid.
- Archit Joshi:** Sure, ma'am. And the extent of butyl phenols internal consumption also. I think it was supposed to have a peak sales of around INR400 crores, INR450 crores when we had just commissioned the plant. But then we found a new route of internally consuming it. So, if I have to look at it at a company basis, how would the split largely look like? If you can share something on that?
- Vinati Saraf Mutreja:** Yes, so the butyl phenols now peak revenue after the merger is around INR300 crores, INR320 crores. So, combined together, butyl phenols as well as antioxidants, still the potential is about INR1000 crores.

- Archit Joshi:** Understood, ma'am. Got it. Ma'am, one last thing on if there is any competitive intensity beefing up in the global markets. I think in other chemical categories, we have seen China amassing a lot of capacity of late, especially after COVID. Have we seen for our products, companies to have come up with new plants there? And if at all they have, would the product quality and the grades that we manufacture, the ones that you're talking about, the high purity ones. Do they have the same competitive edge as we do? If you can throw some light on that?
- Vinati Saraf Mutreja:** See, whether it was last year, whether it is this year, we haven't lost market share in any of our products. So, I don't, if anyone's adding capacity, not adding capacity, maybe they're not able to produce the right quality. Maybe they're not able to sell. I'm not really sure. Again, the only real product where they're facing competition from China is in antioxidants. But there is a good domestic demand for antioxidants. And we believe we can be very competitive given our double integration, backward integration. So that's really it. I don't see China as a major threat to at least most of the other product segments that we are into.
- Archit Joshi:** Sure, ma'am. Thanks a lot. Thanks for the clarification.
- Moderator:** Thank you. The next question is from the line of Surya Narayan Patra from PhillipCapital India. Please go ahead, sir.
- Surya Narayan Patra:** Yes, just two questions, ma'am. In fact, one about the IBB [23:44]. If you can give some sense, because the pharma API industry, understanding phase, so there has been a kind of inventory rationalization issue there itself. And even the pricing challenges were seen over the last 12-month to 15-month period. So what is the trend that you have witnessed there for last year? And what is the outlook that you are painting for IBB?
- Vinati Saraf Mutreja:** Actually, when I look at my IBB sales, they have remained the same.
- Surya Narayan Patra:** Yes, you mentioned about the flat performance. But in terms of price and volume trend, if you can just?
- Vinati Saraf Mutreja:** No, but even volume, price, it's all in the same range. IBB, there's not much difference, I guess. And I expect the same figure in 2025 as well.
- Surya Narayan Patra:** Then second is that, since it is a full year result, so we have been talking about the customized supplies to Japanese customers in some time. But we have not updated what is the size that we have achieved there and whether that segment has seen a kind of a meaningful upgrade from the initial level?
- Vinati Saraf Mutreja:** Yes, I have clubbed that all in the niche product. And I mentioned that that product basket also remained unchanged this year. And I expect it to remain more or less the same.
- Surya Narayan Patra:** Okay. So then, just an extension to that point, ma'am. In fact, looking at the opportunity that is now visible for Indian players to become the real supply partner for the advanced market and the kind of specialty product opportunities beyond the integrated product basket what we have been having.

So those opportunities are slowing in. So given that, are you thinking about going beyond your core area which has been so far where you have enjoyed your strength of innovation? Process innovation and leadership in the volume in terms of cost and all that. Are you thinking about extending and expanding your reach to other new chemistries, new product areas beyond your existing value chain?

Vinati Saraf Mutreja: Yes, absolutely. We have to keep adding new products to our portfolio. And that is how we have grown in the last five years. And that is how we will grow. We keep adding two to three products every year. First three years, four years back we added butyl phenols and we added antioxidants. Now we will add the whole range of products in VOPL which also includes isoamylene derivatives, five, six new products. We are also working on adding more antioxidants which are slightly more specialized AOs, more niche AOs, lower volume but higher value products. So we are constantly working on that.

Surya Narayan Patra: Is it fair to believe ma'am, the VOPL, the product basket entire what we have talked about, starting with the MEHQ, the anisole, all those including the isoamylene derivatives, whether all these product baskets are interlinked and the integrated product basket?

Vinati Saraf Mutreja: No, so the isoamylene derivatives are separate, that is tertiary amide alcohol as well as the PTAP. Now PTAP is similar, it is using the same industry as my para tertiary butyl phenol. One is that chain and the other chain is the anisole based product which is MEHQ, Guaiacol, then from MEHQ we could make BHA also in the future. And of course we can make 4-methoxyacetophenone which is used along with PTB-Ester which we are already making and supply to the Avobenzene manufacturers.

Moderator: Thank you. We take the last question for the day from the line of Mr. Abhijit Akella from Kotak Securities, please go ahead sir.

Abhijit Akella: Thank you so much for taking my quick follow up. Just a clarification on the butyl phenols business ma'am. If I heard you right in the opening remarks you mentioned it did about INR300 crores last year and then later on you mentioned that peak revenues are about INR300 crores. Am I getting that right and are we expecting growth still for the upcoming year from that business?

Vinati Saraf Mutreja: Yes, actually there has been a price improvement in butyl phenol. We were able to get an anti-dumping duty imposed and that can potentially change the revenue potential but also you have to keep in mind that price fluctuates based on the input raw material prices. If IB price or butyl phenol price increases and the revenue potential increases. So really I would not stress so much on the revenue or revenue potential but more on the ROI or EBITDA out of any product.

Abhijit Akella: Sure, understood. Got it. Thank you so much.

Moderator: Thank you. That was the last question for the day. I would now like to hand the conference over to the management for closing comments.

Vinati Saraf Mutreja: Thank you everyone for attending the call and that will be all from our side.



Vinati Organics Limited
May 17, 2024

Moderator:

Thank you. On behalf of Batlivala & Karani Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.