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**Date: 14<sup>th</sup> June, 2024**

To,  
BSE Limited  
P.J.Towers,  
Dalal Street, Fort,  
Mumbai – 400 001

**Sub: Transcript of the Investor Call held on 12<sup>th</sup> June, 2024**

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Dear Sir/Madam,

We forward herewith the transcript of the Investor Call held by the Company on Wednesday, 12<sup>th</sup> June, 2024 for your reference and record.

This disclosure is made pursuant to the provisions of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Hope you find the same in order.

Thanking You,

**Yours faithfully,  
For Transpek Industry Limited**

**Bimal V. Mehta  
Managing Director  
DIN: 00081171**



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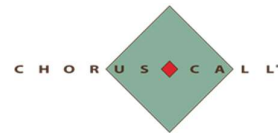
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“Transpek Industry Limited  
Business Update Conference Call”

June 12, 2024

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**MANAGEMENT:**      **MR. BIMAL MEHTA – MANAGING DIRECTOR – TRANSPEK INDUSTRY LIMITED**  
**MR. AVTAR SINGH – JOINT MANAGING DIRECTOR – TRANSPEK INDUSTRY LIMITED**  
**MR. PRATIK SHAH – CHIEF FINANCIAL OFFICER – TRANSPEK INDUSTRY LIMITED**  
**MR. ALAK VYAS – COMPANY SECRETARY – TRANSPEK INDUSTRY LIMITED**  
**SGA – INVESTOR RELATIONS ADVISORS**

**Moderator:** Ladies and gentlemen, good day and welcome to the Transpek Industry Limited Business Update 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 a touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Bimal Mehta, Managing Director of Transpek Industry Limited. Thank you and over to you, sir.

**Bimal Mehta:** Thank you. Good evening to all participants. I extend a warm welcome on behalf of Transpek Industry Limited to everyone joining us for our business call today.

I'm accompanied by our Joint Managing Director, Shri Avtar Singh, CFO Mr. Pratik Shah, our Company Secretary, Mr. Alak Vyas and SGA team, our Investor Relations Advisors. I will provide a brief overview of recent developments, post that we will open the floor for questions and answers. Just to reiterate, given the nature of our business model, we have consistently emphasized in our earlier interactions that our company's performance should ideally be assessed more on an annual basis and not on a quarterly basis.

The fiscal year 2024 presented notable challenges across the chemical industry value chain. This was primarily stemmed by widespread global de-stocking, slow demand from end-user industries, an uncertain pricing scenario due to excess supply of select products and full opening up of supplies from China and that too at a very low price in most products.

The overall business performance of Indian chemical manufacturers had been subdued for the financial year 2024 and we were not immune to it.

I would like to emphasize that the company, to a certain extent, withstood the headwinds in this challenging business environment due to stable business and customer trust. And we have also followed prudence in not deploying capital on capacity expansion without having clear demand visibility.

With a six decades of presence in the chemical industry, Transpek Industry Limited is a prominent supplier of chlorinated products, serving diverse industries including plastic, polymers, pharmaceuticals, agrochemicals, dyes, pigments, photo initiators, etc., organic peroxide, etc. We are delighted to say that all our products are developed in-house at Transpek. Additionally, we have strong collaboration with esteemed universities and scientists in the surrounding area for new product or chemistry work. Over the past few years, our company has focused on developing more value-added, stable and scalable products.

As part of this strategic plan, we developed multiple new products and dispatched samples in the financial year 2024. However, further validation and scalability of these products will depend on customer mandates and we will deploy capital prudently to support these efforts. Coming to some ground field work that we did, the plant that replaced an old plant has already been commissioned and has started production.

The products from this plant are currently in low demand, so it is not operating at full capacity but the plant is ready and it is giving the product that is required. At the same time, we have identified some potential from the pharma chemical market in various regions such as Africa, Middle East, South America and Eurasia. Our objective is to expand a diverse range of products with more value-added and high margin products.

In the next 3-4 years, we target nearly 30%-35% business will be derived from high margin products. We recently started business with customers in Eurasia and South America. We have also started supplying products to United States customers. All these strategic transition positions are for sustained growth and success within the evolving market landscape. As mentioned, business performance for financial year 2024 has been shocked due to gradual pickup from clients amid uncertain demand and lower volumes in domestic markets. Demand across the end industries have remained subdued both in domestic and global markets.

The ongoing challenges in Middle East and Europe have further impacted the demand. With over 85% of our total business coming from the export market, freight and logistic costs have increased to some extent in second half due to Red Sea crisis. However, a large part of our freight cost is paid by customers, so that is also something that has cushioned to some extent this increase in freight cost.

Overall, lead time has also been impacted because the inbound and outbound shipments have to take a different route than the Red Sea. Our production strategy is closely attuned to current market demands, though in medium to long term, the demand for key acid and alkyl chloride are anticipated to remain stable and based on recent engagement with our customers and clients, we are expecting a modest revival in second half of financial year 2025. Now, coming to one major subject that many of you have been requesting for listing on NSE.

As you may be aware, we had already initiated the process of listing our company shares on National Stock Exchange and the process has already been going on, but there is huge amount of documentation including the information that was required from 1970s and 1980s. So, all this information has consumed a lot of time and now we are almost ready with our application. Our advisors are examining this information and data in detail and once it is done, we will be applying to NSE very shortly.

Coming to the financial performance of FY2024, total revenue for FY2024 stood at INR604.8 crores, EBITDA for the year stood at INR107.5 crores, EBITDA margins for the full year came in at about 17.8%, so roughly about 18%. Profit after tax for the year came in at INR38.6 crores and board has recommended a dividend of INR14, which is 140% per equity share of this value of INR10/- for the financial year 2024.

With this, I conclude the speech and now we open the floor for the questions. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nirav Jimudia from Anvil Research. Please go ahead.

**Nirav Jimudia:** Yes, sir. Thanks for the opportunity and good afternoon to the entire team of Transpek.

**Bimal Mehta:** Good afternoon.

**Nirav Jimudia:** Sir, I have two, three questions. So, one, if we see this financial year FY24, I think our revenue de-growth is close to 28%-29%. So, if you can just walk us through in terms of how much was the volume de-growth in FY24 or was there any price de-growth also which has led to this 28%-29% fall in our revenue?

**Bimal Mehta:** Ok. So both are correct. One is there is definitely a volume in terms of quantity, I mean, volume de-growth, especially in some of our polymer application. And on the other hand, price also has reduced. Now price has reduced not only because of the market dynamics that also is there, but it is not very significant. But more importantly, as you might be aware, FY23, raw material prices had shot up.

So this is back-to-back effect. So raw material prices shot up. So, naturally, our prices went up. Now, raw material prices have largely

come to a reasonable level and that affected our sale price also. So both ways, the reduction has happened.

**Neerav Jimodia:** Correct because if we see our polymer division sales, I think it has de-grown by close to 21%.

**Bimal Mehta:** Yes.

**Neerav Jimodia:** As we have seen, 21% is predominantly coming from the polymer division and that too in terms of the lower off-take from the customer.

**Bimal Mehta:** Yes, largely the volume.

**Neerav Jimodia:** Yes. So, safe to assume that, let's say, 24%-25% of this de-growth is contributed by the volumes and rest by the prices?

**Bimal Mehta:** 24%-25% of this de-growth is, no, maybe little more by volume.

**Neerav Jimodia:** So, almost all the de-growth is predominantly from the volumes-only, if we take it in that way?

**Bimal Mehta:** Yes, but there has been impact for price. I mean, the raw material cost. There has been impact. I don't have the exact number. But yes, there has been impact of raw material. For example, a couple of our raw material prices went down by almost 30%-35% than what it was in FY23.

**Neerav Jimodia:** Correct. Sir, based on your customer interaction, you mentioned one of the point in the opening remark that we expect some modest recovery from H2.

**Bimal Mehta:** Yes.

**Neerav Jimudia:** So, let's say FY23 was the best year for us in terms of the volumes from almost all the product segment, predominantly the polymer side?

**Bimal Mehta:** Yes.

**Neerav Jimudia:** So, can we see those volumes fully recovered in H2 like what de-grown we have seen in FY23? Is it safe to believe that most of those volume

de-growth could be recovered in H2 or those recovery could be extended in FY26, based on your customer interaction?

**Bimal Mehta:**

Yes. So, we do not expect full recovery in H2. We expect probably about 30%-40% around recovery in H2 and the balance will spill over to the next year. See, one another answer to this question, I mean, a little more generalized based on the customer interaction is that, overall market structure is not significantly changed. It is purely the cautious approach that everybody is taking because of the significant uncertainty and so nobody is ready to build inventories, nobody is ready to have significant quantities in the value chain. Many people are looking at kind of back-to-back ordering, those kind of things are there.

So because as you know post-COVID everybody suffered due to very, very heavy or high inventory. So, companies are a little bit cautious in terms of piling up inventory. So, gradually, they are also cautious and naturally therefore, the ordering to suppliers like us is also very conservative or very cautious.

But structurally, market is not affected in that sense that there is for example, there is some alternative or there is some other product or the demand for this product is not going to be there. In fact, new and new application areas are also being developed. So in longer term, we see revival. And besides that, we are also we will talk about that later on, but some new products we are working on which is non-polymer, can provide some good growth. All that work is going on.

**Neerav Jimudia:**

Correct. So, there are two questions here in terms of our current discussion. So one is, let's say the newer products, what we have launched over last two, three years, how much they have contributed in FY24? And is there a possibility that some portion of our revenue de-growth, which has happened in FY24, plus the recovery is what we are expecting, like 30%-40% in H2? What sort of contribution could further be coming from these newer products so that the impact of this revenue fall could be minimized?



**Bimal Mehta:** See the issue is that, the question is not about products. For example, we introduced about, I think, three or four acid chlorides into our portfolio. And most of them have good potential. But currently as I mentioned, the conservatism that is apparent or very clear, ordering process is slow, very slow. So, I will just give you an example that we started, I mentioned in my speech that we started supplying some new acid chlorides, not those which we were traditionally supplying to a couple of customers in US.

Same way, we started supplying some acid chlorides, which we never supplied to Korean market, we have started supplying. And these are all good potentials. When I say good potentials these are like; 1000, 2000, 3000, 4000 metric ton a year kind of potentials.

But it is going to take some time before we really, really see some major traction out of this. But we have begun, we have started and that helped us expand our list of customers, list of regions and build that potential that we can capture in the coming period.

**Neerav Jimudia:** Yes. So this list of products what you mentioned, let's say this 3 to 4 products or 5 products what we have launched, is this a potential to have a turnover of, let's say, INR150 to INR200 crores over next 2-3 years based on the kind of geography penetration or the customer diversification which we have entered into?

**Bimal Mehta:** Maybe, maybe around INR80-INR100 crores, maybe, yes.

**Neerav Jimudia:** Correct, correct. Got it, sir. Thank you so much, sir. I'll join back in the queue and wishing you all the best.

**Moderator:** Thank you. The next question is from the line of Pratik Kothari from Unique PMS. Please go ahead.

**Pratik Kothari:** Sir, just in continuation to your last response, this INR80-INR100 crores potential, this will be per molecule that you will be looking at?

**Bimal Mehta:** No, no, no, no, no. If per molecule would have been there, then I would be very happy. It's in total, roughly in total. But longer term, maybe this can go to INR150-170 Crores, but longer term. Right now, I cannot tell how much time. But the visibility that we have today is that once this business is picked up, we should be seeing around INR80-INR100 crores volume.

**Pratik Kothari:** Correct. And sir I believe the acid chlorides which we have launched. There are also non-acid chlorides which we had...

**Bimal Mehta:** Just one moment. Sorry, please.

**Pratik Kothari:** Sir, I believe this is the acid chlorides which we have launched. We were also planning or we had already launched a few non-acid chlorides also...

**Bimal Mehta:** Yes. Non-acid chlorides, about three or four products are almost kind of on the verge of final validation. Customers are trying to work on the samples that we have supplied. And once the testing is done, they are now validating. So validating means they are basically keeping it on the shelf, some part of it, and some part of it they are making their own product, checking their product and again keeping those products on shelf to see how everything performs.

Once that shelf life or shelf period is over, then they will go for performance testing for their end product, that how it performs in whatever application they are going to use and once that performance testing is kind of successful then we will be able to start commercial supply on a ramp-up, based on a ramp-up plan.

So initially very small quantities and then it will go up and all that. So yes, product development that we have been talking about has been now quite in pipeline and products are, when you say developed, so at our laboratory level, at our kilo lab level, to some extent pilot level, they have been developed.

**Pratik Kothari:** And the potential here would again be similar, maybe 3-5 years out.

**Bimal Mehta:** Sorry?

**Pratik Kothari:** The potential for these non-acid chlorides would be similar, 3-5 years out, it's 80, 100, 150 which we intend to do.

**Bimal Mehta:** Even more, even more. Yes, correct, correct.

**Pratik Kothari:** And given the current scenario situation, I mean, we were thinking of putting up a new plant, maybe getting some long-term contract in place or maybe for this new product. Obviously last year was very challenging and possibly so next year too. So how are we thinking currently in terms of new capacity? And this is in the context that for a greenfield chemical plant, it easily takes 2-3 years to put up. Where are we in that stage? How are we thinking about this?

**Bimal Mehta:** So basically, see, today when we talk about investment and when we talk about setting up something new, we are talking of significant investment. So, I mean, as you might be aware, many companies went on aggressively into adding capacities or setting up projects and plants and then huge struggle they are going through or they have gone through. So we have taken a little more prudent approach.

And we are just, as I mentioned, some of these 3-4 products may need some additional manufacturing facility, whether it can be an existing facility or it can be a new plant that we are kind of examining. But more importantly, how the customer is coming forward in terms of the demand visibility and once this validation is done or during that period, that would actually define how we are going to move further on this.

So we are looking at options where we can do something, we look at some small facility and takeover or we can do some arrangement, which we already have like job work and all that or we can look at also greenfield facility. But as of now, immediately speaking, greenfield may be not very, very high on our consideration. It is under consideration,

but not very high on our consideration. Probably a facility which has some possibility to just modify and then start production. Those kinds of options we are looking at. So, with little limited or lower investment, we can take less risk. We will take less risk and then we can still capture whatever opportunities that we have. And once, like you mentioned about long-term contracts, so typically we are always in dialogue with various customers for long-term contracts also.

Some of the customers, I mean some big companies are still in favor of long-term contracts, but a big number of customers, as I mentioned, are playing very, very conservative across chemical industry, not only Transpek customers, but across chemical industry and nobody is very keen.

I mean, there are a few exceptions, but generally nobody is very keen to enter into something which will commit themselves for a very long time. They are just waiting and watching to see how this uncertain situation unfolds. But we are in dialogue with a couple of customers for some sort of contract like that.

But of course, don't expect that that is going to be the same level or same type of contract that we have seen earlier. But at least it will provide a stable and consistent business of whatever size that would be available.

**Pratik Kothari:** Right. Fair enough. And given the total capacity we have in place, given the current pricing, our peak revenue from the current capacity we can do would be about INR800 crores?

**Bimal Mehta:** More than that. Close to about INR900 crores. it will depend on price, but it will be about INR900 crores.

**Moderator:** Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

**Ankit Gupta:** Sure. Thank you for the opportunity. So, sir, my question is more on the product development and new product introduction over the past few

years that we have seen. You know, FY '18, we were around INR350-360 crores kind of revenue and then we got the long-term contract with our customer and our, you know, revenues scaled up to INR600 crores. But post that, we did face challenges because of COVID and all. But, you know, in FY '22 and FY '24, our top line has been around INR600 crores.

And FY '23, we did see a growth, but that was primarily driven by prices of raw materials spiking up, leading to increase in, our products. So sir, in terms of, new product introduction over the past 4-5 years, except for the long-term contract that we have, how has been the, new product performance in terms of our revenue contribution? Let's say the products, how many products did we develop over the past 3-4 years and how has been their contribution to the revenue?

**Bimal Mehta:**

Ok. Just to correct one thing that the INR600 crores to INR800 crores jump in FY '23, it was not driven only by raw material price. There was also significant quantity jump, especially as we discussed earlier with another shareholder, that especially of the polymer business, the volume coming from the polymer business. So, that is one. Now, last 3-4 years, we have introduced about 5 or 6 acid chlorides. And if we talk about FY '24, for example then, we did business of some of these new products. And that's why you are seeing about INR600 plus crores volume. Otherwise, it would have been somewhere in the range of INR570 crores or INR575 crores or so. So, there has been contribution of about INR25 crores, INR30 crores coming from some of these new products.

I mean, the products are introduced in a gradual manner. So, over 3-4 years say, for example, one product was introduced this year only, maybe two products were introduced last year and some of these products, as I mentioned, are undergoing validation at this point in time.

I have explained also in past, in my earlier calls, that the process of commercialization sometimes takes 2.5 years to 3 years. Because most of our products go in very critical application. For example, making a

medicine, pharmaceutical. So they never take chance with that. Or this polymer, the polymer that is made from the product that we supply, these are mission-critical applications like defense and like fire-fighting and aircraft manufacturing and high-end vehicle manufacturing, those kinds of things.

So, validation is a very, very long, long process. And overall, I can say today that we have now come to a stage where we have many products. As I mentioned in response to earlier question, we have many products which are at the last stages of either approval or validation. So, in next two years, what I feel is that, what we believe is that, you will see many products getting commercialized and then gradual pickup of volumes.

**Ankit Gupta:** Okay. So, the INR70 crores to INR80 crores of revenue contribution from these new molecules, you are expecting in FY '25 itself?

**Bimal Mehta:** H2 and coming, I mean, annually you can consider from next year. But H2 will see some of the revenue from that.

**Ankit Gupta:** Okay. And sir, when the polymer business stabilizes, our base revenue should go back to, let's say, at least INR700 crores, INR750 crores?

**Bimal Mehta:** Close to about INR800 crores.

**Ankit Gupta:** INR800 crores. Okay. And sir, one thing on the capex or that you told that, you are not too keen on doing greenfield capex. So, given the regulatory challenges that we have at our existing Ekalbara site, does it mean that, our major expansion or major growth will come from, job work to our group companies or let's say, if you have to drive our revenues from, let's say, INR700 crores, INR800 crores revenue from when our existing business bounces back, plus, INR80 crores to INR150 crores revenue from our new products over the next 2 years, 3 years. So, let's say, if you have to go beyond INR900 crores, INR1000 crores of revenue, what, we'll have to do more job work, will that be the major source of capacity enhancement or we are very keen on looking at, buying an existing facility also?

**Bimal Mehta:** See, the job work capacities are largely in similar products, not in some of the new products that we are looking at, which are not acid chlorides. So, whatever job work capacity is within the associate companies is also in acid chlorides. So, naturally, when we are talking about products which are non-acid chlorides, we will have to look outside.

There is no question on that. Now, looking outside, as I mentioned, would mean two things. One is that, are we able to find a job worker outside with this kind of capabilities and this kind of permissions? That is one. And second, or alternatively, are we able to look at a small facility, existing facility, which we can take over? So, all these are being considered and as I mentioned, that based on how customers come up with their plan, in terms of ramp-up and all that, we will make decision, accordingly. For example, if customer says that, okay, 4-5 customers say that, look, our ramp-up plan is going to be very slow, then we may not immediately invest into anything.

We will just look for a, non-associate job work facility. And if customer says, no, my ramp-up plan is quick, then naturally we will have to look for something where we are committed properly.

**Ankit Gupta:** And one last question on, products and development, apart from this new product that we are planning to launch, which we are expecting to scale up in, second half of FY'25 and, FY'26, how many products are under development and what are our plans of launching new products for, let's say, medium term over the next 2 years to 3 years?

**Bimal Mehta:** So, product pipeline is quite big. Again, as I have explained in past that we continue to look at new products, new opportunities in two ways. One is that we do our own market research, and based on that we look at potential products and second, customer's interaction. So, most of the times we are, our customers are giving us multiple products that can you look at this product and can you tell us.

So, many times we have to say no because they may not be within our strategic intent or within our capabilities. But pipeline is quite robust. The R&D team, the new business development team, new product development team is typically very busy. And, basically that's not an issue. And some of the products that we are looking at can be also a very large volume potential. But right now, of course, it is more at understanding stage.

**Ankit Gupta:** And one more request is for, we are, the stock has been, under this rain for some time now. And, given, hopefully the business will bounce back over the next 1 years to 2 years. One request was on, buyback if it's possible. Given our very good balance sheet now?

**Bimal Mehta:** Now, see, this is a good point. And we will definitely put it to the board. But on one hand, you are asking me about when you are going to invest in new facilities and on the other hand, you are asking, telling me to do buyback. So, we'll have to see what is right for business. So, we'll take the decision accordingly.

**Ankit Gupta:** Thank you, sir.

**Moderator:** Thank you. The next question is from the line of Pradeep Rawat from Yogya Capital. Please go ahead.

**Pradeep Rawat:** Good evening sir and thank you for the opportunity. So, I have a couple of questions. First, with respect to volume de-growth in FY'24. So, you said our volume declined close to 25% in FY'24. So, would it be safe to assume that the overall demand sell by 25% or we lost market share or wallet share with our customer?

**Bimal Mehta:** No, See, there has been loss of market share, but it is, to some extent, very small extent in domestic market. And as you know, our domestic market is quite small compared to export. Export market, there is no market share loss in that sense. Overall requirement from the customers reduced because of their end product demand being subdued, of course, on a temporary basis.



As I mentioned, structure of the business has not changed. The customers are also expecting revival of their demand gradually as, either people learn to live with this uncertain situation, which, props-up and gives surprises time and again or some of these uncertainties go away. So, they are very clear, the customers are very clear that demand will gradually go back to the original level.

That is the easy part. But the hard part is that they are not able to or nobody is able to very confidently say how much time it will take. So, there are discussions, there is indication that maybe in another 12 months' time, everything should reach to the earlier levels and all that. So based on that, whatever interaction we are doing, that H2 and the next year, we'll see some gradual increase or gradual growth or reversal of the de-growth that we have seen.

**Pradeep Rawat:** And my second question is regarding our investment in Silox India Private Limited. So, I just wanted to know what is the purpose of this investment and are we looking to disinvest this investment or is it something like useful to our business?

**Bimal Mehta:** No, see, the point is that Transpek sold its sulphoxination way back in 2000 to a European group called Prayon Group and Silox is their organizational name. At that time, when we sold off that division, we maintained a small percentage of shareholding as part of the transfer agreement. So that shareholding has grown over so many years to a certain value.

Now when I say value, this is not market value because this is illiquid stock, this is not listed and this is privately held company. So it is not easy to encash because even if we want to encash whatever value that we can fetch, Silox or the company or the promoters of Silox or the board of Silox may not agree to part ways with such a large amount of cash. So this is kind of illiquid investment at this point in time.

If you ask me, I would also like to encash this investment but it is not that simple or it is not that easy. On the other hand, we generally get good dividends. Over so many years, we have been getting very, very good dividends coming out of this investment.

**Pradeep Rawat:** Yes, that's good to hear. My last question is regarding, you said our high margin products are 36% of the total revenue, right?

**Bimal Mehta:** Could be. Once we add some of these high value or high price and high margin products, once we start adding that is the target that we have. About 30%-35% of the volume would be coming from those products.

**Pradeep Rawat:** Okay. So what is the current ratio of total revenue for these products?

**Bimal Mehta:** Almost none. Because these are all non-acid chloride products. So as I mentioned, they are under validation with customers.

**Pradeep Rawat:** And what is the margin profile of these products as compared to our current products?

**Bimal Mehta:** This can be almost, you can say, 15% to 20% higher than what we are earning today. In terms of the EBITDA margin, you can say. For these products, basically about whatever revenue that we talk about, 30%-35% revenue that we may fetch, that would give much higher EBITDA than what we are.

Our EBITDA, as you know, generally is between 16% to 20%. This time, I think it's about 17.8% for the entire business. Once we are able to commercialize these products, 30%-35% of our volume should be probably EBITDA of about 22%-23%.

**Pradeep Rawat:** And my last question is regarding the dye market. So can you give a comment on how the dye market is performing? How is the customer engagement with dye players?

**Bimal Mehta:** Actually, we have very, very small exposure now in dyes and pigments market because our main product that we used to sell was thionyl

chloride. And now we are not selling it. We are consuming entire thionyl chloride production captively. But whatever my understanding is about dye market is that it is still not recovering. I mean, it is still in trouble.

**Pradeep Rawat:** Okay, fair enough. Thank you for answering all the questions.

**Moderator:** Thank you. The next question is from the line of Niteen Dharmawat from Aurum Capital. Please go ahead.

**Niteen Dharmawat:** Yes, thank you for the opportunity. And thank you for organizing this call also. I just wanted to understand, what is the capital utilization for the current year, that is financial year '24? And what is the capital utilization we are expecting for financial year '25?

**Bimal Mehta:** 68% has been FY'24 and about 78%-79% we are expecting for FY'25.

**Niteen Dharmawat:** And what is the peak revenue at current prices we can expect and peak revenue at median prices?

**Bimal Mehta:** Median prices are difficult to say. But if we are able to utilize everything well and at whatever is the normal price that we can fetch, we can reach around INR900 crores-INR920 crores.

**Niteen Dharmawat:** With 78%-79% capital utilization?

**Bimal Mehta:** No. As I said, if we are able to utilize everything fully.

**Niteen Dharmawat:** Okay, full utilization. Okay, got it. And do you see any revival in end-user industries where our products are getting consumed?

**Bimal Mehta:** Yes, so there are three major segments that we need to look at when we talk about this. One is polymers, which is of course polymers are in two forms. One is in textile and clothing form. Second is in formed, so kind of moulded form and all that. And third is of course thread and everything. But all these polymers, the supply that we do is going to very high-end polymers. They are called aramid fibres. And the market for that or the demand for that is right now a little bit subdued, but it is going

to be consistently growing. For example, as we speak, some of the companies in Far East market like Korea and Japan, they are expanding their capacity for aramid fibres. Some are in fact almost doubling their capacity.

**Niteen Dharmawat:** Okay.

**Bimal Mehta:** So aramid business is going to gradually consistently grow , as we understand today. So far they have not been -- I mean nobody has been able to really find significantly competitive material. And aramid business is also restricted within a few companies globally. When I say aramid, high-end aramid. There are also some low-end aramid products where some Chinese companies are active. But most of our products go into high-end aramid markets. So growth is there. Growth is not going to be kind of exponential or very fast. But potential is there. I mean the growth is going to continue.

**Niteen Dharmawat:** Ok. And I see that our fixed assets increased by almost 45% in the last few years. So what is it for? Can you provide some details over there?

**Bimal Mehta:** Yes. See, basically one of the major things that you are seeing in assets is right of use assets. So because of the accounting requirements, Ind AS requirements, whatever assets that we have on lease also need to be put inside the gross block or whatever the asset block as right of use assets. So right of use assets, for example, has grown almost by how many crores? INR70 crores, right? INR70 crores. Now when I say INR70 crores, it is not actually the asset increase.

It is purely the way accounting is done. So what they do is that they take five years of the leased assets. As you might be knowing, we have many ISO tanks which are on lease. So that lease asset, they do the five-year calculation of the lease rent. And then they do some calculation. I mean they apply some formulas and then they come to a number which is basically considered as value of the asset and that is put in there. And secondly, there is also one another increase in property plan and

equipment, which is about INR32 crores, which is largely due to Thionyl Chloride. We had built one additional stream. Then capacity modification, enhancement, good amount of expenditure on energy conservation. As I mentioned, we just replaced one plant so some part of that is accounted in that. There has been some of the expenditure on new boiler, for example, like that.

**Niteen Dharmawat:** I got it. Two more questions. One is, you already understood that partially we have investments of around INR300 crores. I wanted to know about the buyback plan. So you mentioned something about that. I also wanted to know where this fund is currently parked, where it is invested. So if you can throw some light on that.

**Bimal Mehta:** There is no parking of fund in that sense. See, when we invested, when I say invested, we just had some shares in that company, Silox. And the value of our investment is very small. It is just about INR3 crores. Okay. And valuation as per the balance sheet of that company is INR309 crores.

Now, as I mentioned, that is just valuation. This is not money that we have invested. What we had invested was only INR3 crores. And the valuation is done based on Ind AS requirement so it's kind of notional value. As I mentioned earlier also, I would love if I am able to encash that investment.

**Niteen Dharmawat:** That looks like a challenging task. Ok. So my final request is, since we have only this opportunity to talk to you, we would like to visit the plant because it will give us great opportunity to learn. And we have suggested this to IR also. So if you can help us doing that, it will certainly be of help. We will travel from our city because we will be coming from Pune and we are ready to do that. So if you can plan something on that, it will help all of us.

**Bimal Mehta:** Yes. So at Transpek, we have always encouraged and invited shareholders to visit us. In past, I think about 2-3 groups of shareholders

in batches of about 10-12 they had visited. We would be happy to welcome you or anybody on the call, off the call, based on a proper schedule and proper arrangement in consultation with our Investor Relations Advisors. Please connect with them and we will organize. No problem.

**Niteen Dharmawat:** I will do that. I will connect with them.

**Moderator:** Thank you. The next question is from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

**Darshil Jhaveri:** Hello. Thank you so much for taking my question. I hope I am audible.

**Bimal Mehta:** Yes.

**Darshil Jhaveri:** Hi, sir. So for my first question, I really wanted to know, Q3 and Q4 revenues are very similar but our margins are very different. So what was the major driving factor for that, sir? And would we see, so in FY25, will the margins be a bit subdued? So how would it be, sir?

**Bimal Mehta:** So basically, as I mentioned in the beginning of my speech, that when you look at Transpek's financial performance, you must or you should look at the annual performance because quarter to quarter, there can be variations. Now why does this variation? So I'll just explain that.

We have diverse range of products. So we have products which are, as I mentioned, going into polymers, going into pharmaceuticals, going into and then there are different customers, different regions. So just to give you an example that Region A, same product going to Region A and same product going to Region B, there can be price difference, there can be margin difference based on that price.

Secondly, in some cases we may have consistent margin because of some agreements or some long-term purchase order that we may have from the customer. Now in a particular quarter where you see our margins to be higher, we may have demand or we may have orders for those products where the margins are higher or margins are consistent.

In the next quarter, you may see lower margin because the product or the demand that we have or the supplies that we make may not be as good margins as we had made in the earlier quarter.

So on an average, if you look at last four or five years' annual numbers, you will always find that we have remained around 17% to 20% EBITDA. So that way, margins are quite consistent. Quarter-to-Quarter you will definitely see variation.

**Darshil Jhaveri:** Okay. Fair enough, sir. That helps me a lot, sir. And sir, just like from what we replied to the earlier participants, we see some kind of demand betterment from H2. So is it fair to assume that H1 would be similar to H1 FY '24? And if you could just give some small guidance in terms of our revenue and EBITDA in terms of FY '25?

**Bimal Mehta:** I can say that it would be a little better than H1 last year.

**Darshil Jhaveri:** Okay. And so sir, on overall can we do a double-digit growth in this year, sir?

**Bimal Mehta:** Just one moment.

**Darshil Jhaveri:** Yes.

**Bimal Mehta:** Just one moment. Maybe very close to double-digit.

**Darshil Jhaveri:** Okay. Fair enough, sir. And so just last question, sir. So as analysts, we would not be understanding the industry very well but what could you say would be a turning point that, okay growth has started coming in, orders have started coming in. How would you be able to define that for our industry and companies so that, okay, now things look like what they were looking in FY '23?

**Bimal Mehta:** In terms of overall chemical industry we are talking about?

**Darshil Jhaveri:** Yes. So our overall chemical industry, if we're speaking about destocking and maybe a bit about our company also something that you think is a tipping point

**Bimal Mehta:** See, it's very interesting. I mean, I'm sure you might be invested in other chemical companies also and you might be hearing the same thing from there. It is like, we get a sense that, okay, things are going to improve now and destocking has happened and this and that and then still some challenges keep on coming.

But what I feel is that maybe in another one, one and a half years' time, we should be seeing kind of back to glory days in chemical industry. This is my feeling. Now, it will also depend on how government policies and everything else is also because in my view, we have not been able to capture China plus one opportunities as much as we should have captured.

**Darshil Jhaveri:** Okay. Fair enough, sir. That's it from my side, sir. All the best.

**Moderator:** Thank you. The next question is from the line of Rahul Jain from Credence Wealth. Please go ahead.

**Rahul Jain:** Thank you. Thanks for the opportunity. Good evening, Bimal Bhai.

**Bimal Mehta:** Good evening.

**Rahul Jain:** Bimal Bhai, a couple of questions. First, you mentioned one clarification. You mentioned that 30%-35% of the revenue coming from these new products, which are high margin products you mentioned the margins will be 22%. So, you're talking about margins for the overall company to go from 16-20%, 20-22% range or 22% is the margin for that 35% product basket?

**Bimal Mehta:** So, this 30%-35% can give 22%-23% EBITDA.

**Rahul Jain:** Okay. Fair enough. And sir, this 30%-35% high-value products which you're talking about so, does it include this new acid chloride which we



are starting this year or have started say, in last 6-8 months, where you mentioned that...

**Bimal Mehta:** No. These are non-acid chloride products.

**Rahul Jain:** So, you're talking about non-acid chloride. Let's assume that you mentioned that our polymer business can be around INR800 crores-INR900 crores and another INR100 crores from this new acid chloride.

**Bimal Mehta:** No. Just one moment. Not polymer business. Our total business can be about INR800 crores-INR900 crores which includes pharma, polymer, everything. Not just polymer.

**Rahul Jain:** Ok. Got it. So, that means including this new acid chloride products, you are talking about INR800 crores-INR900 crores but then this does not include this non-acid high-margin products, right?

**Bimal Mehta:** Yes.

**Rahul Jain:** So, when you say 30%-35% contribution can be from there even if I take, say, 900 as the existing company turnover, so are we talking about somewhere INR300 crores of revenues from these new products?

**Bimal Mehta:** If you take 900 as the base, yes but if you take current base of about INR600 crores-INR700 crores then it's about INR200 crores.

**Rahul Jain:** I mean, what time frame can we do this INR200 crores?

**Bimal Mehta:** Basically, we need to understand the overall demand visibility but potential of these products is quite good. It can go to INR200 crores to INR250 crores when you put all these products together.

**Rahul Jain:** And I believe these are the new products where Mr. Singh has been working on these products, probably includes one of the pharma products also.

**Bimal Mehta:** There are products for pharma, there are products for polymers, there are products for some other applications also.

- Rahul Jain:** Including the combination chemistry?
- Bimal Mehta:** Yes. Mr. Singh is very actively working on some of these products.
- Rahul Jain:** Yes, I know we have met during the AGM, so he seems to be quite upbeat on these products. But also, we were waiting for some approvals, regulatory approvals for these products. So you mentioned somewhere in one of the participant replies that the validation batches are being done.
- Bimal Mehta:** Yes.
- Rahul Jain:** So typically, when do we expect to launch these products?
- Bimal Mehta:** Very difficult to say. I mean, like maybe three months, six months, eight months. It's very difficult to say like that because as I mentioned earlier, customer will do not only validation, customer will also do performance trial. Then first performance trial then second performance trial then commercial performance trial. So it's a process and sometimes these products are priority at customers and sometimes they are not. It may be very big priority for us but it may not be as big priority for customers. So this is little tricky to forecast. But as I mentioned, over next two and a half years, we should be able to commercialize most of these products.
- Rahul Jain:** Sir, are we waiting for customer approvals or also we are waiting for regulatory approvals as far as these products are concerned?
- Bimal Mehta:** Both.
- Rahul Jain:** Both. Assuming the customer approvals come in the next 8 months to 12 months, so then do you feel somewhere, is it possible that the customer approvals come but somewhere we lack the capacities to produce these products maybe because the regulatory approvals are not coming in, you are not getting the company which you would like to ideally buy and probably produce those products at some job working company or a new company to be acquired?

**Bimal Mehta:** Largely that possibility is very remote because we already have gathered some understanding and information on what needs to be done. So, we are working on some of those possibilities. So, that possibility is very remote that we may have product but we may not have permission or we may not have place to manufacture.

**Rahul Jain:** There is some preparation done in case the approval comes sooner?

**Bimal Mehta:** As I mentioned, for example, we can do job work somewhere like that. So, there are options that we have considered and we are working on some of those options. But we will actually commit to some of these things once we have some clarity on the customer approval process.

**Rahul Jain:** Approval is the Product approval, not the facility approval?

**Bimal Mehta:** No. Product approval.

**Rahul Jain:** Sir, one last question. And I know we have been talking about this for a long time. Sir, we had planned INR120 crores capex in Vizag somewhere before COVID, 6 months prior to COVID. And we were putting up a new plant, a new premise we had thought about. In fact, when we used to meet you during 2017, 2018, 2019 AGMs, that time we had mentioned that it is really difficult to get approvals in Gujarat so we will choose some other state and then you went ahead and took up this land in Vizag. And then, of course, COVID struck and our polymer business had a decent downfall. So, I do understand, say, for 2 years post COVID, when COVID started and for 2 years, 3 years, we thought, see, let's put this behind or let's put it at the back burner but is there some structural change in the business because of which now you are not ready to commit a large capex which is just about INR100 crores, and INR120 crores or maybe INR200 crores and our balance sheet is quite strong enough to handle that kind of capex. So, there is some structural change maybe from product side or from customer side. I am just trying to understand what has changed from after you bought that land of INR120 crores. You were doing a capex of INR120 crores in Vizag and

then you cancelled it. Until today, we are not going to commit any Greenfield capex?

**Bimal Mehta:** So basically, that was not even INR120 crores. It was a little more. But that was on the back of interactions with certain customers who were keen to work with us in some of the products that they were manufacturing and they wanted us to manufacture. Now, because of the COVID situation, their plans, overall, this was also based on their growth plans.

So, their growth plans have also kind of halted. And whatever business we had at that time or whatever business we have at this point in time, as I mentioned, there is no structural change. What has changed is that whatever their ideas or ambitions or their forecast, or their growth propositions that were there, those could not continue due to this COVID and then this war and other situations.

And therefore, naturally, we aligned with our customers' propositions that, okay, let us wait until the same similar situation arises. And at that time, we will commit ourselves. And if you really look at, post that decision, which is to withdraw from that investment, whatever has happened, and you are seeing many chemical companies have gotten into significant trouble because of large investment and idle capacities.

I think it was a very prudent decision not to commit to that. As you rightly mentioned, balance sheet is very strong and we hope we may have similar opportunities coming from customers soon. Then we will definitely go for this kind of investments again.

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

**Bimal Mehta:** Thank you everyone for joining us today on this earnings call. We appreciate your interest and time in the company. If you have any further

queries, please contact SGA our Investor Relations Advisors. Thank you.

**Moderator:**

Thank you. On behalf of Transpek Industry Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.