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May 07, 2024

DCS-CRD BSE Limited First Floor, New Trade Wing Rotunda Building, Phiroze Jeejeebhoy Towers Dalal Street, Fort Mumbai 400 001 Fax No.2272 3121/2037/2039 Stock Code: 543213	Listing Compliance National Stock Exchange of India Ltd. Exchange Plaza, 5th Floor Plot No.C/1, 'G'Block, Bandra- Kurla Complex, Bandra East Mumbai 400 051 Fax No.2659 8237/8238 Stock Code: ROSSARI

Dear Sir/Madam,

Sub.: Transcript of the Earnings Conference Call held on April 30, 2024 for Q4 FY24

Pursuant to the Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and with reference to our intimation dated April 24, 2024, regarding Earnings Conference call with Analyst(s) /Investor(s) held on Tuesday, April 30, 2024, we would like to inform that the transcript of the aforesaid conference call is attached herewith and the same is also available on the website of the Company at www.rossari.com/announcement under the head 'Investor Call'.

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

Thanking you,

Yours Sincerely,
For Rossari Biotech Limited

Parul Gupta
Digitally signed by Parul Gupta
Date: 2024.05.07 13:31:10 +05'30'

ROSSARI BIOTECH LIMITED MUMBAI

Parul Gupta
Company Secretary & Compliance Officer
Membership No.: A38895

Rossari Biotech Limited
Q4 and FY24 Earnings Conference Call Transcript
April 30, 2024

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

As a reminder, all participant lines will be in 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. Anoop Poojari from CDR India.

Anoop Poojari: Good evening, everyone, and thank you for joining us on Rossari Biotech's Q4 and FY24 Earnings Conference Call. We have with us Mr. Edward Menezes, Promoter and Executive Chairman; Mr. Sunil Chari, Promoter and Managing Director; and Mr. Ketan Sablok, Group Chief Financial Officer of the company. We will begin the call with opening remarks from the management, following which we'll have the forum open for a question-and answer session.

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

Edward Menezes: Good evening, everyone and thank you for joining us on our earnings conference call. It's a pleasure to have you with us as we discuss our operational and financial performance. We are pleased to report another strong quarter for the company, driven by healthy Y-o-Y growth in both revenues and profits. This performance was largely driven by the expansion of our HPPC business. While challenges in our TSC and AHN divisions persisted due to external industry headwinds, we remain optimistic about the recovery of these segments in the upcoming fiscal.

As a company, we have always believed in the power of innovation and accordingly, our focus on R&D has been a cornerstone of our success. This has enabled us to create unique solutions that meet the evolving demands of our customers. Our R&D efforts are built on a deep understanding of market trends, understanding customer requirements & references and then delivering quick sustainable solutions. A key aspect of our strategy here is our commitment to Green Chemistry, which has been part of our DNA since our inception. This drives us to develop environmentally friendly products that deliver value to our customers and contribute to a sustainable future.

Our ongoing growth strategy centres on expanding all our businesses divisions. Over time, we have developed new verticals with our core chemistries establishing a strong foundation for future expansion. We believe we are now well positioned to scale up these endeavors. We are particularly focused on specialty surfactants, phenoxy series, institutional cleaning and performance chemicals. Our recent expansion plan at Dahej along with increased its ethoxylation capacity, will allow us to meet growing demand in these key segments. Overall, we are confident that our robust balance sheet, backed by prudent financial management will support our long-term growth strategy.

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

Sunil Chari: Thank you, Mr. Edward, and a warm Namaste to everyone. It's a privilege to speak with you today and share our progress in FY24.

While it has been a challenging period for the industry, Rossari has performed quite well, delivering healthy results throughout the year. We are particularly pleased with the exceptional performance of our HPPC segment. During this year, we expanded our customer base for key HPPC products, leading to a robust 18% growth in this division.

Additionally, we have achieved significant success in exports which have grown faster than domestic markets during the year. This growth is a result of our approach of targeting new customers in both new and existing geographies. A highlight in our international vertical was the expansion of our presence in Bangladesh, by establishing a strong local business development team. By strengthening our presence in such high-growth markets, we'll be able to tap into new customers and establish stronger relationships in the region.

Our Institutional Cleaning segment has achieved exceptional results during the year, serving major sectors such as airports, railways, hotels and healthcare that rely on specialized cleaning solutions. Our initial success in this segment can be attributed to a deep understanding of cleaning chemistry, which has enabled us to develop tailored products and solutions. Additionally, we provide comprehensive support to our customers, ensuring that all their cleaning requirements are met through us.

Looking back on our journey since our IPO, we take pride in our growth from a Rs. 700 crore top line to our expected milestone of around Rs. 2,000 crore top line in FY25. This remarkable growth, in addition to the successful acquisition of high-quality acquisitions, reflect our firm commitment to excellence, innovation and customer satisfaction.

Our commitment to maintaining a strong balance sheet and our disciplined approach to financial management has also been instrumental in our success. These principles will continue to guide us as we expand our operations and explore new opportunities.

We thank you for your continued support, and I would now request Ketan-ji to share his perspective.

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

We are pleased to report a healthy growth in our operations with revenues improving by 16.3% Y-o-Y to reach Rs. 472.7 crore in Q4 FY24. The strong performance of our core HPPC division played a key role in driving this growth, registering almost 18% Y-o-Y increase.

While our Textile division witnessed a slowdown this quarter, primarily due to subdued demand in the textile industry and the softening of prices, volumes have remained steady throughout the year. AHN performance was lower due to external industry headwinds. We anticipate a rebound in demand both domestically and in export markets in the near future, which should lead to a positive turnaround for both verticals. In terms of revenue contribution for the quarter, HPPC led with 73%, followed by Textile Specialties with 20% and Animal Health with 7%.

Consolidated EBITDA amounted to Rs. 63.6 crore compared to Rs. 54.6 crore in Q4 FY23, marking an increase of 16.5% Y-o-Y and remaining consistent Q-o-Q. Meanwhile, the PAT stood at Rs. 34.1 crore, up from Rs. 28.9 crore in Q4 FY23, reflecting a growth of 17.8% Y-o-Y and a steady Q-o-Q.

For the full fiscal year FY24, our consolidated total revenues from operations reached Rs. 1,830.6 crore, reflecting a 10.5% Y-o-Y increase. HPPC revenue amounted to Rs. 1,369 crore, contributing 75% of the total revenue, followed by Textile Specialty business, Rs. 354 crore, contributing 19%, and AHN at Rs. 108 crore, contributing 6%.

EBITDA for the year stood at Rs. 249.8 crore compared to Rs. 223 crore in FY23, marking the highest annual EBITDA, with EBITDA margins of 13.6%. PAT for the year amounted to Rs. 130.7 crore compared to Rs. 107.3 crore in FY23, achieving the highest annual PAT.

On the gross margin front, we are about 2% lower in Q4. While on the full year basis, we are steady at 29%. Some moderation on the selling prices during the quarter impacted this fall in the gross margins. Also in the last quarter as well as in the last year similar quarter, we had some high-margin tender business, which we are missing in the current quarter Q4. Gross margin improvement remains our key goal. And strategically, we are aligned to keep improving our gross margins going forward.

On the working capital front, we are a little stretched on the outstanding days. Our inventories and receivables have increased during the year. On the inventory front, we had planned increase of inventories during March '24 in view of the upcoming Agro season, where we had suffered last year due to lack of availability of materials. Also during April, one of our key suppliers was going into a planned shutdown. Hence, we had to build up stocks at our end.

On receivables, we have a stretch on the Agro side and also some of our government tender businesses where the cycle periods are long, have impacted the increase in the receivable days. We are taking steps to streamline our working capital across businesses, and we will continue to monitor this. Looking ahead, our expansion projects at Dahej are progressing as planned and are expected to be completed during FY25. These expansions will enable us to meet growing demand in key sectors and further strengthen our position in the market. We remain excited about our opportunities in our business verticals and believe that our robust R&D framework, strong financial base and diverse product portfolio will continue to drive our success going forward.

On this note, I would conclude my opening remarks and request the moderator to open the forum for any questions that the participants may have. Thank you.

Moderator: First question is from the line of Aditya Chheda from InCred Asset Management.

Aditya Chheda First question is on the gross margin. In your view, what would be the key figures for implementing gross margins going forward?

Ketan Sablok: As I said in my opening remarks, there was a little change in the product mix during the quarter, which impacted the gross margin. Also, there was some moderation on the selling prices, which has also impacted the gross margins. Our strategy on this front is to keep improving on the R&D side, lowering the costs while keeping the selling prices intact or increase, depending on how the raw material prices behave. But given that now some of the raw material prices are looking to be a little steady, I think going forward, we should see some improvement coming on the gross margin.

Aditya Chheda: Right. My next question is on the revenue run rate. We have some of the capacity coming up in phases. Are you expecting the revenue run rate to bump up in the second half? Or if you want to sort of quantify how are you thinking about top line growth for FY25? And which are the quarters where you will start seeing that uptick in the revenue run rate, which we are currently at Rs. 470 – 480 crore on consol?

Ketan Sablok: The CAPEX will come onstream in a phased manner. So probably some of the CAPEX will come towards the end of Q2 or beginning of Q3. So we should see some increase in the revenues. Currently the way the projects are progressing, I would say, by Q4, we should see some revenue bump up and the major bump up coming into the next year FY26.

Aditya Chheda: Right. Last question from my end. Would you want to give any guidance on the revenue front for FY25?

Ketan Sablok: No, it would be a little difficult now at this stage, given what's happening globally, but I think we've talked about this earlier also and where we said that we would be working towards mid-low double-digit kind of growth. That's what we are seeing now, and that's what we've delivered this year. So currently, we would not hazard a guess, but we should be able to do what we've done this year, at least as of now. Maybe a couple of quarters down the line, we would be in a better position to tell you where the business is going to go.

Moderator: Next question is from the line of Bhargav Buddhadev from Ambit Asset Management.

Bhargav Buddhadev: Sir, you mentioned in your opening remarks that there was volume growth in the textile business. If you can quantify what has been the volume growth in FY24?

Ketan Sablok: The textile business has registered about 5% kind of volume growth on an annualized basis. On this quarter, the growth in volumes has been about 10% Q-o-Q.

Bhargav Buddhadev: Okay. And what is the plan, ahead given that you are now investing in Bangladesh as well to grow your textile business?

Ketan Sablok: Yes, we've set up a new office last year in Bangladesh, and we've set up the entire sales network, dealers, etcetera. We should start seeing some traction in the textile business, probably in another couple of months. So, probably Q2 onwards, we will see some good ramp-up in the Bangladesh business coming through.

Bhargav Buddhadev: Okay. In terms of your Institutional Cleaning business, is it possible to basically elaborate what's the plan for the next 2 to 3 years?

Ketan Sablok: Institutional Cleaning business, I think we are quite bullish about that the business, which is currently on a growth phase. We've almost doubled the turnover in the institutional business in this year and in FY24. Our target is to double this in FY25. This business is slightly cash-consuming business in terms of cost as well as in terms of the working capital. But till it reaches a certain size and capacity, it will be a slight push on our working capital position, but that's something we are willingly doing it, because we are quite bullish that the business. Once it reaches a certain volume of

Rs. 800 crore plus, that's when the actual returns we'll be able to see. And yes that's the plan and we are aiming to double it again this year and next year also, we are quite bullish. We've set up a large team now in the business of institutional chemicals. We brought in a new head. The entire org structure has been done. So over the next 2 to 5 years, I think we are very, very confident of this business reaching much larger milestones.

Bhargav Buddhadev: For FY24, what is the revenue and maybe loss in this business?

Ketan Sablok: FY24, the revenues have been about Rs. 159 crore. And currently is giving about 4% kind of an EBITDA.

Bhargav Buddhadev: And the working capital cycle would be how much in terms of number of days for this business?

Ketan Sablok: Working capital is a little stretched in this business. It seems to be upwards of about 85 - 90 days.

Moderator: Next question is from the line of Sanjesh Jain from ICICI Securities.

Sanjesh Jain: I got a few of them. First, starting with the gross profit margin. The fall in raw material prices, I thought percentage margins should look better because mathematically, our gross profit per Kg remains flattish, which makes margin look better. In a standalone business, the margin has actually fallen by 300 – 400 basis points. And on a consol basis, it is down by 200 basis points.

I know you mentioned that there’s a change in the product mix, but I thought institutional, which has the highest gross profit margin business within our portfolio today, the revenues have doubled, which should have further aided the margin. So, which are the other product lines where you think the margins were higher and those have not been accounted in Q4 or the sales were lower in Q4?

Ketan Sablok: Sanjesh, as I said in the last quarter, we had a higher revenue coming from the government tender business, where we supply cleaning chemicals to schools and institutions. This is a very high-margin business for us. This comes in certain quarters. This business was there in Q3. So Q4, this business was nil. So that has significantly impacted the gross margin.

Sanjesh Jain: Okay. That's again a part of institutional only?

Ketan Sablok: Yes. But it's done through Rossari. It's not done through BRPL.

Sanjesh Jain: That should be done through Rossari.

Ketan Sablok: It's done through Rossari. That was I am saying.

Sanjesh Jain: But the 400 looks excessive, right? For one part of business.

Ketan Sablok: It was almost Rs. 25 crore business for us in the last quarter. So almost the entire year's supply has happened in Q3. That has impacted. And of course, as I said, some selling prices, there was a moderation. We have not passed on some of the price increases which were there. That has also impacted. It's going to take some time for us to push these prices into the market.

Sanjesh Jain: Ketan bhai, can you just help us understand how is the competitive intensity in the industry? Because we have seen our margin getting compressed when the raw material prices go up, our margins getting compressed when the raw material prices are falling. Either way our margins look like the volatile or vulnerable for the volatility in the raw material prices. How should we see the competitive intensity of the business model, which we can make more robust to keep the margins more stable?

Ketan Sablok: If you see, Sanjesh, we have generally been, in the last couple of years, able to maintain our margins, the gross margin, if I say, at about 30% plus minus. They keep changing quarter-to-quarter, again, depending on which vertical does well, which vertical does not do well. For me, currently, the way the business is structured and the way the market is behaving, I think we should look at an annualized number of closer to 30% gross margin. That's what I can say as of now.

Sanjesh Jain: Ketan bhai, actually, the margins at the time of IPO were like 37% - 38%. And the moderation, what we thought was largely because of the raw material pressure. But when raw material have normalized, our margins are still not normalized. So is it fair to assume that this is a new normal and the 38% what we did at the time of IPO were at least in the foreseeable future, it doesn't appear that we will again fly into that kind of a margin profile?

Ketan Sablok: Yes, I think because at the time of IPO and the current scenario, the entire product basket of the company has changed significantly. We didn't have Tristar at that time. We didn't have Unitop at that time. And then we have also gone into some other verticals like paints, paper, and oil and gas. At that time, we had a big account, which you know where the margins were significantly higher, which we don't have anymore. So, the impact of all of this, as you rightly suggested, currently, the way we look at it is this business is going to be around the 30% kind of margin.

Sanjesh Jain: Fair enough. That's very clear. Ketan bhai, just second on the growth side. Now HPPC growing at 30% looks phenomenally healthy. Can you help us understand how we plan to sustain this growth for next 2 - 3 years? Or how should we think about this portfolio growing at, say, 20% - 30% even for next 2 - 3 years?

Ketan Sablok: Some of the key subsegments in HPPC, I think will keep pushing the growth. Here would be, one, the new CAPEX, which is coming in and the CAPEX largely the bigger one is coming up in Unitop. So, that's going to help us, keep up this growth momentum in HPPC. So, that has a portion of business, which is into the surfactants and ethoxylates and there is a product which is going to go to the oil and gas industry. Both these will help us maintain this growth in HPPC. Secondly, the business of Institutional Chemicals, which I talked about, that also we expect that at least for the next foreseeable 2 years should see a significant growth given the current base is small. We've almost doubled it this year, as we have shown in our presentation. We expect to be at least closer to doubling this year also. So, couple of these factors will help us keep this momentum of growth in HPPC.

Sanjesh Jain: So, that's fair to say that within HPPC, the contribution of agrochemical, oil and gas is going to go up materially with ethoxylation capacity coming in, right?

Ketan Sablok: No, not necessary because if you see in the last year, specifically FY24, where the Agro season was not great and the overall Agro was not quite great. We actually pushed our capacity in Non-Agro side. And it's the Non-Agro business of Unitop that has helped us sustain even though the Agro has not grown. While volumes, we've been able to maintain in Agro, but the real growth has come from the Non-Agro business in FY24. Roughly, if I could tell you, in FY23, the mix was about 65% Agro and 35% Non-Agro. This mix now is roughly about 50%-50%.

Sanjesh Jain: So, we have change materially. In Non-Agro, what is growing within the Unitop?

Sunil Chari: Sanjeshji, namaste. This is Sunil Chari here. In Home, Personal and Performance Chemicals, home personal care is doing extremely well. In HPPC, the Tristar business has done very well in the last year. The Unitop business also has done very, very well. So the Non-Agro part of the business has done quite well.

Sanjesh Jain: What is Non-Agro? When you say Non-Agro, what does it mean?

Sunil Chari: Non-agro is Home Care, Personal Care and Paints and Coatings, these are 3 areas which are major contributors to non-agro.

Sanjesh Jain: Okay. Home Care, Personal Care and Paints, these are 3 growing faster for us.

Sunil Chari: Yes, Sanjesh-ji.

Sanjesh Jain: Have you done any tie-up with the new paint company, which is now planning to become very big? Do we have any relationship there? Can that be any trigger or are we looking at that being a new opportunity for us?

Sunil Chari: We are in talks with all these new paint companies, which are coming up and also with the existing paint companies. And we are hopeful of business in these companies.

Sanjesh Jain: One last question on the working capital side. What should be the new normal? Because this company used to have a working capital of less than 50 days. This year, we are closing with 97 days of working capital, which is almost doubling of the working capital for us. Ketan bhai, what should be the steady state working capital with one we should understand because tender business is always going to be a lumpy business? So how should we factor the working capital days?

Ketan Sablok: Sanjesh, if you see now with Unitop, etcetera, coming in, and the stretch that we are seeing in the Agro business, the receivable cycle. If you see our standalone, we are still at about 67 - 70. So, we hover around 65 - 70 days in the standalone. It is consolidated where the numbers have gone up significantly. So one of the main issues is in the Agro business, where the payment cycle is, as it is got stretched, but given the current situation, that stretch has gone a little longer. So that is impacting this.

Secondly, as I said, as our Institutional Chemicals business keeps growing, there are cycles in that business also where the working capital days are slightly stretched compared to what we generally have in the standalone. So that too is at about 85 - 90 days. Secondly, in March, as I said, there were certain actions we took on the inventory side where if you see the inventory levels have significantly gone up almost to Rs. 90 crore plus. So, that has also impacted. So a fair assumption on year-end, I think we will be following these kind of cycles, we should be at about 90 days kind of number.

Sanjesh Jain: 90 days should be where we should now stabilize.

Ketan Sablok: Yes.

Sunil Chari: Sanjesh-ji to add to what Ketan-ji said, Rossari standalone, we are practically at par for last year to 67 days and it is 69 days. And just 2 days also, I think it was little because of goods in transit, a little higher than last quarter.

Sanjesh Jain: It used to be 45 days when we were at the IPO?

Sunil Chari: But now this is the new normal because our customer mix, our product mix has changed substantially as we have informed this.

Sanjesh Jain: So, now standalone 65 and consol 90.

Sunil Chari: Standalone is 70.

Sanjesh Jain: Okay, 70. So that should be a new normal, right? So from here onwards, there won't be a significant, because this year, there is lower cash conversion because of the working capital.

Ketan Sablok: Yes.

Sanjesh Jain: Next year onwards, that should not be any more of the case, correct?

Ketan Sablok: No. We are endeavor Sanjesh internally is to bring it down to below 85 days, giving you a realistic number. But currently, given the situation, I think we have to first bring it down to 90 days from where we are. So, it will be prudent now to take a 90-day kind of the cycle.

Sanjesh Jain: One last question from my side. We anticipated to double the AHN revenue this year. I don't think that's been possible. Any particular reason what we saw the opportunity at the start of the year and what transpired across the year? And finally, we ended up with not much different than what we were last year.

Sunil Chari: The last few quarters in Animals Health and Nutrition industry, especially the integrated and the feed mills have gone through a lot of pain. They have had a lot of pressure on their margins. And our outstandings were going up. And then prudently, we decided that if no business will come it is fine. We are not going to give accelerate credit in the market for Animal Healthcare and Nutrition.

Sanjesh Jain: Okay. You are telling the industry itself struggled and we were more careful not to increase the exposure in the industry.

Ketan Sablok: Yes, that's what it was Sanjesh. But if you see in the last 2 quarters, we've slightly done better on the AHN front. And we are also now putting up a small CAPEX in premix which will help us.

Edward Menezes: We are putting up a premix plant and we are putting up a granulation facility. These 2 pieces of equipment will increase our production capacity as well as the quality of our product. So we are currently on standalone mixers, but this will be a completely automated mixing technology from a multinational company. So this investment, we see that this year, we should bounce back. Although this machinery takes anywhere between 4 - 6 months for delivery and commissioning. So we are very hopeful that with these 2 equipment in place, we will do better there. And as well as Aqua is been seeded, so this year Aqua should also go up.

Moderator: Next question is from the line of Rohit Nagraj from Centrum Broking.

Rohit Nagraj: First question is we have recently commercialized some oilfield chemicals. If you can just give us broader understanding of where these are used, which geographies, whether it's a tender business or it's a normal business? And how are we going to tap this particular opportunity in terms of opportunity size and maybe a growth plan for a 3 - 5-year perspective?

Sunil Chari: Yes. So the oilfield chemicals, we are targeting both India market and also especially the Gulf market. There is also some market in Africa and Malaysia, which we are trying to target. Oil and gas has a long gestaion for approval from the big companies. This year, we're mostly go into seeding. The chemistries where we are focusing is mostly the Demulsifiers, the Pour Point Depressant, the Biocides, the Deformers, these are chemistries where we have some small sales from Unitop.

This year would be more approval and seeding stage. And hopefully, in the years to come, we should get good business from these chemistries and these focus areas. Obviously, Saudi, UAE, Oman, Kuwait, Qatar, Nigeria and India and also Russia, these would be focusing areas for us.

Rohit Nagraj: Sure. That's helpful. The second question is in terms of our overseas market. So how are we tapping the exports market? You talked about textile chemicals in terms of our Bangladesh initiative. Apart from that, Unitop has been pretty concentrated on the LATAM market. Tristar has been on North American market. Where are we in terms of cross-selling opportunities and dealer distribution network? And how are we expecting the exports to grow in FY25 - 26? What could be the proportion that we are looking at maybe over a 3 – 5 year period of time?

Sunil Chari: Yes. So Rohit-ji, the focus would be the Americas, which include Latin and South and North America. This is one of our focus areas for growth. The second area, of course, would be Asia. And Asia will include the MENA region, which we consider still in Asia and also the Far East region, which is there. And the third geography, which we will look in exports remains the European geography.

The Home Personal Care segment, the Agro segment would be this year, the focus areas mostly. If you see in the last financial year, Rossari, Unitop and Tristar, we were practically together with the 3 companies, we are at 0 debt level, net zero investments and the bank borrowings of these 3 companies were matching. So there was practically no debt in these 3 companies. And Tristar and Unitop both have achieved 100% capacities. So, this has mostly come from also the export market, but also seeding into the local market where we are cross-selling into our existing customers with new chemistries.

In terms of specific products, phenoxyethanol would be something which could grow. But also we see a lot of alcohol ethoxylates and other kind of ethoxylates going into not only Home Personal Care but also food processing. And then we are starting to build our capabilities for the pharma surfactants, which again will come in the HPPC segment in the Performance Chemicals.

Rohit Nagraj: Right. Got it. Just 1 last, if I can squeeze in. From the agrochemical exposure, it's 50% only in Unitop and there is no other exposure that we currently have, right?

Ketan Sablok: No, no, it's all Unitop.

Rohit Nagraj: Right. And how has been the performance in the recent quarter? And given that this is the primary season from agrochemical perspective, what is you're expecting that whether we will be able to maintain the volumes during this year as well? Or there could be some setback?

Ketan Sablok: I didn't get your question clearly, Rohit. Can you just repeat, please?

Rohit Nagraj: Yes. So given that last year, we were able to maintain the volumes on the agrochemical. Obviously, there was some impact probably because of the pricing. How do we are seeing in current environment where last year, the inventories were higher generally across the board. So from our FY25 perspective, whether we have a visibility that Agrochem part, the volumes will be maintained or there could be a smaller setback?

Ketan Sablok: No, the kind of order book that we are seeing now, I think we should be able to maintain our volumes in FY25. We have at least now a good bit of inquiry coming in from our customers. So we don't expect the volumes to drop significantly. We would be happy if we can maintain the volume levels that we've achieved in FY24. We should be around that number itself.

Moderator: Next question is from the line of Mihir Damania from Ambit Asset Management.

Mihir Damania: I just had 1 question. What was the volume growth for the full year for the company? And do we have sufficient capacities to increase the volumes for FY25 in a similar range what we did this year?

Ketan Sablok: We generally don't give a volume growth number. But given that the current pressure on the prices and some of the selling prices which have softened, most of this growth which you are seeing that has come has majorly come out of volume itself. And on your question on the availability of capacities, I think on the standalone front, we have enough headroom to fill up volumes. The Ethoxylation capacity that Tristar and Unitop are fully utilized. So, that's where we are adding capacities. We should have some capacities on stream as I said, by end of H1.

Moderator: Next question is from the line of Rohan Gupta from Nuvama Institutional Equities.

Rohan Gupta: Just wanted to understand that you mentioned that definitely last year, Agri has been up, however, the growth was driven by HPPC and other Personal Care category. How do you see that over the next 1 year - 2 years? Where the focus on HPPC has been there and it will be remain the growth driver or the industry revival in the Agri business will drive the Agri part of the portfolio of the company more?

Sunil Chari: For us, Home Personal Care and Performance Chemicals would be the growth driver definitely in the next few years. Agro, we see still, if we are able to maintain the volumes over last year, like last year, we will be happy. There is no El Nino effect and the monsoon is expected to be normal. We see a normal Agro season like last year. But the focus would be on all the Ethoxylates business basically and the Phenoxy ethanol business.

Rohan Gupta: Sir, if you could just share some CAPEX number that over the next 1 year - 2 years, how much money you plan to invest and a broader outlook at how much of that will go in Agro and how much of that in Non-Agro?

Ketan Sablok: We've Rohan,just in Q2, we had planned for some CAPEX. It was about Rs. 128-odd crore for the Ethoxylation capacity expansion and for a new molecule for the oil and gas business. So part of that Rs. 128 crore is for the oil and gas molecule. So that's the Non-Agro part. And within the Ethoxylation, the capacity will be a mix. The utilization will be a mix of both Agro and Non-Agro, depending on how the market moves. So, if the Agro season in the next couple of years, the Agro doesn't really grow, then we have enough headroom to keep growing our Non-agro. Ethoxylates are actually fungible depending on how the markets are, Agro as well as Non-Agro.

Rohan Gupta: Apart from that, this CAPEX, you have any further plan on the CAPEX side part? I think that this is going to commission in FY25 itself, right?

Ketan Sablok: Yes. So by end of FY25, this CAPEX will be done, then probably we'll see how the markets are looking and post that, we'll probably think of the next round of investments. But currently, the major investments are the ones which we've announced.

Rohan Gupta: Sir, just last question from my side. Sir, in last 2 - 3 years of the company, we have seen a couple of acquisitions done by the company probably. At that time, I think the industry dynamics were quite rosy. I mean, in terms of the valuations also probably that the market dynamic was quite favorable for the company in terms of the valuation, which we have paid high multiple. Do you think that in the current scenario, the things have changed and even the acquisitions which we had done are, I mean, not contributing to the profitability the way you would have expected? And how much time do you think that they may take to drive the profitability at the level which we have expected earlier?

Ketan Sablok: No. I think on the contrary all the acquisitions that we've done has fared much better than what we had planned. Whatever financials we had prepared at the time of acquisition, I think both these have really done much better than that. Today, if you see in the last 3 years, Unitop had a growth of almost CAGR 20%. Tristar has had a growth of 24% CAGR. I think we are very happy with the way both these acquisitions have performed. And they are going to pay back much earlier than what we had internally targeted.

Moderator: Next question is from the line of Ankur Periwal from Axis Capital.

Ankur Periwal: My apologies, I joined the call a bit late. So if there is any repetition, my apologies there. First question on the overall growth outlook. Now if I look at on a consolidated basis, we have grown at a low double-digit numbers over the last 2 years. Obviously, there was a realization-led issue here as well. So a large part of this growth was volume led. But how are your thoughts in terms of the revenue ramp-up here over the next 2 - 3 years?

Sunil Chari: Ankurji, this is Sunil Chari here. Because of the uncertain volatile market conditions across the globe, we are not sure and do not want to hazard any guess for the next 2 quarters. So we would wait and see and then guide you.

Ankur Periwal: Sorry. My question was not on 2 quarters, but more from the next 2 - 3 years.

Sunil Chari: Yes, yes. We are expanding, we are investing money into growing the Ethoxylates business, the Phenoxy Ethanol business, the NMMO business and also the Polymers business. So, definitely we are bullish on our future. But these first 2 quarters will determine our outlook for the current financial year.

Ketan Sablok: Just to add to that, Ankur, the capacity that we are putting in, comes towards the end of this calendar year. We would have about 3 - 4 months of revenues coming in this year and probably a larger piece of the revenues coming in FY26. So currently, as Chari sir said, let us wait and watch how these 2 quarters go. These are key quarters for us for our Agro business, while we are seeing the demand being quite stable. But on full annualized basis, we would probably be able to give a better idea of how this year is going to pan out. But currently, the way we look FY25, we should be a little similar or slightly higher than what we've done in the last year. But in FY26, I think the ramp-up capacities coming in, we should see mid to a slightly higher growth in FY26 and onwards.

Ankur Periwal: Sure. You did mention in your earlier comments that on the standalone side, we have ample capacity to scale up. How about the capacity at Tristar or Unitop? Will we have to spend more there to enhance capacity or they are optimally utilized now?

Ketan Sablok: So currently, on the Ethoxylation side, we are optimally utilized. That's why we are adding these capacities on the Ethoxylation front. So our CAPEX, which is ongoing is going to add these capacities. And apart from the Ethoxylation, we are also doing another product for the oil and gas business. So these are the 2 main expansion that are happening.

Ankur Periwal: Sure. Secondly, on the margin front. Now if I dissect our consol performance between standalone and subsidiary, there is an improvement in subsidiary and to an extent, deterioration in the gross margin or even EBITDA margin on the standalone side. Is large part of this pain largely over? Or the FY24 numbers on an average is the new base and one should look at these numbers? May not be the 14% - 15% EBITDA margin that you were doing earlier?

Ketan Sablok: Ankur, I have spoken about this earlier also. The current base what we are seeing for this FY24, at least for the next year, we should take those numbers itself and go ahead.

Ankur Periwal: Okay. But incrementally, let's say, FY26 and beyond, you will expect things to improve? Or it should be gradual, not going back to the older run rates?

Ketan Sablok: In terms of the gross margin?

Ankur Periwal: Gross or EBITDA margin either way.

Ketan Sablok: Yes, it's going to be a gradual uptick. But on an annualized basis, I say if you see currently, we are seeing the way the business and the outlook that we are getting from the market and from the business side, this 13.5% - 14% EBITDA margin is what I can tell you is something we are looking at, at least currently sitting today.

Ankur Periwal: Sure. And lastly, on the balance sheet, working capital. If I look at over the last 3 years, there is a decline in overall the core working capital, largely because of the payable days being lower. So probably we are doing more spot purchases now versus the credit that we were enjoying earlier. FY24, specifically inventory and receivables are also slightly higher. So how do you look at this number on a steady take basis going ahead?

Ketan Sablok: Yes. If you see the way our business has grown in the last 2 - 3 years, it's major growth coming in from our subsidiaries, Unitop, Tristar almost close to doubling from when we have purchased. So that what skewed the working capital position because there if you see the major raw materials that we are purchasing is all on advance terms. While if you see supplies to Agro and also in the Non-Agro, especially in Agro are hugely stretched, especially given the current scenario. So that's what is impacting the working capital cycle in the overall consolidated balance sheet. As I said, our endeavour is to start streamlining this number. We are working towards that. In March of 2024, it was a management call to build up some stocks seeing the Agro season coming in. We had lost out on a lot of Agro orders last year because of non-availability of material. Also the supplier has planned to get into annual shutdown during the month of April. Hence, we had willingly stocked up raw materials and also produced a lot of semi-finished goods and kept. So that's why you'll see the inventories have also gone up significantly in end of March. That's what has impacted the overall working capital.

Moderator: We have our next follow-up question from the line of Rohit Nagraj from Centrum Broking.

Rohit Nagraj: Just 1 clarification. We have seen that there has been some issue in terms of Ethylene Oxide availability. So your comments on the same? And the second thing, in terms of the newer capacity, how are we placed in terms of the supplies of Ethylene Oxide?

Sunil Chari: For April and May, Reliance has given us forecast that they will be giving us about 60% of what we normally buy. So, April - May, of course, our capacity will be unutilized to that extent. And we are expecting to add some product on Propylene Oxide to tide over the Ethylene Oxide shortage. We are also trying to make some raw materials which we're buying from outside in-house to fill up the capacity, which is vacant. In April and May, luckily, we have built up some stocks in March for Agro. And I think our sales should be in line and stable, should not be affected much. That is what is our outlook Rohit-ji on Ethylene Oxide.

Rohit Nagraj: And for the new capacity, I mean, are we comfortable that for the expanded capacity, we'll be able to get additional.

Sunil Chari: We have been assured by Reliance that for our expanded capacity, they are going in for an expansion also for Ethylene Oxide. So we should have adequate availability of Ethylene Oxide for our expansion once it comes online in the last quarter of this financial year.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for the closing comments.

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