GULSHAN POLYOLS LIMITED

Gulshan Polyols Limited
CIN: L24231UP2000PLC034918
Corporate Office: G-81, Preet Vihar,
Delhi-110092, India
Phone : +91 11 49999200
Fax : +91 11 49999202
E-mail : cs@gulshanindia.com
Website: www.gulshanindia.com

GPL\SEC\82\2024-25
February 26, 2025

To,

BSE Limited	**National Stock Exchange of India Limited**
Department of Corporate Service,	Listing Department
Floor 25, P. J. Towers,	Exchange Plaza, Bandra Kurla Complex,
Dalal Street, Mumbai	Bandra (E), Mumbai
Maharashtra- 400 001	Maharashtra-400 051
Scrip Code: 532457	**Symbol: GULPOLY**

Subject: Transcript of Analyst/Investor call held on February 21, 2025

Dear Sir/Ma'am,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, ("SEBI Listing Regulation") read with Schedule III thereof, as amended, enclosed herewith Transcript of Analyst/Investor call held on February 21, 2025 at 11:00 A.M by Gulshan Polyols Limited (the "Company").

The said Transcript is also available on the website of the Company: https://www.gulshanindia.com/transcript-of-calls.html

This is for your information and record.

Thanking you,
Yours faithfully

For GULSHAN POLYOLS LIMITED

CHANDRA KUMAR JAIN
Digitally signed by CHANDRA KUMAR JAIN
Date: 2025.02.26 16:41:16 +05'30'

Dr. Chandra Kumar Jain
Chairman and Managing Director
DIN: 00062221

GULSHAN POLYOLS LIMITED

ANALYST/INVESTOR CONFERENCE CALL

HELD ON FEBRUARY 21, 2025

MANAGEMENT: **MS. ADITI PASARI, JOINT MANAGING DIRECTOR OF GULSHAN POLYOLS LIMITED**

MR. RAJIV GUPTA – CFO, GULSHAN POLYOLS LIMITED

MODERATOR: **MR. VIRAJ MEHTA**

Gulshan Polyols Limited
CIN: L24231UP2000PLC034918
Corporate Office: G-81, Preet Vihar,
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E-mail : cs@gulshanindia.com
Website: www.gulshanindia.com

TRANSCRIPT OF ANALYST/INVESTOR CALL HELD ON FEBRUARY 21, 2025

Viraj Mehta: Good morning, everyone. Just to begin, please note that the call is being recorded as per SEBI compliance requirements. Welcome, everyone, to the Nuvama Management Connect series. Today, we are hosting the management of Gulshan Polyols Limited. The management is represented by Ms. Aditi Pasari, Joint MD, and Mr. Rajiv Gupta, CFO of the company. The government has announced a paradigm shift to support the grain-based ethanol players with its commitment to the Ethanol Blending Program, and this is by reducing the FCI broken rice price from ₹28 to ₹22.50. With this, I'll hand over the floor to you, Aditi Madam, for brief remarks, followed by the Question and Answer session. Over to you, ma'am.

Aditi Pasari: Hello, everyone. I'm Aditi Pasari, Joint Managing Director of Gulshan Polyols Limited. I would like to thank everyone for taking an interest in the company and giving time for this call. The last few quarters have been very challenging for the company since we ventured into the ethanol segment. That is also mostly because ethanol itself is a very nascent and evolving segment, with some policy changes constantly happening. But very fortunately, we feel we are on the path to recovery from here, and the worst is behind us. The government is in our favor and has finally allowed the use of FCI rice to the ethanol industry at a subsidized rate of ₹22.50, which has a very positive impact on the ethanol industry overall. The fact that the aerometer is available to us at a fixed price at a subsidized rate is crucial.

Moreover, we will be able to maintain comfortable margins. In the same context, we have also seen a softening of raw material prices available in the open market, whether it is DFG rice or maize. There has been a softening of raw material prices across the board, which will have a very positive impact on EBITDA and profit margins. We are looking forward to a recovery from here, and I hope the worst is behind us. I would love to take questions from the forum.

Viraj Mehta: We can now open the floor for Q&A. Participants who want to ask questions can unmute and go ahead.

Anand Mundra: Hi, Viraj! Can I ask a question?

Viraj Mehta: Yes, please. Go ahead.

Anand Mundra: Hi, good morning, Aditi. I wanted to check what the linkages are between the two businesses—mainly grain processing and ethanol. Is the raw material similar, and how are they linked to each other?

Aditi Pasari: Yes, the major link between both segments is the raw material. The raw material is common for both segments, whether it is grain processing or the ethanol segment. The raw materials are maize and rice, which is the common factor. After the ethanol industry segment came into focus in the last two years, the entire raw material scenario was affected, which also impacted the grain processing segment. There was a rise in raw material prices that affected the grain processing segment. So, that's the common factor on the processing front. Yes, there is some commonality in the process as well, from receiving grain to storage and milling, up to almost the fermentation stage. There is commonality in the process in both segments.

Anand Mundra: Okay. But if you get a subsidy while procuring raw material for your ethanol plant, can that also be used for maize, or how does the government ensure that it is only used for ethanol?

Aditi Pasari: The government runs a very, very transparent SAP scheme. The orders we receive from the government for the supply of ethanol from FCI are all tender-based.

For example, if I have taken a tender for one crore liters of FCI rice for the whole year, I will be getting the corresponding FCI rice in the ratio of 2.2 lakh metric tons. The government and the OMCs will issue a PO of 2.2 lakh metric tons. This ratio is 2.2 for FCI rice, which I have to submit to the FCI, and only the corresponding rice will be available to me. I have to supply the corresponding ethanol to the OMCs, for which they have given me subsidized rice.

Samir Palod, AUM Fund Advisors LLP: Okay.

Aditi Pasari: So it is very streamlined, very organized. There is no way that this rice can be used for anything else.

Anand Mundra: Understood. So your procurement costs for both segments are totally different.

Aditi Pasari: Yes, the procurement costs are totally different. When I buy from the open market, whether it's maize or DFG, the prices are similar. We are buying, whether it is for making sorbitol or ethanol from maize, at a similar price.

Anand Mundra: And, ma'am, what is the current rate? How has the rate changed? The government has reduced the prices to ₹22 now. What was the earlier cost for you?

Aditi Pasari: So, when the ethanol scheme was set up and conceived by the government, they had given us an option for FCI rice. That FCI rice should be available to the ethanol industry at a subsidized rate of ₹20 to ₹21.

In fact, many plants in the segment were set up based on this assurance that FCI rice would be available at a fixed price. If grain was not available in the open market at a viable cost, the industry would shift to FCI rice. However, this whole scheme got jeopardized in July 2023 when the government halted the supply of FCI rice to the ethanol industry. That's when the challenge started because the entire industry—and I'm talking about my company as well—was dependent on buying raw material from the open market. The demand-supply gap really increased, which caused raw material prices to rise for both maize and rice.

Anand Mundra: Okay.

Aditi Pasari: However, a few weeks ago, the government reassured and reopened the supply of FCI rice for the ethanol industry, which has already started softening the prices of raw materials available in the open market. For example, when I was buying September and October were some of the very challenging months for the company and the industry. We were waiting for the new crop to come in November, and everyone had to utilize the stocked-up crop. The maize price went up as high as ₹26 to ₹27 per kg.

After the news of FCI rice being released for the ethanol industry, we were able to buy maize anywhere between ₹23.50 and ₹24.50. So, that is the kind of impact we have seen. If I look at the impact of ₹2 on the raw material, it has a direct impact of ₹2 multiplied by 2.6, which is the ratio in which maize is used in ethanol. This results in almost a ₹5 per liter impact on the EBITDA margin of maize ethanol. That is the kind of impact we see from this news.

Anand Mundra: And one last question. During the period when the government was not selling the broken rice from FCI, where was it being sold from? Was it not at the subsidized rate? What was happening?

Aditi Pasari: It was stocked up. Yes, they have more than 70 lakh metric tons stocked up since last year, and the FCI godowns were overflowing with rice. But I think it was just the election year, and the government was a little worried about ensuring surplus food grain was available for the country. That's why they were not able to release it for political reasons. So, it was very much in the godowns, but the godowns were overflowing with surplus rice.

Anand Mundra: Understood. Thank you.

Aditi Pasari: The ethanol industry was constantly liaising with the government, requesting them to release this rice because that would have completely balanced out the entire ecosystem of the ethanol industry.

Anand Mundra: Understood. Thanks. Thanks a lot.

Aditi Pasari: Yeah, sure.

Viraj Mehta: Participants who want to ask questions can unmute and go ahead.

Harsh Shah: Hi, Viraj! Can I ask a few questions?

Giriraj Daga: Yeah. Hi, hi.

Viraj Mehta: Go ahead.

Harsh Shah: Hi, Aditi. Recently, we saw an announcement that you've got a new order from OMC, right?

Aditi Pasari: Yes.

Harsh Shah: So, if I may ask, what is meant by the cycle? C1, C2, C3. The rates and prices per liter are different for all three. Are there different types of ethanol involved here? How is it later?

Aditi Pasari: Ah, no! The end product is the same. The ethanol that we are supplying is the same. It has the same specification. There is no difference in the end product.

Harsh Shah: Right.

Aditi Pasari: But there are three pricing points in the grain ethanol segment. One is ₹72, ₹71.86, which is when we produce ethanol from maize. The second pricing point is ₹64, which is when we produce ethanol from rice, specifically damaged food grains. The third pricing point is ₹58.50, when we produce ethanol from FCI rice. These are the three pricing points that the government has given us. So, when we talk about C1, C2, and C3, these refer to the tenders in which the government invites bids from the ethanol industry. The first tender is C1, and that was for the entire year. It comes out in October for the entire ESY (Ethanol Supply Year), which runs from November 1st to October 31st.

Harsh Shah: Okay.

Aditi Pasari: That's where we have to apply and take allocations from the OMCs, depending on our production capability. The first tender was for about 910 crore liters, which the government has released. From that, we had taken an allocation of about 15 crore liters, which is worth approximately ₹1,000 crores. After that, there was C2 and C3. C2 was open, and the government keeps coming up with new tenders as it feels the requirement is increasing.

Harsh Shah: Okay, right.

Aditi Pasari: Or it needs more and more, so it will keep coming up with new tenders in a new cycle. The second tender that came up was C2, where they invited bids for the third and fourth quarters, like for the August, September, and October quarter. That's when they ask for bids for the fourth quarter. And now, there has been a recent release of another tender, C3, which came after they allowed FCI rice to the ethanol industry. This tender allows bids from the ethanol industry to supply ethanol from FCI rice. So that's how these three cycles have been released.

Harsh Shah: Okay, okay, okay.

Aditi Pasari: But in the past 2-3 years, the government can come up with 4 to 5 cycles, depending on the requirement.

Harsh Shah: Okay, so, what is the current price? And what is the current price of maize? And how do we expect it to move going forward because we are primarily maize-dependent, right?

Gaurav Shah: Yes, that's right.

Harsh Shah: Our main capacity is based on maize at the moment, right?

Gaurav Shah: Oh, no, good!

Harsh Shah: Please, wait—ethanol?

Aditi Pasari: Yes, I just answered that question. After the release of FCI rice, the news about FCI rice being released has already led to a softening in maize prices, as well as in DFG prices. I just mentioned that the current prices are anywhere between ₹23.50 and ₹24.50.

Harsh Shah: Okay. And how do you expect them to move?

Aditi Pasari: See, we are always very positive. We are hoping that it's just going to get better from here. Right now, only the tender has been floated, and allocations have come. But the moment the rice actually gets released to the industry, which is expected in the next one to two weeks, there will be further softening.

Harsh Shah: Okay, okay, understood. And just a couple of questions. So, in this business, we don't have pricing power, or purchasing power because the prices are dominated by the OMCs. So, would it be a good strategy for us to bet big on the ethanol segment going ahead?

Aditi Pasari: See, every industry has its own challenges. There is no business that comes without a challenge. The challenge in this industry is that it is government-regulated, and the selling price is governed by the government. However, the good news for us is that our revenue is secured. The moment we set up a plant, we're able to achieve 60-70% capacity utilization in the first year, and we get turnovers very fast. For any other business, it usually takes about 2 to 3 years to capture the market and develop a customer base. So, the positive thing about this segment is that the revenue and turnover come very fast. In the very first month, the orders are available to us. We just need to produce, get the efficiencies in operations, and sell. The buyer is ready.

And you see, the government is already blending 16% ethanol in petrol, which means they are already substituting 16% of crude oil with a domestically produced product. So, there is no way the government will reverse this policy. They will not go back to buying crude oil.

Harsh Shah: Okay, I understand.

Aditi Pasari: So, we are very comfortable and confident in the policy. The government will not reverse this; they will not go back to 16% blending and buy crude oil again. The government is the direct beneficiary of this policy, whether it's through improving the balance of payments or decreasing imports. And you see, whatever the government pays us, the raw material cost is more than 70%. This means that 70% of the ₹72 the government is giving us is going directly to the farmer as agro raw material. India is an agro-based economy.

Aditi Pasari: So, it is directly going to the farmer, and the payment is coming to them over the MSP within 10 to 15 days, or even sooner. So, there are multiple factors that have actually come together, for which we are very confident that this policy is here to stay, and the government will continue to support the industry as it has been doing for the past two years. Each time there was an intervention required, the government intervened and supported the industry.

Harsh Shah: Okay, understood. And can you provide a couple of data points regarding what our raw material cost would be? Also, what would be the processing cost versus the realization? For example, using maize, which is our major input, right?

Aditi Pasari: Yes. So, as I mentioned, our yield is 2.6 in maize.

Harsh Shah: Okay.

Aditi Pasari: So, the cost changes with the volatility in raw material. If I say I'm buying raw material at ₹24, then ₹24 multiplied by 2.6 gives me ₹62.4, which is the current cost of raw material at current prices.

Harsh Shah: Right, okay.

Aditi Pasari: Then, we add ₹12, which includes power, salary, administration, chemicals, and other costs. The diversion cost adds another ₹12. So, if you add ₹12 to that, we get a total cost of about ₹75. Our revenue is ₹72, and we get additional revenue from byproducts, about ₹6. So, our total revenue is about ₹78, out of which the cost is ₹74. This leaves us with a margin of about ₹3 to ₹4. These are just ballpark figures, and the cost can vary depending on the volatility of raw material prices.

Harsh Shah: Okay, understood.

Aditi Pasari: These are the basic cost figures for us.

Harsh Shah: Okay, understood.

Aditi Pasari: Yes, so you can actually calculate the backward calculation depending on the prices.

Harsh Shah: Sure, sure. Okay, thank you. I'll rejoin the queue.

Aditi Pasari: Yes, sure. Thanks.

Giriraj Daga: Hi, Aditi! Am I audible?

Aditi Pasari: Yes, you are.

Giriraj Daga: Yes. So, I have a couple of questions. I'll take them segment by segment. First, on mineral processing, which seems to be a steady segment. I see we are doing about 7-8% growth this year in the first 9 months, and probably similar or slightly higher EBIT growth. Do you see any risk to this segment in the next year or two in terms of growth outlook or margins?

Aditi Pasari: Mineral processing is a stable segment for us. It's actually the first product for the company. The company started with calcium carbonate, and it is a 45-year-old product.

Giriraj Daga: Okay. So, is there any risk or anything we should be aware of for this segment in the next year or two? I'm looking at doing about ₹20 crore EBIT this year in the mineral processing segment. Should we expect about a 10-15% higher number next year? Do we have that kind of visibility?

Aditi Pasari: So, there are two things here. When we are doing regular business, I'm not expecting any big jump in revenue or EBIT because it is a stable business.

Giriraj Daga: Okay.

Aditi Pasari: However, we have a model of on-site PCC plants, where we set up our on-site satellite plants within the premises of a paper industry. We've already set up more than 10 such plants, and we were actually recorded in the Limca Book of Records for this concept and technology.

Giriraj Daga: Okay.

Aditi Pasari: Every time we set up a new on-site plant, there is a boost in both revenue and EBIT because these are one-time contracts, like EPC projects, where we are setting up a plant and handing it over. So, when that happens, there is a boost in both EBIT and revenue. But if no such plants are set up, the business will continue as usual.

Giriraj Daga: But for FY25, there was no similar one-time boost, right?

Aditi Pasari: No, there were no onsite plants commissioned in FY25.

Giriraj Daga: Understood. Let me move to the main segment—ethanol. What was the sub-volume in this quarter, in kiloliters?

Aditi Pasari: I don't have that figure with me.

Giriraj Daga: Okay, let me ask about the order book. You mentioned 15 crore liters earlier.

Aditi Pasari: Yes, you can divide by 4. It's about 3.7 to 4 crore liters. For the first quarter, we had about 4.5 crore liters for all the plants.

Giriraj Daga: Understood. For the full year FY26, what kind of volume and revenue should we expect from the ethanol segment?

Aditi Pasari: We're looking at 20 to 22 crore liters in the next financial year.

Giriraj Daga: So, that would be about ₹1,300 to ₹1,400 crore?

Aditi Pasari: It will actually be about ₹1,500 crore.

Giriraj Daga: Okay, ₹1,500 crore.

Aditi Pasari: Yes, because we also have additional revenue from byproducts.

Giriraj Daga: Understood. When I look at EBIT, the current quarter shows about ₹10 crore, which is a 2.5% margin. With the further price decrease in ethanol and rice, should we expect higher EBIT per liter or as a percentage?

Aditi Pasari: Yes, definitely. As I mentioned in my previous call, each time the price drops by ₹2, there is a direct impact of almost ₹5 on the EBIT margin, and ₹5 means about 4 to 5% on ₹72.

Giriraj Daga: Yes, correct.

Aditi Pasari: So, we definitely see that kind of improvement in EBITDA margins.

Giriraj Daga: Can we go back to 8-9% margins?

Aditi Pasari: We are very hopeful. We are very hopeful that something should come up.

Giriraj Daga: Just to conclude, the FCI rice will come in this quarter, and the full benefit of maize price reduction should also come in this quarter, right?

Aditi Pasari: Not the full benefit, but FCI rice is expected to come in the next one to two weeks. We are expecting the supplies to come in.

Giriraj Daga: Okay.

Aditi Pasari: Yes, so definitely by March or April.

Giriraj Daga: And maize prices are also falling during the quarter, right?

Aditi Pasari: Yes, it has started softening in the last few weeks.

Giriraj Daga: So, the full benefit of the lower maize prices wasn't seen last quarter?

Aditi Pasari: Last quarter, we were experiencing high prices and high volatility. We've only started seeing softening in prices in the past few weeks. We also have raw material stocks for a few weeks, so I think we'll start seeing the impact by March.

Giriraj Daga: Hmm.

Aditi Pasari: So the full quarter will not see the impact of this. But yes, the corresponding quarter will see it.

Giriraj Daga: Okay, the first quarter of FY26.

Aditi Pasari: The real impact of this will start coming in March for us, i.e., by next month.

Giriraj Daga: Okay, what is the maximum optimum production we can achieve in a year, provided we have full raw material available in terms of liters?

Aditi Pasari: See, we have a capacity of 26 crore liters, which has been built up across both plants.

Giriraj Daga: Okay.

Aditi Pasari: So, if I say 80% capacity utilization, that would be about 22 crore liters (80 to 85%).

Giriraj Daga: Which we are expecting this year, right?

Aditi Pasari: Yes, yes. We will definitely try to push this to 90% in the corresponding years.

Giriraj Daga: Okay, understood.

Aditi Pasari: Yes, but the maximum capacity is 26 crore liters for the existing capacity.

Giriraj Daga: Okay. Lastly, in grain processing this quarter, we saw a sharp swing in profitability, despite our revenue being lower. It could go from ₹190 crore to ₹180 crore on the revenue side, but there was still a swing from ₹2.7 crore loss to ₹2.6 crore profit—about a ₹5 crore swing or more than ₹5 crore.

Giriraj Daga: Was it driven by higher prices, or was it driven by lower raw material costs?

Aditi Pasari: See, Q2 is always a very challenging quarter for the company, and for the grain segment, it has always been so. Because that is the time when the old crop is over, the Rabi is over, and the Kharif crop is about to come in November.

Giriraj Daga: Okay.

Aditi Pasari: So, there is a lot of stocking that happens at the traders' end, and the raw material is available at very, very high prices. That is the time when maize was available at ₹26 to ₹27, which are very high prices.

Giriraj Daga: Understood.

Aditi Pasari: And after that, when the new crop came in November, the stocking started happening, and that's where the profitability improved.

Giriraj Daga: Okay. So, for the first 9 months, we were at a loss, but this quarter we are at about 1.5% at the EBIT level. Do you think we should go back to a 5-6% EBIT margin in the next two quarters? This quarter should improve, and next quarter, when the full benefit of lower maize prices is visible, we should see about a 5-6% EBIT margin.

Aditi Pasari: I would not like to give a specific number here, but as I said, we are definitely looking at some kind of recovery from here.

Giriraj Daga: Okay, because a 10% raw material price reduction is a big number, right? From ₹26-27 to ₹23.5-24.

Aditi Pasari: Yes, it is. It is a big reduction.

Giriraj Daga: I was hoping that it could easily give a 3-4% additional delta on margins.

Aditi Pasari: We are hoping there will be a recovery.

Giriraj Daga: Okay, last question on the balance sheet side. What is the capex we are looking at for this year and next year?

Aditi Pasari: So, there is no additional capex we are looking at this year.

Giriraj Daga: Okay.

Aditi Pasari: Yes, there is no additional capex.

Giriraj Daga: And next year also, there should not be any material capex other than maintenance, right?

Aditi Pasari: Yes, there is nothing that has been approved by the board, so I will not be able to give out any information on that.

Giriraj Daga: Okay, what is the debt number, net debt as of FY20, December end?

Aditi Pasari: Yeah, sure. Rajiv, who is with me, the CFO, would you like to take this?

Rajiv Gupta: Yeah, are you talking about working capital, or are you talking about the overall?

Giriraj Daga: Total net debt.

Rajiv Gupta: Net debt is around ₹5.25 crore, which includes working capital as well as term loans.

Giriraj Daga: Okay. And what would your maintenance capex be, sir?

Rajiv Gupta: Maintenance capex is around ₹10 to ₹15 crore generally for a year.

Giriraj Daga: Okay, understood. Thank you, sir, and all the best.

Rajiv Gupta: Thank you.

Viraj Mehta: Yeah, Anand, go ahead with your question.

Anand Mundra: Yeah, hi. I wanted to check about the ratio of maize and rice in our raw materials for ethanol production.

Aditi Pasari: Well, currently, the plants are running on about 80% maize and 20% rice.

Anand Mundra: Okay, can the rice proportion increase?

Aditi Pasari: Well, it all depends on the price and availability of rice.

Anand Mundra: So, if FCI rice is available, can you increase the proportion?

Aditi Pasari: Yes, now that FCI rice is available, we are taking higher allocations of FCI rice going forward.

Anand Mundra: Can it be made 100% FCI rice?

Aditi Pasari: See, it all depends on the dynamics of raw material availability. But going forward, with FCI rice coming in, we will take higher allocations of FCI rice. However, it won't be 100% because, at times, even mobilizing rice has its own challenges. We don't want to make the plant completely dependent on FCI rice and create a bottleneck. So, we would like to keep options open for multiple raw materials.

Anand Mundra: Okay, understood. Before the government imposed restrictions on selling FCI rice, what was the ratio we were operating at?

Aditi Pasari: Yes, that is when we were operating mostly on rice.

Anand Mundra: So, at that time, you were not running on higher rice allocation?

Aditi Pasari: No, rice was too expensive for us.

Anand Mundra: Prior to the restriction imposed by the government on FCI rice, was it available?

Aditi Pasari: In July 2023, you're asking?

Anand Mundra: Yes, prior to that.

Aditi Pasari: During that period, the plants were mostly running on rice, and FCI rice was available.

Anand Mundra: So, during that time, the plants were running mostly on FCI rice?

Aditi Pasari: Yes, that was the period when the plants were running mostly on FCI rice. After the government halted the supply of FCI rice to the ethanol industry, we had to liaise with the government to make maize available at a conducive price, which led to price revisions in maize ethanol in November 2023 and January 2024. I'd also like to inform everyone that my father is the chairperson of the Green Ethanol Manufacturing Association, which he founded in 2023. Today, we have over 100 members, and the entire ethanol industry is part of this association. It has been my father's hard work and lobbying with the government that helped us secure multiple increments in the maize ethanol price.

Anand Mundra: Okay, so the realization of ethanol is different when it is processed from rice and maize?

Aditi Pasari: Yes, the yields are different—2.6 kg per liter from maize and 2.2 kg per liter from rice.

Anand Mundra: Okay, so how does this translate to revenue? If maize is also expensive, will the effective realization for our company be similar?

Aditi Pasari: See, this is a very spreadsheet-driven decision. Each time we buy raw material, we keep our spreadsheets ready to see at which price of which raw material the margins are better. It's a very volatile process that fluctuates. Depending on the raw material price at that very moment, we decide whether we want to shift the plant to rice or maize. The plants are flexible.

Anand Mundra: Okay, one last question. You've given the revenue target for all three segments in your presentation. So, what can be the steady-state margin? I know it's a commodity business, so it's difficult to predict, but if everything is as per your expectation, what can the targeted margin be over the next 2-3 years?

Aditi Pasari: Definitely, as I have been saying, we are hoping that the worst is behind us and that we will see a U-turn recovery from here. We do hope to achieve EBIT margins of 8-10% in the coming years.

Anand Mundra: Understood. Thanks a lot.

Aditi Pasari: But again, I would like to reiterate that these are forward-looking statements, and we always hope for the best.

Viraj Mehta: Okay, thank you.

Anand Mundra: Understood, right.

Aditi Pasari: Nothing can be assured. These are just forward-looking statements.

Anand Mundra: Sure, sure.

Viraj Mehta: Yeah, Jasmine, go ahead with your question.

Viraj Mehta: Any more questions from the participants?

Harsh Shah: Yeah. Hi, just a couple more questions from my side. What would we expect as a steady-state kind of revenue for FY24-25, just a ballpark figure? I'm seeing it's around ₹850-900 crores. Can we expect the same going forward from the mineral processing and grain processing businesses?

Aditi Pasari: Yes, I think ₹900 crores is a steady revenue contribution from the grain processing segment. We have not taken any further capex in this segment until that happens, and the plants are already running at full capacity. We're not expecting a major jump in this segment, but we should be able to maintain this revenue.

Harsh Shah: Okay, and I'm seeing there's a decline in EBITDA margins from FY22 to FY23 and FY24. Is there any specific reason for that?

Aditi Pasari: It's mainly because of the raw material prices, which got affected due to the boom in the ethanol industry.

Harsh Shah: Okay.

Aditi Pasari: Both segments share the same raw materials, maize and rice. With more than 100 new plants coming up in the last two years, the demand for maize and rice skyrocketed, which also impacted our grain processing segment.

Harsh Shah: Do you have any idea about how the harvest has been going for maize, and what the outlook for the coming quarters is?

Aditi Pasari: I hear that there's a bumper maize crop, so I'm hopeful that will have a positive impact on the industry.

Harsh Shah: So, there can be price stability, right, if there's a bumper product?

Aditi Pasari: Ah, yes, I hear that. But you see, it's an agro-commodity. It is subject to many factors. We know that there has been a big jump in the sowing of maize seeds due to a lot of hard work done by the industry and the government in educating farmers about maize cultivation. In fact, we, as a company, have also done a lot of work in educating farmers to grow maize in catchment areas. So, we are aware that there has been a big jump in sowing maize seeds by the farmers. But since it is an agro-product and is subject to many other factors, well, so far, the news is that there is a big jump in the crop. But well, time will tell.

Harsh Shah: Okay, understood. Thank you. And all the best. Thank you so much.

Aditi Pasari: Thank you.

Anand Mundra: Viraj, I have one more question. Can I ask?

Viraj Mehta: Yes, please. Go ahead.

Anand Mundra: Yeah. Ma'am, in this maize and rice processing, the product is starch and starch derivatives. Whether the price over there is also very fluctuating?

Aditi Pasari: See, the price is fluctuating, but it is also subject to many market conditions and external factors. So, we don't have contracts like we do in the ethanol sector. The prices are dynamic, and they keep changing every day, every week, every month. But you see, when the commodity price goes up, like the rate has gone up in the last two years, there is only so much that we can push to the end customer. Our customer base includes companies like Asian Paints, Dabur, Patanjali, Unilever. So, if I talk about a product like sorbitol, beyond a certain price, the product becomes unviable for our end customer, and they will start importing. So, there's only so much we can do. Today, maize is the most expensive here compared to any other country in the world. See, our factories are twin, we have been producing sorbitol for the past 25 years, and servicing these customers for over 1 or 2 years. If we are seeing a decline in EBIT margins, we cannot close our plants. We still have to buy material, still produce, and still sell, even if it's at a loss.

Anand Mundra: See, but ma'am.

Aditi Pasari: Because, you know, these are just short-term factors, and we have to look at the longer-term game. The same applies to starch.

Anand Mundra: What is the alternative, ma'am? If your cost has gone up for starch, will you end up charging a higher amount, or will they have an alternate source?

Aditi Pasari: Yes, for starch, they do have an alternative source. For example, today, if I'm getting raw material at ₹25, my starch should be priced at ₹38 per kg. Beyond ₹36, ₹37, ₹38, then the paper industry, which is the end customer for starch, will shift to alternatives like glycerine. These are all raw materials, and there are always alternatives for them. When the price goes up, they will look for alternatives.

Anand Mundra: Starch only. Okay, you supply starch to the paper industry?

Aditi Pasari: Yes, that's correct.

Anand Mundra: Hello! Okay, and for the other customer, you supply the other products?

Aditi Pasari: Yes, we supply to other sectors as well.

Anand Mundra: Understood. And for ethanol, there is no realization risk since it is government fixed and tender-based, right?

Aditi Pasari: Yes, that is fixed by the government.

Anand Mundra: And then how does the working capital work in these two major businesses, ethanol and grain processing?

Aditi Pasari: Yes, Rajiv, would you like to take this question on working capital?

RAJIV GUPTA: Can you repeat? I'm not able to follow the question.

Anand Mundra: Sir, how long is the working capital cycle in both segments?

RAJIV GUPTA: The working capital in the case of ethanol is basically with OMCs (Oil Marketing Companies). We receive payment in 21 to 25 days, so there is hardly any requirement. It's an assured return, with a 25-30 day cycle for ethanol. In other cases, it's 30 to 45 days for the working capital cycle.

Anand Mundra: And sir, when we put up the ethanol plant, what was the projected IRR of that project or payback period? Whatever you calculated?

RAJIV GUPTA: The payback period depends on the two plants. One is in Assam and the other in Madhya Pradesh. The Madhya Pradesh plant has a capacity of 500 KL per day. For that plant, the payback period is around 5 years. In the case of Assam, the payback period is 3 to 4 years, depending on pricing. As Aditi mentioned, we are dealing with commodities, and commodity pricing has been fluctuating for the last 1.5 to 2 years. This has affected profitability, but we always aim for a payback period of around 3 to 5 years.

Anand Mundra: Understood, sir. Thank you.

Viraj Mehta: Can you share the incentives provided by the Assam government?

RAJIV GUPTA: Yes, we have received a ₹2 PLI for any production done in Assam, as well as some state government incentives. So, there are incentives available from both the state and central government in Assam.

Viraj Mehta: Sure.

Aditi Pasari: I'd like to add that, all put together—from both the state and central government—we have about ₹3.5 per liter in incentives. This includes ₹2 PLI and other state incentives.

Viraj Mehta: Sure.

Harsh Shah: Hi, Viraj!

Viraj Mehta: Yes, please, go ahead.

Harsh Shah: Oh, one question! Yeah, so these ₹3.5 incentives will be available only on production from Assam, right?

RAJIV GUPTA: Yes, those will be available only for production in Assam.

Harsh Shah: Okay, and is there any ballpark number for how much the impact of the FCI rice price cut would have on our margins, or how much it would reduce inventory cost or raw material cost if the price is cut?

Harsh Shah: If they cut the price?

Aditi Pasari: See, I've already answered that question quite a few times.

Harsh Shah: Yes.

RAJIV GUPTA: Yes, we have already addressed it.

Aditi Pasari: Yes, it will have a positive impact. We've answered that question many times.

Harsh Shah: Okay, understood.

Aditi Pasari: Yes.

Viraj Mehta: If there are no more questions...

Sameer Arora: Viraj, I have one question.

Viraj Mehta: Yes, please, go ahead.

Sameer Arora: Hi, Aditi. I just wanted to understand the export scenario in the coming quarters.

Aditi Pasari: Sure. See, we export sorbitol to over 40 countries, and we have revenue of about ₹100 crore coming from it. So, the revenue from exports will remain stable, with not much deviation on either the upper or lower side. I think we'll continue to maintain that kind of revenue from sorbitol exports.

Sameer Arora: So, it would remain constant in the coming quarters?

Aditi Pasari: I don't see much deviation on that.

Sameer Arora: Understood.

Aditi Pasari: As I mentioned earlier, our grain processing plants are running at almost full capacity. Unless we increase the capacity, we don't see any jump in revenue from that front.

Sameer Arora: And right now, what would be the current capacity utilization?

Aditi Pasari: For the grain processing segment?

Sameer Arora: Yes, yes.

Aditi Pasari: Yes, as I mentioned, the plants are running at almost 80% capacity utilization.

Sameer Arora: And it would remain constant in the coming quarter as well?

Aditi Pasari: Yes, that will remain constant. The plants are running almost 20 days in a year, so it will remain consistent.

Sameer Arora: Understood.

Aditi Pasari: Almost 30 licenses.

Sameer Arora: Got it. Thank you.

Viraj Mehta: Thank you, everyone. I would like to hand over the floor to Aditi ma'am for any closing remarks.

Viraj Mehta: And thank you, everyone, for your participation.

Aditi Pasari: Yes, thank you, Viraj, and thanks to NUVAMA for organizing this call. I'd like to thank everyone here for joining this call and taking an interest in the company. The company has seen a significant shift in dynamics in the last 2-3 years. We have scaled the company almost five times; if I look at my graph from 4 years ago, from ₹600 crore to now looking at more than ₹2,000 crore in revenue. It's been a big jump, and we've changed the company dynamics.

In the last 2 years, the company has worked aggressively on executing the Capex, and I'd like to inform you all proudly that we have completed all Capex within the scheduled time and budget.

Viraj Mehta: That's true.

Aditi Pasari: So, it's been a 100% success on the execution part of the Capex, and the plants are now running at full capacity, almost 70% capacity. In the next year, our full focus will be on improving operations, efficiency, and margins. Though the company has seen a sharp rise in revenue over the last year, we expect to see improvements in the bottom line in the coming years. That's how I'd like to close this.

Viraj Mehta: Thank you, ma'am, for your time.

Aditi Pasari: My pleasure. Thank you, everyone.

Viraj Mehta: Thank you.

RAJIV GUPTA: Thank you.