

August 16, 2022

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Dear Sir/Madam,

Sub: Transcript of the Earnings Conference Call held on August 09, 2022 for Q1 & FY23.

Pursuant to the Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and with reference to our intimation dated August 03, 2022, regarding Earnings Conference call with Analyst(s) /Investor(s) held on Tuesday, August 09, 2022, 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
Company Secretary & Compliance Officer
Membership No.: A38895

Encl.: as above

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(An ISO 9001:2015 & 14001:2015 Certified Company), CIN: L24100MH2009PLC194818

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Rossari Biotech Limited

Q1 FY23 Earnings Conference Call Transcript

August 09, 2022

Moderator: Ladies and gentlemen, good day and welcome to Rossari Biotech Limited - Earnings conference calls. 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Aesha Shah from CDR India.

Aesha Shah: Good morning, everyone and thank you for joining us on Rossari Biotech - Q1 FY 23 Earnings conference call. We have with us Mr. Edward Menezes, Promoter and Executive Chairman; Mr. Sunil Chari, Promoter and Managing Director; Mr. Ketan Sablok, Group Chief Financial Officer; and Ms. Manasi Nisal, Chief Financial Officer of the company.

We will begin the call with the opening remarks from the management following which will have the forum open for question and answer session. Before I start, I would like to point out that some statements made on 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 earlier.

I would now like to invite Mr. Edward Menezes to make his opening remarks.

Edward Menezes: Good morning, everyone and thank you for joining us on our Q1 FY23 earnings call to discuss the operating and financial performance of the quarter. I hope you all had the opportunity to go through our results presentation, which provides details of our operational and financial performance.

We have delivered a steady performance during the quarter across our organic as well as acquired businesses. On a standalone basis, we marked a steady growth of 15% on year-on-year basis. This was despite challenges due to a subdued demand environment and inflationary pressures. Our acquired businesses Unitop, Tristar and Romakk chemicals too delivered an improved performance in this quarter. Overall, on a consolidated basis, our total revenue from operations stood at Rs. 434.7 crore.

In addition to our organic business verticals, we are seeing strong traction in the Agrochemicals and Oil & Gas divisions. This segment is seeing healthy inquiries



and leads from existing and new customer categories and we remain confident of scaling up this segment going ahead.

On the product front as well, we have been introducing several niches across businesses with focus towards sustainability. We continue to see multiple new business lines, which are essentially centered on our four-core chemistries of enzymes, silicones, acrylics and surfactants. This is currently a robust pipeline of innovative products coming up for FY2023 across paint, water treatment and performance chemicals categories. We are also expanding the spin finish, technical textiles and textile sizing technology products in newer untapped markets.

For the AHN segment, we are augmenting our portfolio in the pet food area. Overall, we are seeing great traction and have received healthy consumer acceptance for all our new launches. Going forward, our endeavor remains towards introducing new products, strengthening our current offerings and expanding presence across newer customer categories, thus broadening and deepening our market reach.

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

Sunil Chari:

Namaste and Good morning.

Despite a challenging operating environment, the new fiscal year has begun on a positive note. The demand and uptake in our HPPC, TSC, and AHN divisions were stable, led by healthy client engagement. Our acquired companies, namely Unitop, Tristar and Romakk Chemicals also delivered strong growth during the quarter, which assisted our overall performance. On the profitability front, we delivered better margins during the quarter backed by better pricing and lower input costs.

On the segmental front, our divisions HPPC, TSC and AHN delivered stable performance. Further, steady growth in the export market aided overall growth.

As Edward ji mentioned, we have seeded multiple new business lines over the years with an emphasis towards environment friendliness. These product niches have been well appreciated by our customers and we have seen this reflects in our growth of our customer base, which currently stands over 1,000 customers encompassing multinational corporations as well as domestic and small businesses.

Our core HPPC segment which has a strong base of 200+ customers. This customer category has marked a notable increase from just 4 brands in FY20, to close to 30 as of today. Our endeavor is to further enhance our leadership position in this segment, and strengthen our foothold across various product categories.

Overall, there is ample growth potential for all our business verticals, and acquired businesses in both the domestic and international markets and we are optimistic of tapping upon these opportunities going forward. In a stabilize environment, we look forward to delivering strong and sustainable growth across verticals.

On that note, I would now request Ketan ji to share his perspective.

Ketan Sablok:

Good morning, everyone. Thank you, Chari ji.

So post the result and the business updates, which both Edward ji and Chari ji has given I'll just quickly take you through what are the other key developments during the quarter.

So this quarter, we witnessed improvement on the profitability front as we had indicated in last two quarters, we were working alongside our customers taking some calibrated price increases. I think that was quite evident in the results for the quarter. This along with an efficient working capital management and softening on the raw material prices front has enabled us to restrict the impact of the inflationary pressures on our profitability margins to a large extent.

Our gross margin grew by 246 bps and EBITDA grew by 136 bps Q-o-Q. So currently, we are witnessing early signs of tapering of key input prices, as well as the stabilizing of the supply chain. We believe that on a normalized operating environment, along with our cost optimization initiatives, this should enable us to improve our overall margin going ahead.

Our medium term objective, as stated earlier, is to get back to our EBITDA margins of around 14% to 15%. We have been ensuring financial discipline while pursuing all our strategic growth initiatives. Going forward, we expect to report marked improvements in our overall return ratio profile as well.

Overall, the company's financials positions remain healthy and given a normalized macroeconomic and RM situation, we expect to deliver strong growth across our business verticals over the next few years.

Just another update for the quarter is during this quarter, we changed the inventory valuation method from the earlier method of First in First out (FIFO) to Weighted Average Method, (WAC). WAC is the method which is followed across good chemical companies and we thought it prudent to change it with this New Accounting year coming in. There is no major impact in terms of the numbers in the financials and that's what we reported in our notes to the quarterly accounts.

I think that's all from my side. I will now request Mansi to give you a brief for the financials for the quarter.

Manasi Nisal:

Good morning, everyone. Let me provide you with a brief overview of the financial performance for the quarter ended June 30, 2022.

During the quarter we have delivered steady performance driven by improved demand and traction across businesses. On a consolidated basis revenues came in at Rs. 434.7 crore as against Rs. 438.9 crore in Q4 FY22. On a standalone basis revenues from operations stood at Rs. 233.73 crore as against Rs. 261.64 crore.

Revenue from HPPC stood at Rs. 316.5 crore contributing to 73% of revenue followed by a textile business at Rs. 93.9 crore contributing to 21% and AHN at Rs. 24.3 crore contributing to 6% of total revenue.

On the profitability front EBITA stood at Rs. 57.7 crore as against Rs. 52.3 crore in Q4 FY22. EBITDA margin stands 13.3% as against 11.9% in Q4 FY22. PAT during the quarter stood at Rs. 28.7 Crore as against Rs. 24.1 crore in Q4 FY22.

On a standalone basis EBITDA at Rs.27.1 crore as against Rs.27.5 crore in Q4 FY22. EBITDA margin at 11.6% as against 10.5% in Q4 FY22. PAT stood at Rs. 15.4 crore as against Rs.16.9 crore in Q4 FY22.



Depreciation was higher at Rs.15.3 crore owing to amortization of fair valuation on account of consolidation of subsidiaries. Interest costs during the quarter stood at Rs. 5.1 crore.

Overall, we have delivered steady performance in the quarter. Our overall financial health continues to be solid and we look forward to delivering a stronger performance in the quarters ahead.

On that note, I come to the end of our opening remarks and would request the moderator to open the forum for operational and strategic lead questions that you may have.

Moderator: The first question is from the line of Sanjesh from ICICI Securities. Please go ahead.

Sanjesh Jain: Good morning sir. Thanks for taking my call. Couple of questions from my side first on the standalone business, it is a third quarter of decline I understand Q2 was on a higher base, but it continues to decline even in this quarter and this quarter it was led by all the three segments sequentially, HPPC, TSC and AHN. Can you help us understand how are we seeing the growth in each of the sub segment category within these three and what is the segment which is most impacted? And how should one expect the growth in these three segments on a standalone basis going forward?

Sunil Chari: I would like to highlight some things, the first is the raw material prices which continue to fall and this means caution from our end and also customers end, when the raw material prices are falling, we do not want to be caught up with inventory and which may result in we selling at lower margins and secondary customers prefer to keep lesser stocks, so customers instead of buying for a month would buy for 10-15 days. The second thing is the textile industry, especially the home textile is facing some headwinds in growth because of stocks in the US market. We are meeting customers and they feel that the next quarter should be better. I think in HPPC year-on-year the growth has been very good even on the standalone basis. But you know, we see Rs. 203 crore in the first quarter when there was no inflation and compared to that to Rs. 233 crore, I'm talking only of standalone. Rossari now has grown to a bigger company and the Unitop & Tristar revenues are also Rossari revenues. And if you see, the amount of growth which we have seen from last year is phenomenal and we are happy with the amount of growth we have done.

Sanjesh Jain: In HPPC can you explain or help us understand, I got your point that there is a de-stocking from the customer but the end customer, that is more of a B2B category. I thought when it's a brand, they generally want to keep the inventory because they don't want customer to go. So I'm not so surprised on textile, what you're telling but it is on the HPPC side, it's surprising, we have not seen destocking kind of commentary from many others on that category. Can you help us understand what's happening there on the HPPC category?

Sunil Chari: See in HPPC, I will give you example of a good brand where they increased /decreased grammage three times in the last two-three months and then they increased the grammage also ,and they were fair to the customers. So there's has been a lot of changes in grammage because everybody has margin pressure on our HPPC customers. So if you compare quarter Q1 FY22 in standalone HPPC, it was 126 and now it is 115, I think it is primarily because of pricing. So, if you see one of our key raw material which is acrylic acid, the prices were in the range of \$1800 to \$2,000 the prices have fallen, similarly acetic acid, because every call we give you example of these two raw materials, it was around Rs. 60 it has come



down to about Rs. 50. Similarly, butyl acrylate is one raw material which the prices have fallen substantially and every week the prices are falling or every fortnight the prices are falling. We are also very cautious in terms of not entering into segments or not buying raw materials, it is better to forego sales, rather than set up sorry figure. What you will appreciate is something where we have been able to show higher number of gross margins, higher amount of EBITDA. In the first quarter, we did spend about Rs. 2 crore on exhibitions, in Tristar we spent Rs. 1 crore on phenoxy propanol, Reach Registrations. So this is also part of the seeding opportunities, we took part in about eight exhibitions, in USA, and many here in the last few months. And this would, of course show our confidence that we are willing to invest and even willing to forego, otherwise, you would have seen our EBITDA at 15% this quarter itself, but we did not stop on spending money on the growth path.

Sanjesh Jain: No, no I'm not talking about Tristar and Unitop, I completely appreciate the effort and it is visible in the results. In HPPC category, what you said in the initial commentary contradict to what revenue growth is. If grammage goes up, it's better for us right, so that way we should have had a better revenue because we are more bothered about the volume than the pricing. And number two, the second thing is that is it fair to say that we are keeping lesser inventory and hence we are running stock-out more frequently hence we are foregoing revenue, is that what you meant when you said that we are focusing more margin and we are foregoing some of the revenue how to think about it?

Sunil Chari: What I meant is that there will be some raw material for a particular product. Now in that raw material, if there's so much volatility how do we take a call if we should buy raw material or not, so we better not buy rather than cut a sorry figure. So, you know in that sense the volatility is so much we prefer to be conservative, we prefer to be safe then be sorry.

Sanjesh Jain: If I look at long term, how does this strategy work, if we go run out and we cut sorry figure with the customer we tend to become less reliable right.

Sunil Chari: This is in new products not in the regular for example, I am talking about anything which we seeded, anything which we see a growth potential, and we see orders and if the raw materials prices are too much. Coming to your earlier statement of grammages, it was three times reduction in grammage within one month. So, reduction in grammage of course, reduces the amount of business we do and when there is too much changes, the whole supply chain even at the customer end disturbs because they have to keep our ERPs. The distributors have to understand, the sales people have to understand, so there has been a lot of volatility and I think you would appreciate in spite of all this volatility, our profits are better.

Sanjesh Jain: No, profits completely appreciate, I am trying to understand what is causing this decline and just on the outlook, how should we see, it's fair to assume that in terms of sequential decline it is behind and going forward, this should improve for HPPC category on the standalone side.

Sunil Chari: We are of course hoping for improvement but we see a similar kind of sales figures to be on the conservative side for the next quarter.

Sanjesh Jain: Got it. Can you give some more understanding on Unitop. What is driving such a strong growth in Unitop and Tristar and between the two which one is performing even more stronger for us. So can you help us understand what has been the year-

on-year growth for Unitop and Tristar and what is driving this strong growth for them?

Sunil Chari: So the first quarter of last year was not in our control and they were not doing any quarterly accounting we took over in August. In fact the first payment is due this month of 28th, where we will acquire 15% more shares of Unitop. Historically, the first quarter of every year, April to June is the biggest for Agro, because rain start in north from June end or July. So, the first quarter is there and similarly in the last quarter, the first quarter of this financial year, Unitop Argo sales were very robust. So, we had very good Agro sales of surfactants, to the Agro customers. Tristar also had good sales, and we see better availability of ethylene oxide from this July onwards, in both Tristar and Unitop.

Sanjesh Jain: So QoQ growth in the acquired company, particularly Unitop is more of a seasonal phenomenon and improved EO is helping us further right. Is that a fair understands?

Sunil Chari: Yes, and we see also the pressure on raw material prices going down in Unitop and Tristar. So going forward also, we would see that total sale will be steady or a little lower than in the last quarter because it was a historical quarter and was a very good quarter for us.

Sanjesh Jain: Just on the Unitop side can you help us understand in terms of quarter how much does the Q1 FY23 contribute and how is the remaining three quarter contribute?

Ketan Sablok: So Unitop has done about Rs. 150 odd crore out of Rs. 200 crore of revenue difference between standalone and Consol. So, we expect this year, Unitop to do at least Rs. 450 - 500 crore of turnover. So the balance we expected to happen over the next three quarters. So this quarter it is 1/3 and a 2/3 we will do over next three quaters.

Sanjesh Jain: Just one question on the guidance. Last quarter, we gave a guidance of Rs. 250 crore of EBITDA and Rs. 150 crore of PAT. Now considering Q1 margin bounce back, which looks much better than what we anticipated in Q4, do we want to revisit our guidance, it looks like we can easily surpass this guidance.

Ketan Sablok: Not yet Sanjesh, Let's see another quarter or so, because we are expecting Q2 to be on the similar lines and we are anticipating numbers to improve from H2. So, currently, I think we will stick to the earlier guidance probably post quarter two we could re-look at the number once again.

Sanjesh Jain: One last question to Edward Sir. You made an opening remark saying that we are now seeding new products in new category. Can you help us understand which are the new products, which are the new segment industries which we are looking for this?

Edward Menezes: Yes. Sanjeshji, so what has happened in the last two quarters or last three quarters, we've been working very closely with all the acquired companies and looking at what kind of synergies we can have. So, in the last three quarters, we have been able to achieve a lot of joint development between Rossari, Unitop and Tristar. To give you some examples, we've been able to develop a lot of silicone oils in house both for textile application as well as in the agro application, where we have developed a certain kind of ethoxylate, which is now reacted with silicones to produce a super spreader. Then we have a new molecule in Tristar, which we have developed jointly between Unitop and Tristar that is the phenoxy propanol, which where we have invested another Rs. 1 crore for Reach Registration, and in that

bargain, we are also trying to expand our footprint in Europe for these new Agro and preservative products. We've also introduced new esters like the SMOs and SML for internal consumption, which is produced at Rossari Biotech, and then consumed at Unitop. With the help of Unitop and Tristar we've developed the spin finishes both the primary spin finishes as well as the secondary spin finishes for textiles. In the coating applications, with the help of Unitops surfactants, we've been able to develop a lot of acrylic coating chemicals and we've also developed a single pack poly urethane coating product for the technical textiles in coating. Apart from that we've entered the sizing markets, with both polyester sizes which we had already developed but we have developed better range now, of polyester-based sizing agents, which will go both in cotton and polyester. We've also developed acrylic based sizing which have gone into polyester and we are targeting the export market with that. In the animal health and nutrition, the esters and glycerides are at the final stage of testing and they will be introduced shortly into the market as well as, we have now finalized the pet food introduction in the coming quarter for the animal health and nutrition business. The sustainable black dyeing process is picking up fast and is gaining traction in the marketplace, as well as we've also targeted certain green series of products, you would know our green acid or green soda, green hydro, along with that we are targeting a new product for exhaustion of dyes as well as a new product for scouring, based on enzymes, which will be a fusion chemistry between enzymes and chemicals. So these are some of the few examples where we have entered the market.

In addition, we've also introduced a couple of xylene-based binders, which go into the paint market, which will help easy stain release or easy cleaning of the paint and no attraction of static on the paint so that there will be less dust extraction. So all in all, there are many other innovative products and ideas in the pipeline, but these were some examples of what we've done in the last three quarters along with our acquired companies.

Moderator: Thank you. The next question is from the line of Siddharth Purohit from InvesQ Investment Advisors. Please go ahead.

Siddharth Purohit: Yes, just wanted to know, there has been some news of lower uptake by the textile industry in certain segments particularly for the Northern American market. So, are we seeing some sort of pricing discount being asked by a customer from the front and overall if you can say like, obviously, this year, because of the softening prices, maybe relations can come down a bit. So, what is the targeted utilization that we see for all our plants, if you can share that.

Sunil Chari: The Textile uptake in North American and even the European market because of the Ukraine war is subdued. So, our customers are not able to use full utilization, repeating customers. So at Rossari, we are trying to get in more customers, in fact, this quarter also we have got a very big major customer breakthrough, which is a new customer for us and a substantial customer in textile. So, we are hopeful of having revenues which were in the range of Rs. 100 crore for quarter for the textile business even in this quarter. And in terms of profitability, we are focused on high profitability and textile business also has seen higher profitability, and the improvement in gross margins by more than 300 basis points is something which is very heartening. Also addition of new products which Edward ji spoke about, and these are new products, we are targeting into new customers and newer segments be it sizing, spin finish, be it technical textiles and also finishing area which is the strong point in the textile business in Rossari.

Siddharth Purohit: And on the overall utilization level that you expect for the company?



- Sunil Chari:** I think we are at similar levels as in the past. The utilization levels are healthy and good. We don't foresee any big issue of utilization levels going down.
- Moderator:** Thank you. The next question is from the line of Abhishek Navalgund from the Nirmal Bang. Please go ahead.
- Abhishek Navalgund:** Just one question from my side. So in opening comments also you have mentioned about improved traction from Agrochemicals and Oil & Gas and also in terms of pipeline we have taken names like paints, water treatment and other segments. So basically what is happening on the particularly home and personal care side because that is the main part of our total HPPC business. And I mean, are you witnessing some sort of saturation in that particular segment as of now?
- Sunil Chari:** So, Abhishek ji, Namaste, HPPC is our focus area and definitely there is no saturation. We see a lot of growth opportunities, we see possibilities of new product introduction, and we see possibilities of new customers, we have added new customers in HPPC in the last quarter, and we continue to add. I think we added more than five- six customers even in July. We are not present even in quarter of the customers in that sense by the number of customers. So the growth possibilities are humongous.
- Abhishek Navalgund:** Okay, because actually, we were anticipating, even if I mean the price softening is very well understood, but apart from that, since we pick up in other segments, like paints and water treatment, that will be an additional driver along with your home and personal care. And so basically what I'm trying to understand is, this sequential decline that everyone is asking about is it because of some sort of saturation in home and personal care for the time being or it is purely because the reasons which you stated?
- Sunil Chari:** No. What is happening is for example, if you talk about the paint business, butyl acrylic is one key raw material and the butyl acrylic prices have been falling every week. If you see just 15 days ago it was 140 it is now 120 and people are talking about Rs. 118 now. Traditionally the paint business in monsoon is always the weakest, monsoon and before the monsoon. And after September the paint business picks up. So, you would see uptake I think even in this quarter, we are expecting higher sales for the paint industry than the last quarter. The HPPC business is exactly you see 8% de-growth compared to the last quarter but you see 10% growth over first quarter of the last year in the standalone business. So the HPPC business, the home personal care business continues to be a focus and a good area for us to grow.
- Abhishek Navalgund:** Sorry Sir, actually when I was asking about home and person care, I understand your HPPC is actually contributing, so paints would have been doing well. When I'm saying a home and personal care, I'm only referring to let's say detergents or cosmetics. So that particular segment I'm referring to.
- Sunil Chari:** I'm talking about home and personal care only in HPPC segments. So in home personal care last quarter, the paint segment did not do well. It was not there and because of volatility we did not want also to step in that volatility if we buy raw material and tomorrow prices fall, so there is no point in getting new customer in this time. So home personal care is exactly what I'm talking about where we added new customers in July.
- Moderator:** Thank you. The next question is from the line of Jasmeet Walia from Clock Wine Capital. Please go ahead.

- Jasmeet Walia:** So I'm guessing in the first quarter of FY22, there must be contribution of COVID related sales of sanitizers, etc. Could you help us understand how that part of the portfolio has moved in HPPC on a YoY basis?
- Sunil Chari:** Good morning Jasmeetji, now people have forgotten sanitizer, no one uses it on hand. Sanitizer sales is there but only multinational companies, big companies are using it in their offices and warehouses. We have ecommerce companies who continue to insist on their employees using sanitizers when they come into the warehouse. But otherwise in the general public we don't see any usage of sanitizer, in our office also no one touches sanitizer. So this is a beauty of Rossari, you know, one and a half to two years ago, the company could change, was flexible, was agile and the fungibility in the manufacturing process is something which we are very strong. And there's no sales of sanitizer but we still have a very healthy margins in the last quarter.
- Jasmeet Walia:** But how is the COVID related sales is moved on a YoY basis.
- Sunil Chari:** It is a degrowth in sanitizer sales every quarter.
- Jasmeet Walia:** But quantum would be big is my guess, so could you help us with the delta on the YoY basis?
- Sunil Chari:** I don't have the exact quantum of sanitizer sales, because it's not a focus area for us at all now, but we continue to have sales, but it would be 10% of sales of what we were doing earlier or less. I want to add here, with a very big FMCG major, we have had increase in sales of disinfectants products like Savlon, counters, product like other disinfectant counters, we have had good uptick in sales.
- Moderator:** Thank you. The next question is from the line of Vijay Sarda from VL Finance. Please go ahead.
- Vijay Sarda:** Yes. Hi sir, my question revolves around two strategic things. One, what we've been seeing company is doing good in terms of the turnover and all that. But we have taken good hit on the margin from the top level that what we seen last so many quarter. So I just want you to understand, given this volatility on the raw material, which was quite extreme this time, what is the steady state margin one can look for in next two to three years. And basically, as been reading through and been in the previous call, you said that the branded part of business is quite good, where at least you have a name in your product on HPPC and all that, where you have not been able to take price hike, because that would have been detrimental to the overall story. So now, with this pricing of raw material going down, as you said, What is the steady state margin one can look going forward?
- Ketan Sablok:** So if you see, last few quarters, I think we've seen a steady improvement in the margin. Our discussions in the last six months with all of you was on this line that we'll see improvement in the margin, I think that's what we've seen our percentage has improved this quarter. Our overall margin numbers have also kept improving quarter-on-quarter. See, given the current situation, we've also said that second half is when we expect the margins to get a little more stabilized and we will probably see an improvement coming through. Given the current situation, I think question on steady state, our immediate medium-term target is to come back to our 14% - 15% kind of EBITDA margin and on a longer-term basis, I think we keep re-giving our product portfolio. We aim to be 15% to 17% plus margin over the next year or two. That's what the internal targets are.

Vijay Sarda: So 20% plus margin that we have been doing was kind of one off, or we will get to that level, I'm not asking for the exact timeline, but eventually given the product portfolio or positioning of the product, or basically, are we aspiring to go back to the level that what we've seen in the past, over the next two, three years. I am trying to get that this will happen in next two quarter or three quarter. But overall, if I can say given the mix and improvement, in basically specialty and others, do we envisage that our margins will go to the previous highs or near to that in the next two, three years.

Sunil Chari: As a company now our focus will be on absolute amount of money, we would not look at percentage of EBITDA. Secondly, our focus would be on asset turns. So as we explained in call before, if you have an asset turnover of five and EBITDA of 13% what has come now, and if we have an EBITDA of 25% and asset turnover of one, definitely asset turn of 5 and EBITDA of 13% is better. So we will not focus on percentage EBITDA margins, if you see what Ketan sir, told now, last quarter we were Rs. 53 crore EBITDA, this quarter we have Rs. 57 crore EBITDA. And if we compare to the previous year, our EBITDA margins have risen substantially higher, it was less than Rs. 30 crore in the Q1 of last year. So as a company we have practically doubled, so when we came for IPO, we had annual EBITDA of Rs. 80 crore and we are now talking about Rs. 250 crore annual EBITDA. So as a company we are 50% up over Q1 FY 22 on EBITDA. So the amount of money we earn, I think that is the most important rather than the percentage of the EBITDA.

Moderator: Thank you. The next question is from the line of Aashish Uppanlawar from InvesQ Investment Advisors. Please go ahead.

Aashish Uppanlawar: Yes, sorry to repeat that point on the margin. But I just wanted to understand the cycle from 2018, I suppose till 2021. We had in terms of percentage, maybe the gross margins were 10% higher than what they are today, on the period before 2018. So is it because of this, the per ton margin or unit metric margin that we target and the price changes that happened on the product side because of raw material side, I mean, percentage margin, not a metric that one should look for in case of Rossari, because that's where I think disconnect for us is happening.

Ketan Sablok: I think it will be not really practical to compare 2018 prior with what's happening now, there will be key change in the way we have been doing business

Aashish Uppanlawar: I am talking only about the standalone bit. So we will leave out the acquisition.

Ketan Sablok: I am on the standalone, even on the standalone, if you see the way the business has grown with the HPPC segment growing significantly in the last two to three years. And the raw material volatility that we've seen in the last year or so, I think it will be very difficult for us to compare these two time periods. Again, we don't really track the per ton kind of EBITDA margin, given the fact that we said the HPPC which has grown, has products which we sell in small millimeters, packing to multi tanker loads of products, so per ton is exactly not the right way of looking at it.

As Chari ji had said earlier, that we are looking at how much margin we can earn on an absolute terms thus improve our overall return ratios, our assets, as we always indicated, are fungible assets. So within the same asset, we can produce multiple products within the HPPC itself. So I think that would be a better way to look at the business, rather than looking at it on a per ton basis. Again, the margin that we have earned over the last six- eight months, one year, where if we were selling a product at Rs. 100 and earning 15% margins, and we initiated price increases, the customer then asks us to maintain the same level of margin of Rs.

15 even on a higher pricing base, our percentages would have been down while our absolute numbers would have been intact. So that's how we have been taking this business forward. Maybe once the raw material situation improves over the next year or so then probably, we can have a better look at how we need to rise and improve our margin percentage.

Aashish Uppanlawar: So the latter part of your answer actually makes it clear that basically for certain quantity you've been looking at absolute money rupee margins or whatever, rather than percentages that makes it clear that the percentage margins on the top line are not the way we do business basically, right. Mostly the EBITDA that you realize on the monetary terms, is that correct? I mean, because I think you said in the last part of your answer the similar thing. So margins are actually an outcome on the percentage side.

Ketan Sablok: Correct but again now, if you look at it on a consolidated basis, yes, we have acquired companies where certain, especially in Unitop, Agro is a major chunk of the business, almost 60% plus Unitop comes out of Agro and which is something we are mainly looking at growing over the next two-to-five-year horizon. We've already started working on this growth story, talking to certain customers in Europe, in the U.S. to further augment the agro sales. I think with the agro sales going up, at a complete consolidated level you will also see an improvement in the absolute percentage going forward.

Aashish Uppanlawar: How much is agro right now, it will be a very small portion of business?

Ketan Sablok: About 60% - 65% of sales of Unitop.

Aashish Uppanlawar: One more thing I mean, so the base of last year in September 2021 I think we had very high sales then. So, how does this quarter look like on that base, I'm talking about standalone here, 330 plus crore top line I think they reported. So, are we comfortable beating that this coming quarter in September, or we are facing challenges on that also, because RM prices will be softening up and there might be realization issues there also.

Sunil Chari: So, if you remember the second quarter of the last year, we had extraordinary sales and in the earning calls of the second quarter, we had informed that it was an extraordinary, there was pipeline vacant, which we filled up, there was raw material not available with our competitors and customers wanted material and we supplied the material because we had a lot of raw material that time and this was commentary which we had given that time also and we had abnormal sales. That was abnormal, but we are hoping that the next quarter would be similar to this quarter, the first quarter of the current financial year.

Aashish Uppanlawar: Okay, so, we will match up on the sale side.

Sunil Chari: Yes, it will be like the first quarter of the current year.

Aashish Uppanlawar: No, because when we talk about an absolute revenue target and stuff that we have been hearing, so the margins as you said 14% - 15% but then the top line becomes a bit challenging to understand on a quarter-on-quarter basis for you. So that's why my questions for this.

Moderator: Thank you. The next question is from the line of Jasmeet Walia from Clock Wine Capital. Please go ahead.

- Jasmeet Walia:** In your console numbers there is purchase of stock in trade of around INR 18 crore in this quarter. So, just wanted to understand what is this on account of? Do you buy finished goods from outside and just sell them without much value add in the company?
- Sunil Chari:** No, there will be some raw materials which we would have purchased from Unitop but also what happens is in terms of falling raw material scenario, we always look at if the price in the next month is going to fall. And if there's possibility for us to sell off the raw material, it makes sense to sell the raw material at even no profit because if we keep it for the next month, we will incur losses. So this is something which we take advantage of opportunities and I think it is not substantial.
- Jasmeet Walia:** But this could work other way around also, if suddenly raw material will start going up you will incur a loss as well.
- Sunil Chari:** Yes, but it is a falling price scenario, very clearly. If you see and track chemical prices and what we do. Of course our procurement department takes his call but we are there and we are looking at it on a day-to-day basis when we take calls for the same.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I now 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 feel free to contact our team or CDR India. Thank you

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