November 10, 2022

To,

General Manager, Listing Department, **BSE Limited,** P.J. Towers, Dalal Street, Mumbai – 400 001 **Company code: 533333**	The Manager, Listing & Compliance Department **The National Stock Exchange of India Limited** Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai - 400051 **Company code: FCL**

Subject: - Transcript of Concall with Investors and Analyst held on 07th November, 2022.

Dear Sir/Madam,

With reference to the captioned subject, we hereby enclosed the transcript of Concall with Investors and Analyst which was held on 07th November, 2022.

Kindly take the same on your records and oblige.

Thanking You.

Yours faithfully,
For FINEOTEX CHEMICAL LIMITED

Hemant Auti
CS & Compliance Officer

FINEOTEX CHEMICAL LTD. MUMBAI

Encl: As above

FCL

Fineotex Chemical Limited

Earnings Conference Call
Q2 FY2023

November 07, 2022

Management:

Sanjay Tibrewala	CFO and Executive Director
Arindam Choudhuri	CEO
Aarti Jhunjhunwala	Executive Director
Bharat Mody	Strategic Advisor, Investor Relations

Moderator: Ladies and gentlemen, good day and welcome to the Fineotex Chemical Limited Q2 FY23 earnings conference call. As a reminder, all the participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing "*" and then "0" on your touch-tone telephone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Aarti Jhunjhunwala from FCL. Thank you and over to you, ma'am.

Aarti Jhunjhunwala: Good afternoon to everyone. Hope we are all keeping safe. Fineotex welcomes you to the Q2 FY23 Earnings Conference Call. We have already made the financial statement and the presentations available on the stock exchange and website. Hope you all had the opportunity to pursue the same. At Fineotex, we have been provided services, majorly in customized textile specialty chemicals, Cleaning & Hygiene, and drilling specialty chemicals for both domestic and international markets. Considering the environmental protection factors, we as India's leading specialty chemical producer continue to lay great emphasis on sustainable growth. Our joint venture with HealthGuard Australia has been a great success. Recently, HealthGuard received the approval from United States Environmental Protection Agency for our market-leading non-heavy metal-based antimicrobial treatment HealthGuard AMIC. This will pave the way for us to penetrate and grow the US market and establish ourselves as market leader in this new geography. We ensure utmost care so that all our resources and efforts are correctly directed and we are well spent to achieve capacity optimization while keeping employee safety and focus. I would now request Arindam-ji to walk us through our operational review.

Arindam Choudhuri: Warm welcome to one and all. Over the last few quarters, we have been able to achieve a significant expansion in our product portfolio with our customers' core needs in consideration. All our products have received good customer acceptance, confidence, and trust. We continue to explore new opportunities to develop related adjacent fungible products that will help us to manage and optimize our production capacity and inventory bottlenecks control. Our well established R&D infrastructure facilitate and strategic alliance with all international tie-ups like HealthGuard Australia, Sasmira's Institute for our R&D operation, Eurodye-CTC Belgium for technology transfer and production of European chemicals in Indian origin, is playing a key role and we are constantly scanning the opportunity for such partnership going forward. We are also proud to active support of our top management – operational and service functions – in ensuring to meet tight production schedule to cater to fluctuating market demand amid strict monitoring of sustainability parameters. Thanks for all your support too. I now request Sanjay-ji to walk us through the quarterly performance of our company.

Sanjay Tibrewala: Good afternoon, everyone. Our strong performance in H1 FY23 was due to our technical solution driven sustainable product line, production solutions, and product packages which we have been offering to our customers in Textiles and Cleaning & Hygiene mainly plus our technical services which have been a very important part in providing the customers the best services across India and the world and also being able to meet the demand on time due to our ability to expand our capacities at Ambernath. We have just touched 1 year, not even one calendar year of the expansion in Ambernath and we have seen great utilization in the new facility. The performance trend is expected to be achieved for the remaining period of FY23 too. The state of the art facility at Ambernath will provide us a leverage in flexibility to provide quality and diversified products. We are also pleased to inform you that starting from 15th of November – next week – we will be enhancing our plant capacity by another 21,000 tons. With this enhancement, our total capacity of all the plants together will be 104,000 metric tons per annum. Globally, the specialty chemicals industry is going to see an uptick, and at Fineotex, we see to continue to be optimistic of its bright future. The Q2 FY23 is yet another quarter of good performance consistent with the trends over the past few quarters. On the fundamentals of Q2, our operational revenue rose to Rs. 1,343 million which is up by 71% Y-o-Y. The EBITDA has increased to Rs. 250 million which is up by 70% Y-o-Y, with EBITDA margins at 19% approximately. We recorded a PAT of Rs. 207 million which is up by 87% Y-o-Y basis and the PAT margins stand at 16%.

For H1 FY23, our operational revenue increased to Rs. 2,700 million which is up by 91% Y-o-Y basis. Our EBITDA has increased to Rs. 513 million, up by 109% Y-o-Y and its EBITDA margin stands at 19% in H1 FY23. In H1 financial year '23, we also recorded a PAT of Rs. 410 million, which is up by 97% and the PAT margin stands at 16%. Our annualized ROCE and ROE have been the best till now, which today ROCE at 31% and ROE at 36%. Our operational efficiencies have resulted in an improvement of the cash conversion cycle and we aim to continue to focus on the same. We are also pleased to announce that ICRA, the renowned credit agency, has rated our long-term and short-term rating at ICRA A and ICRA A1 respectively. Our consistent performance over the last few quarters is thanks to our strategic alliance and we continue to explore such opportunities in the future as well, and the recent EPA approval received from the United States is a case in point. These initiatives are a part of core vision while keeping the best interests of our stakeholders in mind. Also, through increased ROCE and ROE on a yearly basis, we keep on adding value to the stakeholders.

I would like to open for interactive question & answer session . Over to you.

Moderator: Ladies and gentlemen, we will now begin the question & answer session. The first question is from the line of Ashish Rathi from Lucky Investment. Please go ahead.

Ashish Rathi: In the opening remarks, Aarti mentioned about this HealthGuard piece where we have got some approval from the US market. Could you elaborate on what is the potential in this, what is this product, what will be the timelines like? Should we be very excited about in terms of value for the overall company?

Sanjay Tibrewala: I would like to mention here that in the world, there are a couple of biggest antimicrobial antifungal chemical companies like Dove and DuPont. As such, most of these markets are quite regulated by the buyers and by the countries' approvals for that. Right now, we have a couple of products which we had applied for USEPA many years back – I am talking about in togetherness with HealthGuard Australia. One of the products has got the approval. This is just almost 2 months back from where we are now. After getting the approval from the USA government, then only it will be possible for Walmart and Target and Turner Bianca to ask and recommend our products to their makers in Asia who are our customers. For example, right now we are already supplying these products to Trident and Welspun. So, What is happening is that let’s say Target and Turner Bianca are one of the biggest retail outlet companies, they have recommended our HealthGuard products to these big makers that they need to use these products in their towels for certain orders. This is the kind of excitement which we can expect that once Walmart and all the biggest companies have started promoting our product lines or recommending our product lines, basically we have approached customers’ customers also and that is a good way to get more penetration and more loyalty and sustainable businesses from our existing customers. Keeping in mind, this will also help us to expand our wallet share. These are our existing customers already and once we get a wallet share; it adds a lot of betterment in our product services and technical services, and we can gain more opportunities with the same corporate textile clients.

Ashish Rathi: Sanjay-ji, also in terms of the surfactants' business, how has been the traction from the customers other than one major customer which we have? Have we seen any incremental revenues from other customers?

Sanjay Tibrewala: We have added a lot many more customers too already. We are working with Patanjali. As we have mentioned, we work with Tata as we have mentioned, we have worked with Powersoft. We have started working with Ponvandu which is in the South. We are talking aggressively to many more names which we will share the data later. And there has been a good traction. This business is growing up very rapidly. At the same time, the cash flows and working capital in this business is a great benefit for the company as such. So, yes, this is progressing, as we have been going ahead and we are very much excited where we are today. At the same time while speaking to you, there are certain big orders which we are going to sign in this week, and after this is done, we may be able to come up and discuss more in detail about what kind of orders and what kind of customers are we talking about.

Ashish Rathi: Last question before I get back into the queue. We have seen quite a healthy top line growth for the company in the first quarter and second quarter – overall the first half as well – but in terms of the EBITDA margins, we are still in the range where we are at 18.5 to 20 kind of a number there despite the top line jump that we have seen. Any indication on the margins going forward? Can we see some improvement here and by when?

Sanjay Tibrewala: As such, there are 2 parts how we were looking at. I think from the industrial point of view, for the last 45 quarters of being listed, we have always had EBITDA margins from between 15 to 20 broadly in the last from, let us say, 11 years of being listed. And I think this is in line with our general performance as such. What was more important for us and where we were also focusing 2 quarters back or 3 quarters back was on the cash flows and working capital. And as you can see, we have a significant improvement in the working capital. You can see that the working capital from 143 has touched 90 and this is just the beginning, I can say so. At the same time, we want to express that there is a new capacity expansion which is ongoing, and obviously, they will also have some revenue expenses towards them which have been already on the books. While in the last 4 quarters also, we have been growing the company and having the new plant operations also in line, there were certain revenue expenditures which are already on the books. So, as such, if you see with the growth and with the kind of capacity we have done, we are fairly happy from where we are looking at it. And with the revenue increase also, we have made sure our EBITDAs are not hit. This is what we would like to express to all our audience and people today. This is in fact something which I am proud of our marketing team and our strategical team where we are able to grow the turnover and keeping the EBITDA margins intact and at the same time getting better cash flows. Now our cash flow from operating activities for the half year has increased to Rs. 47 crores which was last year less than Rs. 2 crores or something. We are quite pleased with the performance of our team on those lines.

Ashish Rathi: This cash flow improvement is on the basis of the surfactant business contribution increasing or is it also happening in the textile chemical business?

Sanjay Tibrewala: What was happening was we were also discussing with our investors; last year was a year in which the raw materials were quite a challenge. The supply chain globally had hit due to the container shortages, freight going up, things like that. So, every company had to have more stocks, inventories, things like that. That was the only solution behind it. Now that things have come under control, freights are going down, the raw material prices have soften down more or less, the challenge is we have also reduced some portion of the inventory plus our debtors which were always standing at a higher number which, to be more precise, was 116 is now at 71. So, there has been a fair betterment of 33% in the debtor's receivables. I think these are the many angles to it, which have helped us to have a better working cycle this way.

Moderator: Our next question is from the line of Nikhil Rungta from Nippon India Mutual Fund. Please go ahead.

Nikhil Rungta: Sir, a couple of questions from my side. To start with, what is the capacity utilization as of now, and after the increase, where will our capacity utilization be?

Sanjay Tibrewala: Broadly, our utilization, the volume has increased by 108% Y-o-Y basis. At the moment, we are standing on 83,000 tons capacity and we are at the moment using almost, let us say, 66% of it. Going forward, there are lot many exciting orders which is on at this time and this expansion of 21,000 tons which is planned for the next week coming up, this is going to increase our production capacity as well as we will be able to have a good volume growth in the coming times. Broadly, we are quite excited with this as we have doubled our capacity 2 years back and already we have touched 67% of the utilization and then we need to have this extra spare capacity always keeping in mind our capacities are fungible and we can use it for all the technologies what we are producing, whether it is for textiles, for detergents, or for oil & gas, we have these fungible capacities which are also helpful for all the processes, whether we do Polymerization; we do Homopolymer, Copolymer, Terpolymer, Esterification, Phosphination or whatever chemistries are doing. Broadly speaking, this is the kind of we have always been more comfortable to work with the utilization of 67% to 70%. At the same time, the optimum capacity utilization can only be upped to 85% to maximum 87%. This is because there are so many product lines we have and there is SOP of Cleaning and switching over the next product line. We have to spend some SOPs for Cleaning and all which cannot make so much optimum utilization. So, broadly, 85% to 87% is the optimum capacity where it can go.

Nikhil Rungta: If we look at the current quarter, our volume has increased by 110 odd percent, 108% to be precise. This increase of 25% which we are planning over the next couple of weeks. By when do you think you would require enhancing your capacity again?

Sanjay Tibrewala: Right now, we are already anticipating a jump in certain businesses and we are expecting another 30,000 tons order which is going to be coming very soon. This capacity expansion is very vital for us right now, and the next capacity increase is I think by January, we will be in a particular position. On that point, I would like to mention to all the audiences that there is a lot of space which we have in the Ambernath plant and the incremental increase for the production will not take much time and also the cost will not be significant as such. At any given point of time, we need only 2 quarters or 6 months by and large to have our next increase of our capacities which is fair enough. So, by January, we will be able to work on where we are standing and then from January if we start planning the expansion, I think by July next year somewhere, we will be having our next expansion plan.

Nikhil Rungta: How much is the space available? In the sense, to what capacity enhancement you can go in our new facility?

Sanjay Tibrewala: With the new one, after this 21,000 also, we have another 50,000 capacity which we can add in the same premises. Then, we can touch almost the number of 150,000 tons broadly.

Nikhil Rungta: Basically, by just adding newer machineries at the same location?

Sanjay Tibrewala: Exactly, perfect. That's the way.

Nikhil Rungta: Second point is, we have been growing higher than industry average over the past many quarters now – 8 to 10 odd quarters. How sustainable is it according to you and also if I look at the margin, we have been maintaining margin at 18% to 20% odd level. Even at such a high growth rate and maintaining such a margin, how sustainable are those margins as well?

Sanjay Tibrewala: Regarding the margins, I would like to mention of the last 11 years of being listed, every time, every quarter, our EBITDA was between 15% to 20% or 21% broadly. And in the last 1 year or 2 years, we all are aware about the global geopolitical situations which had its ups and downs. In the last year, the freight problems, the container problems, the kind of in the beginning of this calendar year, the geopolitical situations and China again picking up of certain Covid for the last 2-3 weeks also. Going through all this thick and think kind of a scenario, our company has still been able to perform. So, I think the underlining meaning or my message to the investors will be, you can be expecting much better performance from our company from the industrial standards for sure and also you can expect much better performance in our company itself year-on-year basis and quarter-on-quarter basis, not only from the EBITDA margins point of view but also very important where the biggest challenge I would like to mention was our cash flows and the working capital which have been getting much better. Also, the ICRA rating, which has been much better for us also endorses that we are on the right track and we will be hoping for a better performance in the coming times for sure.

Nikhil Rungta: Sir, just last question from my side. We have seen you primarily being a textile and oil & gas player. Going forward, do you intend to enter any new chemistry or business basically in terms of diversification or any other inorganic growth? Earlier, we were planning for some inorganic growth as well. So, going forward, do you anticipate any such type of diversification?

Sanjay Tibrewala: Yes, there are a couple of questions which you have given me. I will just break it up and answer one by one. Firstly, we are not only a textile-specialty performance chemical producer. Right now, our 38% of our business is also from FMCG wherein our products are going to the FMCG companies for Cleaning & Hygiene businesses. This is something which has happened in the last 4-5 quarters or more than that. That is something which we want to mention. At the same time, we are already having our FDA certifications for the plants. We produce our floor cleaners, hand-washes, sanitizers, dishwashers, toilet bowl cleaners, and other cleaning & hygiene solutions and we have pan India distributors also for that which is being sold 5 liters to hospitalities and hotels and hospitals and so on. That is also one business which we have a vertical which comes under the Cleaning & Hygiene sector. We always would love to be in the sector which has either the similar chemistry or in the same market more number of products. Now, I will tell you the correlation of Cleaning & Hygiene and Textiles. In Textiles, like I used to mention about, the 4 processes of Textiles. One is the cleaning – pretreatment, then there is dyeing, there is finishing, and there is printing. The cleaning section of the Textile chemistry is overlapping with the Cleaning & Hygiene business for the FMCG and the Detergent businesses which we are mentioning about. So, where our chemistry alignment is there, we are able to increase and work on those chemistries and grow the market more and diversify into different orbits. That is one approach we have from the products point of view. From the market point of view, let's say Textiles; in Textiles, what we have been doing and what has paid us very well like tying up with Eurodye, tying up with HealthGuard and other companies. These companies help us to increase our product range for textiles and then we can get a better wallet share. That also helps us because we have already 100 distributors pan India and also we have technical doctors all over India who are attending and servicing the customers day in- day out. With the alignment of this, we have to focus on adding more products to the same customers which we call it as a market approach and also the new expansion of Cleaning & Hygiene is based on the chemistry approach. So, this is the area where we are more comfortable. This is our core business. So, we would like to work on those lines only. Coming to your point of inorganic acquisition, we would like to mention that we have already done inorganic acquisition, our first international bidding acquisition in 2011 where we worked with biotex and we were able to make this debt company into a cash-free company and things like that. We are again having a good cash on books as you can see and also our team is very much capable and more confident to handle more kinds of inorganic acquisitions, but we are very disciplined with our cash deployment and we will not be looking at any other business which is not our matching synergy or core business for us. At the same time, valuations and certain things which we always keep in mind before planning any discussions for any inorganic acquisitions. These things are there in the cards, but this is the psychology which we have before we enter into any deal.

Moderator: The next question is from the line of Ankit Bansal from AB Private. Please go ahead.

Ankit Bansal: Sir, my question is, with your business now in line and your team is working on it, what will be your new revolutionary idea so that you can take the company to the next big league. My second one is, what is your guidance for Q3? As from June-to-September quarter profits and revenue are flat. There is no improvement. Y-o-Y yes, it's a very big achievement.

Sanjay Tibrewala: We do not have any great revolutionary idea which we can share today. I think it is not important to have a revolutionary idea but what is more important is to do what you are good at and become the best and this is our policy always. So, whatever we were doing good, we are trying to become the best over a period of 3-4 years as you can see. We have expanded to many geographies, we have a lot of exhibitions and marketing approach which we have started, wallet share, having a lot of investments in technical manpower for the textiles. And for the Detergents & Cleaning business, we have diversified to certain businesses which are now seen on our data and books already. Basically, our ideas are to grow and keep growing what is our core business making sure we always have a great ROCE and ROE in line and have the best turnover CAPEX ratios in the industry,his is what we look at. Talking about Q3 or Q4 or anything in future, I would like to mention, like I mentioned already in our discussion now, we have been performing very well, the markets have been responding quite well, and we are very excited to take it to the next level. There are certain interesting orders which we are going to start off very soon and that is also a good jump which we can expect in the coming times. Apart from the existing customers where we are, we are also expecting a good increase in demand. As we all know, in the last 1 quarter or 2 quarters, there has been a general slowness in the demand globally. It is not about India or any country. It is a general demand which has a wavy kind of approach. However, we are still able to have the great numbers I can say so and improve our working capital which has helped us to gain one of the best ROE and ROCE in the industry as such. This is the way we are looking at things, and going forward, we are expecting a great performance coming up.

Ankit Bansal: Sir, in your balance sheet, I have seen in June quarter, the purchase of stock there is nil. And in this quarter, it has jumped to some crores. Can you please elaborate that thing?

Sanjay Tibrewala: We are already having a great net cash flow of Rs. 47 crores from the net H1. There have been certain treasury decisions which keep happening. I think that's not the important part. Always we used to have those kinds of fixed deposits or such kind if liquid plus instruments from the point of keeping this cash for using for the growth of the company in the coming times. So, the 21,000 tons also, we will be using a lot of capital. These are the kind of cash flows which we need to maintain always for ready usage. I think that's the point.

Moderator: The next question is from the line of Anik Mitra from Wallfort PMS. Please go ahead.

Anik Mitra: Sir, my question is based on the textiles sector which is your core sector as well. We have been passing through lots of turmoil in the textiles sector, especially when it comes to cotton. The cotton prices were very high, then Indian cotton prices were even higher than international prices. Afterwards, Covid came; post-Covid recovery was very fast. Companies were purchasing at high value. Afterwards, again, orders from the consumers have gone down due to very high cotton prices. My question is, among these types of problems, how do you manage to post this type of very beautiful results? The second question is, how do you assess the textiles sector going ahead?

Sanjay Tibrewala: All the industries will keep having their own challenges. In textiles, you cannot view every quarter-to-quarter kind of an approach because there is a lot of inventory always in the pipeline. Cotton prices obviously will keep moving up and down and a lot of European and American companies will sometimes increase their sourcing and sometimes might not. That is a part of…. We are there for many decades. So, we are used to that, I can say. I think what is more important for you to understand is the crest of the customers giving us more wallet share and we are able to still have a growth in the turnovers and keep the same EBITDA margins. Textiles, as we know traditionally, it has been a little bit, let's say, slow in cash flows as such, but you can see the cash flows which we have posted now. There have been a lot of operational efficiencies also. So, going forward, I can say this is the kind of operational efficiency under the times of strategies we have, technical solutions, performance chemicals which we are offering, it's not that our products are like a solution-based business. It's not like a COA where the companies can replace our product with somebody else' product. It is not like an API or something. It is like a homeopathic solution. Once the customer is used to our product, they cannot replace it as such easily. That's the kind of approach we have. And being in this business, we are working with almost all the biggest corporates for all the segments, whether it is acrylic, wool, nylon, polyester, cotton, knits. We are working with all the biggest corporate houses of India from Chenab, JCT, Auro Dyeing, Auro Textiles, Mahavir Spinning, Nahar, Winsome, T.C., Saluja, Reliance, Arvind, Welspun, Himatsingka, Indo Count, Trident, Banswara, Raymond, you name it and we should be having.. All of them are differently diversified businesses. And in Textiles, there are certain places when suddenly there is a big demand for polyester suiting, there is less demand for knits, and sometimes vice versa. As we are balanced in all these segments, we do not feel that hit as such and also we are balanced in all our product lines. We have almost 400 solutions for textiles from pretreatment, dyeing, to printing solutions. We are not depending on any product line. We are not depending on any segment or a customer. Broadly, this is something which we had planned and always quite the balanced kind of a sales approach we had. So, we are not facing any kind of hit from the textile businesses.

Anik Mitra: Sir, as you mentioned lots of big names, what I came across even a few days back, Arvind CEO was saying FY23 is going to be a challenging year. All the yarn companies and spinning companies are feeling this heat and order flows from them are supposed to go down and it's already down basically. On that aspect, I understand you have a very robust product profile, etc., but….

Sanjay Tibrewala: All the companies will have their own internal things. We are not depending on Arvind or any names whichever you mentioned or think about as such. Yes, when the textile will be in its best situation, obviously there will be a great jump further in our businesses. That can help as a bonus growth, I can say so. But let's say if you are considering the textile at rock bottom today and this is what we have performed, then I should be double happy with our technical team and our sales strategy team that they have done a very good job. So, that's the way I would like to mention. But I will tell you, the way you are looking at it is from a different angle, the way we look at it is a different business. What we look at is we are able to reduce the TDS, BOD, COD, water, content, time, and temperature of the customer. We are able to reduce the utility cost of the customer. We are able to do a lot of joint efforts and match the challenges of the customers. We are quite involved with our customers; I can say so. I don't think that should affect us broadly as such and we are also gaining a lot of wallet share and going to many customers. So, I think we will be always sailing off well and if we get more businesses and the textile does much better than what it is doing now, it will be great news for us and our shareholders. That's what I can say.

Moderator: We will take our next question from the line of Aniruddh from AV Securities. Please go ahead.

Aniruddh: I had a couple of questions. Sir, you talked about the cost for the expansion that has already been taken in the books. My first question is, is there any further cost that we should expect in the coming quarters for the current expansion that has already been planned? And the second one is, Q-o-Q as in from the first quarter to the second quarter, the results are almost identical. Is there a material change in the product mix? Have we seen specific growth in some products or a decline in some products or is the product mix relatively the same? Because the quarter-on-quarter results as I understand is almost the same.

Sanjay Tibrewala: Coming to your first question, for the next coming quarter, the current quarter rather, I can mention that yes, there will be certain CAPEX cost coming up on the 21,000 tons, but this is Rs. 8 crores to Rs. 10 crores or something like that. That will not be something which we have been managing. As you must be seeing, we are a debt-free company since many years and also there is a good cash flow generation happening every quarter-on-quarter basis also. That is something which I could answer that. And talking about Q-o-Q, in fact, I would like to mention here that there has been a rapid change like if you are not watching our working capital and this is something which has changed dramatically for us and this is something which we have worked upon. And yes, you can say there is a slight improvement in Q-o-Q basis in terms of volume and slight improvement in the EBITDA absolute numbers and things like that. I would like to mention that yes, this is something which we are quite pleased about. At the same time, we have a new CAPEX happening for which also there is some certain manpower addition, the revenue expenses which are already on the books as such in the quarter 2. From quarter 1 and quarter 2, this is something which we have been doing. There is great excitement and we are very enthusiastic with the kind of response we are getting for the customers for the future. And at the same time, the detergent business is shaping up and looks to be very much promising, the FMCG business I am talking about. That is also adding up and also we have touched almost 38% of our business through that. This is something which we are very proud about. As such, in the last 1 or 2 quarters, we all are aware about there has not been a great jump in the demand in most of the businesses in terms of volumes or requirements. However, due to our great wallet share increase and other product lines' increase, we are still able to do a very good job on that. And if you see the year-on-year growth, as you also mentioned, we have been having another 90% growth. If you notice from the last 6 quarters; last year quarter two 60% growth, quarter three 81%, quarter four 84%, quarter one 115%, and now also we are at 90% growth. So, I think in the last one and half to two years, our team has done the best thing.

Moderator: The next question is from the line of Pawan Mehta from G K Capital. Please go ahead.

Pawan Mehta: My question is regarding your FMCG business. As you mentioned that you have been supplying to various hospitality players and B2B brands over there. Under FMCG business, what is the proportion of hospitality and other business?

Sanjay Tibrewala: I will take it as your question. Grossly, you can say the ratio is like 2:1 where 2 is textiles and 1 is the FMCG business.

Pawan Mehta: Actually my question is, under the FMCG business, the non-textile business, we are supplying directly to the branded FMCG companies like Patanjali, etc., and we are also selling under our own brand. What is the mix of that?

Sanjay Tibrewala: But there is a difference. I got your point. Let me once again touch this point. It is an important explanation. Basically, when we are supplying in our brand in small packings like 5 kilos or 20 kilos to the hospitals and hospitalities, it is a product which is directly usable, but when we are supplying our products to the detergent FMCG companies, we are not giving this product as such. It is not a job work. It is not a labour job business where they are branding it. They are using it as a raw material to improve their product and their product is being sold to in the FMCG market as an FMCG product. So, there are two different things; one is a B2B product line which we are providing to these detergent companies as a solution providing for better clinginess and efficiency in their product which they add it in their product and sell it to the market and then the other one is we have our ready product also at the same time. This is the point.

Pawan Mehta: What is the revenue of the same, that we are supplying to the FMCG companies?

Sanjay Tibrewala: Like I said, you can say the total revenue of the companies and say one-third of it, average 35% you can say, is from the Cleaning and Hygiene businesses.

Pawan Mehta: Coming to our expanded capacity, the 21,000 tons which we will be expanding next week, by when can we expect full utilization and what will be the total revenue possibility after that?

Sanjay Tibrewala: Right now, we have just started the plant last November-December '21, and in 1 year, we are able to use…. And that was doubling the capacities, and as of today, we have touched 66% of the utilization, and going forward, there are a lot of exciting orders which we are seeing. I think the right time to answer this would be by next month end; we can have a better answer on it as such. However, to just give you a ballmark number, after getting this capacity and this kind of order, I think with the added capacity also, we should be touching 70%. That is what we are looking at right now.

Pawan Mehta: So, H2 will be far better than the H1?

Sanjay Tibrewala: Definitely, that is for sure. If that is the point and that was your question, not only for the Cleaning & Hygiene, but I can tell you broadly also – and always if you can see, most of our numbers and balance sheets and businesses – always the H2s are much better than the H1s. There is no doubt about it.

Pawan Mehta: Any guidance on the revenue growth for the FY23?

Sanjay Tibrewala: I will refrain from giving any forward-looking statement, but I just said like in all the quarters you can see, in the last 7 quarters, we have done an average increase of 85% – broadly 60%, 81%, 84%, 115%, and 90%. So, if you consider that way, you will get your math and something like this which you can look at.

Moderator: Our next question is from the line of Vinayak Mohta from Stallion Asset Management. Please go ahead.

Vinayak Mohta: You are already at a run rate of somewhere around Rs. 500 crores to Rs. 600 crores with your PAT touching anywhere between Rs. 80 crores to Rs. 90 crores depending upon how H2 is going to be given you mentioned that it is going to be better than H1. Sir, I just wanted to broadly understand how we looking ourselves maybe in FY25 or FY26 because these 2 years were years of very high growth period. Given you have always talked about having a large opportunity size in front of you, how do you look yourself out in the next 2 to 3 years? What kind of growth and any possibility of margin expansion that might flow through?

Sanjay Tibrewala: I would like to break this question again up. Coming to the margin expansions, broadly we have been working at 18% to 20% on and off in most of the quarters, in the last few quarters especially. I think that is a good guideline because at the same time, there will be a lot of CAPEX expansions which we will be doing. And the CAPEX will not only have production CAPEX or capital thing, there is a lot of revenue increase also which we need to have for the manpower and for the team members and things like that. At the same time, there will be a lot of sales promotion expenses which have already been incurred and that has also been debited to the revenue account as such. Going forward, that should be a good earmark, 18% to 20%, on a longer-term basis. Going forward, our team definitely aspires to be one of the leading specialty chemical companies and what we mean by specialty is also having a good EBITDA and this is something which we are looking at. I would not be surprised if we touch a good turnover in the coming years, and in turnover, we should touch Rs. 1,000 crores kind of a company very soon. This is what we are aspiring and we are quite confident to reach. The only concern is how fast we can reach. This is what we are working upon.

Vinayak Mohta: But a 30% growth rate is something we can work around with, going forward, post FY23?

Sanjay Tibrewala: In the last 2-3 years, we have been able to perform very well and I think it's going to get better because what happens let me tell you how textile moves or how detergent moves or how any business moves is firstly you need to set your grounds inside and once you have certain loyal customers and the name spreading and a reputation, then the next thing becomes much easier. It is the same maybe for all the businesses whether it's investment business or…. I think most of the businesses need production and things like that. In the Cleaning FMCG business, we have just started it a couple of years back and this has paid dividends as such. I think this is something which we all should be very excited and happy about where we have touched now.

Vinayak Mohta: One last question. What is the risk that you see to the business, something that might hamper or restrict growth in the short term – maybe not impacting things in the long run. What is the risk that you see to the business?

Sanjay Tibrewala: As such, most of the risks which we call as risks have already happened. We have sailed by that also. There was a risk of China, there was a risk of Covid, the Chinese supply that happened; we could do much better last year. There was a risk of containers not coming; supply chain distortion, that also happened; crude oil jumping up, that also happened; geopolitical situations in Russia; European companies not doing good, things like that. I think most of the risks have really converted into reality in the past. So, I think I don't have any more risks. If we are able to sail through all these kinds of risks, I think the future has to be only better. So, as such, I do not have anything to mention about and that's the point. Tasted everything by now.

Moderator: Our next question is from the line of Keshav from RakSan Investors. Please go ahead.

Keshav: Sir, our vertical structure is similar to our listed peers with Hygiene and Textiles and understood that the chemistry helps you to go from textile to surfactants, but even in the Hygiene part, would we differentiate from the peers like we do in the textile bit? And the approach of solution-based business, does that approach apply to Hygiene as well?

Sanjay Tibrewala: Hygiene has many things. It is not only antimicrobials, but it also has the cleaning and sanitizers and solvents and detergents and surfactants which are going for the textile pretreatment process also. There is a lot of synergy on that line and I can say almost 95% synergy is there in the product line. There are minor modifications which we require for the Cleaning & Hygiene businesses which are mainly typically perfume or certain kinds of viscosity and the eye level kind of marketing in Cleaning & Hygiene. Broadly, it is definitely overlapping from the chemistry point of view.

Keshav: That was actually not my question. I wanted to understand say if we compare the Hygiene business to our peers, would that likely differentiate in the textiles business with their being a more volume based and ours being a solution based? Would that approach also apply to the Hygiene vertical or we would have a fair share of overlap on that?

Sanjay Tibrewala: No, that won't apply as such. Yes, in textiles, we are more of a solution-based business. In textiles also, there are a lot of textile chemical companies also in the listed space which are not looking at EBITDA margins and specialty natures. From where we are, we believe specialty means something which has a higher EBITDA. That's the way we look at it. And if a company is not having great EBITDA, that means it's not a special chemical, whereas our businesses and product lines, we are very sure we are providing technical solutions, sustainable solutions, and also being helping the consumers to achieve their goals – in textiles I am referring about. There we have an upper edge over any textile chemical company and we are doing much better in terms of EBITDA margins and positioning our company as such. That's one. Now, comparing this to the Cleaning & Hygiene, in Cleaning & Hygiene business, we cannot expect a great differentiation in comparison to let's say Diversey or any such kind of a big multinational company because most of the companies will have their own aloe vera touch or the vanilla flavor, the air fresheners. This is what most of the companies will do have. Obviously, there will be some differentiation in terms of performance or some perfumes or certain fragrances or durability, but I cannot say that can be a great edge over it as such. But yes, your performance is something which all the companies do respect about, and then once your company is more efficient, you can have a better price control on your costing and you can be more competitive in the market. That also does help sometimes.

Keshav: You mentioned about the B2B part of Hygiene to an earlier participant. If we compare that to a surfactant company rather than an FMCG company like say Galaxy for instance, would we be competing with them on a product level or we would be at a precursor level to even their products?

Sanjay Tibrewala: I would like to mention that even in the Cleaning & Hygiene, we are not having a COA-driven business as such. What Galaxy does is they have products for FMCG and personal care and things like that, but their products are still a chemistry which is declared enough, and which has a COA whereas our B2B business in the Cleaning & Hygiene is not a COA-driven business. It's like an additive. It's like performance boosters which we are selling to Patanjali, which we are selling to the good names which we are working with Triplex, Ghadi, and all these big companies. These are the areas where they are looking at the performance. They do not care much about the COA of it or what is the chemistry behind it. Broadly, it is okay. But then, there is a big difference between, I can say, the product lines which how do we categorize it, but let me also mention there are not too big a difference on the…. There are certain products which obviously they must be also doing, but some places where we are also doing ourselves and our customers are more pleased with our performance, I can say so.

Moderator: Our next question is from the line of Jenish Dilip Gada, an individual investor. Please go ahead.

Jenish Dilip Gada: As in the opening remarks, management said that they are into capacity expansion. What will be the debt and equity ratio for such capital expansion? And we have a MoU with Eurodye. It's a long-term agreement or a short-term agreement? And what are the probable threats to the company in the near and future terms in terms of competition and market disruptions if any?

Sanjay Tibrewala: Actually you have asked 3 questions. Let me try to quickly reply to them. As such debt, we are a debt-free company since many many years and there is a good internal accrual over it. So, as such, there will be no debt used for the expansion.

The tie-up with Eurodye is a long tie-up. It is a buy tie-up actually. We are also making some products for them in India for the Indian markets and overseas. At the same time, we are supplying to them also certain products in Europe for the European market. So, it is something which is like we are bonded with each other. And going forward, I think, as you know, Europe is not going to sustain for manufacturing for sure. The plan would be to bring the entire Eurodye's business to India itself and run it in our operations. This is what is one of our strategies we have in mind and that is something we are working upon and that is something which we will achieve very soon I think so in the coming calendar year.

Threats; as such, I think most of the threats and risks everything we have faced it in the last 6-7 quarters. There cannot be any more hidden risks because all the hidden risks are already opened, and I think we are already geared up for bearing up any more risks. I can only assure all the participants our performance of Fineotex will be much better than the industrial standards by and large and also, we will keep achieving much higher goals and achievements in the coming times. This is all I can tell all the participants today. And I would like to hand it over to Inba for her remarks.

Moderator: That was the last question. That brings us to the end of today's question & answer session, ladies and gentlemen. On behalf of Fineotex Chemical Limited, that concludes this conference. We thank you for your participation. Ladies and gentlemen, you may now disconnect your lines. Thank you.

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