



August 5, 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
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Subject: - Transcript of Concall with Investors and Analyst held on 1st August, 2022.

Dear Sir/Madam,

We enclose the transcript of Concall with Investors and Analyst which was held on 1st August, 2022.

Kindly take this on your records.

Thanking You.

Yours faithfully,

For FINEOTEX CHEMICAL LIMITED

Hemant Auti
CS & Compliance Officer





Fineotex Chemical Limited

Earnings Conference Call

Q1 FY2023

August 01, 2022

Management:

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

- Moderator:** Ladies and gentlemen, good day and welcome to Q1 FY2023 Earnings Conference Call of Fineotex Chemical Limited. We have with us today in the call Mr. Sanjay Tibrewala – Executive Director and CFO, Mr. Arindam Choudhuri – CEO, Ms. Aarti Jhunjhunwala, Executive Director and Mr. Bharat Mody - Strategic Advisor, Investor Relations. 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. Please note this conference is for one hour only. 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. Aarti Jhunjhunwala. Thank you and over to you Madam!
- Aarti Jhunjhunwala:** Thank you Margaret. A very good afternoon everyone and a warm welcome to our Q1 FY2023 Earnings Conference Call. Having made the financial statements and earnings presentation available on the exchanges and our website we hope you all had the opportunity of its pre-read. I would like to start this call with the overview of the current status of our company and the strategic outlook in the near future quarters. We present Fineotex as India's leading speciality chemicals producer having wide footprint across domestic and international textile industry ecosystem. We continue to focus on expanding the market by developing new products, entering into newer territories, offering value added services like textile solutions in speciality chemical sector and thus creating brand image and goodwill for our products and this is truly reflected in our performance over the last many quarters. Our venture with Biotex, which is mainly into R&D and product development, has been fairly successful and is bearing fruits in terms of industry acceptance of its environmentally positive range of products. We have been able to successfully leverage Biotex's strength and potential to dive deep into many American, European and Asian markets. Market expansion is the key to us rapidly creating strong brand visibility and loyalty with both Indian and international customers with our products and solutions. As far as finances, we have been extremely judicious in our investment decisions, which are mainly undertaken with internal accruals and keeping a strict control on debt management. We also value our employees as prime assets and thus partake various employee friendly HR initiatives to promote a culture of owning one's own actions. We trust and believe in the long run, this culture will bring a great sense of ownership for driving the efficiency and innovation among the employees. Sustainability and environmental protection are our drivers, which are always considered while developing new products and manufacturing. We overlay our extra emphasis on ESG-related practices and compliances as a way drive stakeholder value. With this, I would now request Arindamji to walk us through our operational overview.
- Arindam Choudhuri:** Very good afternoon everybody. Thank you Aarti Ji and warm welcome to one and all. We at Fineotex are a well diversified company with a wide range of product portfolios. Started producing first the speciality chemical for textile industry and later half into related products for niche segment, hygiene product and oil and gas products. As a part of value adding offers, we also provide high-end customized solution to our key clientele mainly riding on the customer confidence in our products and our brand equity in the market. Our R&D spends in producing eco-friendly and sustainable products and alternating of hazardous products in our overseas facility has provided the necessary impetus to expand our presence in many key international textile hubs in recent years. Our timely foray into emerging high growth products like hygiene and drilling speciality provided us a huge potential to productively engage with India's leading detergent makers and premier oil and gas company. As you all are well aware HealthGuard Australia, Sasmira institute for R&D and Eurodye-CTC Belgium are our strategic partners continue to provide us the stimulus for our market developments in last one year and find the relationship mutually beneficial. We continue to explore

opportunities for such alliance in future too, to grow our business in a rapid force in future. Now I request Sanjay Ji to guide us through the quarterly performance of our company. Over to you Sanjay!

Sanjay Tibrewala:

Thank you Arindam Ji. Good afternoon everyone. So, as you are aware we had a very good commendable performance in FY2022, strongly led by our capacity expansion at our new facility at Ambarnath. The sudden spurt in the demand and the order booking let us to plan for this capacity expansion, which is expected to fructify soon. The facility was built with latest technology adhering to the strictest sustainable standards, which has proven itself the merits and the same will be a test case for our future portfolio product expansion efforts. At FCL we continue to be optimistic of the bright future of the speciality chemical industry. Let us say most of the economical indicators are seeing better pre-pandemic figures. India is emerging as one of the growing economy amongst all the countries across the globe showing recessionary indices, social political stability, thriving democracy, transparent and open investment opportunities are also an ease of doing business, untapped consumer markets, availability of low cost skilled demographic and the other skilled labors are the factors, which drive the global optimism towards India and thus leading many capital investments moving towards India. Various innovative policy indicators by the government for monetary policy and credit policy by the RBI has credited us strengthened the infrastructure climate and therefore providing significant domestic manufacturing and exports. In line with our strong performance in FY2022, we continue to remain a commendable performance in the Q1 FY2023. This reinforces our strong belief in the future of our industry and in specific Fineotex. Our last quarter growth is on par with the growth seen in the previous quarters or even exceeding that to some extent. Our Q1 growth is much beyond our expectation, which will harden all our stakeholders.

On the fundamentals of the financial performance let me take you across that. Our operational revenues have grown up to 1,358 million, which is up by 115% year-on-year basis in the Q1 FY2023. Similarly the EBITDA also has a growth of 167% and touches 262 million year-on-year basis, the growth is 167% and the EBITDA margin stands at 19%, PAT stood at 203 million up by 110% year-on-year basis. PAT margin stood at 15% in Q1 FY 2023. Our overall capacity of 1,04,000 tons is almost coming to the commissioning stage and it has already reached 65% of the current capacity utilization. The current capacity is 83,000 tons of which we have already touched 65% in this Q1. The Q1 performance will be a benchmark reference for our future performance. It will open new challenges to seek opportunities to grow the market while maintaining sanity in our cost structures. We continue to focus on exploring strategic opportunities like new and viable alliances, capex and also tactical internal measures like innovations, efficiency building and cost optimizing. Overall we intend to be the torch bearer for the specialty chemical industry by setting up of new benchmarks, industrial standards, and product and client diversification. This will pave a way for us to grow and become the industrial leader that will increase our brand equity in the coming times. We continue to focus on the expectation of our stakeholders and will take on all the challenges on a positive light. Now I would like to open the call for interactive question and answer session. Over to you Margaret!

Moderator:

Thank you very much. We will now begin the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. The first question is from the line of Dhruv Bhimrajka from Monarch AIF. Please go ahead.

Dhruv Bhimrajka:

Good morning and congratulations on a good set of numbers. If you could share the volume numbers for the first quarter and it was 10,500 tons for Q4 FY2022 which you had shared earlier, so what is the volume for this quarter?

- Sanjay Tibrewala:** The total volume for this quarter, there has been increase quarter-on-quarter basis by 25%, this quarter the volume is 13,500 tons approximately and if you compare on year-on-year basis it is almost three times, and quarter growth is almost 25%, so as you rightly said in the Q4 it was 10,500 number now it is 13,500.
- Dhruv Bhimrajka:** As per your earlier calls we always do that with the current large base coming on the installed capacity side, we would see a higher number in terms of revenue and EBITDA for FY2023 onwards, so are you targeting a 750-800 Crores topline this year itself because the first quarter seem to be getting us on that path for this year itself?
- Sanjay Tibrewala:** Yes, we might have seen our overall performance from the last financial year, quarter-on-quarter basis like Q2 we had grown up by 64%, Q3 we grew by 81% and that trend has been continuing even now in this quarter we have grown by almost 115% on the revenue side, so broadly speaking there are a lot of efforts and planning, which our company and team members had done a couple of years back and one-by-one things are shaping up in the right direction, so this is the trend, which we expect to continue going forward for; however, there can always be certain surprises and the demands and if there is a thing kind of COVID or something external factors of course that will also have to be factored in.
- Dhruv Bhimrajka:** Right, the last thing that as you said 65% of total installed is the capacity utilization for the first quarter, so how are we planning on our capex in the future?
- Sanjay Tibrewala:** Okay, so here it goes, as such we commissioned the plant last November 2021 and that time the capacity installed was almost 36,000, which we could optimize to 40,000 tons, I am talking about the Ambernath facility, all the growth parameters and planning has been done there, so when we did that, we were expecting this to ramp up in a couple of years or something like that; however, due to the increased demand and things like this, we already are working towards an increase in capacity by 21,000 tons, so the current 83,000 tons will become 1,04,000 tons, let us say from September 1, 2022 or something like that, that is what we have planned for, so that extra capacity which is already upcoming and that is also we are looking at how do we ramp up that capacity also.
- Dhruv Bhimrajka:** Okay, so for this 21,000 do we have extra land available or will it be a Greenfield?
- Sanjay Tibrewala:** No, the Ambernath facility has enough of land spaces and all the certification, the permission and the infrastructure cost everything has been laid very well, it is one of the state-of-the-art plants, which many of the investors have also visited, so the point here would be that we are having sufficient capacity and even if we want to expand to another 40,000 tons capacity we can always add another 40 there and touch almost a number of 1,50,000 tons given in the future without having another land parcel to be looked at.
- Dhruv Bhimrajka:** Okay, that is great to hear. I will come back in the queue. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Nikhil Rungta from Nippon India Mutual Fund. Please go ahead.
- Nikhil Rungta:** Sir, first of all congratulations on great set of numbers. Sir, just a couple of questions, first is our other expenses is significantly lower in this quarter it is down by around 35% Q-o-Q and the same is reflected in the margin itself, our gross margin is down by around 400 basis point whereas EBITDA margin it up by 200 basis points because of this other expenses, any one-off here?

Sanjay Tibrewala: I will just tell you what is shaping up like as you know there has been a lot of preoperative expansions and preoperative costs for the Ambarnath, so a lot of expenses were one timer, I would not say one timer but as and when we increase capacity, manpower there is a lot of upkeep on the maintenance and things which keeps happening so that is also the reason why the other expenses are looking lower. There has been improvement in the freight cost also as you have noticed in the last couple of months the freight cost has also gone down, at the same time what we have been doing and focusing upon is we are more focused on the EBITDA margins, the way to look at our business and the product line is always making sure that the targeted EBITDA margins are maintained and that is what we are looking at because in our business as you have been knowing about it we have the entire range of product lines, there are certain products which moves in packages and togetherness. So what we look at when we are offering to our customers the entire package, what is the EBITDA which we can get out of the entire package, but however, making sure that the gross margins are still around the similar level, so going forward I think this is the optimization levels, which we are coming to from the expense point of view, at the same time the way to look at our company and the way we look at our focus is on the EBITDA margins always, which has been decent enough, if you see the 11 years of listing, you will always find our EBITDA margins have been always minimum 15% to 20% even if you go to a quarterly basis or something like that, you will still find out of the 50 quarters or 45 quarters of the last 11 years you will always find that is the way we look at our company because our company our focus area is more, we are not only a manufacturing of speciality performance chemicals, there is an important part, a technical solutions which we are providing to the customers, now that technical solutions is something which is the reason we are able to have a differentiation and a sticky market and that is what we adhere to with the EBITDA margins focus.

Nikhil Rungta: Actually why I asked this question is because if I look at the gross margin of the past 25 quarters, this is the lowest gross margin which we have reported, but in terms of opex as a percentage of revenue that is other expenses, that has always been in the range of 14% to 17% whereas this quarter is 8%, so is there any reclassification which has been done from other expenses to gross our manufacturing expenses, which led to this classification or we should start ignoring these things and start looking only at the EBITDA margin?

Sanjay Tibrewala: I think the way we look at it is always the EBITDA margins, because also looking at the new healthcare hygiene chemical businesses where we are getting more stronger, the way to look at is the cost of manpower or marketing team members are substantially lower than the textile chemicals also, so those products coming into picture, what is more important for us is obvious the EBITDA margins what we are doing and that is the way the volumes are also being coming up, this is the right way to be taking it going forward about it, so there is no one time expenses, which are being classified in another category of manufacturing or in the P&L side.

Nikhil Rungta: Perfect, so EBITDA margin would remain in the range of 15% to 20% at least, right?

Sanjay Tibrewala: That has been always there for the last 45 to 50 quarters and that is the way it will continue.

Nikhil Rungta: Last question, you mentioned in your opening remarks that we can take Q1 as the base for FY2023, so just wanted to confirm, this Q1 to be base, basically in terms of absolute numbers or in terms of Y-o-Y growth?

Sanjay Tibrewala: Well going forward, we are looking at the absolute numbers more importantly, Y-o-Y would be having its different trend sometimes because as we know that the textiles are generally getting more seasonal kind of

a business line, so naturally there can be small ups and downs happening, sometimes the Diwali is coming in Q3, sometimes the demand of it is coming in Q2, sometimes in Q3, so these things will keep happening, but going forward I think the way to look at it would be the absolute numbers.

Nikhil Rungta: Perfect, this is quite helpful and quite assuring. That is all from my side. Thank you so much, Sir. All the best for the future.

Moderator: Thank you. The next question is from the line of Sidharth Agrawal from Systematic. Please go ahead.

Sidharth Agrawal: Good afternoon, Mr. Sanjay. How are you doing?

Sanjay Tibrewala: Good afternoon, Sir, yes.

Sidharth Agrawal: Sir, we will be following the company for a long time, now just wanted to understand what kind of vision do we have for the next five years of Fineotex this is my first question and then I will ask my second after that?

Sanjay Tibrewala: What we have been always looking at also in the opening remarks and the point which I had mentioned that we are looking at our Fineotex to be one of the important companies in the speciality segments of India, so that is what we would like to be positioned as and also going forward we are in the right direction I think so and the kind of our team performance, which is happening around, I think the five years would be quite exciting for us, which we have never seen before, so this is what I could come up, to answer your question.

Sidharth Agrawal: Sir that is perfect, any guidance in terms of turnover expectations in five years, profit expectations?

Sanjay Tibrewala: We would refrain from giving any forward looking statements and things like that on the line, but if you see our last let us say five, six, seven, eight quarters, so you will be always seeing some good trends happening and we will continue to make such progress and things are going quite okay for us and the volume grow is also there, we have increased our capacity also and at the same time I would like to mention there has been a substantial betterment in the working capital requirements, so that is also which we have walked upon and the cash flows are also quite, we are still a debt free company and this is a great headwind, and there is a lot of scope in the expansion and the kind of order books which we are looking at in the coming times so I think everything is going as per our plan.

Sidharth Agrawal: That is great Sir and my second and last question was, have we added any new customers in the last six months, which are going to add a lot of benefit for our topline going forward in the next two years?

Sanjay Tibrewala: There are many such customers we keep adding in textiles also, in cleaning also, it is not one type, there are numerous names which are there, so we would like to not discuss too many names on this call, but most of the leading textile companies and most of the leading detergent FMCG brand makers, they are using our hygiene and cleaning product line, so things are going in the right direction for us.

Sidharth Agrawal: Sure, Sir. Thanks a lot and all the best.

Moderator: Thank you. The next question is from the line of Rishab Dugar from CD Equisearch. Please go ahead.

Rishab Dugar: Good afternoon. Sir what is the contribution of your top 50 products to overall topline?

- Sanjay Tibrewala:** I can say from the point of view we have been working on the top 10 product lines, and the top 10 products are contributing to almost 18% of the revenue and along with that if I want to answer, the top 10 customers are also contributing to 25% of the revenue in the standalone numbers.
- Rishab Dugar:** I mean the top 50 products could you see?
- Sanjay Tibrewala:** We can come back to your point, you may also approach our team on that we could answer it specifically also, but generally the top 10 products, which we said it is contributing to 18%.
- Rishab Dugar:** What sort of specialization do you people have gained by manufacturing your product in small quantities?
- Sanjay Tibrewala:** Well the point here would be, one has to look at our company as a solution provider and also providing a lot of technical services, so let me also go back to the general updates which I always share to our analysts and investors in all the concalls. See textiles basically has four different processes, pretreatment, dyeing, finishing, and printing, all these four processes required 25 different functional chemicals, all these 25 functional chemicals together contribute only 3% cost to the user, so the cost is negligible, per product is 0.15% for the customer at the same time many products moves in packages, we are here to offer packages products together to the customers in a way which can make them more depending on us and we can get a better wallet share, so making product line and having the entire portfolio is very important for us to serve the customers needs and thereby increasing our more exposure to the customers in terms of having a better wallet share, so it is very important to have all the product range in our product offering.
- Rishab Dugar:** So, if I may ask is this specific to manufacturing, what sort of competitive advantage do you have?
- Sanjay Tibrewala:** Competitive advantage is that it is not a capex driven businesses, this businesses are more on solution driven, number one, at the same time like I said it is that the salt of the food, we are not selling products on COA basis, this is not acetic acid, this is not like soda ash, that everybody look see China or Gujarat, Narmada has to be the same we needless to mention it, it is not a COA driven businesses. It is more about a competitive USP, in which we understand the customers' requirement and we set their products as they wanted it to be, so there is a lot of technical services involved on that, our solutions are like, if I can give you analogies like homeopathy solution in which the customer uses our product, they get the performance and they pay for it, it does not matter whether our purity is 99.9% or 1% that is not matter for them, it is more connected with what is the performance and whether they get what they are desiring for with the use of our products, so this is the way, it is not a capex driven business, where it is not like acetic acid or an API or a soda ash, it is more about the solution driven business, in which we need to have all the solutions available and every customer is a different customer by the way. We have to have different product lines for cotton, for polyester, it is not that the cotton products can be used in acrylic and vice versa, again there is a bifurcation on the machines used by the customer, if it is what kind of process they are doing, it is a continuous process or batch wise process, so it is a very technical driven businesses, it is not a mass selling kind of, it is not like you make this product and you can sell it to the world, it is not that commoditized chemicals, we are into a very niche speciality market which the customers value the kind of the reliability and dependability they have on us and they never change the products. The entry levels and exit levels are very, very high, the products which we started to sell to Raymond in 2007 are still going on and it will continue to go on as long as Raymond is producing that substrate. So this discussion cannot get completed on this call, but I can only mention this much considering the time limits also, that look at our company as a very

specialized positioned as a trouble solution provider company, along with producing the speciality performance chemicals, that is the way to look at it.

Rishab Dugar: So, you talked about that you have to sell so many products because of the requirements, so how you plan to get cost advantage in manufacturing?

Sanjay Tibrewala: As you can see we already are working on 20% EBITDA margins broadly, now the cost advantages is something which is not the challenge for us, more important is how quickly, how much more dependency we can work and offer to the customers, so we did a tie-up with Eurodye, which was ex-Unilever Plant in Belgium. Unilever Plant was bought by Eurodye Belgium and also Eurodye had acquired the business of Stephenson from UK for the wool chemicals, now what we did was, we combined with Eurodye and started offering their product lines also in India and Asia. So these are the strategic advantages, which we have been doing to offer a better product line to our existing customers. Now once we have these kinds of portfolios it becomes very easy for Donears, for Jayshree, for Bhilwara process or Raymond to use the wool working chemicals with our same technical people and the team members from a single point rather they keep importing or buying or doing certain products from Europe also, so the idea here is not about the mass marketing or mass production which can ever effect, this is more of the conviction which the customer has on us and then only we can be selected by them for our range of products that is the way it works.

Moderator: Thank you. I would request Mr. Dugar to rejoin the queue for followup questions. The next question is from the line of Sunil Jain from Nirmal Bang Securities. Please go ahead.

Sunil Jain: Congratulations on good number, Sir. Related to the raw material cost, are they moving up now or have you seen some corrections in that and with the corrections in the raw material prices, whether the company will be benefiting or you will need to pass it on to your customer?

Sanjay Tibrewala: Thank you so much, whereas let us say the raw material prices have started correcting already and there has been quite reduction happening around, even in this current quarter actually, it is very rare that we have to pass on the entire increase to the customers, that does not really happen in this business, but then we get a comfort in our profitability, in our margins and EBITDA margins and also if at all there are certain businesses where we are working on or we are working towards signing a contract, that time we can expect to pass on this benefit to the customers assuming that the prices have been softening and might soften further whether it is from indigenous India make or whether it is from China products or raw materials from wherever country it is coming from, so yes, the trend has been coming now, the raw material prices in chemicals are falling down.

Sunil Jain: So some part of the benefit can be retained?

Sanjay Tibrewala: Yes, some part will be retained.

Sunil Jain: Sir, second question is more related to financials, if I see your consolidated revenue minus standalone revenue the revenue has jumped substantially quarter-on-quarter from Rs.50 Crores to Rs.75 Crores, so can you clarify on that?

Sanjay Tibrewala: I would like to mention, there is also we have mentioned in our highlights of the India business, Ambarnath facility is under the subsidiary of Fineotex parent, so that India subsidiary is known as Fineotex Speciality

Private Limited also. Which is a wholly owned subsidiary of Fineotex and that is falling under the Indian subsidiary as such, so the difference what you are seeing, the growth of Ambernath project is happening under also in the FSPL umbrella, so that is not falling in the standalone, that is falling under the consolidated, that is the way it is. However, if you notice the way we have updated on the stock exchange outcome of the board meeting in which we have highlighted the India business, we have combined the Fineotex standalone and the FSPL, which is the Indian subsidiary of Fineotex and that is the way we have separated and mentioned it in the covering letter to the stock exchange.

Sunil Jain: Great Sir. Thank you very much.

Moderator: Thank you. The next question is from the line of Anurag Patil from Roha Asset Managers. Please go ahead.

Anurag Patil: Thank you for the opportunity. Sir, can you provide the breakup between three segments textile, cleaning and drilling segment for Q1?

Sanjay Tibrewala: I can mention to you, in a way that the volumes in cleaning and hygiene has increased, the home care and the cleaning and hygiene businesses whereas in the textiles let us say there are four processes in the textile, one is the pretreatment, dyeing, printing, finishing. Finishing is the most important process for us and for the customer also because that is the most sustainable place and every company would like to work in the finishing of textile because finishing is such a subjective thing also and generally the customers are very much reluctant to make any modifications, so it is a very long-term sustainable business which you will get, so the finishing volumes of textile has been going okay, there has also been a growth on that. The cleaning and hygiene has gone substantially high for us in this current quarter, if you want the percentage of it, I think almost you can say the volume wise we have equalized in the cleaning and hygiene and the textile as a volume point of view, which was more dependent, but however the realization per kilo in hygiene and cleaning is always lower than the textile. The textile chemicals average realization prices are comparatively higher compared to the cleaning and hygiene businesses.

Anurag Patil: Can you tell about the operating cash flow at the end of Q1 quarter?

Sanjay Tibrewala: There has been a positive cash flow on that point, it is almost Rs. 18 Crores or something like that on that front; however, I will just get onto the exact ones and we can again reconnect on that point.

Anurag Patil: If we see your working capital utilization is almost negligible, but your year-end cash flows appear to be subdued so is it just a year-end phenomena and the rest of the quarter your cash flows are stronger, am I right in saying that?

Sanjay Tibrewala: We are in a very transition phase. As you can see in the last one year, two years there has been a lot of changes, lot of capex happening around, which never was done in the past of the country's history, so then what is happening is, certain capex will come in this quarter or that quarter that will also occupy a lot of operating cash and then when the new businesses happen also suddenly there is a big sales growth, there has to be a lot of inventory investments and things like that will generally happens at almost all the businesses, so I think going forward we would be looking at like, what is happening in this quarter onwards. It seems that this will be the base for understanding our company better in the coming times because also if you see the January-March, you have seen the debtors or the working capital cycle, it is because of sales

has gone up in March, so that is the reason when you compare the ratios, it is always debtors add and the closing stock add that would be the difference of this thing, but if you can see the overall growth of the company from Q1 to Q4 and this Q1 financial year, I think the current quarter will be the base for the future base measurement.

Anurag Patil: Last question, for the next two to three years, can we say all the capex requirements will be funded through internal accruals only?

Sanjay Tibrewala: Till now, all the capex investments have been done by internal accruals, even that last 21,000 tons which is ongoing that is also being done by internal accruals, going forward, yes, we hope that all the organic expansions and capex expansions will always be done by internal accruals, there was a sufficient cash which has been generated in Q1 also and we feel that the similar cash generations are expected in the coming times, so this has also been quite useful, at the same time there is a drop in the raw material prices, so no company is ready to have a very high inventory levels in the coming quarters. So that will also free up a lot of cash, we believe so, so that can also support on the cash generations a lot.

Moderator: Thank you. I would request Mr. Patil to rejoin the queue for followup questions. The next question is from the line of Kartik Soni from Satco Capital Markets. Please go ahead. It seems to be no response from this participant, we will move to the next question which is from the line of Ankit Bansal from AB Private Limited. Please go ahead.

Ankit Bansal: Hello, Sanjay, Sir. Congratulations for the great set of numbers. My question is, I do not know whether you have read or not, ICMR has developed a BTI strain technology which kills mosquito and black-fly larvae without infecting the insect, which is similar to your Aquastrike VCF product, so now ICMR is filing a patent on it, it will progress it further and further, how will you now compete because you were the number one in that segment, now ICMR is a government body, it will get the patents very, very early, so what are your views on that?

Sanjay Tibrewala: I would like to mention to you on this point, the topic of Aquastrike VCF is on a quite a low level because anything which needs approval from the WHO in Europe, will always be obviously a time taking job, in the last couple of years, our entire focus has been on the COVID-19 topic, that is one. Number two, of course there can be always some developments and continuous efforts, which will be done by most of the companies, again, as you mentioned BTI, BTI itself is the most harmful habit and BTI are the ones which is the most harmful basic chemicals coming from crude oil basis from BPCL and HPCL and that is something which is already affecting. It is not about mosquito the point is that you need to be also taking care of that aquatic life, mosquitoes are being bred in the still water where there is a lot of aquatic life, there is a lot of topics connected to it, it does not flow the way we talk on this line now, there is a lot of substance, lot of facts behind it, which needs to be addressed so it is not as easy as it sounds to be because we are working with the regulatory of the world, it does not, you cannot time yourself ever and right now our focus for the last so many years was always on textile speciality performance and providing technical solutions for cleaning, hygiene, and for textiles and oil and gas, so this has been always our forte area and that is the way we are being proceeding ahead also.

Ankit Bansal: Sir, my followup is that, will the thing Aquastrike the end of it?

- Sanjay Tibrewala:** It is very hard to say when such things happen or does not happen, like I said once you are talking of a world's biggest authorities on that part, especially in the COVID times, it depends on their derogative how quick they want to think about it or not to think about it, rest these things keep continuing, there is nothing apart from this is the way it works, so there is nothing more to say right now, on this as soon as we have some update we will always share with all of you.
- Moderator:** Thank you. I request Mr. Bansal to rejoin the queue for followup questions. The next question is from the line of Aditya Mehta from GK capital. Please go ahead.
- Aditya Mehta:** Congrats for the great set of numbers. Sir, the last quarter we mentioned that new capacity of 21,000 metric tons will be commercialized in June, that is June end, so why there has been some delay, is the demand issue or something like that?
- Sanjay Tibrewala:** No absolutely not, what has happened is certain equipment's, which have been ordered to the big companies of India for the boilers and others, some of their spare parts because we have a different kind of a specification, some of their spare part was not imported by them and so that delay has happened; however, as you have noticed we still are at 65% capacity of the existing, there is nothing which has been hindrance or anything on that and the rest things are ongoing, we were looking at everything to be starting from Q2 to Q3, so we were assuming if we can do it in Q2 itself, but it is okay, it is not harping on the demand or anything like that, we are still able to address to our requirements and order books.
- Aditya Mehta:** My second question is about Ambernath plant, we were guiding that at peak we can generate around Rs. 350 Crores of turnover, now with the mixed shifting towards cleaning and hygiene products, where the realizations are little lower than the textile product, so do we need to revise that guidance?
- Sanjay Tibrewala:** No, let me tell you how it works, our capacity is all fungible, all the products whatever we make in textile chemicals, whether it is phosphination, sulfonation, polymerization, copolymer, homopolymer, terpolymer, esterification, everything is fungible in the similar capacity, than the same machines same for the cleaning, hygiene and oil and gas is also being produced in the same set of the equipment's, so the capacity what is put in Ambernath is not exclusively for this or that. It is totality kind of capacity and we can always use it for the production of different products. Having said that, yes the detergent product lines are generally per kilo comparatively lower than the textile chemical, but that does not have to do with too much of these things and that is the reason why you see the volume jump also to some extent and at the same time if you see the turnover has also jumped up, so it is nothing connect, it is not a challenge for us or anything which we have to re-revise something what we have been looking, we always envisage that and accordingly we are giving the projection.
- Aditya Mehta:** We expect the mix to remain the same between the cleaning and hygiene and textile, till the textile segment revised overall worldwide?
- Sanjay Tibrewala:** Actually the textile segment, if I want to comment on that part it is always having its own ups and downs ever since, so like if you notice the bed sheeting companies in Q2, Q3 last year was on a super high levels and from this year the demands are lower, so but then what happens there are certain quarters which takes care of two quarters, so going forward it is like a wavy style but the demands are always there, it is like textiles cannot be avoided by anyone, it can only be postponed to some extent, so the demand has to come

back, it is a matter of time nothing else, so that demand of textiles are also looks like that from next month onwards or let us say from today because August started, I think from this month or next month onwards it has been looking that there has been some positive things happening because as you know the cotton candy prize, which had gone up to 1,10,000 Indian rupees has dropped to almost 70,000, so now the cotton is not as expensive as it was and of course there are challenges for coal and other things in the textile or any company for production as such, but these things are also being met with the everything is getting softer, the more it get softer, I think industry and the demands will come back to it and at the same time there was lot of pipeline goods, which were in transit for the biggest brands like Walmart and Zara and all, so most of the company has decided to let us be lower on the inventory, let us start ordering lesser for the Indian company or Bangladesh or wherever they are producing their textiles from and then once like the current situation things have become quite controllable, I think now is the time that they will get back to the same gear of the orders and again the things will keep moving on, that is what we understand.

Aditya Mehta: So any order book, by which we can see how the demand is moving?

Sanjay Tibrewala: Actually technically if we speak, generally the textile companies once the product is started, it is a continuous process, there is no tender, it is not like a government businesses or anything like that, so what happens here is we keep getting the orders every two months and then intimation, so it is a perennial thing, it is not a like a government style of booking or anything, so there is no necessary of having sure shot PO in hand for a long term thing, but yes, generally some companies like Vardhaman will issue for three months, some companies will issue for two months, some will issue for one month and that is fine also, because we can always readjust our prices for the next quarters also, so that is also something which we are happy about and as we know once the product has started it is a perennial thing, we will not change the salt of the food, nobody changes the salt of the food easily, so then we are happy with that kind of permanent business, if the textile companies have lesser orders obviously they will not order so much or they will postpone some of existing orders to next month or something like that, that is part of the business nothing to be challenged about.

Aditya Mehta: So, still we will be fully utilizing our Ambernath plant this year in FY2023?

Sanjay Tibrewala: Yes, we are aiming for that.

Aditya Mehta: Great Sir. Thanks for the clarification and all the best to you.

Moderator: Thank you. The next question is from the line of Praful Siddharth from Shravas Capital Advisors. Please go ahead.

Praful Siddharth: Sir, I just wanted to check on one thing, so what are the EBITDA margins we are making on just cleaning and hygiene segment?

Sanjay Tibrewala: Let me say, the blended EBITDA have been around 18% to 19% even for the textile also, for the detergents also, broadly because what happens in the detergent business, is the per kilo product pricings are lower; however, the margins are similar to the textile one, and also it has its own better cash flows and things like that, so it is good enough for our company, this is the place where we always are there for the last 44 quarters so I think anything which comes from 16% to 20% is always welcomed.

- Praful Siddharth:** Sure, thank you. That is it from mine. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Kartik Soni from Satco Capital Markets. Please go ahead.
- Kartik Soni:** Congratulations for good set of numbers. My question is you mentioned that our product prices are like 3% or 4% to your customer right, overall cost?
- Sanjay Tibrewala:** Yes.
- Kartik Soni:** How do you decide to set the prices because the customer would not mind you like if we increase the prices by 5% or 10%?
- Sanjay Tibrewala:** It depends on what kind of a vision we are looking with that particular customer, for example, if example the biggest customer in India is Vardhaman okay, if they are using supposing only few products from a couple of products and we know that they can take 25 different products, so what is more important for us is how we gain a wallet share, how we make the customers more dependable on us, how can we add more betterment to the customer the existing finish and that is what is more exciting for us because when we make the new product from two to six, and from the six products, we get four new products, they give us 19% so rather than we happing about small two products and getting 2% to 5% extra, the focus is on the bigger picture here, to become one of the biggest companies of the world in this business. So if we have this kind of vision, it is more important to get a better wallet shares in such transitional phase of the company and once we are on a sizeable level where we are always having a substantial wallet share of the customer, then we can think about what you mentioned about of small increase, that time the small increase will also give a big increase in terms of the absolute number, so the strategy is very clear, market penetration is also going on, obviously with market penetration we are not compromising with our EBITDA margin, so this is a strategy, we will not want to arm twist anything or this is the way we are looking at, obviously when there is a cost price we go to them and they have to also understand the position because at the end obviously if there is a big increase in the raw material price or something like that, which is not happening today by the way, so then of course we have been in the past also going towards them, appealing to them and this things happen, but the focus is bigger picture not a smaller picture, we are here for long-term, we do not want to be happy with the small gains, which we just talk about.
- Moderator:** Thank you. Ladies and gentlemen due to time constraint that was the last question for today. I now hand the conference over to Mr. Sanjay Tibrewala for closing comments.
- Sanjay Tibrewala:** Thank you everyone and nice addressing some of your questions, please feel free to contact our team, Churchgate team, Mr. Bharat Mody who is handling our investor relations also, myself, we are all accessible company and we are here to answer your, one hour has never been enough to answer anybody's questions for sure, so with that I wish you a very good day and a week ahead and thank you so much for joining us. Thank you very much. Over to you!
- Moderator:** Thank you. On behalf of Fineotex Chemicals Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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Note: This transcript has been edited to improve readability

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