

**LAXMI ORGANIC INDUSTRIES LTD**

Chandermukhi, Third Floor, Nariman Point, Mumbai 400021, India
T +91 22 49104444 E info@laxmi.com W www.laxmi.com

February 8, 2022

BSE Limited

Corporate Relationship Department,
1st Floor, New Trading Ring,
Rotunda Building, P. J. Towers,
Dalal Street, Fort,
Mumbai – 400 001
Scrip Code: 543277

National Stock Exchange of India Limited

Exchange Plaza, Bandra Kurla Complex,
Bandra (E),
Mumbai – 400 051
Trading Symbol: LXCHEM

Dear Sir / Madam,

Sub: Disclosure under Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Pursuant to Regulation 30 read with Schedule III of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), we wish to inform you that the Company participated in the investor conference as given below:

Date and time	Type of Meeting / Event	Location
February 2, 2022, at 15.00 hours onwards	Investor & Analyst Meet to discuss performance for the quarter ended December 31, 2021, hosted by Dam Capital	Conference Call through dial-in

No Unpublished Price Sensitive Information was shared / discussed in the meeting with the investors.

Further, please see enclosed the transcript of the Investor Presentation for Q3 FY22.

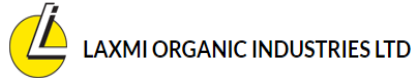
We request you to take the above on record.

For **Laxmi Organic Industries Limited**

Aniket Hirpara

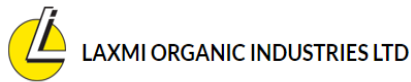
Company Secretary and Compliance Officer

Encl.: A/a



“Laxmi Organic Industries Limited Q3 FY2022 Earnings Conference Call”

February 02, 2022



ANALYST: MR. NITIN AGARWAL- DAM CAPITAL ADVISORS LIMITED

**MANAGEMENT: MR. RAVI GOENKA – CHAIRMAN AND MANAGING DIRECTOR – LAXMI ORGANIC INDUSTRIES LIMITED
MR. SATEJ NABAR – EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER – LAXMI ORGANIC INDUSTRIES LIMITED**

MR. HARSHVARDHAN GOENKA – EXECUTIVE DIRECTOR – BUSINESS DEVELOPMENT & STRATEGY – LAXMI ORGANIC INDUSTRIES LIMITED

MR. PARTHA ROY CHOWDHURY – CHIEF FINANCIAL OFFICER – LAXMI ORGANIC INDUSTRIES LIMITED

Moderator: Ladies and gentlemen good day and welcome to the Q3 FY2022 earnings conference call of Laxmi Organic Industries hosted by DAM Capital Advisors Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing “*” and then “0” on your touchstone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nitin Agarwal from DAM Capital Advisors Limited. Thank you and over to you Sir!

Nitin Agarwal: Thanks Rituja. Hi good afternoon everyone and a very warm welcome to Laxmi Organic Industries Limited’s Q3 FY2022 earnings call hosted by DAM Capital Advisors. On the call today we have representing Laxmi Organic Industries management, Mr. Ravi Goenka – Chairman and Managing Director, Mr. Satej Nabar Executive Director and Chief Executive Officer, Mr. Harshvardhan Goenka Executive Director –Business Development & Strategy, and Mr. Partha Roy Chowdhury - Chief Financial Officer. To start the call we request management to make some opening comments and then we will open the floor for questions. Please go ahead Sir!

Ravi Goenka: Thank you Nitin and very good afternoon all the participants to the investor call today, a warm welcome to all of you. I hope that all of you are keeping well in spite of the third wave, which fortunately has been reasonably in control at least in the major cities and in India. With a heavy heart I have to firstly inform you that in the last quarter it was a bit of a setback to me personally when I lost both my parents in quick succession and my father was the founding Chairman of our company Laxmi Organic Industries Limited and from the early years of Laxmi he set the governance standard, the highest level of independent directors and laid out the road to always keep your ambition fired and to grow the company in a trajectory that was in line with its potential. I am sure that their blessings are still on our company and I am sure that it is their blessings that continue to inspire and lead us.

I am glad to announce that this quarter we have bounced back from the setback caused by the floods last quarter. It has been a quarter wherein both the businesses acetyl and specialty intermediates performed strongly. While our specialty intermediates business points towards a consistent improvement of the financial matrices the acetyl business brings in necessary cash flows to fuel the future growth and the investments. The robust performance of the specialty intermediates business is attributable to ramped up production following the flood restoration, increased realizations, and a better product mix optimization towards higher value added products. This performance was also aided by the continuing buoyant demand for our products from international market. Today exports constitute nearly 30% of our total SI sales, which was less than 10% until recently. Our raw material prices are correcting and we expect the margin to sustain in this business.

The strong performance of the acetyl intermediate is largely on account of increased realizations and higher volumes supported by the capacities of Yellowstone Chemicals Private Limited, a wholly owned subsidiary of Laxmi now. The prices in the overseas market also remains strong through most part of the quarter especially in Europe while the volume growth will sustain in the future given that raw material prices are softening, the commodity cycles are normalizing, both prices and margins will normalize in the next quarter. As we stated earlier our medium term goal is to continue to move ahead in the value chain in the SI business while unlocking value through debottlenecking and expansions in the AI business. The numerical details are already available in the investor presentation uploaded on our website. We remain on track to commercialize our SI projects and these will start clocking in revenues from Q1 of FY2023. Our fluoro platform remains an exciting opportunity for Laxmi. The Indian and international markets offer a large opportunity for companies like ourselves to play in. The project is facing a time delay and certain cost escalations on account of COVID, time delays, prices increase in the construction material and the high cost of freight that has impacted the entire globe. As a matter of strategy while we had earlier decided to launch the fluorochemical business in phase one and phase two, we have now decided to launch phase two of the capex to add incremental capacities simultaneously. The commercial production is expected to start in Q3 of FY2022. Further details can be provided during the Q&A.

In the finance bill import duty on acetic acid, one of our primary raw materials has been reduced from 7.5% to 5% which will have a favorable impact on our raw material cost. Just to give you some numerical numbers, our standalone financial highlights for nine months ended December 31, 2021 our total income was 2106 Crores compared to 1145 Crores. We had 84% growth year-on-year, our EBITDA margin was 263 Crores for the nine months compared to 147 Crores growth of 79%, our EBITDA margin continued to be at 13% year-to-date December 2021 in line with year-to-date December 2020. Our profit after tax is at 190 Crores for the nine months as compared to 91 Crores, a growth of 108%. For the quarter October, November, December our total income was 876 Crores compared to 396 Crores. Our EBITDA was 102 Crores compared with 60 Crores, our EBITDA margin stood at 12% and contracted by 350 points year-on-year. Profit after tax at 81 Crores in Q3 of FY2022 as compared to 41 Crores in Q3 of FY2021. I take this opportunity to thank all of you and thank you also for your messages, various messages of prayers for my parents and Chairman Emeritus Vasudeo Goenka. I thank all the employees and all other stakeholders for your support and confidence reposed in our company. On this call I am accompanied by Satej our CEO, Partha CFO, and Harsh who is our Executive Director on the Board of the company. I will now leave the floor open to your questions and answer it to the best of our ability.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: Hi good afternoon Sir and our prayers to you and your family. On the business side congratulations on good performance this quarter, my first question on the SI business segment, pretty healthy and strong growth both in the domestic and international side if you can share some light in terms of how the international part is expanding, I recollect earlier you did mention there was some supply disruptions in one of the European players, so is this a sustainable benefit that one should think of and probably we will go further from here and second question related to that your comments on the new molecules you had launched any outlook there in terms of incremental growth?

Harshvardhan Goenka: Ankur on the SI front there was no disruption in Europe at all, there was a disruption more than a year-and-a-half back in the US, but that has not changed our strategy and outlook for the SI, so SI has continued to be a model in which we develop new molecules, pilot them, and then grow them into either dedicated or multipurpose plant and get international either contractual business or some business that is a little bit more sticky than some of our other businesses, so the kind of growth and numbers that you are seeing in SI would continue and as our new plants commercialize with revenues in the next quarter that would continue to support this strategy and trajectory the SI is in.

Ankur Periwal: Sure Harsh that is helpful. On the new product side we launched a couple of molecules in the last quarter, but how do you feel the ramp up there happening across both the pharma and the agro space?

Harshvardhan Goenka: So the molecules that we launched are going through multiple applications. I would not go into those details but they have been piloted out and they will start giving us additional either revenue or profitability in FY2023, so the home work has been done in Q3 of this year, revenues will be followed in about three to five months depending on when we are able to commercialize them to the full scale.

Ankur Periwal: Sure and lastly as Mr. Goenka also rightly mentioned incremental profit from AI business the cash flow will be reinvested into the business on the high growth, the specialty side, so any thoughts on the capex side given that we are thinking of ramping up the second phase?

Partha Chowdhury: As we have stated earlier as well that the AI business will continue to remain the cash generating engine and in terms of the investments we have had a bout of investments in the SI which are coming to fruition towards the end of the year so from FY2023 Q1 all these capexes would start firing commercially. However, as our Chairman had mentioned the fluorochemical capex has gotten into a time delay and into a capex over run as well, so lot

of our attention will now get diverted towards implementing that project and our target to implement that commercial production is towards the end of Q2 of FY2023 and Q3 beginning FY2023 so therefore the additional capex which this project would require would of course be funded by the cash flows from AI as we see it now. In case we have other projects coming up which are there in our minds we will come out with those informations as the plans get crystalized.

- Ankur Periwal:** Sure Partha Sir that is helpful. Thank you and I will get back in the queue.
- Moderator:** Thank you. The next question is from the line of Amar Maurya from Alfa Accurate. Please go ahead.
- Amar Maurya:** Thanks a lot for the opportunity. Sir couple of questions from my side. Number one is like in specialty intermediate business how much would be the export contribution in this quarter?
- Harshvardhan Goenka:** About 30%.
- Amar Maurya:** So it improves from 20% to 30%?
- Harshvardhan Goenka:** It was about 10% last year and before that it was about 8% to 9%. We have significantly been changing that as mentioned and that has been our strategy since we have gone listed.
- Amar Maurya:** Correct. Because if I am not wrong Sir in June quarter basically it was 20% so almost around 240 Crores revenue of the overall specialty, so 48 Crores was export and in December quarter now it is 80 Crores kind of export number because September was impacted so it has doubled from the June quarter?
- Harshvardhan Goenka:** No, you have the numbers right, which may say of course there is some lag and spillover because we had a shut down, but it is going to remain in this range and from a normalized basis you will continue to see growth in this area as well.
- Amar Maurya:** So basically my point was that is the growth in this area would be very sharp than the overall growth of the specialty intermediate business?
- Harshvardhan Goenka:** See the way you should look at it we have had a significant jump in the last year, now this will sustainably grow not at the same level of growth where you have step level change again it is now going to become 7% export this business because the domestic market does remain a very important part of our business proposition but it will continue to grow in product mix as well as in kind of customers that we have.



- Amar Maurya:** Okay, when you are saying 30% is now the steady state number is going to stay for the specialty in export versus domestic?
- Harshvardhan Goenka:** More or less in that range. Depending on the shipment timings, schedules, etc., some things can be up and down.
- Amar Maurya:** Correct. Secondly Sir in terms of the specialty intermediate business what would be your utilization today?
- Partha Chowdhury:** About 70% of the capacity, but I do not think that is the way to look at it because product mix plays a very significant role in terms of aligning the profitability, so capacity is not the only parameter to evaluate this business.
- Amar Maurya:** Okay so I understand that probably you are hinting that the more of the diketene will have a higher margin versus I believe acetic anhydride business is also included into this if that is more so then the margin would be less is that you are indicating?
- Partha Chowdhury:** See I am not indicating anything. I am just trying to say that product mix plays a significant role and within the diketene derivative basket also product mix plays a role.
- Amar Maurya:** Okay so let me Sir rephrase my question I wanted to understand what would be the diketene based because I believe the plant is different for both right so diketene based what would be the utilization and what would be the utilization for acetic anhydride?
- Partha Chowdhury:** See the plants are not different for us so actually this is a bit of a technical complexity and there is some amount of fungibility between diketene and acetic anhydride. So you do not have a plain vanilla capacity availability to draw up the future P&L and all that.
- Amar Maurya:** Sir wanted to understand basically whatever is the current gross block of the specialty what could be the peak revenue that is what I am trying to understand?
- Partha Chowdhury:** The way you want to arrive at that if you look at the growth rates that we have achieved and look at the mix of products and growth in margin that we achieved, the revenues will come with more capexes. You would have the upstream capacities present but when you see and doing more of the same does not give you the necessary profitability so only when you are able to get into down streams and value addition is when you are really able to do that, so the strategy for the SI business and the AI business is inverse. SI will continue to put up capexes which are more margin focused and AI would continue to put up non-incremental small capex which gives you the necessary growth in market share or maintenance of market share that is what we are targeting.

- Amar Maurya:** So when you say SI business you are combining fluorine as well as diketene both right?
- Partha Chowdhury:** This is just SI. Just the original SI business, FI is a separate basket.
- Moderator:** Thank you. The next question is from the line of Saurabh from AMSEC. Please go ahead.
- Saurabh:** Thank you for the opportunity. Sir if you could provide the capex that will go for the phase two of fluorochemicals and also you mentioned in your presentation you are looking at expanding the product portfolio so what kind of product or end user industry you would cater to?
- Partha Chowdhury:** Our initial capex plan was of the order of 280 to 290 Crores, now our reassessed value is of the order of about 450 Crores. So part of this increase is because of the time overrun and the cost escalation as mentioned by our Chairman and a significant part of it is on account of increasing the capacities of some additional products and enhancing capacities of some of the current products. We are also investing in the infrastructure to speed up our future expansion so a lot of civil cost and infrastructure costs are also going in now which would hasten the process in the future for commercialization of newer products.
- Saurabh:** So this incremental of 150 to 160 Crores capex with a lower asset turnover?
- Partha Chowdhury:** If you look at this way to establish a Greenfield site would take up a larger chunk of capex it becomes almost like a beachhead for us but thereafter we have got several down streams and value added products planned and we have just taken up the phase two of it right now with some few ones where we have got a very, very high visibility so that is what is getting combined as this continues your asset turns and return ratios overall increase.
- Saurabh:** My second question on the volumes. We have seen a good revenue growth but if you can provide us the volume growth number on Y-O-Y basis or Q-on-Q basis?
- Partha Chowdhury:** There has been the growth which you see on the one page and now it is a function of both volume in both the segments and prices as well so the volume growths are going to be there into the future.
- Saurabh:** Percentage number in terms of volume in AI and SI?
- Partha Chowdhury:** No, we do not share the split.
- Saurabh:** Okay no issues. Thank you.

Moderator: Thank you. The next question is from the line of Nakshita Mehta from Credent Assets. Please go ahead.

Nakshita Mehta: Thank you for taking my question and congratulations on good set of numbers. My first question is on the acetic acid your key raw material right so how much of it is imported and how much do we procure locally if you can just give us idea in percentage terms?

Harshvardhan Goenka: Let me give you the bigger picture first. India is a very small producer of acetic acid, but one of the largest consumers globally, so India imports more than a million tons of acetic acid annually from various countries, small percentage is from China though it is not ignorable, but there is acetic acid plants all over south east Asia, US, Europe which also give and supply material to India so you can think of it this way. Overall as a country more than 90% would be imported and we would be going in a similar range.

Nakshita Mehta: 9%?

Harshvardhan Goenka: More than 90%. It just depends on the buying and overall sourcing strategy.

Nakshita Mehta: My another question is on the Yellowstone acquisition that we did, so how much incremental revenue or EBITDA have we seen because of the acquisition solely?

Harshvardhan Goenka: It is about 5 to 7%. You see it is equivalent to Yellowstone's capacity, but this merger has happened on October 1, 2021 and the entire revenues and profitability have not actually flow in so you will have to refer to the consolidated results to get to know this numbers.

Nakshita Mehta: Right but even in future how much can we expect from this. Since we have just taken you are right that we cannot see the effect very immediately, but in the future how much do you expect?

Harshvardhan Goenka: See this is acetate acid business and our combined capacity in acetate business is of the order of about 200,000 tons so depending on the price and the margin profiles, etc., the numbers will keep on varying but the volumetric number is about 200,000.

Nakshita Mehta: Okay, alright. That is it from my side. Thank you so 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 how much of the SI segment capex has been completed and how much is pending?



Harshvardhan Goenka: So just to give you a number, last quarter in the SI segment or as a company as a whole we did about 60 Crores of capex, but one of the big plants is more or less in the last phase and we are looking to commission it towards the end of this quarter and similarly with the other plant is a month there after that, so you are looking at revenues hitting our financials starting Q1 of next year.

Anurag Patil: What would be the total capex for SI segment combined for the company till date and pending?

Harshvardhan Goenka: What we have declared earlier as well was about 200 Crores.

Anurag Patil: Incremental capacity what would be in terms of tonnage?

Harshvardhan Goenka: That remains confidential so we would not be able to release that for obvious competitive reasons.

Anurag Patil: Okay Sir fine. That is it from my side. Thank you very much.

Moderator: Thank you. The next question is from the line of Tejprakash an individual investor. Please go ahead.

Tejprakash: Sir my question is what would be the turnover expected in initial phase for the fluoro specialty chemical?

Harshvardhan Goenka: We expect a turnover of the order of 280 to 300 Crores to start with.

Tejprakash: What would be the total capex including you just said that additional capacity is also?

Harshvardhan Goenka: That should be of the order of about say 450 Crores.

Tejprakash: Sir what would be the EBITDA margin for the same.

Harshvardhan Goenka: I cannot allow you to write my P&L of the business which has not yet started. You have indicative numbers there are fluoro companies in India as well our margins would be consistent with that trajectory.

Tejprakash: Thank you Sir.

Moderator: Thank you. The next question is from the line of Amit Singh Pal, an individual investor. Please go ahead.

Amit Singh Pal: Thanks for the opportunity and congratulations for the good set of numbers. Previous three four quarters when you see the other expenses it is somewhere in the range of 60 to 70 Crores now in this particular quarter it has suddenly come to 140 Crores, so is there any specific item what was there in previous quarter?

Harshvardhan Goenka: There are actually two fundamental items, one is the energy cost because of the huge rise in the cost of coal between these two periods and the other is of course export expenses including the logistics cost, the export freight, so these are the two main blocks.

Amit Singh Pal: Okay got it and Sir just wanted to know like last year our percentage of specialty chemicals, our total percentage of revenue has increased from the last year, but still our EBITDA margin are like on a same page we had some 12% to 13% in the last year overall and this year also, so is there a specific thing that is dragging or something like that?

Harshvardhan Goenka: Good observation and that is the nature of the acetyl business. When you have those volumes and prices rising to the extent the EBITDA margins can look muted; however, if you look at the absolute growth in the SI business, which is going to be the most sticky and consistent compounding business that actually speaks for itself. It has grown much better than what we had projected and continues to perform even before our major capexes are implemented.

Amit Singh Pal: So we will be extending the margins from here I guess?

Harshvardhan Goenka: Exactly.

Amit Singh Pal: Last quarter whatever happened can you give us like breakup of how much was the spillover from the last quarter revenue in terms of specialty chemicals the revenue that came this quarter from last quarter and will it be continued towards next quarter also or it has all been done now?

Harshvardhan Goenka: There were definitely some spillovers especially on the export side, but nothing significant to write home about and take a special note of then there is nothing major pending which will trickle into Q4.

Amit Singh Pal: We will be going maybe from there onwards right?

Harshvardhan Goenka: That is right.

Amit Singh Pal: Thanks a lot. That is it from my side.

Moderator: Thank you. The next question is from the line of Garvit, an individual investor. Please go ahead.

Garvit: My question is regarding the growth that appears in the financial statement. Regarding our statement we are ending close to 2700 Crores and for financial year 2021 it was around 1700 Crores, so I want to know whether this growth is only on account of better capacity utilization or because most of the capex that was going to happen exactly that will contribute the revenue in future so I want to know from where this particular growth is coming from?

Harshvardhan Goenka: As I responded a little earlier this is a function of both volumetric growth in the AI business as well as in the SI business and the growth or the incremental pricing in the AI business which has influenced this growth significantly.

Garvit: You are just saying it is because of the incremental pricing in the AI segment?

Harshvardhan Goenka: Correct. There is also incremental pricing impact in the SI but it is not so significant.

Garvit: Not that much significant growth. It is also due to some volume aspect also?

Harshvardhan Goenka: Absolutely.

Garvit: Entirely from the volume aspect?

Harshvardhan Goenka: Yes and product mix, so there are variety of reasons.

Garvit: That means the current capex that is around 500 Crores if I talk about FI and SI cumulatively so that will contribute the capex revenue in future that is what I am getting. Thank you very much.

Moderator: Thank you. The next question is from the line of Amar Maurya from Alfa Accurate. Please go ahead.

Amar Maurya: I was just trying to understand like as you indicated that in SI business 200 Crores of capex so is this capex done or is it going to be commissioned in the following quarters?

Harshvardhan Goenka: No it is not yet done. It will be commissioned in the next two to three months and will provide revenues and profitability to the company starting Q1 of the next financial year.

Amar Maurya: In SI how much the capacity would be expanded because of this 200 Crores capex, ballpark?

Harshvardhan Goenka: That is what we mentioned that if you were to arrive at that I would just look at the growth that we have achieved that would sort of add to our profitability. I would not focus as much on the volumes because it is more about the product mix that it provides. So while the volumes to the overall might be different, the profitability it gives to the overall business is a lot higher.

Amar Maurya: So basically then Sir two capexes are getting commissioned, one is the SI capex and second is fluorine capex, which will also start by the Q1 right?

Harshvardhan Goenka: No, I think you misunderstood. There are two capexes within SI that will get commissioned right now. The FI capex will get commissioned in Q3.

Amar Maurya: So two capexes in SI and one capex that is FI which will be commissioned in Q3. Fine Sir. Thank you.

Moderator: Thank you. The next question is from the line of Bharat Gupta from Edelweiss Securities. Please go ahead.

Bharat Gupta: I have a couple of questions first is in regard to the diketene chemistry base. Sir definitely since we are one of the market leaders in this product segment so generally how are we seeing like in terms of the group traction which is there in the market, so any outlook on this thing?

Harshvardhan Goenka: The diversified customer base and application base that we are present in remains fairly robust, so we would be supplying into a variety of industries like agrochemicals, pharmaceuticals, colours and pigments, inks, adhesives, etc. All of these industries continue to grow some more than the others and therefore we would continue to see demand growth in the overall segment in this year and the years coming ahead, so the traction remains fairly strong and given our leadership position in this space currently we are looking to expand that with product changes, product mix enhancements, and value additions to our customers and that is the strategy we are pursuing.

Bharat Gupta: In terms of the market size if I look so diketene as a whole, if I look at the derivative base itself so that will be near about 700 odd Crores and that way we are having a 50% market share in India just wanted to get a traction like in terms of our competitor which is also entering into this particular space going ahead do we see that we will be competing against similar product lines which the competitor is trying to enter into and there will be margin compression going ahead?

Harshvardhan Goenka: So yes there is a competitor entering this space. Clearly speaking about market attractiveness this space provides. Globally if you look at it there are not many players in the space providing ample opportunities for all. Laxmi's position remains differentiated for a variety of reasons. We are the largest product portfolio company in this space globally. We have a large international footprint that we have been presenting and a fair bit of supply chain synergies that allow us to operate quite efficiently vis-à-vis others. So these are the factors that really support the company and will provide its resilience and ability to grow.

Bharat Gupta: Even if you look at the margin profile in this particular segment, is there a variation amongst the products in which we are dealing in, is there a wide variation in the products where we deal with respect to the different derivatives of diketene?

Harshvardhan Goenka: I have to give a generalized answer there because we would not be able to get into specifics but yes of course any product basket that you see in the chemical space not just at Laxmi would have differentiated margins depending on the type and kind and complexity of each molecule that is just the nature of the business, so yes there would be a variety.

Bharat Gupta: Like in terms of revenue mix so generally with respect to diketene are we also catering to the export market also in this segment or it is purely import replacement kind of opportunity where we have captured the market out there in India?

Harshvardhan Goenka: A few years ago we were primarily a domestic player, but strategically we have decided to go and explore international market and that is the efforts we have been taken over the last few years and now we are clocking 20% to 30% of our revenues come from international sources.

Bharat Gupta: Another question in respect to the fluoro specialty base where we are trying to enter into and diversify our presence across the fluoro specialty base so how are we seeing the traction particularly with respect to the fluorine based chemistry chain like many players are trying to enter into this field with respect to intermediate development pertaining to agrochemicals and pharmaceuticals so do you see that there is likely a competitive intensity likely to increase in the years to come and that will ultimately yield to a segment which may not remain favorable position like in terms of the margin where we are currently looking at, in the near term there might be a margin compression which will be there in this segment?

Harshvardhan Goenka: You are perfectly right, lot of players are entering the fluoro space and looking at the fluoro space primarily because it remains attractive area. Most new agrochemical pharmaceutical molecules as well as industrial applications require fluorine. Now fluorine itself remains a very, very vast opportunity and there are different slices of the pie and areas to play in. The space that we are playing in has a 50-to-60 year history of production and actual acids

which have done that so that gives Laxmi a great starting point and an area to play in. Of course just like any product cycle fluorine will not be an exception to that. They will continue to get commoditized over a period of time but that is when you have got new products sort of entering and you keep the churn on, so that remains a strategy not just for our SI business but the same will be applicable for the FI business too.

Moderator: Thank you. The next question is from the line of Alisha Mahavla from Envision Capital. Please go ahead.

Alisha Mahavla: Sir just wanted to firstly know what is the current capacity utilization for or AI business?

Harshvardhan Goenka: It is there in the presentation. It is about 82%.

Alisha Mahavla: Yes that is for FY2021. I was just thinking for nine months.

Harshvardhan Goenka: By and large it is the same, 2% to 3% here or there.

Alisha Mahavla: Is this the peak utilization level or can we go up to 90 to 95?

Harshvardhan Goenka: I am not sure. We need to test that out. Obviously there will be days and months where our capacity utilization must have been higher, but over a period of time this is the sort of utilization one can expect.

Alisha Mahavla: We have also the Yellowstone incremental capacity so that is also now fully utilized, only peak utilization?

Harshvardhan Goenka: This utilization is sort of a misnomer, as we have stated earlier in our various conversations we can always keep on debottlenecking these capacities, put in incremental investments and keep on increasing the capacity utilization because we have the infrastructure in place and we have all the support requirements in place.

Alisha Mahavla: The reason for asking this is that like you were mentioning that this is a sort of a utilization level that you all are currently at and maybe for incremental volume growth there will be some amount of debottlenecking required the incremental FI capacity and the FI capacity is also coming towards the second half of next year just wanted to understand in the interim what kind of growth can we expect from the business because also in the first half of this call you were mentioning the realization trend in the AI business is expected to normalize so just was trying to understand where the incremental growth is going to come from at least till the new capex is come on stream?

Harshvardhan Goenka: Incremental growth is going to come from the SIC and the new capexes in the SI are getting commercialized towards the end of this quarter itself, at least two of the larger capexes, so that is from where the incremental growth is going to come until the FI kicks in and the balance SI capex sort of kicks in.

Alisha Mahavla: Okay understood. My next question is on clarification on your FI capex, so you said that we were looking at doing some 280 to 290 Crores of capex and this is phase one which is now facing time and cost delay, over run and now we are expecting this to go up to 400 Crores which will include phase one and phase two is this understanding correct?

Harshvardhan Goenka: Yes upwards of 400 Crores.

Alisha Mahavla: Okay from this we are expecting what 1x or 2x kind of asset turn?

Harshvardhan Goenka: No, in fluoro chemicals you can never get 2x kind of asset turn so 1x was our targeted capex turn but we are going to get around 280 to 300 odd Crores of revenue and these are all very ROE focused initiatives so I do not think that the asset turn is a right measure for this investment.

Alisha Mahavla: Sure just one last clarification. What is the reason for this delay by almost three quarters because I believe this plant was expected to be commercialized in Q4 of this year and now we are saying it will probably come in H2, the reason for this delay?

Harshvardhan Goenka: The reason for this delay is mainly COVID-related restrictions.

Alisha Mahavla: Okay and are we expecting the ramp up to still be over three odd years like we were earlier estimating?

Harshvardhan Goenka: Can you come with the question again please.

Alisha Mahavla: Are we still expecting that once the plant comes on stream to hit full utilization or peak utilization in three odd years?

Partha Chowdhury: Alisha just to supplement primary the delay is because of COVID where we physically could not enter Italy due to legal restrictions so that is 80% of the issue, which has caused the delay, multiple times lockdown one, two, three, but coming on to the growth the utilization will start off and we will be looking at ramp up fairly fast that is why we are fast tracking phase two which is into the value added products because the demand pull remains very strong not only from an import substitution but even from an international contractual and long term contract perspective both of these areas are sort of pulling us and making us fast forward our capex.

- Alisha Mahavla:** Understood and one last question if I may so do we have some contracts in hand and some discussions ongoing which has given us visibility of good utilization in year one, once the plant commercializes?
- Partha Chowdhury:** Of course.
- Alisha Mahavla:** Okay great. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Tarang from Old Bridge Capital. Please go ahead.
- Tarang:** Three questions from my side. Sir if you could just give us a broad range of realization on a per sort of kg basis for your SI business and what you anticipate for your FS business, a broad range of products it will range from say dollars this to kg to dollars could you give us some colour on that?
- Partha Chowdhury:** No, I do not think we give any colour because these are all very versatile chemistry so as the same asset depending on the knowledge that we impart to those assets could give products at different level. Just to give you an example the same asset can give us a 3 dollar product and 23 dollar product depending on what we choose to do or what we can do.
- Tarang:** We have seen in case of FS there are people who are making 200 to 250 dollar product as well so would be going at that level or would we be in the range of say 30 to 50 dollars?
- Partha Chowdhury:** We are just about starting so maybe we can have this conversation three four quarters down the road.
- Tarang:** Sure and what would that be for your diketene derivatives?
- Partha Chowdhury:** Similar. My response would be similar for the diketene as well.
- Tarang:** This Italy capex where phase one and phase two you are now envisaging 400 Crores of outlay what was the ballpark that was estimated which has led to over 400 Crores now?
- Partha Chowdhury:** 280 to about 300 odd Crores.
- Tarang:** But that I believe was for phase one only right?
- Partha Chowdhury:** The overall component is of the order of 20% odd.



- Tarang:** Sure and at some point to the initial participant's question you said that maybe asset turns may not be the most appropriate way to look at that business we are looking at it more as an ROE accretive sort of a business so was that an indication that okay this is maybe low asset turn high margin or there was an element of how you are financing it as well to it?
- Partha Chowdhury:** The answer is yes okay. This is how it is going to remain at all points in time in early phases of every capex. It has got no relationship with the means of finance.
- Tarang:** So basically the more margin accretive sort of the business that is why more ROE, correct?
- Partha Chowdhury:** So Tarang as you go down stream and you get into further niches we are not looking at these large volume, bulk products in the FI space. Looking at the Asia molecules and you have got several molecules to choose from and that is why we are adding acids and capacities there.
- Tarang:** The end customer would they largely be agchem guys or there are mix of agchem as well as pharma and maybe industrial chemicals as well?
- Partha Chowdhury:** Yes so it remains all three. In our business plan we have taken pharma a little bit staggered out because the approval takes slightly longer but the mix would remain in all three.
- Tarang:** Sure that is helpful thank you.
- Moderator:** Thank you. Ladies and gentlemen this will be the last question for today which is from the line of Tejprakash, an individual investor. Please go ahead.
- Tejprakash:** Sir this is not a question it is regarding the presentation. The presentation should be in terms of margins for different segments.
- Partha Chowdhury:** Tejprakash if you see our accounts we treat all our businesses as one segment which is chemical segment, right and that is a consistent policy which we have been following in the past and we would like to continue to follow going forward.
- Moderator:** Thank you. Ladies and gentlemen as this was the last question for today I would now like to hand the conference over to the management for closing comments.
- Ravi Goenka:** On behalf of all of us here in Laxmi thank you very much for attending this call. I hope that we have answered all your questions to your satisfaction and in case you have any more questions you can approach our IR team and we will be very happy to respond. Lastly since we are meeting here for the first time in this year all the best wishes from all of us to you and your family. Thank you very much.



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Moderator: Thank you. On behalf of DAM Capital Advisors Limited that concludes this conference.
Thank you for joining us and you may now disconnect your lines.