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August 26, 2024

**BSE Limited**  
(Listing Department)  
P. J. Towers, 1<sup>st</sup> Floor,  
Dalal Street, Mumbai - 400 001.

**Scrip Code: 524200**

**National Stock Exchange of India Ltd.**  
Listing Department,  
Exchange Plaza, Plot No. C/1, 'G' Block,  
Bandra-Kurla Complex,  
Bandra (East), Mumbai - 400 051.

**NSE Symbol: VINATIORGA / Series: EQ**

Dear Sir/Madam,

**Sub: Transcript of Investors Conference Call**

Please find enclosed transcript of conference call with Investors which was held on August 19, 2024.

You are requested to take the same on record.

Thanking you,

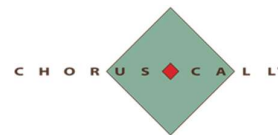
Yours faithfully,  
For **Vinati Organics Limited**

**Milind Wagh**  
**Company Secretary/Compliance Officer**

Encl: As above



“Vinati Organics Limited  
Q1 FY’25 Post Results Earnings Conference Call”  
August 19, 2024



**MANAGEMENT:** **MS. VINATI SARAF MUTREJA – MANAGING DIRECTOR  
AND CHIEF EXECUTIVE OFFICER – VINATI ORGANICS  
LIMITED**

**MR. KAVIRAJ DEVARAJ – VICE PRESIDENT,  
CORPORATE FINANCE – VINATI ORGANICS LIMITED**

**MODERATOR:** **MR. ARCHIT JOSHI - BATLIVALA & KARANI  
SECURITIES INDIA PRIVATE LIMITED**

**Moderator:**

Ladies and gentlemen, good day and welcome to Vinati Organics Limited Q1 FY '25 Post Results Earnings Conference Call hosted by Batlivala & Karani Securities India Private 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 an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Archit Joshi from Batlivala & Karani Securities India Private Limited. Thank you and over to you, Mr. Joshi.

**Archit Joshi:**

Thanks, Anju. Welcome to all participants for the Q1 FY '25 Earnings Conference Call of Vinati Organics Limited. We thank the management for giving us the opportunity to host this call.

We have with us today Ms. Vinati Saraf Mutreja, CEO and Managing Director of the company, and Mr. Kaviraj Devaraj, VP Corporate Finance to discuss the 1Q performance. Due to paucity of time today, we shall conduct the call only for 30 minutes. I'd like to invite Mr. Kaviraj Devaraj to begin with his opening remarks, post which we can take the question and answers. Over to you, sir.

**Kaviraj Devaraj:**

Thank you, Archit. Good morning, everyone, and thank you for joining us on our Q1 FY '25 Results Conference Call. Let me first give you a brief on the financial performance for Q1 FY '25.

Please note that the financial results for the quarter ended 30th June, 2023 have been restated to give effect to the scheme of merger approved by the NCLT. On a standalone, Y-on-Y basis, the net income for quarter ended 30th June, 2024 is INR533.98 crores as against INR448.5 crores, registering a 19% growth. The EBIT increased by 23% to INR114.8 crores as against INR93.44 crores, and the PAT increased by 24% from INR69.42 crores to INR86 crores on a Y-on-Y basis.

Let me now brief you on the operational performance and the current business environment. ATBS, which is our largest product, is witnessing a robust growth in FY '25. The expanded capacity for ATBS will come into play from FY'26, and this will aid further growth in ATBS.

The butylphenol business, along with other IB derivatives like PTBBA, Ester, continues to perform well, and we expect the growth to be sustained going ahead as well. The revenues from IBB, IB, HPMTBE, and customized products is expected to remain steady during FY'25. In antioxidants, we had recorded approx. INR130 crores of sales in FY24, and even though the overall global demand for antioxidants is going through a weak period, we are seeing a good growth in our AO sales in FY '25.

Just to add a bit on the capex, Vinati Organics Limited has established a 100% owned subsidiary Veeral Organics Private Limited (VOPL), dedicated to the manufacturing of niche speciality chemicals. VOPL has outlined a capital expenditure plan exceeding INR500 crores, focusing on production of MEHQ, Guaiacol, anisole, 4-meth, and other Iso Amylene derivatives. These chemicals are integral to various industries, including polymerization inhibitors, oil-filled resins, flavors, fragrances, pharmaceuticals, etc. Currently, our efforts are concentrated on product sampling and enhancing the plant's yield and efficiency.

Meaningful revenue contributions from the MEHQ plant can be expected from FY26 onwards. Additionally, the remaining products under capex are scheduled for commissioning in the second half of FY '25. This period will also see the completion of the ATBS expansion, furthering our VOL's ATBS production capabilities.

The overall capex to be spent in FY '25 would be approximately INR570 crores. This includes VOPL. These strategic initiatives underscore VOL's commitment to innovation and growth in the speciality chemical sector. We expect our revenue to have a CAGR of around 20% over the next three years, which will be mainly driven by ATBS, antioxidants, and other products from VOPL. This concludes our opening commentary.

I will now request the moderator to open the forum for Q&A.

**Moderator:** Thank you. We will now begin the question and answer session. The first question comes from the line of Rohit Nagraj with Centrum Broking. Please go ahead.

**Rohit Nagraj:** Thanks for the opportunity. My first question is in terms of the new product development. So what are the areas that we are looking at in terms of new product development? Are these the same platforms or chemistries that we are currently working on or something different? And again, will it be an import substitute or we are looking at both domestic as well as export market? Thank you.

**Kaviraj Devaraj:** Hi, Rohit. Let me take this. So, see, as of now, we are doing our capex and VOPL, which is Iso Amylene derivatives, MEHQ, Guaiacol, Anisoles and 4-meth.

Additional to this, as we had mentioned earlier, we are definitely looking at adding more antioxidants to our kitty. These are all under R&D stage as of now. As and when we come to a point where we'll be able to announce the commercial ventures for these antioxidants, we'll definitely let you all know.

**Rohit Nagraj:** Sure, that's helpful. And the second question, in terms of any competitive environment across our product segment and the pricing currently across our product segments, whether it is stabilized, whether it is going up, just your broader comments on the thing. Thank you.

**Kaviraj Devaraj:** Prices are presently stabilized. It's not, there is not much of a moment as such, because anyway, we have our, you know, contracts in place. So whatever price change that happens in terms of the raw materials, that is passed on. And that's exactly what is happening as of now.

**Rohit Nagraj:** And any bit on competitive environment, domestic or in the exports market?

**Kaviraj Devaraj:** Come again, sorry, I couldn't hear you?

**Vinati Saraf Mutreja:** Competitive environment. See, for ATBS right now, you know, the capacity is a challenge. We are sold out. But what is happening is very high grade ATBS is what the customers demand, which actually limits the production capacity and helps to add the new line.

**Rohit Nagraj:** Hello.

- Vinati Saraf Mutreja:** Yes.
- Rohit Nagraj:** Sorry, we missed out in between. I'm sorry, there was some issue in device.
- Vinati Saraf Mutreja:** Yes, I was talking about the ATBS. I think you mentioned about the competitive environment. And I said, see, in ATBS right now, the demand exceeds the supply. Because the demand, which is there, it's for a very, very high grade ATBS quality, which restricts our production capacity. So really, the efforts are now towards commercializing our new line as soon as possible.
- Moderator:** Thank you. Next question comes from the line of Surya Patra from PhillipCapital. Please go ahead.
- Surya Patra:** Sir my first question is about the margin sequentially, what we have seen. We know that first quarter could be slightly lean quarter in one hand. And on the other hand, we are witnessing there is a robust demand for ATBS.
- And the mix of ATBS also, as you have just indicated, that is improving. But still, there is a sequential correction in the gross margin that we have seen. What could be the kind of reason for this?
- Kaviraj Devaraj:** Two things. Like, as you mentioned, typically Q4 is always the highest. Generally, that happens. And Q1, generally, because Q4 is already on a high, Q1 generally tends to be a bit lower. And there is also normal shutdowns that happen during this quarter. So that's why Q1 numbers are always a bit lower than the Q4 numbers.
- In terms of margin, so there is not much change. But basically what happens is that there is a change in the product mix, because of which the gross margins have changed a bit. But then on a year-on-year basis, if you see, on a full-year basis, because ATBS numbers, the price change that happens on ATBS happens on a quarterly basis. So overall, if you see on a yearly basis, there won't be much of an impact.
- Vinati Saraf Mutreja:** Let me give some more specific reasons. The raw material prices increased during Q1. So you will see some price increase happening in Q2. Secondly, there were a lot of logistics issues in Q1, a lot of delays, unavailability of tankers. So we had a lot of inventory in transit, which actually reflect a sale in Q2. Then, of course, other than the regular shutdowns that Kaviraj mentioned, we also have some customized products, which are quite high-margin products, which typically come in Q3 and Q4.
- They are based on campaign basis, which are again missing in Q1. So coupled with all these reasons, you are seeing this Q1 slight dip in margin. But we expect Q2 and Q3 onwards, you will see normalizing.
- Surya Patra:** Okay. This is very clear, ma'am. So just one more point to this particular aspect. The trade issues are considered to be a kind of a problematic one at this juncture. Because that is a kind of a viewpoint that is coming from the industry peers also. So whether that is normalizing, that is getting accentuating in this quarter, how should one think in the near term, the trade issues impacting that export trade?

- Vinati Saraf Mutreja:** Well, one, the lead times have increased. One has to keep that in mind. So the delivery time has increased. Secondly, while the freight costs have gone up, we are thankfully in a position to pass on most of that to our customers. So at least it doesn't affect us on a cost basis.
- Surya Patra:** But the availability of container, whether that is still impacting?
- Vinati Saraf Mutreja:** No, we are able to get – see, if you are willing to pay more, you are able to get the container. Okay. But if there is some delay, you have to wait. The supply chain has to be managed. That's all.
- Surya Patra:** Sure, ma'am. My second question is about the antioxidant business. So obviously we are seeing the ramp up there. And also that you had mentioned in the earlier call that very soon that we are likely to see addition of a niche antioxidant into the portfolio from our R&D base. So could you add what is the update on that side?
- And when should we think about new products contributing incrementally and is it fair to believe that around 50% kind of utilization for antioxidant operation for FY25?
- Kaviraj Devaraj:** Yes. First, so Surya as far as the R&D work is concerned, so one can't really put a timeline as of now. We are definitely working on adding new AOs to the entire basket. We will definitely let you know as soon as we are able to actually give a go-ahead on addition of new AOs. Secondly as far as 50% capacity utilization, yes, for FY25 I think we should be coming closer to that one year.
- Surya Patra:** Okay. Just one last clarification from my side. Regards to energy cost this quarter although we have added more of this renewable energy, these things in-house still sequentially we have seen some rise.
- Kaviraj Devaraj:** Yes.
- Surya Patra:** What is that?
- Kaviraj Devaraj:** A couple of reasons. One is the electricity cost itself has gone up because there is a raise in prices that has happened in electricity. So that's almost like a 10% kind of a raise that has happened on a unit basis. Secondly, there is also some rise in coal prices which is there, which is seen and that's essentially why the...
- Vinati Mutreja:** So the renewable add only to 40%, 50% or...
- Kaviraj Devaraj:** Yes, roughly around correct.
- Vinati Mutreja:** The rest we are still dependent on.
- Surya Patra:** Okay. Sure. Thank you. Wish you all the best.
- Moderator:** Thank you. Next question comes from the line of Abhijit Akela with Kotak Securities. Please go ahead.

- Abhijit Akela:** Yes, good morning and thank you so much. Just one clarification on the capex numbers. So last quarter we had mentioned a number of about INR550 crores for fiscal '25. Is that still the number we should work with? I heard a number of INR170 crores mentioned earlier on the call?
- Kaviraj Devaraj:** 550, 570 it would be in the region of 500 to 570 because there are some additional small capex which operational capex that happens, but yes you are right on that number. That's fine. It's the same number which is there.
- Abhijit Akela:** Okay. Got it. And that's primarily at VOPL, right?
- Kaviraj Devaraj:** Both. It is VOPL as well as ATBS expansion both. ATBS and some other operational expenses that happens in VOL.
- Abhijit Akela:** Okay. And just on the timeline for commissioning of these projects. So ATBS should we expect meaningful revenues coming in from Fiscal 26, just as we are expecting for...
- Kaviraj Devaraj:** You are right. But we had mentioned also in the initial commentary that the expanded capacity should come into play from FY26 onwards.
- Abhijit Akela:** Okay all right. Got it. Thank you so much and all the best.
- Moderator:** Thank you. Next question comes from the line of Sunny Ahuja with an Individual Investor. Please go ahead.
- Sunny Ahuja:** Yes. Hi. I actually wanted to just ask regarding the margins for this quarter which seemed a little bit suppressed. I think you've already gone ahead and answered my question. My next question was actually are we on track to meet our revenue growth guidance and net profit projections for the annual year which I think you have given the guidance of close to 15% to 20%. So in spite of this slightly soft Q1 which as you said will pick up in Q3 and Q4, will we be able to achieve these targets?
- Kaviraj Devaraj:** Yes, I think we are on track for that one. We have basically guided for a 20% CAGR over a period of three years.
- Vinati Mutreja:** And even this quarter year-on-year.
- Kaviraj Devaraj:** Year-on-year if you see we have done well on this one.
- Moderator:** Thank you. Next question comes on the line of Nilesh Ghuge with HDFC Securities. Please go ahead.
- Nilesh Ghuge:** Yes. Good morning all. Sir, can you tell us the product-wise revenue breakup for this quarter it will be helpful sir?
- Kaviraj Devaraj:** Yes. So ATBS is roughly around 33%, IBB is around 15% odd, butylphenol and IB derivatives is roughly around 21%. The customized products is around 4% and IB & HPMTBE those products are around 12%. AO is around 8% and rest is others.

- Nilesh Ghuge:** Okay. Thank you. That's all from me.
- Moderator:** Thank you. Next question comes from the line of Pavan Kumar with RatnaTraya. Please go ahead.
- Pavan Kumar:** Partly, we are talking about INR570 crores of capex. So that proportion seems to be pretty big in comparison with the past. So what has changed for this particular confidence? And when we are talking about normalized margins, what are the kinds of margins we are talking about from Q2 onwards?
- Kaviraj Devaraj:** Yes. So as far as the capex is concerned, so there are two big capex that is happening. One is the capacity expansion in ATBS that is at the VOL front and other capex that is happening is on VOPL, which is our 100% subsidiary. So combined, both these capex are happening at the same time. And that's why you are seeing a bigger number.
- Vinati Saraf Mutreja:** Also when the plant is finishing or any project is finishing that's when most of the payments are made or most of the equipment we are taking delivery or civil. So big chunk of the capex happens in the end. And both of these are supposed to finish during second half of this year.
- That is where you – and, , like ATBS total capex is 300. VOPL total capex is 500. So out of that INR800 crores, INR300 crores also is already done. So the most chunk of it is being done during this fiscal year. That is why it's looking high. Now coming to your normalized margin, I think one can expect normalized EBITDA margins of 26% to 27% on a sustainable basis.
- Pavan Kumar:** Okay. When we are factoring in 20% CAGR for next three years in revenues, are we factoring in whatever will come out of this present INR800 crores capex that we are talking about, Priti?
- Kaviraj Devaraj:** Yes.
- Pavan Kumar:** Okay. And any change that has happened in the chemicals industry as a whole which gives you confidence to go ahead with such a good – I mean large capex compared to the historical – we used to do somewhere around 300, 400 kind of number, if I remember right. So what gives us the confidence?
- Kaviraj Devaraj:** It's the confidence from the products that we are selling.
- Vinati Saraf Mutreja:** The demand is good and our thing is, we've deployed the money back in our own business in capacity expansion and in products. We have a 20% payout ratio. So just keeping all that in mind zero debt policy there's really nothing else other than prudent financial management.
- Moderator:** Thank you. Mr. Kumar, please fall back in the queue. Next question comes from the line of Tejas Sonawane with Asian Market Securities. Please go ahead.
- Tejas Sonawane:** Thank you for taking my question. We have spoken up here during our commentary that we are seeing high demand for high grade ATBS. So we have spoken here on the call that we are seeing high demand for high grade ATBS. What is the proportion of high grade ATBS compared to ATBS volumes?



- Kaviraj Devaraj:** I am guessing that you are trying to ask as to what is the proportion of the high-grade ATBS in the overall?
- Tejas Sonawane:** Yes.
- Kaviraj Devaraj:** So, yes, 70% and 70% more than 70% is the high-grade ATBS because that is essentially what is being now asked by the customers.
- Tejas Sonawane:** And what would be the margin difference between normal ATBS and high-grade ATBS sold?
- Kaviraj Devaraj:** There is not much of a difference.
- Vinati Saraf Mutreja:** Because the cost of even if one is priced higher, the cost of producing that is higher.
- Tejas Sonawane:** Okay. Understood. Okay. Thank you so much.
- Moderator:** Thank you. Our next question comes from the line of Rohit Nagraj with Centrum Broking. Please go ahead.
- Rohit Nagraj:** Yes. Thanks for the follow-up. Just one question. In terms of the next leg of capex, so given that the current project will get completed by early April 26th, how much would be a gestation period once we finalize on a new set of antioxidants? Will it be 18 to 24 months or will it take more than that time? Just wanted to have a broader perspective. Thank you.
- Kaviraj Devaraj:** Very difficult to answer this as of now without knowing what kind of AOs would be getting added to the entire lineup. But typically, the range is around 12 to 18 months is essentially what happens with any new project.
- Rohit Nagraj:** This is helpful. Thank you.
- Moderator:** Thank you. Next question comes from the line of Nilesh Ghuge with HDFC Securities. Please go ahead.
- Nilesh Ghuge:** Yes. Thanks for the follow-up. My question is on the MEHQ particularly. So at what stage the product is? Have you sent the samples and the approval process already done? And have you sent the commercial product to the parties?
- Kaviraj Devaraj:** Capacity is on stream.
- Vinati Saraf Mutreja:** Yes. We have send some commercial samples.
- Kaviraj Devaraj:** Yes. Sampling work is going on along with that. Some commercial sales have also happened. But we are also working on improving the efficiency and yield of the plant.
- Vinati Saraf Mutreja:** It's not completely stabilized.
- Kaviraj Devaraj:** Yes. It's not fully stabilized as of now. And as far as MEHQ-Guaiacol is concerned the meaningful revenue contributions one should start expecting only from FY '26 onwards. Whatever sales that will happen is very meagre numbers as far as FY '25 is concerned.

- Nilesh Ghuge:** Yes. Thanks. Thanks a lot.
- Moderator:** Thank you. Next question comes from the line of Surya Patra with PhillipCapital. Please go ahead.
- Surya Patra:** So in fact, about the capex, you have indicated, but given the ongoing projects, that is almost like getting capitalized soon. So suppose that the capex momentum would be meaningfully lesser compared to the current run rate, or how should one think actually here?
- Kaviraj Devaraj:** A bit too early for us to, because we have not mentioned anything. So I think we'll, let's wait for a quarter or two, and then we'll let you know.
- Surya Patra:** Sure. Just one last question from my side. Regards to the uncertainty that is prevailing around the oil market. So, if there is any kind of a major volatility that will be there, then what kind of impact that one can expect, let's say for our antioxidant business, as well as for ATBS? Any thought around it?
- Vinati Saraf Mutreja:** So oxidants is mostly, it's used in plastics. It's used in polymers, upstream, as well as downstream plastics. And overall, it is robust. It's picking up. In fact, India has shown good growth in the last 3 years or so. While it has been slow in the last 2 years, we expect there to be some recovery on that end, and hence we expect the AO business to pick up. ATBS, yes, was in oil recovery. And just based on the present scenario, it is looking strong.
- Surya Patra:** Sure. Okay. And just one, on the ATBS domestic demand side, how would be the trend, ma'am? Is it similar to that of the export trend, or how is it?
- Vinati Saraf Mutreja:** ATBS, well, it's 90% - 95% export, but domestic is also growing because our customers are realizing since the ATBS producer is in India, it makes sense to make the ATBS polymer in India also. So we are seeing some domestic growth as well on that front.
- Surya Patra:** Okay. And one more point, basically, this IBB, because of the industry trend itself, it has been languishing, not much greater volume or price improvement that we have seen of late for the API industry as a whole, but is there any positive outlook that you are likely to paint for it in the near future, or how...
- Vinati Saraf Mutreja:** IBB remains just as is, to be honest.
- Surya Patra:** Okay. Yes, thank you, ma'am.
- Moderator:** Thank you. Next question comes from the line of Abhijit Akella with Kotak Securities. Please go ahead.
- Abhijit Akella:** Yes, thank you so much for the follow-up. Just one thing, on the MEHQ and Anisoles derivatives business, is that primarily intended for the domestic market, or is it mainly exports and also the sampling and other work that you've started, and from which region are you sort of taking it forward?



- Vinati Saraf Mutreja:** Well, the main demand is in China for MEHQ. Guaiacol there is demand in India as well. So it does cater to local as well as export. We have started sampling through traders, which will be used in export sales. We also consume it ourselves, MEHQ. So we have also self-consumed some of it.
- Abhijit Akella:** Okay. So, I guess the initial target will be the overseas markets. Is that fair to assume?
- Vinati Saraf Mutreja:** It is mostly exports, yes.
- Abhijit Akella:** Yes. And sorry, just one other thing on this point. Regarding the Anisoles capacity, that is intended to be fully consumed captively to make these downstreams, or will we be looking to sell some of it outside as well?
- Vinati Saraf Mutreja:** Again, we have assumed some sales of Anisole as well.
- Abhijit Akella:** Okay, fair enough. Thank you so much, and all the best.
- Moderator:** Thank you. Due to time constraints, we have reached the end of question and answer session. I would now like to hand the conference over to the management for closing comments.
- Kaviraj Devaraj:** Thank you, everybody, for joining us on our post-running conference call. Have a nice day. Thank you.
- Moderator:** Thank you. On behalf of Batlivala & Karani Securities India Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.