

May 08, 2023

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Dear Sir/Madam,

Sub.: Transcript of the Earnings Conference Call held on May 02, 2023 for Q4 FY23

Pursuant to the Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and with reference to our intimation dated April 25, 2023, regarding Earnings Conference call with Analyst(s) /Investor(s) held on Tuesday, May 02, 2023, we would like to inform that the transcript of the aforesaid conference call is attached herewith and the same is also available on the website of the Company at www.rossari.com/announcement/ under the head 'Investor Call'

The same may please be taken on record and suitably disseminated to all concerned.

Thanking you,

Yours Sincerely,
For Rossari Biotech Limited

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by PARUL GUPTA
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Parul Gupta
Company Secretary & Compliance Officer
Membership No.: A38895

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

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Rossari Biotech Limited

Q4 & FY23 Earnings Conference Call Transcript

May 02, 2023

Moderator: Ladies and gentlemen, good day and welcome to the Rossari Biotech Limited earnings conference call.

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, please signal the operator by pressing 'star' then 'zero' on your touchtone telephone. Please note that this conference is being recorded.

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

Aesha Shah: Good evening, everyone, and thank you for joining us on Rossari Biotech Limited Q4 & FY23 earnings conference call. We have with us Mr. Edward Menezes – Promoter & Executive Chairman; Mr. Sunil Chari – Promoter and Managing Director; Mr. Ketan Sablok – Group Chief Financial Officer and Ms. Manasi Nasal – Chief Financial Officer.

We will begin the call with the opening remarks the management, following which will have the forum open for question-and-answer session.

Before we start, I would like to point out that some statements made in today's call, maybe forward-looking in nature and a disclaimer to this effect have been included in the "Earnings Presentation" shared with you earlier.

I would now like to invite Mr. Edward Menezes to make his Opening Remarks. Thank you.

Edward Menezes: Good evening, everyone, and thank you for joining us on our Q4 & FY23 earnings call to discuss the operating and financial performance for the quarter. I hope you all had the opportunity to go through our "Results Presentation," which provides details of our operational and financial performance.

We are pleased to report a healthy finish to the year with our standalone revenues increasing by 11.3% on a quarter-on-quarter basis. While we faced several challenges during the year, we believe we have successfully addressed them and are now better positioned to deliver consistent growth going forward.

Throughout the past year, we faced significant volatility in the price of raw materials, which resulted in some business disruptions. However, by focusing on our inherent strengths, we were able to onboard several new customers, which have helped us grow our revenues on a sequential basis.

Despite the challenges presented by market fluctuations, we have continued to prioritize our mission of offering high quality sustainable products to our customers, while remaining agile in response to changing market conditions.

Since our inception, we have remained dedicated to the advancement of sustainable and environmentally friendly chemicals. This sustainability focus is an integral part of our strategy and we have continuously seeded a range of eco-friendly products with several customers in our base industries such as HPPC, textiles, and AHN, as well as in emerging sectors for us such as paints, paper, water treatment, agro chemicals and others. With a growing global demand for sustainable solutions, we are optimistic about commercializing our investments in space going forward.

Overall, our strong financial position, strengthened product portfolio, adequate capacities and other inherent strengths provide a solid foundation for us to deliver healthy financial and operational performance in the coming years. We remain committed to delivering long-term value to all our stakeholders while maintaining our market position as a top provider of intelligence and sustainable solutions.

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

Sunil Chari:

Good evening and a warm namaste to everyone.

Financial year 2023 has been a challenging year for our standalone business with pressure on volumes and margins. However, our team was able to navigate the situation and closed the year on a steady note. To large extent, we not only managed to recoup our volumes but also improve our margins.

At a consolidated level, we remain extremely pleased with the outcome of our acquisitions. They have given exceptional synergies in various aspects including R&D, product development, market research, and personnel.

Also, the chemical industry was facing a challenging period. The revenue and EBITDA for Unitop and Tristar, since FY2022 increased by 23% and 13% respectively, reaching Rs.763.2 crore and Rs.98.5 crore in FY2023. These figures showcase the positive impact of our acquisitions, and the successful integration of these companies into our business.

Here, I'm happy to share that we have successfully acquired the final tranche of Tristar, making it a wholly owned subsidiary as of 12th April 2023. Additionally, we are on track to fully acquiring Unitop in the upcoming fiscal year.

Looking ahead to the demand scenario for the upcoming fiscal year, we anticipate healthy growth on our HPPC segment due to new client additions, a growing product portfolio and expanding market reach, including export opportunities.

In the textiles segment, we continue to face demand uncertainty in the near term due to global factors. However, we remain optimistic that we will see an uptick in demand in the second half of FY24.

As for our AHN business, we are very bullish about this demand outlook and are confident in our ability to double its revenue over the next two, three years.

To sum up, we remain dedicated to providing long term value to all our stakeholders while maintaining our market position as a leading provider of intelligent and sustainable solutions. We are confident in our ability to capitalize on emerging growth opportunities in the market as we continue to innovate and evolve.

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

Ketan Sablok:

Thank you, Chari sir, and good evening, everyone.

We've closed the year on a positive note with a consistent performance in Q4. YoY for Q4, even though the revenues were down 7%, we were able to show improvement in gross margin and maintain our gross profit margins at 30%. Also, the EBITDA grew by 4%, maintaining a margin of around 13.4%.

For FY23, we have been able to consistently improve our performance and margins. We have ended the year with gross margins of 29% compared to 25% last year, and EBITDA of 13.5% versus 12.4% last year.

Both Unitop and Tristar ended the year on a strong note registering a top line growth of over 20% YoY with good margins.

We've been able to synergize the business between the group companies very well, be it in operations, sales, R&D and the new business development. The impact of these synergies will further be visible in the years to come.

As mentioned by Chari sir, we have completed the acquisition of the additional 16% stake in Tristar making it 100% fully owned company as on 12th April 23. We incurred a net adjusted outgo of about Rs.17 crore for the final tranche, and it was funded through our internal accruals.

Rossari's operational and balance sheet status remains strong and robust. As on March '23, our net cash on a consolidated basis stays at Rs.77 crore.

With the normalization of both the overall macroeconomic landscape and the RM situation, we are confident in our ability to consistently deliver healthy performance across all our business verticals in the coming years. Overall, we remain confident in our ability to deliver long-term value to our stakeholders through our focus on profitability, innovation and growth.

On that note, I would request Manasi to take you through the financials for the quarter, post which we will be happy to take questions from your side.

Manasi Nisal:

Thank you, Ketan, sir. Good evening, everyone.

Let me provide you with a brief overview of the financial performance for the quarter and full year ended 31st March 2023.

In terms of overall performance, the company's revenue for the quarter amounted to Rs.406.5 crore as against Rs.389.3 crore in Q3 FY23. On a standalone basis, the company's revenue from operations for Q4 FY23 was Rs.263.6 crore as compared to Rs.236.9 crore in Q3 FY23.



Among the company's business segments, HPPC generated revenues of Rs.1,157 crore, which accounted for 70% of total company's revenue. Following HPPC, the TSC business contributed Rs.373.2 crore, accounting for 23% of the total company's revenue. AHN also contributed Rs.125.7 crore, making up 7% of the company's total revenue on a consolidated basis.

On a standalone basis, EBITDA stood at Rs.35.8 crore as against Rs.31.9 crore in Q3 FY23. PAT during the quarter stood at Rs.23.1 crore as against Rs.17.5 crore in Q3 FY23. On a consolidated basis, EBITDA stood at Rs.54.6 crore as against Rs.54.2 crore in Q3 FY23. PAT during the quarter stood at Rs.29 crore as against Rs.25.7 crore in Q3 FY23.

On a full year basis, our consolidated revenue from operations in FY23 stood at Rs.1,655.9 crore, up by 11.7% on YoY basis.

Revenue from HPPC stood at Rs.476.3 crore, contributing to 49%, followed by TSC business at Rs.373.2 crore, contributing to 38% and AHN at Rs.125.7 crore, contributing 13% of total revenue. . On a profitability front, EBITDA stood at Rs.122.7 crore as against Rs.122.8 crore in FY22. EBITDA margin stood at 12.6%.

Depreciation increased to Rs.62.9 crore owing to amortization of fair valuation on account of consolidation of subsidiary. Interest cost during the year stood at Rs.22.3 crore. PAT during the year stood at Rs.107.3 crore as against Rs.97.7 crore in FY22.

From a balance sheet perspective, cash and cash equivalents during the fiscal stood at Rs.69.8 crore. Additionally, the net cash flow from operating activities for the year was healthy; Rs.152.4 crore.

On that note, I come to the end of my opening remarks and would request the moderator to open the forum for any questions that you may have. Thank you.

Moderator: We have the first question from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

Sanjesh Jain: First, on the Unitop and Tristar, one clarification and a question. For this quarter, it looks like the subsidiaries, which is Unitop and Tristar had a 20% YoY decline in sales. Can you help us to understand what is leading to such a sharp decline despite the anticipation that synergy benefit will drive the revenue growth faster, what is the thing which is hurting the growth in the Unitop and the Tristar put together? and for FY22 I think Ketan sir did mention that the like-to-like or I don't know, Unitop and Tristar had 20% revenue growth for the year. Can you give us the Unitop number for FY23 similar way as you disclose for the Tristar as well, that will be helpful. This 20% growth is on a like-to-like basis or how it is delivered?

Sunil Chari: Tristar, as we said in the last earning call also, the major exports were in Europe. But Europe has been affected after the Ukraine war and that is why we had pressure on sales and pressure on margins. Also, we need to see if there are some new customers developed by Rossari because of synergy benefits, which we also mentioned in the presentation and earlier earning calls and when we do sales from Tristar or Unitop to Rossari, in the console, it gets neutralized and there are no sales in Unitop or Tristar. So, now our request would be to see the company on a consolidated basis rather than a standalone Tristar and Unitop basis. Unitop also traditionally, the first half is stronger than the second half which we always told in our calls, and we expect the current quarter and the next quarter to be better than the earlier quarters.



Sanjesh Jain: Looking at standalone minus console and looking at third-party sales. So, any which ways the base also the inter-party transactions get negative. On a like-to-third-party basis, it has declined by 20% and I don't think this will have entirely come from Tristar because Tristar is only Rs.200 crore of revenue per annum and how has been the Unitop performance in that sense?

Sunil Chari: Unitop now, we were sourcing ethoxilate totally from outside, we were sourcing it from other companies. Now, this sourcing has come from Unitop. Because if you buy from outside then there is no issue. But if you buy from Unitop for Tristar, in the consolidated that gets knocked off. Hence, you see lower sales because the material has come from Unitop. Because this is what we were buying from outside and it is coming to Rossari, it is not seen as the sale from Rossari as it is coming from Unitop.

Sanjesh Jain: No, no, I understand that. I'm talking about third-party sales. That looks like declined and we thought that there is enough headroom within the capacity to meet the demand for the Rossari in that case. Is it my right understanding that you are telling that the compromise of the sales was left to third-party to service more to Rossari parents?

Sunil Chari: Any new customer which is generated because of synergy and if it is a customer of Rossari, the sales happen through Rossari wherever it is manufactured, whether manufactured at Tristar or whether manufactured at Unitop.

Sanjesh Jain: That means you're telling that Rossari lost sales in the standalone what we look at is also because of Unitop and Tristar, is not purely on a like-to-like basis to compare, the standalone is delivering that growth, is that a fair understanding?

Sunil Chari: What we were doing is, we were buying it from outside and selling it to our customers. Now, we are buying this from Unitop. Not just standalone is not growing, standalone has grown, but the purchases happen from Unitop and that is knocked off in the consol.

Sanjesh Jain: I'm telling you it would have been true even for the base year also right for the last year Q4 FY22.

Sunil Chari: Last year, EO was not available in Unitop. Last year there was a shortage of EO so till year August we did not buy from Unitop.

Sanjesh Jain: That's what I am saying you would not have bought so it might not have come in therelated party. Despite you are saying, the EO has eased and even then, our sales on a like-to-like basis have declined.

Sunil Chari: No, for example, if you see, our textile business has degrown, but the standalone business is still strong in HPPC and AHN. The raw material has come from Unitop and Tristar.

Sanjesh Jain: What is the revenue, and EBITDA for the Unitop for FY23?

Ketan Sablok: FY23 Unitop's revenue is Rs.554 crore, and EBITDA is about Rs.81 crore.

Sanjesh Jain: Ketan sir, in your opening remarks you talked about 20% YoY growth in the acquisition company. Can you help us understand whether you're talking on a like-to-like basis or there is lesser where we don't really recognize because we bought it in the middle of the last year, right?

Ketan Sablok: What I said was on a like-to-like basis. In Accounts it will be for seven months, but just for giving you a flavor of the growth that is coming, it is on a like-to-like basis. Unitop revenue as I said Rs.554 crore in the current year, it was about Rs.454 crore in last full year.

Sanjesh Jain: Second, I know there has been too of much price volatility in FY23 for us to appreciate the performance. Can you help us understand what was volume growth in FY23 to understand how have we done for FY23? Number two is on the gross profit. I think sequentially there is a sharp drop in the raw material prices. Even mathematically the margin should have gone up, and gross profit per Kg was protected. What we're seeing is a sequential decline in the margin. Were there any inventory losses because of a very steep fall or why there is a decline versus the growth in the margin?

Sunil Chari: As we explained in the last call, our raw material prices have fallen if we compare FY21-22 to FY22-23. Similarly, if raw material prices have fallen, the finished goods prices would have fallen. Now on a like-to-like basis, I am talking about Unitop, 20% we have grown despite falling raw material prices. And so, you can see the growth in Unitop which you were thinking is not happening, Unitop has grown and there will be at least a 10%, 15% fall in raw material prices. if you are seeing revenue of Rs. 554 crs and put the 10% then it will be appx Rs. 625 crore. So if you take the price of FY21-22 Unitop will reach to Rs. 600 crore to Rs. 625 crore.

Sanjesh Jain: The decline is on exit basis, Q4-to-Q4 decline. This 20% growth is for the full year.

Sunil Chari: Because it gets knocked-off in consol.

Sanjesh Jain: I will take this offline. My question was more on the margin and FY23 volume.

Sunil Chari: As we have told you volumes, we're not able to work out because the product mix changes from quarter-to-quarter, product-to-product, division-to-division. So, volumes we're never able to measure in Rossari and measuring volumes quarter-to-quarter or even year-on-year quarter-to-quarter is not very easy for us.

Sanjesh Jain: Why the margins have declined despite a fall in raw material prices? I think mathematically the margins should go up and then you get the benefit of raw material pricing falling in, coming into your margin. So, why there is a decline in the margins at the gross profit level on a sequential basis?

Ketan Sablok: Let me try to explain this. A few quarters back we had started doing lot of cross-selling and synergizing the sales operations across the group. So, in the last quarter and the quarter before that, we have started routing lot of sales of Tristar and Unitop through the Rossari network of customers and distributors. So that, as we have said we want to bring these customers on to the Rossari brand and start doing this from this year itself so that whenever we bring all the companies under one umbrella, we are able to use that Rossari brand and customers know about that and that is what is happening now quarter-on-quarter.

As most of these sales are getting billed now through Rossari, so, part of the margins are getting booked at Rossari and part of the margins are getting booked at the subsidiary level because the transfer is happening at arm's length price basis. So, the request would be that the ideal way to now start looking at the numbers is on a consolidated level because certain part of the margin will remain in Rossari and certain part of the margin will remain in the subsidiary. So, we should look at the consolidated numbers to understand the entire margin profile of all the companies.

And the other reason, of course, not the gross margins, but quarter-on-quarter on a consolidated level if you see the EBITDA have fallen slightly because in this quarter, we had done the full and final settlement of some of the senior directors in Tristar and that one-time substantial impact is also factored into the other expenses which impacted the EBITDA for this quarter, remaining stagnant at about Rs. 54 - 55 crore.

Sanjesh Jain: How much was that?

Ketan Sablok: I think about 2.5 -3 crore we have given to a couple of the directors as their full and final settlement.

Sanjesh Jain: Which is not part of the payment, which is part of the OPEX?

Ketan Sablok: Yes.

Sanjesh Jain: Ketan, sir, on the same note even sequentially on a consolidated basis, the gross profit margin has come off by 40 bps. It's not as high as it is in the standalone, but here also the margins have come off by 40 bps. I think it was scope for a margin expansion just because of the arithmetic.

Ketan Sablok: In Tristar, we have been hit significantly on the export side, and export margins in Tristar have been quite strong, but exports to Europe has come down significantly. That's kind of impacting the overall gross margins. Once the exports of Tristar pick up, I think we should see some of these margin improvements coming through.

Sanjesh Jain: One, on the textile sector, worst is behind because I can see sequentially, we have grown by 10%. And how should we see textile because we still sound slightly cautious on the textiles side, because numbers have sequentially been very good. And second on animal health and nutrition. It looks like suddenly firing. What is driving such strong growth in AHN business?

Ketan Sablok: The textile segment is still facing some headwinds. While we had a better quarter this year, we are still being cautious, because we are seeing the market is still quite sluggish, we were able to add some new products during this quarter, which helped us do a little better than Q3. Now, what we understand from the customers in the market, and that's what we would like to currently go with is that the demand should start picking up from the second half of this year. So that's what the understanding is as of now. Textile has been acting crazy over the last year. So, every time we think that the worst is over, it really doesn't happen. But currently, this is what the understanding is. And on the AHN front, I think we ended the year on a strong note, with almost Rs. 81.2 crore. We expect this business now to maintain its growth trajectory. We've added some new customers, we've gone into the vitamins and minerals space quite aggressively now. Also, setting up a small Capex for the vitamin premix set up at Dahej and that is still a few months away. But we anticipate once that comes through from the latter half of Q2 and Q3 we should see some good sales in the second half of this year with this Capex coming through. So, we are quite bullish on the AHN market.

Sunil Chari: If you see Tristar growth, even after phenol prices and phenoxyethanol prices came down, on a year-on-year basis, we have grown 27% from Rs.164 crore like-a-like basis to Rs.209 crore. So, in spite of Europe going down, we've been able to get some good customers who are new customers, which Rossari has brought in. Because part of the business profits would have gone into Rossari, because sales were from Rossari and so the margins can be bigger, but even after falling in finished goods prices, we've done well at Tristar.

- Sanjesh Jain:** I completely appreciate the yearly performance; it looks very strong. I'm telling exit looks on a weaker footing because at least a number talks about a decline for the Q4. I completely take your point for the full year. We have done fantastic. I am not debating on that part of the point.
- Moderator:** We have a next question from the line of Nitin Tiwari from YES Securities. Please go ahead.
- Nitin Tiwari:** My question is related to the HPPC segment. So, you've highlighted that textile we're still facing headwinds, and you've given a positive commentary on AHN. So, how's the HPPC segment looking for FY24. In the past four quarters at least we've seen a declining trend of revenue. And secondly, on a standalone basis, the numbers look sort of steady for the segment. But when consolidated with the subsidiary, there's a decline that we see consistently across the past four quarters. And related to that, you had earlier alluded to basically a large customer now not being part of our portfolio. So, have we completely recovered that loss of revenue or are we still in the process?
- Ketan Sablok:** HPPC, as we have said we lost one large customer who was there in our numbers in part of last quarter. In the current quarter, we had no sales from that customer. So that's one of the reasons why we had not seen the growth in HPPC as we had planned, but however, I think we've been able to maintain our sales number despite the absence of a large account. Going forward, I think to cover up this we've added many customers in the detergent industry. So, many smaller customers are getting now added to that space. Also, we are working on some of the new segments of paints and paper. One of the large MNCs that we've started now working which is HUL and a lot of the supply of ingredients for the detergents has started. We have already started working with them on two of their plants. I think over this year, we will add a few more plants going forward. And of course, overall, the agro piece also growing. I think, within a couple of quarters, we should be able to cover up this entire piece of loss that we have incurred.
- Sunil Chari:** To add here to Ketan sir, our HPPC now on a console basis is 70% of sales and textiles is 23% and AHN is 8%. So, as we said that you have to look at it on a consolidated basis. Two years back, we were 50% in HPPC of the total sales, now we are at 70% and we expect this will become better.
- Nitin Tiwari:** Wanted to have this understanding around HPPC segment in terms of the segmentation if we look at. Although you said that acquisitions, we should be looking at it from a consolidated perspective but nonetheless on a standalone basis the segment looks steady but when we consolidate with the subsidiary accounts then there is a sharper decline we see on a sequential basis as well as on a YoY basis. So just wanted to understand how is the same business segment getting different traction in standalone entity and the subsidiary and correct if my understanding is wrong?
- Ketan Sablok:** No, no, you are right, in the consolidated, the HPPC quarter-on-quarter has seen a slight decline and as we have said that mainly because of Q4 doing lower exports for Tristar. So that is what has impacted the HPPC segment quarter-on-quarter.
- Nitin Tiwari:** So the large customer that we lost was with the standalone entity, right, and we have grown despite like that large customer not being there in the fourth quarter, by that we've practically made up for all the lost revenue to the accounts that you been alluded to in terms of small detergent manufacturers?

- Ketan Sablok:** Yes, in Q3 also that customer was there only for about I think a month, month and a half, so we only had a few shipments. But if you see our last year number, then you will get probably a better idea, Q4 of last year had a significantly larger chunk of that sale.
- Moderator:** We have the next question from the line of Aditya Khemka from InCred Asset Management. Please go ahead.
- Aditya Khemka:** The interest cost which we reported for this year has been Rs.22 crore, part of that is an accounting entry for consolidating the M&A companies. What would that be for the subsequent year FY24?
- Ketan Sablok:** FY24 it will come down because currently, we have about Rs.74 crore of the loan in our books, Rs.20 crore of working capital so, sequentially it will come down. That's why we have given that bifurcation in our presentation of what is the normal interest cost and what is the interest cost because of the deferred consideration. For the next year, it will be slightly lower than what it is in the current year. I don't have the exact number.
- Aditya Khemka:** Next, could you share the capacity utilization across the company for Tristar and Unitop you have separately?
- Ketan Sablok:** On an overall company level I think we are at utilization of about 50%- 55% across most of our plants.
- Aditya Khemka:** If I look forward for FY24, so you mentioned in your opening remarks, but most of it is on the growth drivers across segments. So could you allude to what should be the growth drivers going ahead for all the three different segments, and if there are any product specific growth drivers or customer specific growth drivers in terms of wallet share which you are sort of looking forward to and if you can share on what are the key growth drivers you're looking for FY24?
- Edward Menezes:** In various verticals, we have elaborate plans for the next couple of years. One of the important verticals that we want to grow, and we have been mentioning that we want to double this in the next two to three years is the animal health and nutrition segment. Like Ketan sir has mentioned in the opening remark that a small Capex is being done here and we are putting in place a premix plant, this premix plant will help us improve our quality and also make a continuous product line for vitamins, for mineral mixes as well as for enzymes. Then in the animal health nutrition, we've already developed a range of products for the aqua business and the business development is the next step, the business development in this vertical has already started and we have introduced glycerides and esters for gut health to reduce antibiotics. This will be another big blockbuster for us. And we've also installed a granulation facility at the plant. This is primarily done to increase our efficiency of granulation as well as a product differentiation. In the HPPC segment, in addition to the anti-depressant product for powder, we've developed an excellent product anti-depressant product for liquid detergent because the normal ARDs as we call the anti-depressant products, they are not compatible with liquid detergents. Here, we have developed a product and we've got good traction for these products. In the water treatment chemicals in HPPC, we have focused on the textiles industry in the CETP, and these have yielded very good results for us. We have also entered the technical textile coating industry. Business development is in full swing, and it has given us very good traction. In the coating chemicals that we do in HPPC for paints, papers, ceramics as well as pharma tablet coating, we have introduced a few new products which are highly modified, which are better scrub and properties. And we've seen good enthusiasm from the paint industry for this product. In the pharma tablet

coating, we have received FDA approval for this product and production is likely to start in the coming quarter.

If you look at textiles, synergistically we have started manufacturing silicon oils as well as the block silicones in-house, and this has increased flexibility for Rossari and made us more competitive here. In the yarn lubricant segment for silicones, we've developed a product for yarn lubricant which is a silicone wax and a small Capex for sooner or later for homogenizing equipment is in place. In skin finishes also, there is a steady progress. We started this about a year ago and we have made good progress in the POI, FDY, polypropylene and polyamide space. A new product line has been introduced in the additives for regenerated cellulose which is lyocell and we've started this business development and acquired a few companies there. Similarly, in the agro space, the focus is on the development of emulsifiers for new trends where a combination of techniques is used. And one very exciting business that we have entered is the silicone super wetters and we have also started doing some Capex here to scale up. So, there are many other initiatives that we have taken, but I have given you a small gist of what we are doing and how the business development is going.

Aditya Khemka: Adding to another question which I had, so we mentioned choosing better margin product. Now with customers such as HUL coming in were predominantly a premium player in terms of detergents versus someone like a Ghadi which we used to cater, how are you looking at this market, do you think the premiumization has already played out or it would sort of continue to play out and that would help you to sort of deliver higher realization products going ahead, if you have any comments on that or any outlook on that?

Edward Menezes: The ingredients that we manufacture, most of the raw materials and the technologies are our own and therefore we definitely have a cost advantage over other manufacturers, and we hope that we will make decent margins with the ingredients to the detergent industry. Earlier, actually our hands were tied, and we could not go country wise or even to the Southeast Asian countries. But with the new situation where now we are free to sell our ingredients to all India as well as to the neighboring countries, you would have seen that we have been doing well even though we lost the large customer. So, in addition to that, the margins also would be more here because we've been able to launch a battery of products here, whereas in the previous regime we had only one product and we were restricted to that product.

Aditya Khemka: For Rossari standalone, the asset turns were as high as six, seven times, this is just on the reported gross block numbers and the subsidiary have a little lower asset turns. So on a console basis given the growth profile is very similar across all the three segments, is four times a good asset turn number to work with on a console number going ahead with what the gross block we have currently of four to five times or what is the number you are looking at going ahead?

Ketan Sablok: I think for the next year we can go with a number of four to five times, but as the business plans are, we do not plan to add much to the gross block in the next at least two to three years. So, if we're able to ramp up the business as I think we should see a good improvement on this probably two years down the line.

Aditya Khemka: The reason I was asking is that we are already at Rs.450 crore of gross block and at say 4.5 times we'd be at the Rs.2,000 crore top line which we are envisaging. So, can you help me with what would be the Capex if you have any number, Rs.40 -50 crore is the number for FY24 and FY25?

Ketan Sablok: Ideally, we should be around that number itself or at least for next year we will be around that number.

Moderator: We have the next question from the line of SM Kumar, an Individual Investor. Please go ahead.

SM Kumar: Sir, my question is regarding beta management more of that. Like that any kind of enzyme product can we expect next one year?

Edward Menezes: For the enzyme product actually, we are working on a product which is a bio product basically which will be used as a surfactant. So, we are working on this kind of a product, and we are excited that we'll be able to introduce this product in a few months' time.

Moderator: We have the next question from the line of Nitin Tiwari from Yes securities. Please go ahead.

Nitin Tiwari: Can you just please repeat the revenue and the EBITDA number for Unitop and Tristar separately?

Ketan Sablok: Unitop this year was Rs.554 crore and Tristar was Rs.209 crore and EBITDA Rs.81 crore and Tristar was Rs.18 crore.

Nitin Tiwari: The same figures for last year, sir?

Ketan Sablok: Last full year Unitop was Rs.454 crore and Tristar was Rs.164 crore.

Nitin Tiwari: And EBITDA numbers for both of them?

Ketan Sablok: Unitop was Rs.69 crore and Tristar was Rs.17 crore.

Moderator: We have the next question from the line of Aashish Uppanlawar from InvesQ Investment Advisors. Please go ahead.

Aashish Uppanlawar: Sir, to gauge whatever is happening based on the commentary that we've heard from you throughout this call, there are different moving parts and different segments and even subsidiaries and your standalone. So, to sum up everything, how do we read into the coming year FY24? Because there are volatility in the raw material cost and the pricing and stuff. So, looking at only the top line in terms of numbers or EBITDA margins it becomes difficult to make a picture of your company in terms of growth. We are stuck around at Rs.100 crore of bottom line or 100, 110 crore for quite some time now. So, what should we expect over the coming couple of years from you?

Sunil Chari: We had loss of one big customer which we have recouped. The focus seems to be growth in HPPC. As you know, we are into four chemistries , surfactant, acrylic , enzyme, and silicones. Surfactant chemistry seems to be something which is picking up steam every passing day. Exports are something which is picking speed every passing year. If you see our exports last year were Rs.264 crore and this year was Rs.380 crore. And the HPPC anyways has gone from Rs.966 crore to Rs.1,166 crore. This year we would see HPPC increasing further. The textiles we had Rs.373 crore and this is not big growth. AHN should do very well this year. So, on the whole what is that we are looking at is not top line, what is that we are not looking at is EBITDA percentage. What we are looking at is EBITDA as an absolute amount. So, our internal target is 20% growth in EBITDA over the console EBITDA, which was there, that is the focus area. Percentage, we are not focusing. Last year, we had a

lot of setbacks in terms of textiles industry did not do well, the Ukraine war created a lot of issues, we lost a big customer and generally the FG prices and the raw material prices came down. But there is still some going up and down, up and down in the raw material based on supply and demand for raw materials. Consequently, with the prices of raw materials, our finished goods are going up and down also. We learnt a lesson from FY2021-22 and FY2022-23 that we will not do any forward provisions and we do not do any long contracts with our customers, and we hold to this position that we will not do this. We have always been prudent that we do not do very big positions in raw material and if you see our inventory levels are very, very good, very disciplined which have been there for the last 25 years. Similarly, Forex, we have never hedged, and we will never hedge also. In terms of operations, this year we want to merge our companies, Tristar is already 100% owned subsidiary, Unitop will be in August, and we will start with the merger and hopefully by 31st March 2024 we will be one consolidated entity instead of Rossari having two subsidiaries. The growth from HPPC segment in various industries would continue to do well, agro, home and personal care and then performance chemicals. All these three segments we see a healthy demand outlook for the coming financial year. AHN has a smaller base, and it is now at Rs.125 crore. So, we should see the highest growth as a percentage in AHN this year.

Aashish Upganlawar: So basically, we are looking at 20% EBITDA growth that's the bottom line and given that there is no additional Capex and depreciation, everything should be under control, so you should be gunning for a 25% kind of bottom-line growth?

Sunil Chari: 30% is something that we have projected in our own budget.

Moderator: Ladies and gentlemen, it was the last question I would now like to hand the floor back to the management for closing comments. Please go ahead.

Edward Menezes: Thank you, I hope we have been able to answer all your questions satisfactorily. Should you need any further clarifications or would like to know more about the company, please feel free to contact our team or CDR India. Thank you once again for taking the time to join us on this call.

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