

1st August 2024

To, The Manager - Listing Department, The National Stock Exchange of India Ltd Exchange Plaza, 5th floor, Plot no. C/1, "G" Block, Bandra-Kurla Complex, Mumbai-400051 Symbol: APCOTEXIND	To, Manager - Department of Corporate Services BSE Limited Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001 Security Code: 523694
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Dear Sir/Madam,

Sub: Transcript of Earnings Conference Call held on 29th July 2024

In furtherance of our letter dated 29th July 2024, informing the exchanges regarding Audio recording of the earnings conference call in respect of the financial results of the company for the quarter 30th June 2024, we wish to inform that the transcript of the earnings conference call held on 29th July 2024 has been hosted on the website of the company and is available at:

<https://apcotex.com/investor-quarterly-report>

Kindly take the same on record.

Thanking you,

For Apcotex Industries Limited

Sachin Karwa
Chief Financial Officer

REGISTERED OFFICE

49-53, 3rd Floor, Mahavir Centre
Sector-17, Vashi, Navi Mumbai 400703
Maharashtra, India
T: + 91 22 2777 0800

CORPORATE OFFICE

NKM International House, 178, Backbay
Reclamation, Babubhai M. Chinai Marg
Mumbai 400020, India
T: + 91 22 2283 8302/04

TALOJA FACTORY

Plot No. 3/1, MIDC Industrial Area
Taloja, Dist. Raigad 410208
Maharashtra, India
T: + 91 22 2740 3500

Apcotex Industries Limited
Q1 FY25 Earnings Conference Call
July 29, 2024

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY25 Earnings Conference Call of Apcotex Industries 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 the "*" then "0" on your touchtone phone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Ms. Purvangi Jain from Valorem Advisors. Thank you and over to you, ma'am.

Purvangi Jain: Good evening, everyone and a warm welcome to you all. My name is Purvangi Jain from Valorem Advisors. We represent the Investor Relations of Apcotex Industries Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings call for the first quarter financial year 2025.

Before we begin, a quick cautionary statement. Some of the statements made in today's concall may be forward-looking in nature. Such forward-looking statements are subject to risk and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to the management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review. I would like to introduce you to the management participating with us in today's earnings call and hand it over to them for their opening remarks. We have with us Mr. Abhiraj Choksey, Managing Director and Mr Sachin Karwa, Chief Financial Officer. Without any delay, I request Mr. Sachin Karwa to start with his opening remarks. Thank you and over to you, sir.

Sachin Karwa: Thank you, Purvangi. Good evening, everybody. It is a pleasure to welcome you all to the earnings conference call for the first quarter of financial year 2025. I hope you had an opportunity to review financial statements and earnings presentation, which has been circulated and uploaded on the website and the stock exchange. Let me provide you with a brief overview of financial performance for the fourth quarter ended 30th June 2024.

Operating income for the quarter was Rs. 337 crore, which grew by around 21% year-on-year basis due to increased volumes, product mix and better price realization. The EBITDA was reported around Rs. 32 crores, an increase of approximately 25% year-on-year. The EBITDA

margin stood at 9.4%. The net profit after tax was at Rs. 14.8 crore, which grew by 22% on year-on-year basis and PAT margins stood at 4.4%.

On operational front, we achieved an impressive 14% year-on-year volume growth. On the international front, export volume grew by 12% year-on-year. With this now, I open the floor for question and answer session. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. First question is from the line of Ankit Kanodia from SmartSync Services. Please go ahead.

Ankit Kanodia: So, my first question is related to our quarterly revenue run rate. So, if I remember correctly, June 2022 quarter was the first quarter where we crossed Rs. 300 crores. And then we had some industry related issues and we have had a rough time after that. Now we are back to about Rs. 300 crores in the last 2 quarters. Specifically this quarter, I think we have done the highest quarterly revenue, but if I have to compare June 2022 quarters with this both in terms of volume and value, if you can provide some more color as to which segments have done well. And what in terms of volumes and value that would be very helpful. That's my first question.

Abhiraj Choksey: Hi Ankit, this is Abhiraj Choksey. Thanks for your question. So, I don't have the June 22 quarter numbers directly with me, but if I remember correctly, I mean if I look in the financial year 22-23 and financial year 21-22, those years just post COVID. There were certainly years where there was a lot of pull from the market, lot of goods being bought that of course benefited us as well and raw material prices as a result were higher as well. But going into '23-24 also, while the revenue figures may I think for the whole year were up only 4% in '23-24 financial year full year compared to 22-23, our volumes were up by 28%. I would not say in terms of revenue I would say we did fantastically well in last year as well. And June quarter of FY23-24 compared to the previous year, which I think you are referring to in the June quarter of the previous year, we also had very good growth in volumes. If I recollect is 25% to 30%, but overall the raw material prices and therefore the finished goods prices were quite muted and yes, margins were definitely under pressure last year and to some extent continued to be even currently for various reasons. So, I would say I think from a revenue and volume perspective, we're quite happy with where we are. And yes, comparing last year is not really fair because of the really muted prices of all our goods. I hope that kind of answers your question.

Ankit Kanodia: Yes. Sir, just one more question related to that. If you can share segment wise performance as to how all the segments are doing currently compared to say June 2023 quarter?

Abhiraj Choksey: Again, sorry, but I don't have the June. I mean, we were ready with the last year's figures but again.

Ankit Kanodia: No, I'm talking about last year figure only, June 2023 quarter versus June 2024 quarter.

Abhiraj Choksey: So, not June '24, you don't want to talk about the June '24 quarter.

Ankit Kanodia: Obviously, June '24 versus June '23, that is what I'm asking.

Abhiraj Choksey: You are June 22?

Ankit Kanodia: Earlier I have asked about 22, now I am asking about the performance of different segments.

Abhiraj Choksey: So, almost across the board, we have had growth in June quarter largely led by paper and construction as well as tyre cord. So, those are the three large ones that in terms of growth, those are the highest. So, overall, it's been a good growth segment in terms of volumes. I think we're up, Sachin, by about 14% this quarter. So, Q1 against Q1 of last year, volume growth is up by 14%.

Ankit Kanodia: So, is it correct to assume that the margin is taking a hit immediately because of the glove segment where probably we are getting good volumes but the margin is getting it?

Abhiraj Choksey: Yes, for sure. That is one of the reasons. But as you would see compared to Q4 in terms of overall EBITDA per tonne, I think we've done a little better than Q4 of last year and compared to Q1 of last year also if you see our margins are certainly better, right again Sachin, you can correct me if I'm wrong but...

Sachin Karwa: You're right, absolutely.

Abhiraj Choksey: EBITDA is up by 23%.

Ankit Kanodia: So, is it again fair to assume that we are close to bottom in terms of margin which you are trading at right now, 9% EBITDA margin?

Abhiraj Choksey: Difficult to exactly predict of course, but as always say that 2 numbers, one is EBITDA percentage margin and EBITDA per tonne. So, EBITDA per tonne is of course better in this quarter compared to Q4 of last year as well as Q1 of last year. EBITDA percentage is around 10%. So, there of course last year the overall revenue or prices per goods were lower. So, that helped us in terms of percentage, but both are important numbers of course and as I've said before, look, I do think that the margins for this business can be 14%, 15%, 16%. We have achieved that in the past and as the volumes grow that should happen again in the future. Of course, the glove segment is pulling it down. A couple of other segments also, we have built capacity, some of our competitors have built capacity that is in the short term. All sort of industries go through this cycle. I think the chemical industry is going through a cycle of lower margins. I would not say terrible margins, but lower margins in general for most chemical companies that have been watching. So, I think we are in the same boat.

Ankit Kanodia: Yes. One last question related to ApcoBuild, any color you want to highlight on that? How is it doing this quarter?

Abhiraj Choksey: Yes. I mean it continues to do well. I think in terms of quarterly, again we've grown at double digits, perhaps I don't remember the exact number, but about 12% to 14% is what we call we've grown at for the quarter.

Ankit Kanodia: Sir, one question is not related to the result, our Q4 presentation was very detailed and it was very useful for us. Any reason why we have kept a very short presentation for Q1?

Abhiraj Choksey: In what way detailed like what specific?

Ankit Kanodia: So, you talked about different products which you have processed your strength, your basically future strategy, CAPEX related details, 2025-26?

Abhiraj Choksey: A lot of it is quarter-on-quarter doesn't change. So, since it was the annual presentation, we perhaps have given more details, of course. So, that's the only reason because a lot of these things quarter-on-quarter there was perhaps nothing much to add, therefore it's a shorter presentation for this quarter.

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

Chandrapal Singh: Abhiraj, this is Chandrapal. Abhiraj, my question is regarding ApcoBuild. What advantages do we have in case of ApcoBuild products in the market?

Abhiraj Choksey: Look, I've said this before that we are focusing on certain niche products where we have certain advantages. For example the backward integrated in some polymer products and then we're building or we have built a product range around those products that we really have an advantage of. And we're focusing on the states that we understand well and are closer to us. So, we are in 5 or 6 states that we are growing further in and deepening our reach.

Chandrapal Singh: Can I know how many competitors of these products are there in the market in India? Who can make these products?

Abhiraj Choksey: No. Look, you're talking about the construction chemical B2C segment, right?

Chandrapal Singh: Yes.

Abhiraj Choksey: Look, the B2C segment, there are lots of different kinds of products from solids to powders, liquids, grouts, all kinds of seals, all kinds of products, tiling adhesives and so on. In the hundreds and hundreds of different companies and many companies as well competing and different companies have been focusing on their own strategies. Some companies are focusing

in certain states, some companies are focusing on the retail segment, some companies are focusing on the B2B segment, some are on the government with the government and infrastructure segment. Similarly, some companies are focusing on waterproofing only. We are largely a waterproofing. Our strength is waterproofing. So, I think it would be wise for you to sort of learn more about this industry through sort of, there are a few industry handbooks and so on that you can look at.

Chandrapal Singh: Abhiraj, some light on the Valia project, how it's performing?

Abhiraj Choksey: Look Valia, you're talking about the Valia acquisition, overall that eight years ago or?

Chandrapal Singh: Not acquisition, the new project that you started last year.

Abhiraj Choksey: Yes, the new project that was on. So, we again just to recall, there were two projects that we invested in last year, about Rs. 150 crores – Rs. 160 crores in Valia for the gloves project and another Rs. 50 crores in Taloja to expand our current product lines of styrene butadiene and other latex. The gloves project in terms of volumes is not an issue. We have done reasonably well. By now we had expected to get to close to 100% capacity utilization, but we are at about 50%-60% capacity utilization, we can go more but the margins are very low so we're only focusing on certain customers. So, going forward, we do expect capacity utilization to be in the range of 50% to 70% for the next couple of quarters. So, from a revenue perspective and a sales perspective, it's gone well. But from a margin perspective, given what happened post COVID, there was a huge additional capacity of or additional inventory of gloves that was created, lot of additional capacities of gloves and nitrile latex that was added all over the world, especially in Asia actually, largely in Asia. As a result of this, margins have been very muted, that's what I would say, yes.

Chandrapal Singh: Is the project EBITDA positive or not?

Abhiraj Choksey: It is about EBITDA neutral, I would say, some quarter negative, some quarters positive, but overall EBITDA sort of zero EBITDA neutral, yes. EBITDA breakeven rather. We do expect, I mean we're seeing some green shoots. I mentioned it last quarter also we saw initially some green shoots in Q1 was slightly better than Q4 of last year, but Q2 is expected to be even better. We're seeing capacity utilizations go up even though they're nowhere close to what they were pre-COVID. Prices of gloves go up. So, we are seeing better traction in the glove industry. Some of the glove manufacturer, some of our customers who are in the red have sort of started making some profits in the last few months. So, some good signs are there, but it may be a little early to expect immediate turn around.

Moderator: Thank you. The next question is from the line of Nikhil from SIMPL. Please go ahead.

Nikhil: Hi Abhiraj, congrats on a good volume growth, which we have seen. One question you mentioned during the call that our volume growth was 14%. So, rest is the price increase. So, is it because of RM increase or is it because of the natural price increase for the products, if you can just highlight that?

Abhiraj Choksey: Yes, I think it's RM increase of course has significant part to play in that, yes.

Nikhil: And on the capacity utilization, because what we've seen is during this whole last quarter, while the prices have been weak and we've done a good job on the volume growth. So, versus last year and today, how would our capacity utilizations be at different plant level?

Abhiraj Choksey: Yes. So, I'll explain to you in three different plant levels. So, one is in FY20 to 23, we were at full capacity utilization for our current plant capacities then. We added 2 plants, one in Valia, one in Taloja. The Valia plant was largely for Nitrile Latex for gloves. And that is now running at about 50% capacity utilization, about a year after we have commissioned it and we expect over the next 1 or 2 quarters to move to 65%. As far as the Taloja plant is concerned, the additional capacity that we created, there we are running last quarter at about 70% capacity utilization. And we expect to go to 100% over the next one year, 1 year to 15 months.

Nikhil: And last question from my side see the pain point had been on the gloves. So, if you can just talk about the global, how are you looking at the overall scenario and what's your reading of how things are playing out now?

Abhiraj Choksey: Yes, I just mentioned to the previous caller, but I'll kind of repeat it again that I think the glove industry things have improved in the last few months. I'm talking about the glove industry, but because from what we see, some of the glove manufacturers have improved their selling prices, improved their volumes from the rate they move to at least making some profits. However, a lot of capacities have been added. Now the issue is both glove capacities and latex capacities have been added especially in China. So, as a result of which overall the capacity utilization is still quite low. Therefore margins are quite muted for the glove industry as well as the raw materials which is nitrile latex, gloves. We expect that to keep improving as time goes along and we expect in the next few quarters margins to keep improving as we are focusing on volumes. Last year we had a 28% growth on the back of that we have had an additional 14% growth in Q1 of this year. So, if you just compare us to like 1.5 years ago, we have grown by in terms of volumes, we are like 40%-45% higher than where we were just a year and a half ago.

Nikhil: And just lastly, you see there was a point on latex Chinese presence and the capacities which they have added. Are you hearing any capacity shutdowns or are they sustaining at these prices and an additional point see what I understand is that the US has also put some duties on Chinese gloves and all which most people are talking about should help the non-Chinese players. So, how does it impact us as a supplier of latex?

Abhiraj Choksey: Yes. So, look, as the latex supplier for us, the main market is Southeast Asia, India, Sri Lanka and South Asia basically. So, obviously if the duty is going to come in 2026, while the US has announced it, it doesn't get implemented till 2026. I forget the exact month, but it's at least a year and a half to two away. Having said that, at some point towards the end of 25 or next year, obviously people will start moving back towards Southeast Asian suppliers versus Chinese suppliers given the high duty that the US has imposed on Chinese gloves. So, that will help our customers and therefore help us, but it's a little while away. The second question you asked whether there were some capacities that are being closed down and yes, that's also true. One of the manufacturers of nitrile latex has already shut down one of their old plants in Malaysia recently in the last few months, and another Japanese player has announced that in 2026 they are going to shut down their nitrile latex, again old capacity. Perhaps the costs were not suiting them in terms of their cost curve. So, the older plants are shutting down. However, we have not heard of any shutdown in China because a lot of the plants are brand new as well, right, like ours in the last couple of years. But there's no additional capacity coming.

Moderator: Thank you. The next question is from the line of Ankit Kanodia from SmartSync Services. Please go ahead.

Ankit Kanodia: So, if I look at our asset turnover also, it is probably at all time lows. I've never seen in the last 7-8 years, never seen that kind of low in terms of asset turnover based on what you have just shared with the previous participants also. So, as we expect the volumes to increase, can we expect this to rise up to 4x or 5x? Right now they are 2.3?

Abhiraj Choksey: Yes, absolutely. Because look, when you first invest in that, that's true of asset turnover return on capital because our company has taken up a substantial CAPEX last year. Obviously that Rs. 200 – Rs. 250 crores has got added literally overnight. So, the denominator has gone up overnight. So, therefore asset turnover has dropped overnight. Now over time, two things happen. One is the assets depreciate. So, the overall assets come down in terms of the denominator reduces and the volumes will keep going up as we go move towards 100% capacity utilization. So, again asset turnover will go back up to four and five.

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

Om Prakash: Congratulations, your turnover is increasing and we hope that the margins will also increase in future. Recently, BSE announcements showed that a flood occurred in a plant. What was the loss from that? You told us that the insurance company will recover the money. Is the plant back in business? Please tell us about it.

Abhiraj Choksey: Yes, we sent a notice to BSE and NSE stock exchanges on July 7th that there was a lot of flooding in the plant due to the rain. So, we had to keep the plant closed for safety reasons for a few days. Of course, there was a lot of damage. We are still in the middle of assessing the exact

damage. How much damage was there? It was in the inventory and some in the equipment. Fortunately, there was not much sale loss because we had the inventories. And the plant was returned in less than one week and that notification or announcement we had given to stock exchanges around I think July 13 or 14. So, there is no problem.

Om Prakash: We will get to know from them?

Abhiraj Choksey: Yes. It is fine now.

Moderator: Thank you. The next question is from the line of Manav Vijay from MV Investments. Please go ahead.

Manav Vijay: Few questions from my side. So, first, if you can just tell us the volume growth on a quarter-on-quarter basis because 14% I believe will be YoY?

Abhiraj Choksey: You mean Q4 against Q1?

Manav Vijay: Correct.

Sachin Karwa: Yes, it's almost flat. It's almost 0.3%-0.4% growth.

Abhiraj Choksey: It's flat volume growth from compared to Q4.

Manav Vijay: So, that means what I will say 7% to 8% difference that you have let's say compared to last year YoY or even quarter-on-quarter that is all price driven, correct?

Abhiraj Choksey: No, quarter-on-quarter, yes; YoY, no. Quarter-on-quarter, it is all price driven. Year-on-year, it's 14% on volume and the rest on price.

Manav Vijay: Second thing Abhiraj, in last few weeks or I would say months, we have been hearing about the availability of containers and also the freight rate again playing havoc. So, that also impacting your exports because exports for you form a decent part of total topline now?

Abhiraj Choksey: Yes, you are absolutely right, Manav. Good question. And it is become a bigger challenge, of course it started a few months ago, but certainly in the last quarter we would have at least another 2%-3% higher sales, higher volume sales. Had it not been for this delays in in export consignments, a lot of our consignments that were going to Malaysia or Thailand actually got rerouted because the huge congestion in Singapore got rerouted Shanghai and then had to come back. So, everything was delayed. It is a challenge for sure. We're trying to work through it. 30% of our sales continue to be export even in Q1. So, at least we didn't lose out on it. In fact, we grew our export sales in Q1 also. So, it is a challenge, but it's a short to medium term challenge because what we have done is of course we've got approvals and all these new customers. We're continuing to do business with them. These kinds of issues do cause delays,

but a lot of the countries that we export to are also importing, whether it's from India or it's from another country. And so it's a global phenomenon, right? right now, whether you're importing from Europe or importing from China or any other country or Korea. So, I think it's a challenge that all companies will face. We've seen that impact the margins as well to some extent because we've had to absorb some of those paid costs. Of course, we try and pass it along as well, but it takes time sometimes, so yes. But on the flip side, in the medium term also help some of our businesses like NBR because since we are the only manufacturer of NBR in the country, NBR coming into India, the freight rates are also high now. So, we'll see how that plays out, but in the long run, it's not such a big issue. We've seen it in during COVID as well, right. It was much worse at that time in 21, I would say.

Manav Vijay: Correct. So, that might be my second question. So, is the exports are a challenge. So, I believe the same thing applies even to import as well. So, even on the import side, are you seeing any kind of for you or not specifically on the NBR side?

Abhiraj Choksey: We're seeing some amount, but not significant yet. I think just in the last month or two where month-month and a half, it's become really difficult now, almost going back towards the difficulty in getting. Earlier the rates went up but availability was still not a problem. I would say, and only in the last month, we're seeing availability is also a problem. So, we'll have to wait and watch for a month or two and maybe things will take care of itself. I'm not sure how to predict when. Look but on the flip side, raw materials is also a problem, right? We have had to now again go back to higher raw material inventory norms especially for important raw material.

Manav Vijay: Correct.

Abhiraj Choksey: So, I think we're waiting and watching, not really 100% sure of how it will impact the company. Short term, there might be some positive and some negative impacts. I think in the long term, it is okay. This happens from time to time.

Manav Vijay: Last question from my side is that in your Annual Report, you mentioned that the excess latex capacity in Valia will actually increase from 50,000 to 80,000 tonnes. So, has the decision taken or you are still waiting for grew before you execute that second phase?

Abhiraj Choksey: No, 100%, we have not taken any decision. Given the margins where we are, I think we'll wait for some time. In fact what we're thinking of doing is we expect our capacity in Taloja to be completely utilized by end of next year. So, we may actually use that space where we had left some space for the additional capacity for Nitrile Latex. We actually use it to manufacture current styrene butadiene and other current latex products. That decision will be taken in the next 3 to 6 months. I will keep you posted.

Manav Vijay: But the earlier thought process of converting some of the excess capacity to the other latex that you made, so that thought process as of now is not in a working mode?

Abhiraj Choksey: I mean, it's still an option. We haven't decided yet. As I said, we have enough excess latex capacity or styrene butadiene capacity and latex capacity in Taloja. So, I think in the next 3 to 6 months, we will take a call.

Moderator: Thank you. The next question is from the line of Rohit from iThought PMS. Please go ahead.

Rohit: My question was, sir in this quarter, could you share the split between the sales from Nitrile Latex and non-Nitrile Latex segment?

Abhiraj Choksey: We don't typically give this data. But my guess would be Nitrile Latex would be around 10% to 15% of the total sales, maybe even less around 10%.

Rohit: Sir, my question was, I mean, you mentioned that Nitrile Latex has been obviously going through a tough period and now closer to breakeven or slightly below breakeven. But even if I look at the non-Nitrile Latex has been our traditional business. There also in margins have still not come back to let's say 13%-14%, is that a fair assessment or am I reading it wrong?

Abhiraj Choksey: Yes, I think there are 2 other areas of business where margins have sort of come down, mainly one is on paper, the latex we make for paper and that's because both us and BSF or our competitor has added more capacity over the last year or two. So, that we are going through a cycle, I think things will improve. The other is NBR. Over the last year or 14-15 months, if you see NBR margins being lower than what we have seen in the past. What I would say is the average over the last 6-7 years. So, that's been another challenge. And I think the main reason for that is China because of the China slowdown, which is the largest NBR consumer, two reasons actually and China slowdown being the largest NBR consumer, so a lot of the exports going into China or China imports have sort of made its way into India and the other reason is also Russia. The Russia NBR, which used to largely go to Europe because of the sanctions are now finding its way towards Asia. So, I think there's a little bit of a glut of NBR in the Asian region causing the margins to be muted. However, since we are the only manufacturer in India, we continue to run at 100% capacity utilization for this NBR business. But margins have been lower than the average as I would say over the previous 7 years that we have run this business. So, these two are the reasons why margins are a little lower in the rest of the business. I just wanted to say that look, these cycles continue and we've seen this in the past when capacities are added for a year or two, margins are an all-time low and then not all time low, but they are lower. And then they go higher up and as the capacity utilization total volumes go up, the margins will go up in this real fashion. So, this is what I suspect, so earlier we used to be in the 6% to 10% range. Now we're in the 10% to 15% range and so we'll perhaps over the next 4-5 years, I expect that you would see outside the 13% to 17% range. So, this is how I think things will go, will happen as long as we keep growing and growing at a reasonable margin.

Moderator: The next question is from the line of Karan. Please go ahead.

Karan: This is Karan from Asian Market Securities. Abhiraj, just some clarification, this 14% volume growth YoY. So, in this quarter you will have ex-NBR major contribution as well. So, can I have a like to like comparison Q1 to Q1 ex of NBR?

Abhiraj Choksey: I don't have that with me, I think would be similar, right?

Sachin Karwa: Yes, it is because it's almost in the same range.

Abhiraj Choksey: Yes, same range.

Karan: And any clarity on the NBR CAPEX?

Abhiraj Choksey: No clarity. Unfortunately, while we were going to take a decision last year, the margins have been as I just mentioned to the previous caller, the margins have been challenging for two reasons, Russia NBR as well as overall Chinese slowdown. So, at this stage, I don't think it justifies for us to make an investment in NBR. I think if we see some longer term viability, we'll look into it. It's still not a bad investment, but I just feel like or we feel as a board as well and senior management of our team feels that there could be better opportunities to invest in. So, we are just waiting and watching. We're at 100% capacity utilization. We would love to grow and given the Atmanirbhar Trust of the government, this would really help India also with reducing the imports of NBR because even currently, around 70 or more than 70% of NBR is being imported in the country. So, we would love to do that. But given the current CAPEX costs, it was not working out to be viable. I think in the next year or so, we'll see if it makes sense.

Karan: I'm saying while the volume growth was flat QoQ, there were price increases. So, correct you assume we have some inventory gains in the quarter and hence this 9.5% kind of margin profile?

Abhiraj Choksey: No, I mean the margins are very similar compared to last quarter. So, there is no inventory gain as such, nothing significant.

Moderator: Thank you. The next question is from the line of Jasdeep Walia from Clockvine Capital. Please go ahead.

Jasdeep Walia: Sir, could you give us your thoughts on the demand supply balance in Nitrile Latex you see going forward? So, I would guess the higher inventory situation in this product would have been taken care of. So, can we expect the growth to accelerate from here and should that result into better margins going forward?

Abhiraj Choksey: Yes. Look, I think there's two things right. One is the inventory of gloves and inventory of Latex. Inventory of Latex is not never a problem. You can't store latex for very long, it's difficult. It's

55% water and so on. So, the issue is your inventory of gloves, which as you rightly said, is from all imports being utilized or come to an end now. Now the issue is mainly the additional capacity of gloves and latex that was put up and so the capacity utilizations are at maybe 50% to 60% is what we are hearing. The market growth is still there, double digit market growth for gloves and therefore latex. So, as it goes up to 75%-80% again, margins should look fairly healthy is what we think.

Jasdeep Walia: So, your economics should be independent of the capacity utilization of industry, right? So, the volumes of Nitrile Latex gloves are growing. So, which means demand for Nitrile Latex is growing that is the variable that should impact you rather than the capacity utilization of the glove manufacturer.

Abhiraj Choksey: So, two things right. So, one is the volumes and the revenue and you're right, volume revenue is totally up to us. We have a small capacity compared to the global capacity of Nitrile Latex and that should not be a problem. The issue is margins. So, when an industry is running at a low capacity utilization, automatically margins are muted because buyers are able to negotiate harder right and sellers are wanting to sell their capacities. So, the margins is what is the main issue with lower capacity utilization.

Jasdeep Walia: And have you seen some fresh competition in Nitrile Latex since newer companies which have put large capacities in Nitrile Latex, I'm talking about the latex, not the glove?

Abhiraj Choksey: No, it's generally been the players, not including China. Outside of China, it's largely been players that have already been established and they have created additional capacity, so not new players that have got into this business. As far as China is concerned, I think a couple of glove manufacturers did the backward integration project when their glove demand was so high and they were running short of material. So, they decided or China decided to or some of the large players decided to make sure that they were at least largely not dependent on imports for Nitrile Latex. So, that's how in China, capacities were definitely created.

Jasdeep Walia: Does China remain a net importer of this product?

Abhiraj Choksey: Yes, it still remains a net importer.

Jasdeep Walia: So, broadly what I've got is that broadly you don't expect much improvement in the margins in this business going forward?

Abhiraj Choksey: No, That's not what we're saying. We're saying margins will improve slowly. In fact, we're already seeing margins in Q1 have been marginally better than Q4, for example, and we expect Q2 to be marginally better than Q1. Now whether they will go back to the pre COVID levels or when they will go back to the pre COVID levels is where we are not sure.

Jasdeep Walia: Just final question on your CAPEX plans for fiscal year 25?

Abhiraj Choksey: Yes. As of now, the main CAPEX that we have so far that we have approved have been either projects that are going to help us cut operating costs or maintenance projects. Those are the two main things that we have done, but we have couple of other projects that we're looking at. One is the complete overhaul of our R&D center so that will require some CAPEX and we're planning to build a new R&D building and invest in our R&D. I know it's a little bit counterintuitive. But we think this is a great time to invest in R&D and we have a great set of people and we built our team so to speak, over the last year, year and a half under a new chief of R&D, but we think that given that the company is 40 years old, we have two R&D centers we want to consolidate a little bit and have a new building in our facility in Talaja itself. So, that's going to be one investment that's going to be made. I will announce it at the right time in terms of the value and how much we're going to invest and the second investment is which we will announce again in the next 3 to 6 months is additional investment for our styrene butadiene latex products because we expect that capacity to be utilized by end of next year. So, we will have to start working on that because the lead time is typically a year to complete that project.

Moderator: Thank you. The next question is from the line of Sukhbir Singh from SMIFS Limited. Please go ahead.

Sukhbir Singh: My first question is there any anti-dumping duty applied by the Indian players for the NBR?

Abhiraj Choksey: There is not. In the current context, there is no anti-dumping duty, that's applicable.

Sukhbir Singh: And Sir, for the ApcoBuild business, what is the contribution in the revenue?

Abhiraj Choksey: Again, something that we don't talk about, but it's quite small in terms of revenue. As and when it gets a little significant, we will of course report it.

Moderator: Thank you. There's a question in the queue from the line of Avinash Mehta from Parmani Financial Services, please go ahead.

Avinash Mehta: What does steep hike in natural rubber prices do to our products if it happens within a short period of time? That's my question.

Abhiraj Choksey: Nowadays I don't think there is any large impact either way because we don't really compete with natural rubber at all in any of our products. If at all, sometimes we do find that on the latex side, because natural rubber also includes natural latex, right. On the latex side, there are some applications that can move from natural latex to synthetic latex and that's when styrene butadiene latex comes in. So, there can be an advantage depending on the relative pricing. But it has to be significant and long term for those customers to move completely. So, they typically see if they estimate the next 6 months, natural latex prices are going to be 20% higher than

synthetic latex prices. That's when they will move. So, it may have a marginal advantage to us if natural latex prices are higher. Natural rubber, not so much of an impact.

Avinash Mehta: And how fast they can switch between the two products. You spoke about synthetic latex and natural latex?

Abhiraj Choksey: They can switch. It doesn't take time, but sometimes the whole process needs to be changed again, the formulations need to be changed. So, people wouldn't do it typically for a couple of months.

Moderator: Thank you. That was the last question for today. You can go ahead with your closing comments. Thank you very much.

Sachin Karwa: Thank you everyone for joining the earnings call of Apcotex. The quarter has been good and we have got a volume growth of almost 14% and revenue growth of 21%. We will be focusing on increasing the volume capacity, capacity utilization and improving margins. We look forward to see you all in Q2 of FY25 call. Till then take care and bye.

Moderator: On behalf of Apcotex Industries Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.