

July 26, 2024

DCS-CRD BSE Limited First Floor, New Trade Wing Rotunda Building, Phiroze Jeejeebhoy Towers Dalal Street, Fort Mumbai 400001 Fax No.2272 3121/2037/2039  Stock Code: 543213	Listing Compliance National Stock Exchange of India Ltd. Exchange Plaza, 5 <sup>th</sup> Floor Plot No. C/1, 'G' Block, Bandra- Kurla Complex Bandra East Mumbai 400051 Fax No.2659 8237/8238  Stock Code: ROSSARI
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Dear Sir/Madam,

**Sub.: Transcript of the Earnings Conference Call held on July 22, 2024 for Q1 FY25**

Pursuant to the Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and with reference to our intimation dated July 15, 2024, regarding Earnings Conference call with Analyst(s) /Investor(s) held on Monday, July 22, 2024, 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](http://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**

**Parul  
Gupta** Digitally signed  
by Parul Gupta  
Date: 2024.07.26  
18:36:16 +05'30'



Parul Gupta

**Head - Company Secretary & Legal**

Membership No.: A38895

**ROSSARI BIOTECH LIMITED**

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

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## Rossari Biotech Limited

### Q1 FY25 Earnings Conference Call Transcript

July 22, 2024

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**Moderator:** Ladies and Gentlemen, Good Day and Welcome to the Rossari Biotech Limited Earnings Conference Call.

I now hand the conference over to Mr. Anoop Poojari from CDR India. Thank you and over to you, Mr. Poojari.

**Anoop Poojari:** Thank you. Good evening, everyone and thank you for joining us on Rossari Biotech's Q1 FY25 Earnings Conference Call. We have with us Mr. Edward Menezes, Promoter and Executive Chairman, Mr. Sunil Chari, Promoter and Managing Director, and Mr. Ketan Sablok, Group Chief Financial Officer of the Company. We will begin the call with opening remarks from the management, following which we will have the forum open for a question-and-answer session.

Before we start, I would like to point out that some statements made in today's call may be forward-looking in nature and a disclaimer to this effect has been included in the earnings presentation shared with you earlier. I would now like to invite Mr. Edward Menezes to make his opening remarks.

**Edward Menezes:** Good evening, everyone, and thank you for joining us on our Earnings Conference Call. It's a pleasure to have you with us as we discuss our operational and financial performance. We are pleased to report a strong start to the year, driven by healthy YoY growth in both revenues and profits. This performance is particularly commendable given the current environment, and it was largely driven by the strong expansion of our HPPC business and a healthy uptick in our TSC division. While challenges in our AHN division persisted due to industry headwinds, we remain optimistic about the recovery in the remaining fiscal year.

Our commitment to R&D continues to drive our success and we have seen many synergies emerge through our past acquisitions. A notable example is the development of a single component in emulsifier last year for the agrochemicals industry, particularly in enhancing the stability and dispersion of herbicides. The emulsifier simplifies the formulation process, improves long-term stability and ensures uniform dispersion of the active ingredient, thereby providing better coverage and absorption by target plants. Such product developments are a key reason we have delivered strong success in the agro space despite the industry witnessing subdued demand. These innovations demonstrate our ongoing dedication to offering advanced, environmentally friendly solutions that meet the evolving needs of our customers.

As we have mentioned in the past, R&D is a cornerstone of our growth and innovation strategy, strengthening Rossari's position as a leading solutions provider

in the specialty chemicals sector. Our R&D capabilities enable us to meet evolving market trends and offer bespoke solutions, driving growth, creating value and enhancing our reputation for intelligent and sustainable solutions. While commodity chemicals have benefited from global industry trends in recent years, we see a promising shift where solution providers and formulators with strong R&D capabilities like Rossari will lead the way in creating sustainable value for all stakeholders going forward.

The recent expansion at Dahej, along with increased ethoxylation capacity expected to be completed by year-end, will help meet the growing demand in all key segments including Agrochemicals, Specialty Surfactants, Oil and Gas and Performance Chemicals. As India emerges as a major hub for global chemical manufacturing, our R&D framework, solid financial base, enhanced manufacturing capacities, and diverse product range position us well to capitalize on growth opportunities in both domestic and international markets.

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

**Sunil Chari:**

Thank you, Edward, sir, and a warm namaste to everyone.

The 1st Quarter of FY25 has demonstrated our resilience and growth potential. We have had the best quarterly performance ever, both in terms of revenue and profits. We are especially pleased with the outstanding performance of our HPPC segment, which achieved a robust 21% growth. Our Textile Specialty Chemicals division also performed well, registering a 21% growth. However, the Animal Health and Nutrition performance remained flat due to industry headwinds. Our ongoing efforts to expand our domestic and international customer base have been instrumental in achieving a significant YoY increase in both revenues and profit, which grew by 19.3% and 19.5% respectively.

We are experiencing notable success in our export markets, which are growing faster than our domestic markets. This growth stems from our strategy of targeting new customers in both new and existing regions. Our participation in key industry events worldwide has significantly contributed to the success. At ChemSpec, Europe, 2024 a key global event for the fine and specialty chemicals industry, we unveiled our latest innovations in specialty chemicals connected with industry leaders and showcase our commitment to cutting edge solutions.

Similarly, our engagements at in-cosmetics Korea, in-cosmetics Global in Paris, , and CPHI Southeast Asia 2024 allowed us to present our advancements in beauty, personal care and pharmaceuticals. The positive reception at these events has helped us build strategic partnerships and stay at the forefront of the industry trends. These strategic efforts underscore our dedication to pioneering innovative, sustainable and customer-centric solutions across diverse sectors worldwide.

Overall, we remain committed to our growth strategy across all business divisions, with a particular focus on agro surfactants, the phenoxy series, the institutional cleaning, oil and gas and performance chemicals. While our export markets have shown remarkable growth, our domestic market continues to be a key driver of our success. By developing new verticals within our core chemistries, we have laid a strong foundation for future expansion both domestically and internationally. This balanced approach ensures that we can capitalize on growth opportunities globally while maintaining a robust presence and driving significant value in our home market.

I would now like to invite Ketan sir to share his perspectives.

**Ketan Sablok:** Thank you, Chari sir and good evening to everyone. Let me provide you with a brief overview of the financial performance for the quarter ended June 30th, 2024.

As Chari sir said, we have had one of our best quarters and a strong beginning to FY25 with revenue from operations growing by 19.3% to Rs. 489.7 crore compared to Rs. 410.6 crore in the same period last year. Our EBITDA has improved by 12.5% to Rs. 64.9 crore from Rs. 57.7 crore, with an EBITDA margin of 13.3% compared to 14.1% in the previous year. The drop in EBITDA margin was primarily due to increase in other expenses, mainly driven by higher freight, travel, maintenance and selling and distribution costs. We have reported a record PAT of Rs. 34.9 crore, an increase of 19.5% from Rs. 29.2 crore.

Coming to our segment-wise performance, our HPPC division saw robust growth of 21% YoY during the quarter, reaching Rs. 365 crore compared to Rs. 301 crore. The Textile Specialty Chemicals division also grew by 21%, up to Rs. 98 crore from Rs. 81 crore. AHN division experienced muted performance, with the revenues at Rs. 27 crore in Q1 FY25 compared to Rs. 29 crore last year. In terms of revenue contribution this quarter, HPPC leads with 75%, followed by TSC with 20% and AHN with 5% of the revenues.

Moving forward, our expansion projects at Dahej are progressing as planned and are expected to be completed by the end of the current year. The expansion includes adding 20,000 tons of capacity for products related to HPPC in the specialty chemicals space, as well as producing ingredients for our subsidiary companies. Additionally, to cater to the growing demand in the agro, home and personal care, oil and gas and pharma sector, we are adding Ethoxylation capacities of 30,000 MT at Dahej facility of Unitop. The commissioning will happen in a phased manner within the current year. These expansions will enable us to meet the growing demand across key sectors, further driving growth.

To conclude, we are confident about the opportunities in our business verticals and believe that our robust R&D framework, strong financial base and diverse product portfolio will continue to drive our success going forward. We remain dedicated to our strategic growth initiatives, consistently driving innovation, improving operational efficiencies and better capacity utilization. We are confident that these initiatives, coupled with our disciplined financial management and investment in our people will enable us to deliver sustainable growth in the coming years.

That's all from my side. I would now request the moderator to open the forum for any questions which the participants may have. Thank you.

**Moderator:** We will now begin the question-and-answer session. The first question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

**Ankur Periwal:** First question is on the revenue growth. Over the last 3-4 quarters, we have been reporting around let's say 15% to 20% odd YoY revenue growth. How has been the volume growth trend here, if you can highlight that?

**Ketan Sablok:** Thank you. Ankur, I think, the primary growth driver for the last few quarters and this quarter has been the volumes for us, both in HPPC and this quarter, we also saw good volume offtake in the textile specialty chemicals. So, I would say the entire growth mostly is coming out of volumes. Prices are more or less stable now. There are some places where we have taken slight price cuts just to get into the volume game, but overall prices seem to be stable now.

**Ankur Periwal:** So, would it be fair to say that large part of the growth over the last, let's say 2-3 quarters is led by volume, which is let's say 15%-18% odd volume growth YoY?

- Ketan Sablok:** Yes.
- Ankur Periwal:** Second question is on the separate performance for standalone here. If I go back, we used to do 15%-17% odd EBITDA margins, even higher than that, right, pre-COVID, and after that the numbers had come down and we have been consistently in that 12%-13% odd EBITDA margin range for the last 6-8 quarters. Would we go back to those 15%-17% EBITDA margin there or this is the new normal that one should look at?
- Sunil Chari:** Ankur ji, now, the major business is surfactants at Unitop which was of course planned at Rossari as Ethoxylation earlier, and I think we should consider this as a new normal in terms of EBITDA margins.
- Ankur Periwal:** Both on the subsidiary and on the standalone franchisee?
- Ketan Sablok:** Yes, Ankur. Now since both the subsidiaries and the standalone Rossari, lot of the ethoxylation and the products are going to go in a cross-selling mode, so it would be ideal to look at it at the similar level, and even going forward as some of the capacities which we are putting up in the Rossari facility of Dahej will actually manufacture ingredient which will go in as the inputs for the products which are manufactured at Unitop. So, there will be a lot of cross-selling now between. As it is, having a lot of cross-selling, this is only going to go up now over the year. So, it would be ideal to look at the EBITDA margin at a consolidated level, and as Mr. Chari said this is what at least for the current year, this is what we are seeing, 13%-13.5% will play between these two numbers.
- Moderator:** The next question is from the line of Abhishek Navalgund from Nirmal Bang Equities. Please go ahead.
- A Navalgund:** My first question is on the HPPC revenue. Could you clarify what sort of contribution would have come basically from the Buzil-Rossari segment here?
- Sunil Chari:** Buzil-Rossari segment had the similar sales last year. Institutional Chemicals business was about Rs. 60 crore.
- A Navalgund:** The reason why I am asking this is, we did around Rs. 160-odd crore last full year and we're talking about let's say doubling the number. In this quarter also, I mean, the other expenses look little higher. Just wanted to understand that business is like a relatively low margin business and any significant growth in that business would have contributed to this blended margin profile, that was the main question actually. You are saying Rs. 60 crore for the quarter, right?
- Ketan Sablok:** Yes. So, Abhishek, we have done around Rs. 60 crore for the quarter, and I think we are in line with what we had talked about earlier for reaching the annual number.
- A Navalgund:** But do you think because of this Rs. 300 crore number, I mean ex-Buzil Rossari margins should improve on a consolidated level?
- Ketan Sablok:** Yes. See, that way if you see lot of 'ex things margins will improve, but you have to see the business overall. So, while this is a tough business to be in, but this is the business we want to grow. So, even if it's currently a challenge on our margin percentage, we are okay to keep seeding this business for the next few years till it reaches a certain size.
- A Navalgund:** Regarding that GST penalty notice press release that you have put, so should we expect a provision going forward for our Rs. 25-crore number?

**Ketan Sablok:** No, there will not be any provision. That's an order which has been passed, as per the department it's an IGST refund, which they claim to be erroneous. We have taken proper legal views on the order which has come, and we are now going to appeal against this order with the higher authority of commissioner appeal, and we are quite hopeful of getting a favorable order on this.

**Sunil Chari:** Abhishek bhai, this notice has been given to practically thousands of exporters who have taken refund on IGST paid on export credit. So, this is an industry wide norm and there is a big hue and cry and everybody is sure that that this will not stand in the court of law.

**Moderator:** The next question is from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

**Sanjesh Jain:** First, a clarification on textile revenue. Have you made any changes to the reporting, because I think the base year revenue appears to be lower than what you have reported last year same quarter. I think presentation is still showing it.

**Ketan Sablok:** Sanjesh, yes. So, that change actually we had done in Q2 of last year. We have done a reclassification of a product from Textiles to HPPC. So, if you see our Q2 presentation of last year, we have done this change and we had put in a note.

**Sanjesh Jain:** What was the product?

**Ketan Sablok:** I will need to check the exact product what it was, but it was a HPPC product which was grouped into textiles in the 1st Quarter, and we had made that correction in Q2 of last year.

**Sanjesh Jain:** This was only for that one quarter that mistake happened?

**Ketan Sablok:** Yes. So, if you see our Q2 presentation, it's been corrected.

**Sanjesh Jain:** One more clarification on this. So, if I look at overall 3 years trend, we have been hovering around Rs. 100 crore of revenue, while you look at the peers like Atul Rudolf and all, they have reported quite a healthy revenue growth in the textile segment. Any particular reason why we are not able to grow while some of the peers who are listed and report the number have been growing faster than what we are growing, or we are more focused on HPPC and hence textiles is taking a backseat?

**Sunil Chari:** No, we have focus on the textile business, we have a bigger base now currently.

**Sanjesh Jain:** This is no bigger than us. But just in terms of growth rate, are we losing any market share there?

**Sunil Chari:** No, because our volumes have grown and normally prices have fallen, FG prices have fallen, and we see better volumes in textiles compared to last year.

**Sanjesh Jain:** Why then we are not able to translate, and I thought Edward sir also said that we are introducing a lot many products in the finishing side of it, which I thought were higher realization and hence would have grown faster. But if I look at the revenue for last 3 years, we have stuck at that Rs. 100 crore kind of a quarterly run rate.

**Sunil Chari:** Compared to last year, the finished goods prices have fallen substantially, which has translated also into higher volumes in the textile's chemicals. So, for us we are steady, means, we have grown. There will be other companies who would follow this



and have taken share from our competitors. We have also taken some share from our competitors because the textile markets as such have not grown, the home textile business is now on upswing in India, orders are good with our home textile exporters especially for the USA market. So, we are confident of better sales in the coming quarters.

**Sanjesh Jain:** Second is on the HPPC segment. If I just take out the part of it, it appears that QoQ there is a decline of 18% in a non-Unitop kind of a business. YoY, we are still very healthy, I appreciate that, but on a sequential basis, it appears to be a much steeper fall. Any particular reason there?

**Ketan Sablok:** What you are saying is take off what?

**Sanjesh Jain:** That is HPPC ex of the consol minus standalone.

**Ketan Sablok:** You cannot see it like that, Sanjesh. As I already just sometime back talked about it, there are a lot of products now which we are cross-selling. We do not subtract. I think I have talked about this earlier also that it's not the right way to look at the numbers now for Rossari, because part of HPPC is done through standalone, part of it is done through Unitop and Tristar. Some of the customers of Unitop and Tristar which we have developed within the Rossari distributor network, sales are routed through Rossari. So, there are lots of cross-selling that's going on and that's only going to increase now with the new capacities coming up both at Unitop and Tristar. So, my submission would be to not simply subtract numbers in the financials and look at it, it would be better to look at it at a group level.

**Sunil Chari:** Sanjesh sir, to add to what Ketan sir is saying, in Q1 FY24 year we did Rs. 301 crore in HPPC, last Q4 of FY24 we did Rs. 344 crore and in Q1 of FY25 we did Rs. 365 crore. We have consistently grown in HPPC segment. So, please look at it holistically, sir.

**Sanjesh Jain:** No, no, I appreciate that, but the problem is that one of the products which is agrochemicals is a seasonal product and it has become fairly large, and I do not think it is an HPPC product, it's a completely an industrial product, it's a B2B product. And hence I just wanted to see if I take it out, then how is our underlying actual HPPC product, which is our earlier standalone product looks like? But I appreciate that, I know, there is a lot of cross-selling. So, I do not read it very thoroughly. Because it was a sharper drop, hence I thought of asking it.

**Ketan Sablok:** You must note that Unitop is just not an agro thing. I think we have spoken earlier also. At the time of acquisition, Unitop sales of Agro products was 60%-65%, maybe even higher. Today, the ratio between the Agro and Non-Agro is almost 50%-50%. Maybe this quarter it would have been 45% and this thing because of this season but the non-agro business of Unitop has also grown significantly in the last few years post the acquisition.

**Sunil Chari:** To add, even the Non-Agro business in Unitop grew by nearly 30% in this quarter, Agro declined but Non-Agro grew very well.

**Sanjesh Jain:** Ketan ji, if we can have a separate segment for Agro, oil and gas and can we have one, the green HPPC, so we can appreciate the growth in both the segments, that would be very helpful because Agro is a more seasonal product, it will create certain volatility. That's a small request from our side. The other question is on the new product portfolio. Last time when Edward sir highlighted us there was a newer product in terms of green chemistry in HPPC and all, including some of the pharma side. Can you just highlight which are the products being launched and other products in the pipeline?

**Edward Menezes:** In the HPPC segment, we have introduced a lot of esters in the last couple of quarters. So, all these products which were in the R&D stage, they have been launched both in the market as well as raw materials for Unitop. So, most of these esters were being outsourced by Unitop. Now, they are being manufactured in-house at our Rossari Dahej plant so that project has taken off very well, like the SMOs and SML and SMS, as well as the MRO kind of products. So, that has already taken off. Then we have the Cocoaminopropyl betaines as well as the Cocodiethylamide product, CDEA. So, there are many such other ingredients that we have started at Rossari. These have been launched in the marketplace as well as we are cross-selling to Unitop. Like you said that last time that biosurfactant, pilot scale we have scaled up. Now, this has gone into production, and we have taken action to increase the production capacity of our biosurfactant as well. Finally, also, the silicone block polymers are now completely made in-house, barring one or two products which we still outsourced. Otherwise, all other products we have started manufacturing in-house. If you look at whatever projects we have taken up in the last couple of quarters, most of them have been introduced in the marketplace and some of the green chemistries like the bio-scouring agent, green hydro, these also have been launched in the marketplace and some sales are being developed for them too.

**Sanjesh Jain:** Any update on the cosmetic side of the business which we were developing, how are we placed there and how is that performing?

**Sunil Chari:** Cosmetics, what kind of products you are referring to, sir?

**Sanjesh Jain:** So, all the cosmetics, I think, we started with Purple or somebody, right, and we wanted to expand that all cosmetics side of business.

**Sunil Chari:** Yes, the Purple business is doing well, I think it has grown QoQ also very substantially, but in the cosmetic also we are developing lot of polysorbates which are surfactants which go into personal care formulations and that sale even in export and domestic markets is increasing very well. We are introducing lot of esters in the personal care area, and I think going forward, we should see good traction in that also.

**Sanjesh Jain:** How big has it become for us now, is it Rs. 25-50 crore kind of a top line for us now?

**Sunil Chari:** We do not have figures because we do not bifurcate this, and we give it as only HPPC segment.

**Sanjesh Jain:** Any updates on the exports? I think we were very optimistic on the exports both on the textile side and Unitop side. Any further update particularly on the textile side?

**Ketan Sablok:** I think exports continues to be our main driver now, at least we have seen that in the last few quarters. This quarter also if you see, of the overall revenues, I think close to 24%-25% would be exports, YoY growth is close to almost 50% growth on the export side and this has happened primarily in HPPC, but also now we are seeing the export revenue of textiles also slowly firming up. Some of the initiatives that we talked in the last quarter in Bangladesh and Vietnam, we are seeing some of that playing out now in this quarter. We have also now in this quarter, started initiatives in Egypt. I think going forward in the balance part of the year majorly in the second-half, we will see some good traction in textiles exports from these countries.

**Sanjesh Jain:** What is our expectation on exports as a percentage of top line, we can reach say in next 2 years?



- Ketan Sablok:** If you see overall the business itself is growing, so it's growing both on the domestic as well as on the exports. But if you see, I think, last year Q1 our exports would have been 20% of our revenue. Today, this quarter it's almost 24%-25%. But if you see in value terms, at least 50% growth. So, while the percentage is not growing, but the absolute number is growing significantly. I think we would be happy if the exports absolute number keeps growing and if it's within this 25%-30% kind of range I think for the next 2 years, that's what is our target number.
- Moderator:** The next question which is from the line of Bhargav Buddhadev from Ambit Asset Management. Please go ahead.
- Bhargav Buddhadev:** My first question, just continuing on the exports, especially on the Bangladesh front, how big can this opportunity be on the textile side, sir?
- Sunil Chari:** Bangladesh market, which is bigger than the Indian market, but there were also a lot of Forex issues, which is now considerably eased. We see that opportunity in Bangladesh is bigger than Indian opportunity. We have a team of people present there, we have now a new distributor and we think that progressively we should see better traction in sales from Bangladesh than in the previous quarters.
- Bhargav Buddhadev:** Sir, second question is relating to our institutional business. At what level can we expect this business to become breakeven and if you can share some insights into what could be your sort of 3-year plan to make this business much larger from here on?
- Sunil Chari:** Institutional cleaning chemical this year, we are expecting it to be Rs. 250 crore, the 1st Quarter was about Rs. 60 crore. So, we have had a substantial growth in that business. The focus would be on all products related to the institutional cleaning, hygiene, disinfection and also food service. We are going as a basket by providing not only chemicals but a whole range of products together which can go into the institutional cleaning and hygiene and disinfection line. So, airports, malls, food service, hospitals, these are the areas where we want to focus in the next financial years. I think in terms of percentage of growth, because this is a smaller base from Rs. 150 to 250 crore, and we should see a healthy growth YoY on this segment primarily because the market is big and the focus on cleaning and hygiene and disinfection is increasing. That is why we are very bullish on this business. This business is a very difficult business because it requires lot of service, lot of people in the field and also a lot of equipments. For example, if you go to the laundry in the hotel industry, we need to have dispensers to dispense chemicals to the batch washing equipment, and even if you go to the kitchen, there is a big automatic dishwashing line, we need to provide chemicals to dispense those chemicals in automatic manner on big machines. Other than that, even in facility management, for example, in airport, because the manpower is unskilled, which are contractable, which is coming to the facility management companies, we need to provide dispensers so that dilution happens. We supply chemicals which are concentrated, for example, you have to add between 5ml to 20ml per liter. This is a service concept rather than only chemicals, there are other products which we go as a basket for this industry. And we are happy to not only focus on chemicals but to go as a basket. We're planning to launch products based on kind of povidine iodine providing all where the common big brand is betadine and a lot of other products in the near future. Hospital hygiene also is something which we think could grow in a big way in the future. YoY, we should see much higher growth than the consolidated growth. That is what we foresee in the future.
- Bhargav Buddhadev:** Sir, any gross margin guidance or working capital guidance which we can give once the business crosses maybe Rs. 400-500 crore?

**Ketan Sablok:** I think the business itself is a higher gross margin business for us. While there is a little stretch on the working capital currently in the business. We will probably understand a little more on working capital size once we reach that Rs. 500 crore number. I am sure it will be much healthier than what it is as on date. But currently to give you a guidance on what the working capital would be is a little difficult for us.

**Bhargav Buddhadev:** Maybe more than 200-plus people on the ground?

**Sunil Chari:** Yes, more than 200 people on the ground here already.

**Moderator:** The next question is from the line of Dhruv Muchhal from HDFC Asset Management. Please go ahead.

**Dhruv Muchhal:** Sir. what's the cash CAPEX that you are planning for this year?

**Ketan Sablok:** The cash outflow will be only for these 2 large CAPEX which we have announced, Unitop and Rossari. That's only the major CAPEX outflow that's going to happen. Apart from that, we have a additional small CAPEX of AHN, which is vitamin pre mix and minerals facility. Overall, we will have an outflow of close to about Rs. 100 crore.

**Dhruv Muchhal:** And sir, secondly, on the container sea freight issue, what's the implication for us, basically the domestic market would probably benefit, probably some impact on the on the export market, but if you can provide some context here, sir?

**Sunil Chari:** Right now, all our contracts we are going on FOB, and we are calculating the freight available today and then telling them that we have arrived at a CIF price based on this much amount of container rate. Now, at the time of actual dispatch, if the freight is lower, we will lower the CIF price, if it is higher, we will give higher CIF price and we will be open and transparent, but we do not want to earn from the freight. The freights are now nearly 2-3 times more than what it was, but they seem to be stabilizing now. In last one week we did not see too much increase than what we had the week before. But also, we are also seeing shortage of containers primarily because our freight agents are saying that the whole China is diverting all the containers to shipping of electric vehicles. There are also delays because vessels are not available, containers are not available. So, normal shipping times have increased. Now, what is happening is when containers reach late to the customers, they consume late and then the next orders get delayed, and the customers want to try out some other suppliers from where they can get the container early. Overall, I think the whole world is grappling with this problem. So, it's a new normal till it stabilizes.

**Dhruv Muchhal:** But sir, our domestic market, which is about 75%, that should ideally benefit because the competing products have become more expensive now, at least whatever was getting imported?

**Sunil Chari:** If you see our 3 segments, HPPC, Textile and Animal Health and Nutrition, we had a lot of domestic customers because in all the three segments, all the multinationals have local manufacturing facilities. So, even if you see imports, we have very less imports compared to our exports. So, if you see exports is on an average Rs. 120 crore, the import should be Rs. 20-25 crore in a quarter. I think similarly will be the case for our competition because domestically now a lot of raw materials in the segments we work in are available. To give one more example acrylic acid and butyl Acrylic we primarily imported earlier and now it is domestically available with BPCL and imports have gone down. Similarly, acetic acid, this month, we are buying only from the GNFC because the GNFC prices are much better than import prices. India is coming up in terms of lot of raw materials availability and pricing also has become very competitive.

- Moderator:** The next question is from the line of Chetan Thacker from ASK Investment Managers. Please go ahead.
- Chetan Thacker:** Just two questions. One, what is the contribution of AgroChem to this current quarter revenue and the same number last year? So, just to get a sense of what has been the growth in AgChem per se. And second was on working capital. How has that played out this quarter, have we seen some release of funds from there?
- Sunil Chari:** With agro, we do not have exact figures, because we do not bifurcate revenue based on sub segments in the HPPC segment. But this season has been better than last season and we have seen sales better than last season. Monsoon has been very good and overall, agrochemical formulators and the big agrochemical formulation manufacturers foresee a good uptake in the next 2 months. As a percentage or value, we do not have exact figures to get to. Collections have also been better, but I think it is nearly the same as in the past. So, it has not worsened.
- Chetan Thacker:** And sir, working capital, we have seen some release or nothing materially in this quarter?
- Ketan Sablok:** Working capital is pretty much the same as what it was in March. We have taken some steps. Hopefully by September we should see some release of funds coming out of working capital.
- Moderator:** The next question is from the line of Aditya Chheda from InCred Asset Management. Please go ahead.
- Aditya Chheda:** Sir, first question is on the other expenses. We have seen a sharp increase sequentially. So, would you highlight if there is a one-off or just in detail what these increases in other expenses?
- Ketan Sablok:** Yes, this quarter we have about Rs. 3-4-ish crore of one-off expenses that has got booked. One of it is on the maintenance side, in Tristar, we had a plant shut down for about 12 to 15 days. So, that's where the maintenance costs have gone up. We had a shutdown at the Tristar facility. So, we have some expenses booked on the maintenance side during this quarter. And we have also initiated in the last quarter some consulting work for restructuring on our HR front. Now, with so many multiple businesses and a lot of new people joining in, we had taken some professional help and restructuring, reorganizing, bringing in new performance management system, job description etc., Some of those bills have got expensed out in this quarter. Apart from that, I think, partly, freight expenses have gone up. There has been a lot of spending in the last 3-4 months on lot of exhibitions, some of which Mr. Chari talked about in his opening comment and the overall travel expenses have also gone up during this quarter. I would say the selling and distribution related expenses have gone up in this quarter. So, that pretty much makes up for the increased other expenses that you see in the numbers.
- Aditya Chheda:** My second question is on the CAPEX which is coming up in a phased manner. At the current revenue run rate, we are looking at a high single digit implied revenue growth. But if you could talk more about how this CAPEX will come onboard, if you can give some more details whether it is from Q3 or Q4 etc., that would be helpful?
- Sunil Chari:** Most of the expansion is based on ethylene oxide as our raw material and as we had announced in earlier calls, we are expecting our expansion to be completed by March 2025. Now, we are waiting for the expansion of reliance for ethylene oxide that to happen simultaneously. Because the customers would be big giant companies both in home, personal care, in oil and gas, in pharma. So, we would take some time for

approvals. But I think as we have said in earlier calls also, FY26-27 should be the right year for us to see 100% utilization of those capacities.

**Moderator:** The next question is from the line of Rohit Nagraj from Centrum Broking. Please go ahead.

**Rohit Nagraj:** First question is on the institutional business. We have a target of Rs. 250-odd crore and I believe that in terms of margins probably it's lower margins than our company-wide margin. So, what could be a critical revenue level from where the operating leverage will start kicking in and probably the margins would be at a company-wide level?

**Ketan Sablok:** Rohit, as I talked a little early also, I think this business now at least for the next two years needs to show a strong growth prospect. So, we are investing in terms of people and other resources quite heavily in this. Some of the new additions in terms of people on the ground, if you see, is mostly happening in this business. Currently, as we said, we have done Rs. 60 crore, we are expecting to close this year closer to Rs. 250-odd crore kind of a number. I currently do not have the exact number, but I have a feeling that this number needs to at least double in the next 2 years and maybe two years down the line we will start seeing some operating leverage flowing in. So maybe closer to Rs. 500-600 crore kind of top line is when this business will really start showing some positive traction and post that I think it will really bump up our margin. Currently also, it's not that this business is not giving us, but the level of margins is slightly lower than what the company average is.

**Rohit Nagraj:** Second question is in terms of the textile chemicals business on the exports front, Bangladesh and Vietnam. So, if you can just let us know in terms of what is the size of employees that we have currently in terms of maybe 3-5 years down the line, what is the kind of revenue that we are looking from these markets given the investments that we are currently making in terms of manpower and keeping the local professionals out there, so just a broader perspective would be good?

**Sunil Chari:** We have about 6 people working in Bangladesh office in the sales. Because our sales are low, we are gradually scaling up this thing. The textile exports as a whole, we are expecting it to grow primarily because destocking has happened in the American market and our customers in India and as well as Bangladesh and other countries are having good orders for the current financial year.

**Rohit Nagraj:** Just one last clarification. We have incorporated a subsidiary in Dubai. What's the strategy behind that?

**Ketan Sablok:** We incorporated the subsidiary in Dubai primarily for any global expansion that we may plan going forward. So, rather than holding it through India, we currently incorporated this subsidiary. Any new set up which we may plan to do in any other country, we would like to do it through this Dubai subsidiary. So, that's the plan as of now. We are looking at some of the geographies, that is still in the planning stage, where we would like to set up some small facility. We will do that under this company in Dubai.

**Rohit Nagraj:** Will it be a manufacturing set up or will it be purely a marketing or selling?

**Ketan Sablok:** It will be a mix of both. We may start off with a marketing facility and then maybe as the business grows and as we see some traction in the customer base, we may even set up a manufacturing facility.

**Moderator:** The next question is from the line of Pradeep Rawat from Yogya Capital. Please go ahead.

**Pradeep Rawat:** I have couple of questions. First of all, on working capital, so over the years our working capital base has been constantly increasing. So, why is this happening and what should we expect in future on this front?

**Sunil Chari:** If you see our business before other acquisitions and now, now the acquisitions is mostly based on the surfactant business. The surfactant business like Unitop and Tristar are also where we have to buy EO and also the hydrophobe which reacts with EO, like lauryl alcohol or nonylphenol or Tridecyl alcohol or any fatty acid. They are all purchased in advance terms, and we have the normal standard 90-days terms with our customers. So, we cannot compare apple-to-apple what Rossari was 4 years ago before the acquisitions happened and what it is now. And as we said in the last 2 earnings call, between 90-100 days is a new normal which we should consider.

**Pradeep Rawat:** And with regard to demand dynamics, so how are we seeing the demand dynamics unfolding for Textile and HPPC segments and what growth should we consider for FY25?

**Sunil Chari:** Both the markets we see healthy demand both domestic and in exports. As I said earlier, the home textile markets especially from the US, the orders are full with our current customers in India and also in Bangladesh. We should see higher sales in both these countries with other countries also. In the HPPC segment, again, we see exports and the domestic market both having good demand. We see both the segments should continue to do better than what it was last.

**Pradeep Rawat:** What is our current utilization?

**Ketan Sablok:** On ethoxylation side, our utilizations are at 90% plus at both the sites of Tristar and Unitop.

**Pradeep Rawat:** Utilization is somewhere around 65%-70% and we are operating at 90% of that 60%, 75%, right?

**Ketan Sablok:** No, no. See, we have capacities of ethoxylation, and we have the other capacities of reaction, etc., On the ethoxylation which is our core activity, our plants are working at almost 90%, and overall if we take an average, we are at about 55%-60%.

**Pradeep Rawat:** And the other one is that we are doing two CAPEX. So, what could be the revenue opportunity from those CAPEX?

**Ketan Sablok:** At a peak these give an asset turn of around 4.

**Moderator:** We have the next question from the line of Bhavin Soni from Anand Rathi Share and Stock Brokers Limited. Please go ahead.

**Bhavin Soni:** I just wanted some clarity on the freight expenses. You mentioned that the other expenses are one-off with respect to the exhibitions and travel and sales and distribution. But can you just give a breakup of how the freight increase on QoQ and YoY basis?

**Ketan Sablok:** Off-hand, I do not have those numbers, but freight increase is almost, I would say, if you see YoY it would have definitely increased about 35%-40% of what it was in Q1 of last year.

- Bhavin Soni:** How do you see it going forward, like for now you have said that it's stable since last week, but for this quarter and next quarter?
- Sunil Chari:** In terms of freight, we see it at the same levels as we said. Now, based on June and the first half of July, we do not see destination wise too much increase in freight. The container and the ships availability also are little better, not the same as like in January to March quarter, but I think this is a little better than previously.
- Bhavin Soni:** And sir, any one-off spikes in employee expense, because they also increased around 17% YoY and 14% QoQ?
- Ketan Sablok:** That's not a one-off increase. There we have gotten people through between last year and current year and of course there has been general increments that had happened.
- Moderator:** We have no further questions, ladies and gentlemen. I would now like to hand the conference over to the management for closing comments. Over to you, sir.
- Edward Menezes:** Thank you, everyone. 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. Have a good evening.

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