

9th May 2024

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| 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 7th May 2024

In furtherance of our letter dated 7th May 2024 informing the exchanges regarding Audio recording of the earnings conference call in respect of the financial results of the company for the quarter and year ended 31st March 2024, we wish to inform that the transcript of the earnings conference call held on 7th May 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

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Company Secretary & Head - Legal

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Apcotex Industries Limited
Q4 FY24 Earnings Conference Call
May 07, 2024

Moderator: Ladies and gentlemen, good day and welcome to Apcotex Industries Limited Q4 FY24 Earning 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 call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Purvangi Jain. 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 Fourth Quarter of the Financial Year 2024.

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 uncertainty, 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.

Now, 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 earning conference call for the 4th Quarter of Financial Year 2024. I hope you had an opportunity to review the Financial Statements and Earnings Presentation which have been circulated and uploaded on the website and the stock exchange.

Let me provide you with a brief Overview of the Financial Performance for the 4th Quarter ended 31st March:

The operating income for the quarter was Rs.311 crore which grew by around 21% year-on-year basis with increased volumes in spite of challenging market conditions. The EBITDA was reported around Rs.31 crore, a decrease of approximately 8% year-on-year, due to lower margins in some product categories due to market dynamics. The EBITDA margin stood at 10.08%. The net profit after tax was at Rs.15 crore, which grew by 38% on quarter-on-quarter basis, and PAT margin stood at 4.93%. On the operational front we achieved an impressive 34% year-on-year volume growth. On the international front we celebrated our highest quarterly export volumes growth 71% year-on-year.

Now coming to the Financial Performance of Financial Year 2024:

Revenue stood at Rs.1125 crores representing a 4% increase year-on-year. The operating margin was Rs.114 crore which declined by 28% year-on-year while the margin stood at 10.13%. The PAT was reported at Rs.54 crore which declined by 50% on year-on-year partially because of increase in depreciation and interest cost due to commissioning of major expansion projects. For FY24 our company achieved remarkable growth with a 28% year-on-year increase in overall volume and an extraordinary 95% year-on-year surge in volumes.

With these figures, while these figures showcase our robust market presence, it is essential to note that our revenue increased by 4% compared to the volume increase of 28% due to project product mix, falling raw material price and lower realization. Capacity expansion from the new project stood at 30% to 45% on a full-year basis.

With this now, I open the floor for the 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 Aditya Khetan from SMIFS Institutional Equity. Please go ahead.

Aditya Khetan: Sir on to the Nitrile Latex business, sir what is the current utilization in Q4 and what we are targeting for full fiscal in FY25 and FY26?

Abhiraj Choksey: Thank you. So as I mentioned last time, the utilization is definitely lower than what we had envisaged at the beginning of the year, we were hoping to be by this time at 100%, for at least the last one or two months at 100% utilization, but the best we have done so far is about 50% utilization in one month. Overall, for the quarter we would, for the year average I have for the average for the year is at about 30% capacity utilization, for the quarter it would probably be about 40%, 45%.

Aditya Khetan: And sir what we are targeting for the next year FY25?

Abhiraj Choksey: So, the whole issue there is, of course we can scale up immediately. But the issue is about margins. So right now the focus is just increasing the breadth of customers making sure we approved everywhere and doing business where contribution margins are at least positive, we are also looking at different ways to reduce cost. Given that the market hasn't turned as much as, as we hoped that it would or expected it to the glove industry. In the last couple of months, there are some signs of some turn, but there is still a lot of overcapacity in the market and inventory is still have gloves that is still being depleted. From the recent report card that I've read, that seems to be coming to an end the post COVID inventory. So we expect this year, the contribution margins support us when we look at increasing module, increasing capacity utilization, of course immediately to 100% if we can. Which we should be able to given that we have got several approvals from new customers as well.

Aditya Khetan: Okay. Sir suppose although the Nitrile Latex businesses. So, coming into the new fiscal year, so we are still witnessing so lower margins only and all this weakness is this so persist for this full year, how are we expecting to increase our value addition, because we had mentioned that we would be looking to increase our value added product segment. But our Nitrile Latex, if that business will continue to struggle, you think this fiscal FY24 what margins we have made of 10% we could be clocking a similar margins for the next year also?

Abhiraj Choksey: We have a couple of options, one option is to convert these, these part of the assets that we have made for Nitrile Latex. So on the flip side, I'll tell you for our Taloja expansion that is going exceedingly well. And there the capacity utilization, at the maximum level for one month even got to 65% on average for the year it's been about 45%. So, here it will exceeded our expectations and we expect that in the next one to two years this will be fully utilized. So one option is to use the Nitrile Latex plant if for example the industry doesn't turn soon, to use part of the assets to make styrene butadiene latex, styrene acrylic latex and then so on other latex is in our Valia XNB latex plant. So that is an option that we are considering.

Aditya Khetan: Okay. So this plan is finalized or like we would be looking if the situation doesn't turn good?

Abhiraj Choksey: It's not finalized, we still think this is Nitrile Latex is a good business to be in in the long run. In terms of the market cycle now it's been almost a year and a half to two where it's been really down, a year and a half or so. So, if the cycle turns and margins improved then it's certainly something that we will focus on and ensure that we get to 100% capacity utilization very quickly and hopefully good margins in which case to answer your question of course, one of the reasons for the lower EBITDA margins is been the Nitrile Latex business which has been a drag where honestly EBITDA margins, is positive on the contribution margin front but the EBITDA margin is just about breakeven if that so, that's of course being a drag.

Aditya Khetan: Okay, got it. Sir you have any idea like how is the imports which is happening into NBR and into the synthetic latex, have you seen any sort of an increase in import intensity from our

competitors like which is also impacting the realization of our company also like so in order to maintain our market share so we also have to cut down our realization, have we done that?

Abhiraj Choksey: For NBR we have seen significant imports, we have through some of the bottlenecking we have increased our capacity a little bit also. But, so we are running at full capacity for NBR. But, certainly margins have been a challenge this year compared to last year. In FY22-23, especially the first six months we also had the advantage of the higher sea freight, which was causing imports to be even higher, which of course in the last year and a half has not been there. NBR has been a more challenging year than the previous two years for sure in terms of margins.

Aditya Khetan: And in Synthetic Latex?

Abhiraj Choksey: No, they are fairly stable by and large, no major ups and downs. In fact, those have gone quite well, there has been significant growth as well. As Sachin reported for the quarter we have had 24% volume growth. This has been on the back of the Nitrile Latex, as well as the Synthetic Latex, which is SB Latex and Styrene Acrylic Latex. So we have been focusing on growing volume this year, given the market cycles for most chemical companies has been difficult. So, we think focusing on volumes, getting more approval, export is now 30% of our overall sales. So really focus have on volumes. And when the market turns hopefully we will see EBITDA margins return back to sort of mid-teen levels as we expect.

Moderator: Thank you. Next question is from the line of Harshil Parekh from Aequitas Capital. Please go ahead.

Harshil Parekh: Sir my question is again on Nitrile Latex, so realizations continue to be below pre COVID levels. And Kumho which is a major player in Nitrile Latex, is also coming up with a major CAPEX by second quarter of this year. So how do you see realizations panning out in the segment, and especially given Kumho has already mentioned about their aggressiveness to regain the market share?

Abhiraj Choksey: Well, a couple of things. One is that the margins currently are not at pre-COVID levels, they are the lowest that they have ever been in history, or as far as we have been tracking it for the last six, seven years as far as Nitrile Latex is concerned, and look, I don't specifically want to address one particular player in this industry but, there are going to be, there are a few players in the industry and a few players have announced expansion projects, but most of them are pause. So we will see as and when that happens, the market is big enough for all of us. It's just a question of capacity utilization and margins.

Harshil Parekh: Sir here I meant realizations and not the margin so sorry for that. And sir again given the realizations currently stay where they are from a two or three year perspective, what would be the ROC which you can expect from our Nitrile Latex plant?

Abhiraj Choksey: As I said, we don't sort of give any data for the future, but certainly the ROC would be lower than what we had earlier anticipated when we initially started doing the project given in the first year our margins have not been there, we have not generated much ROC. So certainly overall ROC will be affected as we have plan B in place. And look, if this doesn't turn soon, we will need some more capacity by the end of the year of this financial year for styrene butadiene and styrene acrylic latex. So we will utilize some of these assets to manufacture styrene butadiene and styrene acrylic in the XNB plant for the Nitrile Latex plant.

Harshil Parekh: Okay, understood sir. And sir on the NBR part where earlier thinking of requesting government for an anti-dumping duty, so do we have any conclusion on that part?

Abhiraj Choksey: Look we had already as I told you, the DGTR which is under the Ministry of Commerce had already recommended an anti-dumping duty which was rejected by the Ministry of Finance. Now we along with several other companies that are in the same boat had filed, or have filed cases in several courts, and those cases are ongoing So since it's sub-judice I would sort of not want to comment much on that. As of now we are carrying on with our plans and we may think of reapplying for antidumping I'm not sure, we will see at the right time. But as of now we are carrying on with our plans and managing our business without taking that into consideration.

Moderator: Thank you. Next question is from the line of Farokh Pandole from Avestha Fund Management LLP. Please go ahead.

Farokh Pandole: The first question was that, what would be the time and the cost involved in this repurposing of the XNB capacity and sort of what proportion would we be looking at doing at least initially. And the second question is that X, the Nitrile Latex, what sort of margins are we currently running at, at a company level and what is the net debt that we have at this point?

Abhiraj Choksey: Okay. So time and cost Farokh we are working out, initial estimates right now are, so first of all we don't need the capacity immediately. We have capacity for our other latexes for the next year at least, year, year and a half. So we have enough time so it will definitely whatever if you take a decision within the next three, four months and it shouldn't take more than six to eight months, because most of the assets already bought we will need to buy certain equipment and tanks and so on to be able to make other latexes besides Nitrile Latex in Valia. That would take about six to eight months is our initial assessment. And the cost would not be significant maybe a couple of million dollars. \$2 to \$3 million is what we have initial assessment is. As far as net debt and margins without, is that what you asked EBITDA margins without the Nitrile Latex?

Farokh Pandole: Yes.

Abhiraj Choksey: Sachin do you have those numbers, immediately I can tell you the net debt, the long term debt as on March 31 is about 125 crores right Sachin?

Sachin Karwa: Right. So, the term loan is around 125 crores. So on a net debt minus in the investments we will be around including the short term borrowing around 70 crore odd. So, it will be around 0.1%, 0.2% of the net worth as such.

Abhiraj Choksey: So, what you are saying is, working capital plus long term debt minus our investment at market value is about 70 crores net debt.

Farokh Pandole: Okay, sure.

Abhiraj Choksey: And you just looking at long term debt minus investments is hardly some 14 crore.

Sachin Karwa: Yes.

Abhiraj Choksey: And margin without Nitrile Latex, can we get back to you. I don't think we would have it. But, certainly at least couple of percentage points higher because 2%, 3% higher. I'm venturing a guess, but we will get back to you on the exact number.

Farokh Pandole: Great, if you could. And just another question if I may. On the receivable front, there has been a sharp increase in receivables more than commensurate with what the increase in revenue was. And I just wanted to know what that was an account off and is it something we need to be concerned about?

Abhiraj Choksey: No, not at all. Nothing to be concerned about, if you see our receivables are at around 200 crores if I'm not mistaken that's right. And, we are at a run rate per month of over a 100 crores now in the last couple of months, 100 crores a month revenue. So it's about 60 days credit, that we typically give in the market. And the reason why there is a sharp increase and you would also have, as Sachin mentioned that large chunk of these export sales have come from, growth in sales come from export sales. And with export sales, typically the 60 days term starts from the date it's shipped. So it's another 10, 15 days actually we receive the money after 70, 75 days and in a couple of cases we had to give 90 days' credit as well. So it's just a customer mix kind of cue and the last couple of months revenue has been over 100 crore so that's the reason. But certainly nothing to be concerned about, no significant issue.

Moderator: Thank you. Next question is from the line of Amar Maurya from Lucky Investments. Please go ahead.

Amar Maurya: So, Abhiraj just wanted to understand what would be our volume growth let's say for this quarter and what was our full year volume growth on an overall business basis?

Abhiraj Choksey: 34% for the quarter and 28% for the year.

Amar Maurya: Okay. So volume growth was not a challenge and this large volume growth is largely because of the capacity expansion which we did?

Abhiraj Choksey: Yes, because the previous two years if you recall since I know you have been following the company for a while, we had no, not significant volume growth because you had almost 100% capacity utilization for FY23 and FY22 so additional capacity is certainly allowed for this volume growth. And of course it takes time because if any new plant we have to again go through some amount of approval cycles, and so on. So now we feel very good qualitatively where we are in the business, the Nitrile Latex business definitely has been a challenge. But qualitatively we feel good and when the market turns we were quite confident of getting to 100% capacity utilization very quickly across the board.

Amar Maurya: And what would be our utilization currently?

Abhiraj Choksey: Average for the year?

Amar Maurya: Average for the year and average for the quarter?

Abhiraj Choksey: So, as I mentioned the average for the year, again it depends for the new plant in Taloja we were at, I just mentioned those numbers I had them somewhere new plant at Taloja we were average for the year is almost 45% and for the quarter, we would be close to 60%. And for Valia the Nitrile Latex plant, the average will be 30% and for the quarter probably around 45%.

Amar Maurya: Okay. And now given the realization which is at rock bottom. Do we see that demand slightly recovering, do you see that now this kind of volume growth at least looks sustainable, high double digit volume growth sustainable for next year?

Abhiraj Choksey: Yes, look for us, demand is not the issue the market is there, the issue is, for Nitrile Latex the issue is margins. And for all the other products, the demand is pretty good, at least from where we are looking at and that's how we have been able to achieve a 34% volume growth in Q4, compared to Q4 of last year. So we are not too concerned about the demand, India is doing well, the industries that we are catering to are all doing reasonably well. 70% of our business is still India, so India has been actually a, it's been a good market for us. And exports are doing well, we've been able to break through many, the customers have been working with take a step jump this year, after two, three years of really trying with smaller volumes, we also had our own capacity constraints. So we feel qualitatively very good about the business.

Amar Maurya: Okay. Let's say whatever is Latex that Valia business, let's say we continue to operate at whatever utilization we are operating because of the realization and the competition from China. Despite that also, do we expect that volume growth for next year would be high double digit because other businesses broadly doing well for us?

Abhiraj Choksey: High double digit meaning, we never know what you mean by high double digit?

Amar Maurya: Sir this 20% kind of volume growth for next year?

Abhiraj Choksey: I don't want to predict anything. But, if obviously the big question mark is Nitrile Latex, if you are able to, if that turns quickly then that could be possible. But given that we have grown 100% in the Nitrile Latex business between last year and this year because the extra volume but it's been at very low margins. I'm not sure if this 30%, 35% growth we can do without Nitrile Latex growth. The rest of the business will grow at and get a good I would say mid teen growth rate but the high double digit that we are calling it will be dependent on Nitrile Latex.

Amar Maurya: Okay and this kind of margin even if whatever is the pressure on the Nitrile Latex, this kind of margin looks sustainable or there is a question on the 10%, 11% margin on a EBITDA level which we are making?

Abhiraj Choksey: Look, if you would ask me on an annual basis this is really the lowest we have seen in four, five years 10, 11, four years, after four years. So, we think it is quite sustainable, we obviously endeavor is only to improve on it and yes, that's what I would say.

Moderator: Thank you. Next question is from the line of Ankit Kanodia from Smart Sync Services. Please go ahead.

Ankit Kanodia: Sir my first question is related to, sir in Q3 we mentioned that the highest quarterly export growth was led by Nitrile Latex, carpet and construction are these the only because this time we have not specified which has been the main contributors of this growth, are these three the main contributors this quarter as well in Q4?

Abhiraj Choksey: Yes, these three have been the main contributor, which is not to say the other businesses have not grown, or the other industries have not grown. But this is what has caused the, these three are definitely the higher ones, the other one that's been good as well has been the Tyre Cord business, we have been able to get lot of export approvals for the Tyre Cord business, so we have grown that business and we have done some debottlenecking as well as, we continue to do in the next six months as well, which it's not much but it will grow like a Taloja plant capacity by another 4%, 5% we plan to do that in the next three to four months complete that project. And that will be most of the Tyre Cord business.

Ankit Kanodia: Got it. Sir in Q3 we clearly mentioned that we were not making profits on Nitrile Latex. Is it the case in this quarter as well, we have not made profits?

Abhiraj Choksey: Yes, that's correct.

Ankit Kanodia: Okay. And as we have mentioned in the call as well, where that Nitrile Latex has been the highest growth in terms of volumes. So hypothetically speaking, if we get another 30%, 35% growth opportunity in Nitrile Latex, considering the price remains the same, the margin remains the same, would you be still going for it, or will protect the margin?

Abhiraj Choksey: We would want a little higher margin to go for more growth. We will be doing a little bit more because we have certain customer commitments that we have made, so we have to grow with them. We will grow because of those commitments, but the margins remain a challenge. We are seeing very early signs of a turn, but I don't know if it's permanent again. We saw, one or two months of good margins and again, some challenges. So, difficult to say right now.

Ankit Kanodia: Now, April has already gone and we are working to May. So have you got any signal there any green shoot in terms of margin?

Abhiraj Choksey: See, it's better we talk about what happened till March 31st.

Moderator: Thank you. Next question is from the line of Aditya from Security Investment Management Co. Please go ahead.

Aditya: So my first question is on Nitrile Latex. So what I understand is that two issues are affecting the Nitrile Latex. One is excess destocking by the glove manufacturers. And second is higher capacity by Latex players. So having the first issue, the destocking by glove manufacturers receded or that is also still going on?

Abhiraj Choksey: The destocking is going on from the last report I read there, it's towards it's almost done with what they say but it's still going on. The other issue is of course China has sort of played a significant role in the last year or so where by putting up capacities for glove manufacturing and latex backward integrating into latex as well. So that's been a challenge for the rest of Asia. So that's been the second challenge, the destocking and the excess capacity both. It is probably coming to an end soon if it's not already.

Aditya: Got it. And sir in terms of Nitrile Latex capacities. So, what could be the supply demand gap between for a Nitrile Latex capacities means, how much is the capacity in excess of the demand for the Nitrile Latex?

Abhiraj Choksey: Obviously, look any industry or in this industry, between 80% to 85%, 80% to 90% is where then we think the balance of margins versus volumes is good. Clearly it's still below that, it's hard to exactly predict quarter-on-quarter because you don't get the data every quarter from every from all countries, but we think it's still below or around 70% or 75%. But the good thing is that the capacities have of course stopped this year, barring the people like us who had already invested a significant amount we had to come in with our capacity, then the growth in the industry is still in double digits. So at some point, the demand growth will reach healthy capacity utilization levels.

Aditya: Understood sir. Sir in terms of our NPR segment, so currently the margins are lower than financial year 22 and 23. But those years we had exceptional margins because of the trade

restrictions. But are the margins now, back to pre COVID levels or they are lower than the pre COVID levels as well?

Abhiraj Choksey: It's not fair to compare pre COVID levels because even pre COVID levels NBR margins were up and down. So, I would say the NBR margins in this year, if I the average earlier, there were a few good months and a few not so good month, on average I would say NBR margins were a little lower than what we think they should have been for a healthy sustainable business. And there are many reports that say the same about the NBR business in the last year. And one of the main reason so that has been the China is very slow. So China being the largest consumer of NBR in the world, if their demand is low, then what tends to happen is, all the suppliers, whether it's in China, Korea, Japan, India is one of the second probably the second largest market in Asia. So obviously it will find its way into India.

Aditya: Understood sir, got it. And sir my last question is, what was the revenue contribution from our Nitrile Latex segment?

Abhiraj Choksey: Revenue contribution from our Nitrile Latex segment probably around 10%, 12%, between 10% and 15%, lower digit 10%, 12%. Sachin do you have a exact data?

Sachin Karwa: Yes, it's sub 10.

Abhiraj Choksey: Okay, so less than 10%.

Aditya: So, around 100 to 110 crores for this year?

Abhiraj Choksey: I don't have the exact data with me, but you can do calculations, sub 10% is what he is saying.

Moderator: Thank you. Next question is from the line of Mohit from SOIC Research. Please go ahead.

Mohit: What is our capacity utilization in our NBR business?

Abhiraj Choksey: In NBR almost as of 100%, almost 100%, 95%, 98%.

Mohit: And when do you think we will take a call on further capacity expansion for this?

Abhiraj Choksey: Everything is ready, we have finished the detail engineering for this project. But for any major future capacity expansion, the Board is taking the call management and Board of course, that stabilize our current operations and cash flow. And let's see how the first three, four months of this year ago and then take a call on further major CAPEX decisions.

Mohit: And sir apart from our current portfolio are you looking at any other product in the....

Abhiraj Choksey: Yes, as I said, look in the current portfolio we are always adding more products and that's how the growth has come as well, it is by adding new products and new customers. But it within styrene butadiene, styrene acrylics, even Nitrile Latex we have added another new grade for a different type of gloves. All this helps in sort of growth. In addition to that if there is any significant, other completely new business, area business line or business chemistry that we are looking to get into we will announce at the right time.

Mohit: Right sir. And sir just one last from my side. where it comes to Nitrile Latex when do you expect to take a call that we might manufacture some other products, will it be like three, four quarters down the line or five, six quarters down the line because it just feels that the market is very oversupplied, and there is a lack of demand at the moment?

Abhiraj Choksey: It would be one to two quarters max.

Moderator: Thank you. Next question is from the line of Karan Bhatelia from Asian Market Securities. Please go ahead.

Karan Bhatelia: Sir, styrene butadiene raw material prices were downside for the entire year. So can you give us some flavor as to adjusting for the inventory losses, we could be 2%, 3% higher on margins or my calculation could be wrong?

Abhiraj Choksey: Your voice is echoing a little, I can hear you clearly. But I'm not sure if I understood the question. Were you asking if raw material prices, something about raw material prices?

Karan Bhatelia: So, with respect to inventory losses for the current year. So, if I adjust a 10% kind of margins, will be 2%, 3% more than what we delivered?

Abhiraj Choksey: So, for a year on average there was no major, for quarter-on-quarter there has been some inventory gain and losses, but nothing significant for a year as far as I know that would affect margins by a huge amount, maybe half a percent here or there but I don't think that, don't forget in fact '21-22 and '22-23, we had very large stock in because raw material prices were going up during those years on an average. This year, they have gone up, they have also gone down in a few quarters. So we had some stock losses also. So you can't look at April surge prices between 23 and 24. And then decide because in between what happens also is important. Sachin do you have a idea of the annual approximate stock gain or loss in terms of percentage, how much it would have affected?

Sachin Karwa: It would be 0.2% to 0.3%, in between 0.2% to 0.5% not more.

Abhiraj Choksey: Yes, so it's not significant exactly what I.

Karan Bhatelia: Right. And some color on the revenue mix in terms of synthetic latex and liquid latex compared to a Y-o-Year number.

Abhiraj Choksey: For the year?

Karan Bhatelia: Yes, for the year.

Abhiraj Choksey: So, synthetic latex we are 66% and rubber is 34%. Large chunk of the growth has come from the latex business this year given that both are expansion, major expansion projects or latex, at some point a year or two ago we were closer to 50:50 or 55:45. And obviously that has changed now, two third is latex and one third is rubber.

Karan Bhatelia: Right. And we are yet to freeze the NBR CAPEX, so in a quarter or so we will be able to get some concrete update over there?

Abhiraj Choksey: Yes, one to two quarter.

Karan Bhatelia: Yes. So apart from the maintenance CAPEX it will be not more than 50 crores?

Abhiraj Choksey: Say that again?

Karan Bhatelia: I am saying apart from that major CAPEX, maintenance CAPEX would not be more than 40, 50 crores?

Abhiraj Choksey: 40, 50, no much less. Our maintenance CAPEX, there are other CAPEX happening also which are, the way we look at CAPEX is a three types of CAPEX, one is cost saving, the other is expansion and the third is maintenance. So, the cost saving CAPEX then it generally has a very good payback typically two to three years is what we look at maximum, if it is a expansion project is generally a big expansion project which we announce. Sometimes a small debottlenecking projects or expansion projects which we don't announce it's part of the overall CAPEX cycle, but the maintenance CAPEX is not more than, would not be more than 20 crores or so, for both plants.

Karan Bhatelia: We were getting more from capacity expansion plus some cost savings and other maintenance?

Abhiraj Choksey: Yes, so that we expect like last year our entire CAPEX was 35 crores, CAPEX outflow but that also included some sort of this expansion project some of them we completed in April, May also some CAPEX continued into April and May. So, I would say from those projects, so this year also we expect overall 30, 35 crores.

Moderator: Thank you. Next question is from the line of Om Prakash Dhoot an Individual Investor. Please go ahead.

Om Prakash Dhoot: Firstly, thank you for giving us a dividend of Rs.3.50. And company is progressing slowly and Nitrile Latex business will also do good. My question was regarding the repayment of interest

which has been done around 15 crore so far, last year it was five crore, so by when we will be able to settle this?

Abhiraj Choksey: By the cash flow which is coming we are repaying the loan so slowly the interest should also lower down. It won't get down to zero, hardly any company has it zero. There will be some funds needed for CAPEX or acquisition always. So, the right number which you should see is the EBITDA number that is a better indication of the company's performance.

Moderator: Thank you. Next question is from the line of Aditya Khetan from SMIFS Institutional Equity. Please go ahead.

Aditya Khetan: Sir, you had mentioned to the earlier participant that this 35 crore CAPEX in this fiscal FY24, you had some expansion also which were going on, so which expansion was this sir?

Abhiraj Choksey: No, what I meant was FY23 we finished the majority of our new expansion projects, the Nitrile Latex in Valia and for a synthetic latex in Taloja. And most of the projects were capitalized and the plant was commissioned. But there were still some equipment's like finished goods storage tanks and a few other things that actually were installed in April, May and June. So they didn't have an impact on the production, but we needed them. So that same CAPEX about, I don't know exactly Sachin do you recall, but about 10, 12 crores would have been spent from those expansion projects that came into Q1 of this financial year.

Sachin Karwa: Yes, right 12 to 15 crores.

Aditya Khetan: Okay. And sir into the Nitrile Latex also you had mentioned that you have launched some new grade. So, can you elaborate more so, it is a simple grade as compared to our current grade which we are making or it is some new grade which has some higher value addition or improved you can say some mix is there into this?

Abhiraj Choksey: Yes, there are different types of gloves one is, we'll get into the technical details if you want but just very simply there are different types of gloves like examination gloves, surgical gloves, industrial gloves, industrial gloves, also used for different applications. So depending on the application, there are different tweaks required to our latex is obviously the large volume is examination gloves, it's what mostly doctors or dentists and all wear that's the largest segment and that's where the most of the volume comes from. So when I say new grades, it's for other types of gloves, which obviously are higher value addition, fewer companies making those kinds of gloves. Because one of the advantages of not having very large capacities that we can cater to these kinds of specialty niche applications which are certainly higher price gloves and higher value.

Aditya Khetan: Okay. As current so depressed prices of Nitrile Latex, what sort of peak revenue we can make at peak utilization levels of Nitrile Latex?

Abhiraj Choksey: 50,000 tonne is our current plant capacity. So, we can look at about 300 crores, 300, 350 crores.

Aditya Khetan: 300, 350 crores and sir the remaining so 35,000 tonne expansion that was NBR, latex and all, how much that can contribute to top line?

Abhiraj Choksey: That will be another 230, 250 crores. Nitrile Latex, I've taken last year's prices which has really been the lowest ever so, the last year and a half. So, we expect that, that will also increase.

Aditya Khetan: Top line guidance which we had given earlier?

Abhiraj Choksey: Yes.

Aditya Khetan: Okay. And sir just in terms of per kilo I know, so we don't mention this but earlier like so when we compare the Nitrile Latex business as compared to our other so traditional businesses like the styrene butadiene latex, ABS latex. So in terms of per kilo is it like, is it a superior or is it lower in terms of per kilo margins if we look at?

Abhiraj Choksey: Traditionally it was always higher during COVID and pre COVID, during COVID of course it is very high, but pre COVID also it was always 10% to 20% higher. In the current context it is lower, that's the problem or about the same or little lower. So, that's the issue.

Aditya Khetan: So, sir this lower also so if suppose if the overall business a EBITDA level if it is at Rs.50 per kilo, how much would this so, the Nitrile Latex would be commanding per kilo margins?

Abhiraj Choksey: We don't give standalone numbers on per kilo margins.

Aditya Khetan: Okay. And sir so, this 600 crore of top line so, what sort of margins like we are expecting on this?

Abhiraj Choksey: As far as when we started it, when we the project obviously our intention was about 15% EBITDA margins at least. That was our plan, based on which we invested this 200 crores or close to 200 crores.

Aditya Khetan: So, now as the plan changed because now we will be sure will not be making that sort of margins, any sort of a change in that. So, what margins are you all targeting internally?

Abhiraj Choksey: We have certain internal targets but as I said, the market has to allow for those kinds of margins, no matter what we target that's a different issue. So let's say what we can do is, take actions and steps based on what's in our control, and what's in our control is one crore done with the synthetic latex capacity in Talaja. Then, one thing we could do is repurpose our Nitrile Latex capacity to make other synthetic latex is in that capacity at least partially.

Moderator: Thank you. Next question is from the line of Prathamesh Sawant from Axis Security Limited. Please go ahead.

Prathamesh Sawant: So just wanted to understand. So when we say that we are seeing demand, but at the same time there is no strong realization, two statements contradictory by themselves. Because if there was strong demand, we could have seen a better realization. So what exactly is happening because are the prices been dictated by the International players?

Abhiraj Choksey: Yes, so for Nitrile Latex, for example. So demand, I'm not saying the demand is strong. In fact, as an industry it's obviously down. But since we started from a very low base, it's easy to increase volumes by giving, by proving that your product is as good or in some cases better, but you still have to give the price that is available, that is there in the market. No, we can't charge 20%, 10% higher than what the price is in the market. So we are not able to get that kind of premium on it. So, when I say demand is there, I mean the market is there for Nitrile Latex specifically. As far as the other products are concerned, we are growing with the market and better and that's how we have been able to get 34% growth Q4 over Q4 of last year. The combination of both these.

Moderator: Thank you. Next question is from the line of Priyanka Chheda from Vallum Capital. Please go ahead.

Priyanka Chheda: Just a clarification sir, synthetic latex Taloja facility you said the utilization was 65% for the financial year?

Abhiraj Choksey: So, I said it's about 45% for the full year average, but obviously we have grown the first month was much lower, then month went up and so on. So, at the peak we were at 65% or so in the last one month in the last quarter.

Priyanka Chheda: Correct and last year, we were at 65,000 tonnes as a capacity. So what would have been the utilization last year on that capacity, synthetic latex?

Abhiraj Choksey: The old capacity is 100% and we added another 35,000 tonnes so about 100,000 tonnes. So, when I talk about capacity utilization the new 25,000 tonnes.

Priyanka Chheda: And invest again clarifying the styrene rubber plant in Taloja as well as Nitrile rubber Valia we are running at full capacity?

Abhiraj Choksey: Yes. Sorry, the old plant of synthetic latex. Sorry, what was your question in Taloja your voice was not very clear?

Priyanka Chheda: Taloja, styrene rubber plant, as well as.

Abhiraj Choksey: Yes, so styrene rubber plants are not running at fully capacity. Nitrile rubber plant in Valia is running at almost full capacity. The styrene rubber plant as you mentioned before, our capacity is quite high but we have been running at 50%, 60% because the market is not there it's kind of flat for the last three, four years and we are the only player in India. So we are running at the maximum level that the demand is there for the market.

Priyanka Chheda: And just a last question from my side, so Nitrile Latex, we understand the glove industry has been into overcapacity supply. So a correction at that level, at the industry level on the gloves side will of take, would lead to higher utilization for Nitrile Latex. Well, for synthetic latex, which is a combination of multiple products what can lead to higher utilizations over there?

Abhiraj Choksey: Same thing, because if you see what happened in **(Inaudible) 51:05** was that there are a lot of people who put up gloves facilities very quickly, because those are easier to put up glove lines than the latex plants. But at the same time, a few players in China back in 2021 started building latex plants as well. And most of them were, or some of them were the glove manufacturer so that they could secure their raw material. And they were able to do very quickly. So they built very large plants, most of it is still with China and of course, the rest of the current players in the market that are out of Korea, Japan and Malaysia. They also, announced many capacity expansions, a lot of them have been put on hold, but they also expanded capacity to some extent. So, overall capacity did expand for the glove industry, for glove making as well as for Nitrile Latex.

Priyanka Chheda: And what would be the gap versus a supply versus a demand the gap, which we should think which would get adjusted over a period, the supply versus demand in terms of tonnes if you have any sort of sense of that?

Abhiraj Choksey: We will have the exact tonnage data, but I can tell you in terms of percentage as I mentioned to the previous caller that, typically healthy margins are achievable and capacities are in between 80%, 85%, 90% between 80% and 90%. Clearly, even in the current context, both gloves and latex, the capacity utilization is below that. Exact numbers are very hard for anyone to kind of get absolutely recent data, but you can judge from the pricing and the margins that we have not reached a healthy sustainable capacity utilization level yet.

Priyanka Chheda: And this would be the case for even the Chinese players who would have added the capacities, even they will be running at lower utilizations?

Abhiraj Choksey: Yes, probably. We are running at high utilization, it's not very, it's easy to run at high utilization, if I give a price or if we give a very low price to somebody we can utilize our entire capacity. So maybe they are running at high. Some of them are backward integrated also. So maybe we are running at full capacity but the point is that the pricing does not allow any of us to make good margins yet, a healthy margins.

Moderator: Thank you. Next question is from the line of Ankit Kanodia from Smart Sync Services. Please go ahead.

Ankit Kanodia: Sir, you have not mentioned anything about ApcoBuild in your last few concalls. So what is the progress on that front. How is ApcoBuild doing, because since last five, six years, you have been saying that you are getting good growth but from a total revenue perspective I still think it is not adding too much right?

Abhiraj Choksey: It's still a small portion of our overall revenue of course, so therefore we don't focus too much on it, but we have been growing at surely slowly and this year also, we had reasonably good growth, Sachin would you have percentage growth in terms of revenue for ApcoBuild or for our B2C business about 18% was it?

Sachin Karwa: Yes, it is around 18% to 20%.

Ankit Kanodia: And what would be its total contribution to the revenue?

Abhiraj Choksey: Sorry, what's the question?

Ankit Kanodia: Roughly total contribution to revenue, ApcoBuild's contribution to total revenue?

Abhiraj Choksey: Very little, we don't report it, so you can imagine it's in a single digits.

Ankit Kanodia: Yes, single digit yet. And any new geography because we were majorly into the western part of the country with respect to ApcoBuild, have we added in?

Abhiraj Choksey: We are adding, we are going deeper into those same states. We have added one or two so we are in MP, Gujarat of course Maharashtra, Rajasthan a little bit now and one or two Southern states as well Karnataka, but we are going deeper into for example, we were reaching East Maharashtra so we are focusing on Nagpur and that area. Similarly in Gujarat, we have added people in two or three different cities. So going deeper into these states because the opportunity is still there and we are still leaning and growing organically but profitably.

Ankit Kanodia: And what is your view on the overall market of this product as in, and in terms of competitive intensity?

Abhiraj Choksey: So, it's a very intense market in terms of competition because there are a lot of players but also construction chemical is a little misunderstood in the sense that there are so many different, there are of course large companies that pretty much have everything, they do everything for everyone. And some of the large brands, but there are many niche companies that we are also, we are focusing to be a niche company where we are utilizing our expertise into polymers, and really focusing on products that we understand, and working on waterproofing, repair work, and tiling work where we really are good at chemistry in many cases we are backward

integrated. And in other cases, we do outsource some amount, but again we control the technology there. So we are focusing on our game and not really looking around because we think we are enough value addition and enough what's the word, knowledge about polymers. So we are utilizing that to grow in the B2C space in construction chemicals.

Moderator: Thank you. Next question is from the line of Vijal Shah from RTL Investments. Please go ahead.

Vijal Shah: So a couple of questions. The first one, when I look at on a quarter-on-quarter basis, your gross margins are down by almost 400 bps, so this gross margin pressure is a function of, are you seeing some pricing pressure in any particular segment, or this is just a function of mix where, Nitrile Latex where the margins are lower, that contribution has increased or some other segment contribution has increased?

Abhiraj Choksey: So Nitrile Latex, certainly has put significant pressure on the overall company margins. In addition to that, as I said, in last year there were still the NBR margins were still higher, because of higher freight rates, and so on. So the NBR margins have been lower as well. China, as I said has been also not doing well, so a lot of NBR gets dumped into India, when that happens. So NBR and Nitrile Latex is the main reason, the other is in general post COVID we had a couple of good years. So margins have been a little bit under pressure, but partly up as well, I wouldn't lie, we had to achieve maybe we had this additional capacity utilization, and we went for growth. So we want and therefore we pushed for 28% growth this year, which is fairly commendable. And we exceeded our expectations on all fronts, except Nitrile Latex, I would say in terms of volumes. So we are very, very happy with where we are. We have also done it in a healthy way where we are almost net debt free or net long term debt free anyway. And quarter-on-quarter margins, go up and down, they may even go lower, they may go higher but, for the year we expect margins this has been a challenging year. And when the market turns when we also reached good capacity utilization levels, things will only look better, this is our overall outlook at least.

Vijal Shah: Sure. Just a follow up on the paper segment again, there was some pressure on margins there because both you and the competitor had expanded capacities. So, how are you seeing the situation there?

Abhiraj Choksey: Yes, compared to last year there has been, we had both expanded capacity and there has been some pressure on margins. But as I said, that these kinds of cycles happen in our kind of business we can't linearly expand capacities. So, capacity is a step jump so when that does happen for a year or two margins would fall and then once good capacity utilization levels are reached, then again margins are healthy for a few years since the cycle starts again. So, the good thing is, largely there are two players in this market so those kind of cycles will happen. And yes there is, to answer your question directly yes, there has been a, the margins in paper as well have been lower than previous years.

Vijal Shah: And do you see it stabilizing in FY25 or we will need to give it one more year?

Abhiraj Choksey: Hard to say, I think so, I think FY25 should be a little better for paper, that's my view but difficult to predict.

Moderator: Thank you. Ladies and gentlemen that was the last question of the day. I now hand the conference over to Mr. Sachin Karwa for closing comments. Over to you sir.

Sachin Karwa: Thank you everyone for joining through for conference call. We have finished the year with good volume growth and impressive export growth in spite of challenging market conditions. In FY25, we will be focusing on increasing the volume capacity utilization and improving margins. We look forward to see you all in Q1 of FY25. Till then, take care and bye.

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