October 30, 2023

BSE Limited
Corporate Relationship Department,
1st Floor, New Trading Ring,
Rotunda Building, P. J. Towers,
Dalal Street, Fort,
Mumbai – 400 001
Scrip Code: 543277

National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra (E),
Mumbai – 400 051
Trading Symbol: LXCHEM

Dear Sir / Madam,

Sub: Disclosure under Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Pursuant to Regulation 30 read with Schedule III of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), we wish to inform you that the Company participated in the investor conference as given below:

Date and time	Type of Meeting / Event	Location
October 27, 2023, at 11.00 hours onwards	Investor & Analyst Meet to discuss performance for the quarter ended September 30, 2023 hosted by Go India Advisors	Conference Call through dial-in

No Unpublished Price Sensitive Information was shared / discussed in the meeting with the investors.

Further, please see enclosed the transcript of the Investor Presentation for Q2 FY24.

We request you to take the above on record.

For **Laxmi Organic Industries Limited**

LAXMI ORGANIC INDUSTRIES LTD
MUMBAI

Aniket Hirpara
Company Secretary and Compliance Officer

Encl.: A/a

"Laxmi Organic Industries Limited

Q2 FY '24 Earnings Conference Call"

October 27, 2023

MANAGEMENT: **MR. RAVI GOENKA – CHAIRMAN–LAXMI ORGANIC INDUSTRIES LIMITED**

DR. RAJAN VENKATESH – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER –LAXMI ORGANIC INDUSTRIES LIMITED

MR. HARSHVARDHAN GOENKA – EXECUTIVE DIRECTOR – LAXMI ORGANIC INDUSTRIES LIMITED

MS. TANUSHREE BAGRODIA – CHIEF FINANCIAL OFFICER –LAXMI ORGANIC INDUSTRIES LIMITED

MODERATOR: **MS. SHRIDA SHAH – GO INDIA ADVISORS**

Moderator: Ladies and gentlemen, good day, and welcome to Laxmi Organic Q2 FY '24 Earnings Conference Call, hosted by Go India Advisors. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on a touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Shrida Shah from Go India Advisors. Thank you, and over to you, ma'am.

Shrida Shah: Thank you, Enzo. Good morning, everyone, and welcome to the Quarter 2 FY '24 Earnings Call of Laxmi Organic Industries Limited. We have on the call Mr. Ravi Goenka, Chairman; Dr. Rajan Venkatesh, MD and CEO; Mr. Harshvardhan Goenka, Executive Director; and Ms. Tanushree Bagrodia, Chief Financial Officer.

We must remind you that the discussion on today's call may include certain forward-looking statements and must be, therefore, viewed in conjunction with the risks that the company faces. May I now request Dr. Rajan to take us through the financials and the business outlook, subsequent to which we will open the floor for Q&A. Thank you, and over to you, sir.

Rajan Venkatesh: Thank you. And again, a very good morning, namaskaram from my side and the Laxmi team. And again, depending on the time zone where you're calling from, good afternoon and good evening.

The last 6 months that I have been associated to Laxmi have been nothing short of engaging and exciting. So let me take today the format, the topics that we would like to cover. I would just like to give you a quick overview of what we have achieved in the last 6 months as an organization. One is talking a bit on the strategy, the investments that we are currently doing and focusing on execution excellence linked to that.

The QIP that we have been successfully able to raise from our investors, our values as an organization, and also thereafter giving you a flavor of the market and our customers what we are hearing from them and also how the raw materials are developing. Thereafter, Tanushree will bring in more granularity into our financial performance also for the first half and also quarter 2.

So let me start with the strategy. So the one big pivot we have done in the strategy is we brought in the customer lens even more stronger, and we spoke about it last time around. Based on the customer interaction models, we have now two distinct business units. The first one is Essentials, which caters to the lean and reliable customer interaction model. And the second one is our specialties business unit, which encompasses our Fluorine intermediates and specialty intermediates.

The specialty vertical, again, encompasses the customer interaction model from a standard package provider all the way to a value chain integrator. We've had now strong business heads who have been appointed. So Mr. Jitendra Agarwal, heads our Essentials vertical and Mr. Virag Shah heads our specialty vertical.

Then what we have also achieved is with support from the Board and the strategy that was done, we announced Laxmi single largest capex project at Dahej. Dahej is almost a 90-acre land bank that we have with Laxmi and we announced a INR710 crores capex, which will encompass only 20% of that land bank. So that provides us as Laxmi a great runway to execute also into the future.

In parallel, we have been very transparent on our Lote project, how that is progressing. The cost to complete remains at INR550 crores. We are making good and steady progress. The target remains that in this financial year, that is by March 2024, we will have all the assets up and mechanically ready and running. So that's another important element.

Innovation remains core to Laxmi, and we have double clicked on the innovation element, our new innovation campus will be established by quarter 4 of this financial year, and we will also then generate even more value with our customers as we progress ahead from that innovation campus. We have already about 70 to 75 colleagues associated with our R&D and innovation, of which about 10% are PhDs. So that keeps us in a good stead.

Coming down, building upon all of this, we launched our interest on the QIP. And I'm really happy to report that we were able to successfully raise INR259 crores from our investors, which bolsters our balance sheet and also gives us good firepower to execute on a lot of the capexes that we are ongoing and lining up.

For me, one critical element always remains the value system, and that is also something we are double clicking on. For Laxmi, those are the elements of integrity, innovation, customer centricity and sustainability. So that's what we are, again, hardwiring and we are basically committing to these values because that is what creates the stickiness that we have of employees with Laxmi, apart from the customer stickiness that we are aspiring for with our strategy and go-to-market approach.

The management team, I think, as we all know, the chemicals is going through a slight bit of turbulence, but this is not the first time the chemical industry has seen that. So what gives me a great deal of comfort is my management team and myself have experienced multiple such cycles, so that is also what is keeping a steady hand on the steering as we also navigate through this current environment. Now that was a bit on what all we have done.

Let me give you a little more flavor on our markets. As you know, at Laxmi, we are catering to a diverse range of industries, encompassing agro, pharma, industrial solutions, pigments, packaging. So that's a very large range. So let me take it one by one. In the agro space, again, linked to the sharing that we did last time around the entire topic of destocking still is there, but not as pronounced, but that's the positive thing.

Again, what is getting underpinned is while agro experienced double-digit growth during the COVID period, now the agro growth is sort of tapering down to the 3% to 4%, what has been the normalized growth that the agro industry have seen.

The need for agrochemicals and intermediates, I need not underpin. I think that's very clear as the world's population continues to increase and land banks do not continue to increase at the same rate. It is just very, very important to be more efficient and more sustainable in the way we do our entire farming and feed the larger population.

Pharma, we have not seen a big change. Obviously, the exports from the pharma have been on the lower end. And so if you see quarter-on-quarter, we have not observed either a pickup or a dramatic downturn, so it's been stable in that ballpark. Obviously, we are hoping for better times in the pharma, which we have seen in the past.

When we talk about our Industrial Solutions segment, this encompasses our case application so coatings, adhesives, sealants. We have a lot of unique formulations and chemistries that go into that industry. I think there, again, we see that even if I take the domestic lens, the normal pickup that you would have assumed during Diwali time, we are not yet seeing it. We are seeing improvements, but not to the extent that we have seen in the past.

If you take the global lens, be it in Europe, the market demand continues to be weakish. North America, again, if you look at segments like construction, certainly, that is a bit under pressure. So that's where it is on the entire industrial solutions perspective. So we have also taken from that market lens certain important steering decisions.

And you will see that in our financial performance when Tanushree takes us through, that our exposure to exports has been slightly reduced. We have actually focused lot more on domestic and building on our offerings and cost positions we have been able to also leverage in the domestic space while we have still a healthy exposure to exports. So we will continue to steer both those levers.

When you talk about raw materials, the other bucket, one key raw material for us has been acetic acid and will continue to be acetic acid. So from a supply side, if you really look at the nameplate capacity, there is enough and more capacity. So that does not thankfully give us sleepless nights, what continues to -- what we have observed is really the movements in the acetic acid pricing on an average in quarter -- financial year quarter 1 of this year, we saw prices for acetic acid in the range of about ~~INR~~380 to ~~INR~~450. And in quarter 2, we have seen a significant spike, especially in September, going upward of ~~INR~~550 and also touching ~~INR~~600 and these are all CFR price ranges, just to keep it in perspective.

And what was also very evident was that the spike in the prices that we saw we were very clear was not really driven by demand, but was driven more from the supply side. So we had quite some competitors or suppliers on the acetic acid side who had to extend their turnarounds, some of them went into an unexpected turnaround. And what we are also noticing is -- at times is also logistic gaps, which are creeping in. So that's where we have also been very cognizant in leveraging it.

As we see it now, prices not surprisingly are moderating lower. And at this point of time, from the highs of ~~INR~~550 to ~~INR~~600, we are already seeing prices settling around ~~INR~~400 to ~~INR~~430.

So that gives you a sense of where the movements on one key raw material for us is developing. Ethanol is another important building block.

We have our own captive, but we are also buying almost 85% of our ethanol requirements from North America and South America. And we have seen prices while now slightly being higher, but we have secured our needs. So that keeps us in a good stead on the ethanol space.

Now that being said, those are the key elements. And now with this, I turn it over to Tanushree, who is more than eager to give us a good flavor on our financial performance and what we have achieved as a team.

Tanushree Bagrodia: Thank you, Rajan. Good morning, ladies and gentlemen. The second quarter of financial year 2024, as Rajan was mentioning, saw the business show tremendous resilience in a subdued market environment, as volumes across both Essentials and Specialty business units grew. And this is both quarter-on-quarter and on a year-on-year basis. This has been possible because of the diversified business model that we have, which is diversified across both industry segments and geographies.

We have very ably tapped the domestic market to not just make up for the slower exports, but also widen our customer base. The increase in volume has resulted in a higher market share and ensuring that our asset utilization has been very, very optimal. For the second quarter of financial year 2024, the volumes at a company level increased 32% year-on-year.

In a difficult market, that's tremendous performance. This led to a marginal improvement in the consolidated top line, which was at INR660 crores. The improved operating costs, along with the higher top line has increased the consolidated EBITDA to INR47 crores, which is a 50% increase year-on-year.

The consolidated PAT at about INR11 crores is 24% higher on a year-on-year basis. The stand-alone results for the second quarter of FY '24 came at a top line of INR648.7 crores, which is a 7% increase year-on-year, and again, this was driven by an increase in the volume. The stand-alone EBITDA at INR60.4 crores was 97% higher year-on-year, driven by the improved operating costs.

The stand-alone PAT at INR23.5 crores is 163% higher year-on-year. Our subsidiary, YFCPL dispatched the first product in July. We remain very excited as this business is ramping up. And as we ramp up the operations, the cost efficiencies will start coming.

LOBV, our European subsidiary has witnessed losses due to the tough market environments in Europe. But the agility in managing this business gives us confidence that the losses are temporary. This is a business that we monitor very regularly and take timely decisions. These aspects, along with the beginning of the capitalization in YFCPL has impacted the consolidated PBT for the quarter by INR17 crores versus the stand-alone.

The consolidated cash flow from operations for quarter 2 FY '24 at INR137 crores was more than double on a year-on-year basis. And the debt-to-equity ratio has reduced from about 20%

last year to 11%, driven both by lower debt and higher equity. The equity -- the higher equity that I'm talking about does not include the recent QIP raise. The strength of the business and the balance sheet is thus evidenced and upheld in quarter 2 of financial year 2024, once again in a very uncertain and volatile market environment.

On a quarter-on-quarter basis, Q2 '24 saw a 10% dip in the top line driven partly by the annual maintenance shutdown that we took, which was as per plan. The lower operating costs driven by the cost control that the company has helped stem the impact of the lower revenue on the EBITDA. And the quarterly increase in depreciation comes largely from the start of capitalization in YFCPL.

Looking at the half year performance for Laxmi Organic at a consolidated level. For the half year of FY 2024 compared to the first half of FY 2023, the volumes grew 20% for the company, with the revenue coming in at INR1,394 crores, which is flat year-on-year.

The EBITDA at INR128 crores is also almost flat year-on-year. While the PAT has reduced to INR49 crores, which is a 30% dip largely due to the increased depreciation, which is on account of the projects that we capitalized in Q3 and Q4 of FY '23, and additional depreciation that has come in from the beginning of capitalization of YFCPL in quarter 2 FY '24.

The cash flow from operations for the first half of FY '24 at INR309 crores are a 3x increase year-on-year and these come -- these are actually driven by improving working capital days and unlocking of current assets. So with this, I will close the discussion on financials, and we'll be very happy to take any questions that you may have.

Moderator: Thank you so much ma'am. We will now begin the question-and-answer session. The first question is from the line of Mr. Ankur Periwal. Please go ahead.

Ankur Periwal: Congrats for a decent performance given the macro here. Okay. So slightly top down and then more specific business wise question. So one in slide four, we do highlight that the addressable market opportunity within specialties is around $3.5 billion. As I understand specialty will include Ketene/Diketene derivatives as well as the fluorination part. If you can help us break that into the 2 segments, Fluorine as well as Ketene/Diketene derivatives this $3.5 billion?

Rajan Venkatesh: Yes. So the -- this is Rajan here. So let me give a stab at that. So the fluorine space by itself, if you look at the much larger is about $25 billion, just to keep it in perspective. With the technologies that we have bought on board from Miteni, which has 2 distinct pillars. One is our fluorine intermediates and other is the electrochemical fluorination for which we are the only one in India that can commercially scale that up.

The SRM that we are focusing on is in the range of about $2.5 billion, give or take. And for the Diketene derivatives, again, the SRM is much larger because you have the Diketene value chains also going into food and nutrition. So the SRM that we are focusing or currently engaged with is in the range of 1 billion to 1.5 billion. So that would be the split of that 2.5 billion to 3 billion that we have floated out there.

Ankur Periwal: Sure, Rajan. That's helpful. And just to clarify, the electrochemical led fluorination chain, the products that we are targeting are -- we are the only one in India who are making those products?

Rajan Venkatesh: At this point of time, once we establish the asset and everything as we are working towards it in this financial year, yes, we have the edge~~Dahej~~.

Ankur Periwal: Great. Secondly, on the specialty side or the Diketene portfolio side, how has been the ramp-up of the 2 new products that we had launched in the last, let's say, 3 to 4 quarters? And just a follow-up on the volume growth, which we mentioned around 30-odd percent in Q2. If you can break that up between specialty and essentials?

Tanushree Bagrodia: So Ankur, Tanushree here. The 2 new products that we capitalized in FY '24 have been doing very well for us, right? And they have on a year-on-year basis for the half year, been responsible for the volume growth that we've seen, right? So if you really want to understand if the products are performing, yes, they are performing and they are performing as per expectation. On the -- sorry, could you repeat your second question?

Rajan Venkatesh: The volume growth.

Ankur Periwal: Yes. So one was on this. And second was the volume growth breakup, 30% odd which you mentioned for the quarter. Is it largely led by the AI part, the Essentials or the Diketene portfolio?

Tanushree Bagrodia: So if I were to look at just on an annual basis, right? On an annual basis, the growth in the volumes is there, both on the specialty side and on the essential side, please remember that last year in quarter 2, we had a 21-day shutdown on our Essentials business, which is where our -- sorry, on our Specialties business, which is where the volumes were really, really subdued, right?

And plus the new products have come in post that. So on a year-on-year basis, the growth in volumes is driven both by Essentials and Specialty. Quarter-on-quarter, the volume growth that comes in, Specialties is relatively flat, which is with a small growth and then the growth comes in from essentials.

Ankur Periwal: Great. That's helpful. And just on the new product launches, we had highlighted that almost 20% plus of the growth of the business is coming from the new products, and the ramp-up of the last -- let's say, the products launch over the last 5 years. What are your thoughts on the new product addition as well as how has the market response been? Now where I'm coming from is, we have been hearing a lot of deferment of demand from the customers. So just curious to understand if we are also facing the same for our products or it's not as much?

Ravi Goenka: So I think -- so let me start with the very succinct answer. So thankfully, our pipeline is robust on the R&D. It is also diversified. So we are also doubling in chemistries beyond the Diketene and others. So that's what is making Laxmi Organics interesting from a customer lens, with our expansion into fluorine and other chemistries. So our pipeline is robust, and we have -- and that's what gives us the confidence that we can keep this journey of -- at least 20% of our revenues in specialties coming from products being launched in the last 5 years, because what gives us also a good stead is our exposure to various industries.

So today, as we speak, in our specialty gamut, we have a good -- well spread exposure to agro, pharma, the pigment intermediates and solutions and industrial solutions. So that's what hedges our portfolio well that, as we all know, the agro is going through the destocking and more cautious phase, while other parts of the segments are certainly not as severely impacted. And since we are well diversified, that's what keeps a good hedge also into our innovation pipeline.

Ankur Periwal: Great, Rajan. And just lastly, you did mention of the volatility in acetic acid prices globally. Just trying to understand the spreads, how have they behaved? And are they as volatile as the RM price inflation, which could have an implication on our margins in the AI business as well, so.

Rajan Venkatesh: So you're trying to understand as the raw material prices increase or decrease, how have we been able to navigate through that, right?

Ankur Periwal: Yes, yes.

Rajan Venkatesh: Yes. So I think it's a very fair question. If you really look at the broader commodity part of the business, whenever raw material prices tend to increase, most commodity players are smiling a bit. They are not yet laughing, they are smiling. And whenever raw material prices tend to decline, they had the frown on their face. So I think that would summarize how we have also steered it.

Quarter 1, you saw that the prices for acetic acid and the way I explained it was reasonably in range bound to a certain extent. July and August also, it was in that similar range, and we really saw that spike happening in the September month. And that is where we also for our products, also increase our prices.

And that's where we saw certain margin expansions happening in the month of September as compared to the July and August period. That's what we have been able to leverage. Now as the -- as they say, the foot -- shoe comes on the other side, now that we see the prices softening, which we were anyway anticipating by the way.

So it does not come as a surprise. We are also well prepared for it. I think underlying is how we have steered and to Tanushree the point she made. We've actually grown volumes in our essentials portfolio. And that, for me, underpins our cost position that we have been able to garner and how we are penetrating the market.

Tanushree Bagrodia: Ankur, I'd just like to add to what Rajan is saying, right, while we are increasing the volumes in our essentials portfolio, please also bear in mind that the portfolio is expanding. We have introduced new products and especially these new products are now beginning to contribute because the new product that we came in was in Q4 of FY '23.

Moderator: Thank you so much. The next question is from the Nitesh Dhoot from Dolat Capital. Please go ahead.

Nitesh Dhoot: So my first question is on the working capital, which have seen an improvement in the first half as we see the core working capital days improving to 30 from 52 in FY '23. So my question is, how have we managed to improve upon the working capital days? Is there any change in our sourcing strategy or on the payment terms? And how do we see the working capital intensity going forward?

Tanushree Bagrodia: Sorry, Nitesh, could you speak again? I could not understand what you were saying.

Nitesh Dhoot: Yes. Ma'am, so I was -- I just wanted to check on the working capital days. So how have we managed to improve upon the working capital intensity. So is there any change in our sourcing strategy or on the payment terms? And how do we see this going forward?

Tanushree Bagrodia: Okay. So Nitesh, one is our inventory management has been very, very deliberate and our finished goods stocks that we hold have actually been really focused on, and that has reduced our inventory days, right? Our inventory days actually in the last 6 quarters are at their lowest. So that's point number one. The second thing, which is helping our working capital days is that we've gone back to procuring material from an import perspective, which gives us a higher payable days, right?

So these are the two large levers. Having said that, I must also tell you that our debtor days, again, in the last six quarters are at their best at the moment. So in short, you're actually seeing an improvement across all three operating parameters. And lastly, even where we had certain current assets that were stuck, those have now been liquidated.

Nitesh Dhoot: Sure. Sure. My next question is on the essentials part of the portfolio, which could have been impacted on account of raw materials, as you explained on the volatility in the acetic acid prices, but why is there a drop on the specialty EBITDA margins to sub 16%? Again, is there any -- is there the element of raw materials? Or is it unabsorbed overheads on account of Fluorine part of the business? So if you could just throw some color there?

Tanushree Bagrodia: So largely, the impact, Nitesh, comes from the product mix that is there, given that there is a destocking that is happening, right? There are certain products that are -- where the volumes have gone down, and certain other -- more upstream products, if I may say, but the volumes has gone up, and it's the change in product mix, which is contributing to these margins.

Rajan Venkatesh: And I think Nitesh, Rajan here. Just to add, the raw materials do not have as pronounced an effect on to our specialty portfolio as compared to essentials.

Nitesh Dhoot: Sure, sir. That's helpful. My next question would be on the specialty portfolio. So what we see from the numbers is there is a dip on the specialty exports revenue both year-on-year as well as on a quarter-on-quarter basis. So -- and you said that the long-term contracts have been doing well. So does that mean that the rational products have done poorly? Or how should one read into this?

Rajan Venkatesh: So maybe I give a certain color and then Tanushree step in. First and foremost, if you look at the split of our specialties and it might not be -- listen you can actually look at it because we have done it at an enterprise level. Our ratio of domestic versus exports for our specialties once those portfolios started ramping up was about 50%, 50%.

So 50% was domestic, 50% was export. What we have seen more so pronounced in quarter 2, but already we saw that tendency in the first half of this financial year. Our exports, we were focusing more on the domestic part and certain parts of our exports because of the elements that we explained in certain industries that there was a demand softening where we consciously step back from there.

But I would see this rebounding back because, again, to double click, when we speak to sort of our agro customers and pharma customers, all of them are telling us that, yes, it's a transitionary phase. It's not as if the AI demand for which some of our chemistries are going into has vanished, it is more a calibration time, and that will continue once we enter the next year.

So that's a watch-out, but we are also leveraging this split between the import, that is the -- sorry, the domestic versus exports, we are steering that pragmatically. And today, to give you a number, our percentage on the specialty space for domestic, we have an exposure in the previous quarter of 55% and for the exports was 45%. So you have a 500 basis point change if you want to versus the same quarter last year. Hope that helps.

Nitesh Dhoot: Yes. That is helpful. And one last question, if I may. So on the asset capitalization in H1, that's around INR215 crores. It's entirely on account of Fluorine? Or is there any other element also? And where are we now on the total INR550 crores capex, so how much of that is capitalized and how much is pending?

Tanushree Bagrodia: So of the total INR550 crores, about INR450 crores has already been spent, of which INR183 crores has been capitalized and the balance is lying in the capital work in progress. The H1 increase in depreciation that you are seeing year-on-year will also have an impact of the capitalization that we did in Q3, Q4 in Laxmi last year. So it's both of these aspects combined give you the INR18 crores delta. The entire INR18 crores is not from YFCPL.

Moderator: Thank you so much. The next question is from the line of Arjun Khanna from Kotak Mahindra Asset Management. Please go ahead.

Arjun Khanna: Sir -- ma'am, the first question is in terms of the fluorine piece, given that you talk of a slowdown or transition. So does that mean that the ramp-up next year is going to be delayed? How are we in terms of approvals? And how do you see in terms of revenue line items for FY '25, '26?

Rajan Venkatesh: So first, let me give again a color on the fluorine project. Like I shared, the focus this year is that we will bring the entire asset into a mechanical completion mode and all the stuff that we have actually acquired for Miteni is already in India, and we are in a good, good stage of execution excellence there. We have, as Tanushree said in her opening remarks, we already in July sent out the first product from the first asset that we have up and running. We got it in spec already in our second run, so that all gives us the confidence.

Now to your other question, which was leading, would there be any delay. I think we don't see any large delays from purely the current calibration that is happening in the agro space. For us, it is really getting the asset up and running, and we are having actually a lot of customers hounding us and asking us to be more faster in our endeavor.

So while it feels to be a good comfortable space to have the customers hounding us, I have the other eye where I need to get it in shape, in spec and also in a safe manner. So that's where it stands, and I'll pass it on to Tanushree to add on.

Tanushree Bagrodia: So Arjun, we've always maintained that the peak revenue that we realize from this asset will only start flowing in FY '26, which is about INR200 crores to INR210 crores. FY '25 should see anywhere between 50% to 60% of this revenue coming in. And at the moment, we are on track for it.

Arjun Khanna: Great. That's good to hear, ma'am. The second question is in our presentation in specialty, we talk of new platforms, so is it dependent on the outcome from our innovation center? Or this is something that we already have in the pipeline at this point in time?

Rajan Venkatesh: So it's actually a bit of both. So I think if you remember our last investor call, we also made it very transparent that in Lote, specifically, we had another fluoro major who's not in the agro space, who has come to us with their technology package and is basically seeking -- so they're going to give us a technology pack. They are expecting us to produce that product for them since we now have also the capability in the fluorine space.

So that's one example. We are also talking to larger innovator companies outside of the agro space given the larger impulse that I bring in into the organization and also my team, and we are looking at different other chemistries to engage with. So that's why we see these new platforms being pretty solid, and that's what we are building off.

Arjun Khanna: So the first one could have a more quicker time line in terms of time lines. So the rest of it would actually come at Dahej or would come at Lote itself?

Rajan Venkatesh: So anything at this point of time, the way -- first and foremost, we are very stringent in our financial steering. So every dollar we put in the specialty space has to have asset turns of 1 to 2 and has to have EBITDA margins of 20% to 25%. We are crystal clear on that. Second one is anything on the fluoro link would today be nestled~~ecessarily~~ in Lote because therein, we have all the infrastructure to handle that. And other technologies, I think we certainly have Dahej as an enough and more option because as I said, even if our wave 1 of capex is only going to cover 20% of the land bank of the 90 acres that we have at Dahej.

Arjun Khanna: Sure. My final question, if you look at the Essentials margins, given that -- I understand there's been volatility in raw material prices, but we understood that due to our history with the product, we are very efficient. Margins seem to be on the low -- very low side. Is there something one-off this quarter? Or is this the variation we expect going forward also?

Rajan Venkatesh: So again, one is before I answer this specifically, for any person who has run a commodity business and I was associated running BASF's petrochemical business, you have to steer that over a cycle. A point in time is going to give you a perspective, but it does not give you a full perspective.

So over the cycle, if you see -- and that's what also we've been very transparent, if you take out the highs, the average margins for a product like ETAC has been in the range of about INR9 per kilo. Now currently, as we speak, we are more muted. We have also seen lower margins than what we are experiencing today. We believe already at these levels, there is a certain stress point. We see competitors -- our competitors for this molecules actually reducing their utilization, some of them even exiting or idling their capacities.

So that's what is giving me a good sense. First and foremost, we need to steer this over the cycle. The demand is on the weaker side. So cannot run away from that. Exports for certain parts of our Essentials portfolio are also weak, because demand in Europe, where we have a presence, and you saw that in our LOBV results are also muted. So I think it's very difficult to say are we out of the curve. But at this point of time, the important element is cost positions and managing cost very diligently and steering and having this close proximity to our customers.

Tanushree Bagrodia: Arjun, just adding a couple of points. You asked that is this a one-off that the low that we are seeing. Exactly a year ago, quarter 2 of last year, the cycle was even at a lower point as far as Essentials is concerned, right? So just highlighting Rajan's point of the cycle that we used to manage the business. The second is that in this business, we've been able to increase our volumes without any significant capex. And I think that is really helping us get the market share. So I think those 2 need to be taken in perspective.

Arjun Khanna: The only question I ask this is because the volumes have moved up. And in spite of much higher volumes, we are actually seeing a very, very low single-digit margins or not really making money. So in a sense, I understand you're getting market share. But any way we could discuss this some other time, but thank you so much for answering these questions. I'm wishing you all the best.

Rajan Venkatesh: Yes. Thank you. So just to give you some color, we are making money. It's not as in we are not making money. We are playing the cycle very well, and we are -- the fact that we have been able to grow market share in the essentials part gives me a great deal of confidence, a, of our customer connect and secondly of our cost position.

Moderator: The next question is from the line of S. Ramesh from Nirmal Bang Equities. Please go ahead.

S. Ramesh: So when you talk about fluorination in the specialty segment, is it possible to give some sense in terms of what is the percentage share of fluorine derivatives in your overall portfolio? And how you see that moving in the next 2, 3 years? Is that primarily focused on pharma? Or is it a mix of both pharma and agro?

Rajan Venkatesh: So currently, as we have been very transparent, the fluorine has not yet started contributing to our revenues or -- yes, it does contribute to the P&L from the depreciation and capitalization happening, but not to the top line and the margins, and that will happen in the next financial year and beyond, like Tanushree explained. Then your second part of the question is the industry. So again, it's more diverse range of industries.

It is not only agro, so our fluorine intermediates, yes, has a more agro-focus. But if you look at electrochemical fluorination, that pivots us into a much larger range of industrial solutions from cooling that happens for -- when you basically have the large -- what is that word, that just misses my mind now. It is all these...

S. Ramesh: Data centers, Rajan.

Rajan Venkatesh: Data centers. Exactly, exactly. So the large data centers, when you have to cool them efficiently, you have a lot of these solutions being employed for that. So that's what keeps us in a good stead from the portfolio mix at the end customers with the fluorine chemistries and the solutions we are bringing onboard.

S. Ramesh: Okay. The next thought is if you're looking at your split between Essentials and Specialty, given that the margins are higher in specialities, is there a strategy to increase the share of specialties? How do you see this mix changing? And how do you see the mid-cycle ROCE? Since you mentioned that you're talking about developing the business over a cycle.

So you ignore the current challenges in the supply chain once everything settles down, is it possible to look at ROCE in excess of 20% and ROE in excess of 15% or 20%, is that a number achievable over a period of 2, 3 years?

Rajan Venkatesh: Yes. So we -- I think very, very valid and good question. So one of the first things we did as part of the strategy exercise was look over a 10-year period. And if you refer to our previous deck, that we had loaded in last quarter, you would see that very transparently. And we broke it down into the cycles. And what really came out was the essentials part of our portfolio over the cycles, over a 10-year period had delivered ROCEs of 20%. So that's what gives us the confidence.

And the same is true also for our specialty part of the portfolio, which started kicking in from the financial year '15, '16, wherein we were able to -- when we inherited the assets from Clariant, we inherited a range of -- only about 8 products. As we speak today, we have 50-plus products available in our portfolio of specialty, and that has also delivered us ROCEs of 20%.

And hence, we remain confident that the essentials over the cycle and specialty is more robust because it is not directly linked always to raw materials. We, at an enterprise level, will continue to steer accordingly and deliver ROCEs of 20% and upward.

S. Ramesh: Within the last question, how do you read the situation in China apart from the global slowdown, there's a certain amount of extra supply coming in from China across the chemical chain. So when do you see that settling down? And when do you see the cycle turning normal in terms of the stability in supply chain and pricing and the volumes going back to the normal trend in terms of percentage growth?

Rajan Venkatesh: Yes, so I think the first one is a bit of a gest, I wish I knew what the new normal is. The important element is agility is the key word here. I think now specifically for your China question, and since I have operated assets and worked in China for quite a few years, China is, depending on the report that you read, 30% to 40% of the chemical industry. China in the previous turnarounds from, say, maybe the 2008 crisis and even before that, they have been able to actually deliver strong growth, which has not happened this time around.

So I think we will need to wait and watch how that whole thing pans out in China because this is certainly also impacting the Chinese economy. Now what does that mean for Laxmi? So in our Essentials part of the portfolio, we see no volumes coming into the domestic market from China.

So that also keeps us in a good stead, and I think that's a very important message that you need to take away because normally, it's the commodity part of any company's portfolio that gets impacted from China. So that gives us the confidence. In our specialty parts of the portfolio, again, we have a good robustness there. We see only a smaller part of our specialty portfolio being impacted from the Chinese lens.

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

Rohit Nagraj: Sir, first question is on the Lote unit. So you mentioned that we have already supplied the first batch of products for validation. However, we say that mechanically, the plant will be ready by March '24. So I mean I understand, unless and until, we have the commercial product ready in the plant, we will not be able to supply those batches. So what is the disconnect? Or I'm not able to understand that.

Rajan Venkatesh: Yes. So Rohit, the simple disconnect is it is just not 1 line. It is multiple lines. So we have a line 100, we have a line 200, we have a line 300 and Miteni had a huge range of pilot facilities. So the first product that we gave to our customers was coming from our line 100, which we completed mechanical completion. And in the course of the remaining months in this financial year is where we will complete mechanical completion for our Line 200 and Line 300. Hope that clarifies your doubt.

Rohit Nagraj: Right. Right. That's very helpful. And just 1 associated question. So we have -- we expect about INR550 crores of capex on this unit. And from the Miteni set of products, we are expecting close to say INR200-plus crores kind of revenues. How much would be the total revenue potential from this asset? I mean, excluding INR200 crores from the Miteni products?

Rajan Venkatesh: Right. No, I think, again, a very valid question. I think we have given some flavor to it in the previous conversation. Again, let me start with the market opportunity, right? As I shared, what we see with the technologies that we have acquired from Miteni, we see an SRM, a strategic relevant market of up to EUR 2.5 billion -- or $2.5 billion, depending on where you take the currency.

But that's what gets us excited and that is why we embarked on this journey because when we spoke to customers, they were saying that we had already augmented our capability in the Diketene value chain, what could we bring more in the mix. And certainly, we saw value here.

So secondly, the Miteni assets are more -- I would say, they are not large-scale assets. They bring in great deal of flexibility, great deal of robustness, great deal of insight from a chemistry perspective. So for us, we are using this as a nucleus and we will certainly invest more in that Lote setup with what we have now rolling out in Lote, we still have 50% of our land bank still available. And that's what gives us the confidence that with this chemistry base and nucleus we have a huge armory that we can further expand in Lote and that will create value, keeping the SRM in mind and keeping the customer request in mind.

Rohit Nagraj: Sure. And second question is in our remarks, we said that our assets were utilized optimally during Q2. And obviously, the Dahej capex is a bit far away. So in the intervening period, how do you foresee the volume growth coming in from? And just an associated question. The Dahej facility, when do we see that coming up for commercial production?

Rajan Venkatesh: So Dahej facility, I will pass it to Tanushree. Let me take the first one. I think one thing Laxmi has done very well is operational excellence. And what you see also the current volumes that we have been able to garner specifically on Essentials, what Tanushree spoke about, is coming at no capex at all. It is a lot more operational excellence and diligence that we have been able to bring into our plants via data analytics and optimization there.

And I think that is going to be a journey. But is that going to be a step change? No. So I think let's also be very transparent. We are not -- it's not as if we are being inefficient, but so we will not see a big step change. But obviously, then Dahej becomes an important part of our puzzle to then have a step change in our growth trajectory. Tanushree, specifically on Dahej.

Tanushree Bagrodia: Yes. Dahej, we shall see revenues coming in, in the second half or I'd say, towards the end of FY '25. FY '26 should see about 75% of those revenues coming in and then FY '27 and '28 will be the peak revenue from Dahej that will come in more.

Rajan Venkatesh: What is also interesting for Dahej is we have in our essentials part of the portfolio already a customer-led project that we are doing. And therein the supplies will need to start already by the second half of next financial year. So that is already helping us to give the right nucleus to move forward in Dahej.

Rohit Nagraj: Sure, sir.

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

Dhruv Muchhal: The question was on the specialty margins just taking from the earlier question. The margins are a bit weak. Now if I understand well, the competition in this segment is not much with the global peers. There are very few players that operate in this segment. So -- and I understand the weakness is probably because of product mix versus, say, last year of the normal run rate.

But if I have to pick up specific products, how do you see the spreads or the margins in those segments versus the normalized levels? Are they very weak? Or are they normal? So just trying to -- if the product mix comes back to normal, do you think the margins will be back to that 20%, 22%, 25%? Or there is -- because of the weakness in the market in terms of demand, there is also competition on spreads or margins within the particular segment?

Tanushree Bagrodia: So on the individual products, there is no pressure on the margin. The margin dip is because of the product mix and once the product mix comes back, the margins will come back. That's the short answer to the question.

Dhruv Muchhal: Got it. And when we say margins, so for example, acetic acid it also becomes an input in, I think, the SI product segments and some of the other raw materials. And raw material has been very volatile from 100 -- from a benchmark of ~~INR~~100 to, say, whatever ~~INR~~60, INR70 or whatever. So the margins are on that -- the absolute margins remain the same? Or the margins change depending upon the RM pricing? So if say, for example, the margin was, say, 25%, on INR100 RM. Does it remain the same when the RM is at INR60? Or does it change?

Rajan Venkatesh: So the one -- so just to answer that question. Now if you look at Essentials, obviously, the...

Dhruv Muchhal: Just on the SI, just on the SI.

Rajan Venkatesh: Yes, yes. No, but just to keep it in perspective, the correlation is much stronger in our specialties portfolio, all our contracts do not have a cost-plus formula. So that's important. So it's basically your pricing is positioned based on your delivery of the molecule in its performance. So the conversation does not happen because acetic acid price goes up and down.

The conversation is happening because what is the chemistry your technology is offering in the end formulation. And is there a competing technology, then that's a different level of conversation. So it's much more on application performance rather than raw materials, in a hardwired nature and the conversation with customers.

Dhruv Muchhal: But sir I mean, there will be other peers that you would be operating with in this segment. So historically, how has the movement been is what I'm trying to understand.

Rajan Venkatesh: Right. So I think our entire specialty has started delivering if I now reflect back even before my time here is the second half of last year, is where we have seen our specialties really kicking in. And if I look slightly behind even with financial year '16 is where we saw the specialties creating a lot of value for Laxmi. For -- in Diketene space, we are number -- we are in the top 5 now as Laxmi with our positioning, our cost positioning and also offerings. And with the Dahej project coming up, we will be top 3.

So I think, again, to give you color, the margin propensity has remained because that's why we are churning our portfolio, and that's why we have now so much focus on new products accounting for 20% of our specialty portfolio because if you look at the S curve, you will always have products going through that cycle.

A lot of the chemistries, which we acquired from Clariant, as specific examples, are more commoditized now. And if we were to still only sell those products, you will be looking at much lower margins than what we would have hoped for. So what keeps our margin propensity strong for specialty is that pipeline.

Moderator: The next question is from the line of Nitin Agarwal from DAM Capital. Please go ahead.

Nitin Agarwal: Kicking off from the previous question. Dr. Raj, on the Diketene business, can you just give us some thoughts on how the global landscape -- competitive landscape has been shaping up? In terms of competitive intensity, has there been more number of players entering globally? Or there are certain large guys who have been defocusing on this business? I mean, how do you see the overall competitive landscape on the Diketene specialty products?

Rajan Venkatesh: Right. So first, in the -- like very good question. Thanks for that save. We have seen certain 1 player actually in North America stepping out of that Diketene space. This happened about 2 years back, if my memory serves me well. If you see then outside China, we have 1 player in Japan who is a bit subscale in our view.

And we have 1 other producer in Europe who basically with all the challenges that Europe has been going on through with -- because for the Diketene chemistry, it is a power intense chemistry. So they are also not being in the best cost position. Then you see the players in China. We have not seen new players coming up in China.

So that's the 1 big element. What we also see, understand the Chinese landscape is the full integration of the value chain. That is starting from the acetic acid to the Diketene to the derivatives, we are uniquely positioned. The Chinese competitors do parts and parcel of those value chains and that is what is keeping us in a good stead.

So in summary, we don't see significant new competition globally coming up in this space. Outside China, we are very well positioned, and within the Chinese landscape also if you compare with them, we have good cost positioning, and that is what is going to give us the confidence to be top 3 with also Dahej coming on stream.

Nitin Agarwal: And on Dahej, when you look at the Diketene portfolio growth over the next say 2 or 3 years when the facility becomes at optimally utilized, I mean, from a revenue perspective, is it -- is the bulk of the revenue going to be driven by our existing set of already developed and commercialized products? Or it's going to be the newer products that will be defined -- that will be driving bulk of the growth for the Dahej capacity which is coming through?

Tanushree Bagrodia: So Nitin, of course, there will be a mix of existing products and new products. But as we are embarking on the INR710 crores capex, sure, the products that we have taken are the products that we are currently manufacturing where we have a constraint in capacity and hence, we are not able to cater to all the demand that we can.

So in the INR710 crores capex, we haven't taken the innovation pipeline into consideration. The innovation pipeline will come on top of what is considered in the base case. Not necessarily at a heavy capex. Of course, the capex will be required, but it will not be to the full extent.

Rajan Venkatesh: And we have also piloted some products, and that is also something we will really target to scale up in Dahej. But that is, today, as Tanushree correctly explained, not in our baseline.

Nitin Agarwal: And if I can just push on that a little bit more, then we be talking of a meaningful expansion in volumes on our current specialty portfolios. So this increase in volumes for our specialty portfolio that is largely going to come as market share gains? Or what is I mean -- or is it going to be just like probably some expansion in the market itself, which is happening in some of these products?

Rajan Venkatesh: So I think one is the organic growth in the segments that we are anyway serving today, as Tanushree explained, we are capped from a capacity lens and those markets still continue to grow. And so when I say grow is we always take a midterm view. We don't take a point-in-time view. So that's going to be one important element of the growth opportunity. And secondly, we will -- like I explained about 2 years ago, we saw 1 major competitor in this segment stepping out.

And as the competitive pressure plus also the cost pressures where they operate, for example, in Europe or in Japan continue to evolve, we can see also that landscape evolving. So hence, we are, I think, then well positioned to, a, garner market share on our cost position and our value proposition to our customers and also then support the customers' growth.

Moderator: Ladies and gentlemen, due to time constraints, that was the last question for today. I now hand over the conference over to Mr. -- to the management for closing comments.

Rajan Venkatesh: Thank you. So thank you all again for your interest in Laxmi and for your constant support. Again, all these questions, give us the right stimulus to challenge ourselves to continue ourselves in this journey. The market on the chemical space, again, to restate is certainly a little more challenging than what we have seen in the past. But that's the nature of the beast and that's what keeps us excited. And that what gives me the confidence with the management team we have at Laxmi that we will navigate through.

I also would like to thank our Board, which has placed the confidence in the team with the largest capex that Laxmi has embarked. We are also fully focused on delivering on our ambition on the fluorine side of our project. So we are all working very diligently and focusing on execution, excellence is one pillar and customer focus on the other pillar underpinned with our values and EHS. With that, thank you very much. Have a wonderful Diwali, which is coming ahead, and I hope you had a wonderful Navratri and Dussehra. Thank you.

Moderator: Thank you very much, sir. On behalf of Go India Advisors, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.