



August 4, 2021

To,

General Manager, Listing Department, <b>BSE Limited,</b> P.J. Towers, Dalal Street, Mumbai – 400 001 <b>Company code: 533333</b>	The Manager, Listing & Compliance Department <b>The National Stock Exchange of India Limited</b> Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai - 400051 <b>Company code: FCL</b>
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Dear Sir/Madam,

**Subject: - Transcript of Concall with Investors and Analyst held on 26<sup>th</sup> July, 2021.**

We enclose the transcript of Concall with Investors and Analyst which was held on 26th July, 2021.

Kindly take this in your records.

Thanking You.

Yours faithfully,

**FOR FINEOTEX CHEMICAL LIMITED**

Sanjay Tibrewala  
Executive Director  
DIN: 00218525



**Encl: Transcript of Concall**



Fineotex Chemical Limited

Earnings Conference Call

Q1 FY2022

July 26, 2021

**Management:**

**Sanjay Tibrewala - CFO and Executive Director**

**Arindam Choudhuri - CEO**

**Aarti Jhunjhunwala - Executive Director**

**Pradeep Tibrewala**

**Moderator:**

**Kenin Jain– Motilal Oswal**

Kenin Jain: Good evening to all the participants on behalf of Motilal Oswal, we thank Fineotex management for their time. The sole purpose of today's call is, you know, trying to get a sense as to what is the two to three years business outlook call for this company. And as we all know that they have developed a niche in the textile segment, have a leadership out there, command good margins, and also coring into two new segments which Sanjay will throw upon. So Sanjay, I think we have lots of participants both from buy side and sell side. What it will be very much important is that, you know, March'21, has been a challenging year for all of us, you know, so in that full financial year, we have done a 42 crore absolute EBITDA, despite the lockdown period, even this q1, you know, we had some challenges. So how should one look at March'22, full year, March 23. We all know that economy is opening up. Second is the textile segment, which is your end user, they are seeing massive tailwind from US side. And also, you know, China angle, you know, so to that extent, your customers have a solid tailwind. Here in India, the economy is opening up, I think the margins which you command, and you know, the criticality of our product, and the relevance of that in the final finished product to the textile is solid. So you know, keeping that in mind, I would request you, Sanjay, to throw an initial outlook and then we will throw the floor open for Q&A. Along with Sanjay, we also have Aarti who looks at the front end, and the entire sales and the global marketing. We also have Arindam, another industry stalwart who have joined as the CEO, assisting Sanjay and Aarti, to take the company to next level. So we have three people from Fineotex. And I think with this as a backdrop over to you, Sanjay, and you know, feel free to you know, qualitatively highlight the important elements and the aspect or with what lens we should look into?

Over to you Sanjay?

Sanjay Tibrewala: Well, thank you Kenin and I would like Aarti to start with her opening introduction and remarks and then I will join her as well as Arindam will join her and then we can keep it open for question and answers.

Kenin Jain: Perfect Sanjay. Over to you Aarti.

Aarti Jhunjhunwala: Yes. A very good evening ladies and gentlemen and I hope you all are well and staying safe. This is Aarti Jhunjhunwala. And I take the pleasure of welcoming you all to the Q1 FY22 earnings conference call of Fineotex chemical limited. I hope you all had the chance to look at the financial statements and the earnings presentations uploaded on the exchanges and our website. I would like to begin by giving you an overview of our business and the strategic outlook going forward. Fineotex is a leading speciality chemicals producer with a market leading position in the in the international textiles industry. Our focus is to increase the company's opportunity size by expanding our portfolio not only in textiles, but also in the homecare hygiene and drilling speciality chemical segments. The first phase of the upcoming Brownfield at Ambarnath near Mumbai is expected to be commissioned by September 2021. This plant will cater to our portfolio expansion and increase our utilization among existing and new product offerings. The plant will be state of the art automated unit which will comply to highest standards of sustainability and boost growth. Having said this, I would like to hand over to Mr. Sanjay Tibrewala to provide an overview of the company's financial performance.

Sanjay Tibrewala:

Thank you, Aarti. So yes, we have continued to deliver a robust financial performance despite the partial lockdown experienced globally actually in India as well in this quarter of financial year 2021 and it was the initial stages of dealing with a pandemic but this year the company had, again showed its resiliency measures to be prepared and deal with the pandemic related business challenges. CRISIL has assigned us a long term rating of A minus stable and short term rating of A2 plus to the bank facilities. Right now as such, we are a debt free company. Coming to the operations and financial performance of the quarter the revenues from operations stood at 633 million, which is up by 108% year on year basis. Scaling up high margin speciality chemicals orders from both our core textile segment as well as the new business segment has aided the growth. EBITDA stood at 98 million for the year, which is up by 139% year on year basis. EBITDA margin stood at 16% expanding by 200 basis points. We are focusing on expanding our product line to more diverse range. The PAT stood at 97 million in FY21 current quarter, which is up by 18% year on year and margins stood at 15%. At the same time, we have also strengthened our management. And with the addition of Mr. Arindam Choudhuri who is the CEO. He brings along with him two decades of deep insight, thought leadership and vast experience from global textile chemical industry. I will also like him to continue and share his updates of the company with all of you and provide you some recent initiatives and strategies which we have announced recently and had several press releases in the recent times in the last two three months.

Over to you Arindam Ji.

Arindam Choudhuri:

Thank you, Sanjay.

I'm excited to be a part of the Fineotex team. And I'm here to jointly help build the brand in a next phase of growth. And our business is well diversified across key international textile hubs at this moment, but our aim is to grow our market share and strengthen our existing relationship by leveraging Fineotex and Biotex obviously in our strength in a both Indian and international market. We have tied up with the American concern called Scivera, who is basically providing the sustainable technological solution for the textile field for all top international client like Levi's, Patagonia, H&M. By doing that, we will place our chemistry better and more sustainable way towards the certification demand. And it is an innovative method of assessing or scoring or reconsider certifying our textile auxiliary there are doers more human and environmental health characteristics, and it is a need of the hour, we cannot run away without any certification at this moment. And these certifications will help us to grow our business multi fold in next 2-3 years. Fineotex is leading transition from synthetic to lower carbon footprint product line and we are playing a very critical, crucial role towards a sustainable chemistry development and driving force towards social responsibility because all the global brands are now asking what's new and how you will contribute a better way towards the environment? So, this is right time to invest on the certification and towards the social responsibility with our product line. And with that we have recently tied up with HealthGuard, Australia. Basically, we are the global exclusive marketing and sales facility provider channel partner with a joint operation from Malaysia base and it will definitely help us to broaden our product portfolio and we have installed new products in our basket and we will move across the world with a sustainable solution to our every customer. And

this is need of the hour also because after the pandemic people are a little bit frightened with all these, you know anti microbials and bacterials activities across the space. So Fineotex-Biotex group jointly with HealthGuard can provide and set up fight against the pandemic and to be at par with the other developed economics in the world. And to strengthen our R&D and development we have tied up with Sasmira which is one of the state-of-the-art Research and Development Center in Mumbai. And it is a premier textile Institute also and we are lucky and we are very much happy to be partner with their R&D Center to focus on a new and sustainable textile solution offering towards the reduction of the water uses, energy consumption, textile waste processing. It is a time of innovation, so as fast we innovate our product line and we can change our product line according to the need and want of the customer we can get more business share at the same customer end and also we can develop our new product line for access to a better development in the market all together. So we continue to strive towards building of a company with a global brand and making Fineotex a quality and Sustainability Index with a higher face value. And with this, we could close our opening remarks and we'll open the call for question and answer session. Thank you.

Kenin Jain:

Thank you, Aarti. Thank you, Sanjay. Thank you Arindam.

So, I have first two question and then we will ask others. So Sanjay over last 14 months it seems that the unorganized segment have faced challenges both at P&L and balance sheet level. So is the phenomena visible in our industry also, and because of which is the entire organized segment will gain on market share front in our industry versus unorganized? And second is over the last 3-4 months we have seen lots of raw material prices inching up. So has it been the case with us and if yes, what is the pricing side? We have done with respect to the final product price, what kind of price inch-up have we have taken or we are planning to take?

These are the two questions.

Sanjay Tibrewala:

Thanks Kenin.

So, firstly, let me address your first question. You just mentioned correctly the unorganized players are not able to you know they have been more effected with the lockdowns and the COVID situations. And then the organized players are getting the major share. It is also because I feel you can also notice, you know, the government has taken a lot of steps towards ETP management, waters, we know water drainage systems, BOD and COD and the organized players are the only ones who have that much capital and those kinds of expertise to have zero discharge companies and things. At the same time, most of the organized payers are somewhere dependent on the export markets rather than the internal domestic markets. So yes, definitely, after the GST regime, we saw that jump from the unorganized to the organized at the same time due to the COVID situations and the kind of effluent management services and systems, the organized customers and companies are definitely gaining more market share. And at the same time most of the European and American companies, they're asking their suppliers to be more sustainable. So they have to be members of Bluesign they have to be members of the ZDHC and things like that. So definitely the world is marching towards the big is getting bigger. So that's what is being experienced in our businesses. So, basically we have always been more depending and more focused on

our organized market and they are getting bigger for sure. So, yes, that's definitely there, you have rightly pointed out that point and regarding the raw materials, you know, there have been global international changes which due to the containers and liners shortages. Now, due to that a lot of the products the supply has either become maybe their supplier. Yeah. So, what has happened is a lot of supplies have been disrupted due to the container supply shortages and things like that. So yes, from last January, we have experienced there has been a shortage of raw materials or temporary shortage not a shortage actually. And then there has been a price movement because the freight cost has gone up inward. Similarly for our customers worldwide, the price of the containers has gone up. So the landed cost has also gone up to some extent. However, in our business, as we have discussed once in the past, also, generally our prices, it's not like a long term tender or something like this. So we can always adjust our prices and pass on whatever, you know, hits we have in certain period, temporary period or whatever. And we can pass it on to our distributors and clients because, of course everybody understands the same situation we all are in the same market. And it's undeniable the containers are to USA, which was earlier \$2,000 attached to that \$14,000 and that's also not getting available. So, this is certain thing which we all are experiencing. Now, the good part of this is that many companies and countries who are not depending on India in the past, they have started coming to India more because they are not ready to buy from China because the cost of freight from China to Turkey for example is \$15,000 now, so it is not possible for them to go into China and buy it so again India gets an edge on that. So by and large it has its pluses and minuses we get more attention from the customers on Yes, we can always pass on the raw material prices, which Arindam is already doing right now. So that's going on.

Kenin Jain: Perfect, perfect. I would request participants if they have any question. They can unmute or can ask question to me. Ankit you had one question. Can you unmute and ask your question Ankit Bansal?

Ankit Bansal: Hello, Sir, just one question. The promises you are making with the kind of JV you are doing? Are you're going to fulfill it, in spite of the last promises about your Aqua strike that is gone zero. What are your comments on it?

Sanjay Tibrewala: Well, let me make your information more correct actually. So the commitments here is like Arindam Ji can talk to you about the HealthGuard in much details. And the sessions will get on to a very long level, actually. But yeah, of course, let's see, there are different things. Now let's talk about anti microbials. Now anti microbial, always there has been a market for it. However, if you notice, even the consumers, there has been a big trend change, and even us if we go to any malls or any shopping for buying an outfit, we always are now generally asking performance chemical fabrics, let's say dust repellent, perspiration absorbers, anti-microbial, antiviral. So these are the trends which have picked up since last two years in a very unbelievable dramatic levels. In fact, to the extent that most of the European and American companies are venturing out to a roadmap that all the substrates or all the fabrics, whatever, they will be importing garment or fabrics, they have to be well treated with the anti-microbials everything even for that matter if you have noticed Welspun was also working on to a level where all your towels, whichever will go out of the factory has to be treated with anti-microbials. The kind of demand is there for that HealthGuard

is the only more sustainable chemistry in the world, which is much superior and it doesn't have any metals also, which Arindam ji can explain in more details. Now correcting your information regarding Aquastrike let me get to you on that part. So in the mosquito Lifecycle Controller topic, as you can understand from the logic itself, it is not a mosquito killer, it is something to be sprayed on the water and you know, it's something like that, which for sure having the department's approvals. And it works from the WHO levels. In the last two years, there has been no movement on those lines for sure. Again, having said that, there has been some small housekeeping businesses which Biotex has been doing. By the way, this product was developed by Biotex along with the IMO, which is the international Malaysian organization, which works with vector borne diseases. So that's a different matter. That's a working for the approvals. It's not a b2b business, it's a business to government, whereas the antimicrobial businesses what we are talking about is something which has to be there for future and even now, most of the garments and fabrics are treated. Arindam Ji can talk to you more about you know, the demand of this anti microbial and how important this has become and what are the developments which we are working on? Arindam Ji if you could continue that part?

Arindam Choudhuri:

I think it's very simple, you already explained all your positioning. The thing is that with last one and a half year and almost a two year, we got a huge demand on these segments from every consumer and also the brand houses and top designers even in India, if you closely monitor in last one one and a half years people are talking about antimicrobial antiviral in every spaces, either it is at school uniform, uniform for the industry people or even the bedlinen towels and everywhere. So as we were not having this segment in our product range and we want to explore the market in a broader spectrum, I think this is the best tire we ever can make in this kind of situation where we desperately need our partner who already having the technology and we already having the market. So in this synergy, we can explore at least 65 or 70 countries where we are already present with Fineotex biotech products. And we are hopefully one of the Indian consumers paid also we can hold 10 to 12% market share against existing American and European fellow players. And this is a good business in a speciality niche market where every company in a speciality business want to explore for a better margin and have a better growth proposition also and I think we will show the result in next 2-3 quarters, how we can deliberately promote this product in the multi-channel of brand and in the consumer space.

Ankit Bansal:

Okay, so just a follow up on this. Sanjay sir, for Aqua strike, you have told to 2018 will be the deadline. And now you're saying that it's been two years this pandemic has started in 2020, but in 2018, you have started saying that at the end of 2018 or on the start of 2019, we will get the approvals. But nothing happens. That's really frustrating for the investors. Please sir comment on this.

Sanjay Tibrewala:

I will assess and reply to every question or whatever, you know, correct information any investor has, that's not a problem for sure. Like I said, this product line is not controlled by any businesses, this product line is controlled by the government. Now the government health department of India and the WHO are not in anybody's control as such. At the same time, if you could also go through again, our discussions on the 2018 and 2019 discussions, wherein we had mentioned that there has been a change in the process of the WHO and again, there was a new kind of, you know, approvals

and systems which were started. So yes, we have already updated our investors time to time about it in almost all our conferences, and all the meets, which keep happening every now and then. So maybe we will keep you updated. And Kenin, maybe you can make a note about Ankit please. So whenever we can invite them also for our next meets.

Kenin Jain: Perfect. Thank you. Thank you very much. Next question from Anirudh. Anirudh you can go ahead.

Anirudh: Hi, good evening, everyone. Hope everyone is doing good. So, I have four queries in all.

The first one is what is the margin? What is the percentage of sales for this home cleaning business which you have started recently? and what is the growth with respect to last quarter? Second is as Mr. Sanjay has mentioned that there will be a pattern of price increase in the raw material. So, can we see the effect of those price increase in coming quarter? And I just want to know this HealthGuard, what is the market they are right now working with and what is the share over there? and then Biotex will have the commercial realization of the whatever products we are going to take from them.

Sanjay Tibrewala: Well, let me answer a few of your questions and then regarding HealthGuard I can also reply to you. So yes, so, you have almost five questions and let me try to answer that in the quickest time because there are almost I think 100 Plus things happening. So, let me be more brief and again all the participants if you have any more queries which have not been answered because of the time shortage and things like that, you are always free to contact us or our investor Churchgate I mean, investor advisors and we are very much happy and delighted to answer to your queries as fast as possible. So coming to the question, how much sales growth has happened in the cleaning and hygiene businesses. So let me put it like this in the last quarter March ending we have hired almost 10 more marketing team for the sales and we just got our FDA approval for disinfectant and for this line of product in January, we have got the FDA pharma and after that we have like I said, hired 10 more additional manpower and after that we have experienced on lockdown so this in the cleaning and hygiene our main focus is on the institution businesses. Now what is an institutional business I will let you know, it's more about the restaurants food, hotels, corporate houses and buildings. So that is the main area now as we all experienced the lockdown and of course for sure the restaurants hotels and theatres, multiplex and even the corporate buildings are not too much open or almost not open I can say for that matter. So yes, there has been a growth of course, and we are looking so that has been you know we have just started this quarter. But going forward, this is something which we are looking at. We are now in this quarter going to hire another 16-17 more team members across India. We already have 15 distributors for those businesses right now. And the margins what happens when they say the gross margins must be more than 55% more or less. However you do that, you know this business is more having manpower and technical sales team that is kind of a business Where we are into, so yes, the EBITDA margins falls in the similar line what we are already having. And so broadly, this is the answer to that. And regarding the quarter price revisions and things, yes, we can experience certain growth in the EBITDA margins in quarter two, because then this quarter



everybody is passing on the rights to the customers and regarding the HealthGuard and the kind of markets and when will we start the business on HealthGuard Arindam Ji can enlighten it.

Anirudh: Mr. Sanjay just one thing. So, in short, we would like to say the moment a market will pick up like open up the hope will be that particular segment will start giving generating more revenue.

Sanjay Tibrewala: Oh, yes, perfect. And at the same time, let me let me tell you also, along with that, we have the volume of market in which we are supplying our polymers to a detergent market, which also we initiated, that's a b2b business actually, not too much of a b2c. So, we are experiencing a good response on our product line there also. And yes, you can experience this quarter has to be much better than what has happened in the last quarter for that market for sure. And regarding the antimicrobial HealthGuard, Mr. Arindam Ji will update you on that

Arindam: It is basically the products portfolio are already present in the Indian market, but with a different channel of operation. So, we want to hand over the channel of operation with the next two quarter but we are open with other global networks. In the global network we are experiencing a little bit, it is a marketing dominating. So as soon as we promote this product to the end customers base and we can notify the customer and our end customer that we have this product line in our range, we can start generating the revenue very soon. So we are hopeful, you know it is a \$100 million approx market way and our major market will be the you know Bangladesh from biotech operating from Turkey and Pakistan and the Middle East, obviously Africa Latin America, Indonesia. So these are the market we are eyeing and we are accelerating our network to penetrate every customer mind that yes now Fineotex-Biotex group our partner for the specialty range and we'll definitely try to generate the revenue as fast as possible and it is under demand business also, as a customer create the demand fast to the producer and the producer didn't come back to us. So it is a solution driven business and we are hopeful that the revenue will start coming from next quarters.

Anirudh: I just want to know like how well the sale card have been, like brand value has been created in other markets like before us before FCL how well it was placed with other markets. What you mentioned right now.

Sanjay Tibrewala: HealthGuard is a family driven company since last 30 years. They are very, very renowned company in the space of hand sanitizer non-alcohol based on the disinfectants effect, and they launched their product for textile aspects 10 years back, and very recently, they are widely renowned in Southeast Asia market. There are some certification range for invading the product line in American and European market with our channel partner help, they have just completed our certification, which is a German certification which required to market the product in the European channel and European based customer. Also with our channel, we have established Greenscreen certification which is required for the American market and we are just holding our nerves for one certification required for Canada and North American market. So that certification will be in the pipeline and due to the slowdown and COVID and all that US law scale has also diminished little bit in our lesser space. We are hopeful by August end or early September that certificate also will come and, in

that case, we can market this product in America also. At this moment you can say that market share is mainly in the southeast and Middle East including India, all top retailers including Welspun, Raymond and Siyaram they are already using HealthGuard products. So as far as the brand awareness they are very good. Only few certificates a hint was there which we already clarified for our network, and it will be done by early September. So, we are hopeful that next quarters will be rosy.

Anirudh: Okay, great. Thank you.

Kenin Jain: We have next question from Agam and Agam you can unmute and go ahead and then we'll follow it up with it Hitesh.

Agam: I think I read just one of the press releases, we're talking about fundraise. So can you help me with that? So what plans are on the roadmap?

Sanjay Tibrewala: Uh, well, I mean, you know, as you know, 10 years back after our IPO, we had our international meeting acquisition of Biotex. And this is something which has been successfully driven from a debt company to an you know, cash rich and a growing company with highest level of sustainability with Bluesign levels and things like that. So, now, that give us a lot of confidence of you know, looking at a lot many opportunities, but as such as you must be knowing that final taste is very conservative and disciplined with its cash deployment and things, we keep eyeing on a lot of opportunities, which comes along the way. So, you know, there are a lot of interesting things, which are we are understanding and getting into. So, if something works on a higher level or advanced level, we must be requiring certain fundings or something, which right now, there is no roadmap to it. But however, that can always be considered for the future.

Agam: Thankyou, that's it for mine.

Sanjay Tibrewala: Thank you so much.

Kenin Jain: Hitesh you can ask the question, and then with Nicky Rungta, so, Hitesh over to you.

Hitesh: Hi, thanks for the opportunity. Sanjay, if we look at, your margins are like 20%, less, also your return ratios, we definitely see that maybe it's a specialized business that you're in, but if I look at your gross book and the revenue, you know, the asset turns are, are not five to six times also, you know, more like a trading business. So just trying to definitely it's not a capital-intensive operation that you are carrying out. So, you know, what is driving these healthy margins and what is the, you know, what is the entry barriers for others to get into the safe space?

Sanjay Tibrewala: So, well, as you have rightly pointed out, this is not a capital capex driven business see, let me tell you one thing, which is very important for me to explain our participants, we are into production of speciality performance driven chemicals and solutions. Now, the word solutions is a very important word here, it is not a COA driven business or an API business or a commodity business or acetic acid is this where everybody's products are sold on a COA or purity or something, our products are working for the consumer, it is a specific performance and a specific purpose which means they are not bothered about the kind of the cost or the purity levels, what is more important for them is to get the right performance. Let me brief up in like this question is very helpful for all the audiences actually. So, let's say in textiles, we have

basically classically four processes one is pre-treatment, which is cleaning, then there is a dyeing process, which is the colouring, there is a finishing process to give the final finished the fabric or the fibre and there is a printing Process if at all applicable for the bedsheets and others. Now, all these four processes together require 25 different functional chemicals. Now, all these 25 different functional chemicals contribute only 3% cost to the user. So, basically every chemical is contributing point one .5% cost to the user. So, it is something like changing the salt of the food, generally people never change the salt of the food one because it is not too much of a value or cost saving and let the salt with the same one which is going on because the outflow is not much at the same time nobody would like to change the taste of the food. Similarly, I told you about the cost part. Now I will talk to you about the change's problems. If something goes wrong in the pre-treatment there will be holes in the fabric, the fabric cannot be used at all. Similarly, if something goes wrong in the finishing and silicones there'll be silicon spots on the fabric and it will be gone for a claim and it will be cut in cut pieces it will not go in meters. So and also there is a big compatibility issue that all the chemicals should be compatible with each other and things like that. So it is not and acetic acid business where Narmada's product or Taiwan or China product will be the same category. This is a solution we call it like we are doing the homeopathy solution where we are curing the problem of the customer. The customer pays us for whatever it is and that's the way it works. We never lost a customer and the way we have been, that's the kind of business where we are once the solution is given to the customer. So then the customers are always there, it's a very high entry and exit barrier business. Now coming to the point that we are already having cash on books. Now, if that would be the, if it was a capex business or something like that, we would have already put all these things in the machinery and bought the orders and things like that. And that is likely as you have said, our turnover. asset turnover ratio is more than five or something like that. It is also because of the same reasons which I've explained to you, coming to your topic R&D, we are averagely having our expenditure of 1% on the R&D expenses. And also as you must have noticed, in one of our press releases, we have recently tied up with Sasmira's Institute and that's one of the most important Institute for any textile company in India at least so it is like that. I'm also an you know, alumni from Sasmira as such and random Arindam Ji can also you know, shell out you know, what all sustainable solutions and products we are going to work out in Sasmira together. So, Arindam Ji if you want to share some ideas, in few lines of Sasmira what we are planning out there?

Arindam:

Basically, when people are asking that what is the investment portfolio for the research and development so, research and development, it's wide spectrum, and we cannot add to the sponsorship or doing some research which will not be fruitful for future businesses. So, it is very differential opinion from what we want to move on how we want to move on with our technical space not only on textile and all the other oil reeling chemical surfactant business on all surfaces, we are being Institute where chemicals have been nurtured in a very different way with all scholars PhDs and researchers are working. So, we can jointly work upon with our customer problems, that's what the solution-oriented business, I just want to add with Sanjay as one word when you say solution, I love to say is technology with service. So, when we have a technology, we should have a service also because we are not selling anything shampoo or soap, we are selling industrial chemicals which always need a service. So,

in that space, we must identify where to foresee in next 5 years or next 10 years what chemistry should be in a big demand? So, we are thinking and we are discussing with all sorts of fellow researchers and the professors and we try to intervene the customers also in a multilateral direction like what are the customer need for the cotton fabric polyester fabric renewability of the fabric and also this kind of product line we are thinking and we suddenly come up with a discussion that we have to research with our product line to save the energy, steam water because textile is a widely use the specially driven by water energy, steam and the worker dominated industry. So, if we can develop some solution for our customer, while we can gear up and speed up their process, they can save some water and now nowadays they cannot pull the water out they have to treat the water whatever they are using. So, we are thinking on these kinds of concepts on sustainability drive and we are associated with global institution also in the UK institution where we are doing some joint work programme on a neutral ground like Sri Lanka, Mauritius where we want to enrich our customer knowledge with our specific solution-oriented product. And within next one or two years, you will definitely know what our budget is we are expended on research work on the new product line which we are focusing for next 3-5 years and one decade you can say.

Hitesh: Just a follow up when you say you're offering a solution is it that is it the case that you know a customer or an external player cannot source chemicals from multiple vendors for different processes, yes to source it from one vendor where the chemicals are compatible for each process is that the case?

Arindam: So it is not a monopoly of any kind of production chemical as such, but the utility of the chemical at the customer end you can specialize. So when we say solution, our team or our technical staff who will already appointed and they are all high tech people and whoever industry experience of 18 to 25 or 35 years, they know exactly how to resolve the customer problem within a short span of time, it is a matter of time. And it is a matter of efficiency, how quickly you can resolve the problem. So maybe the product portfolio or the raw metal or the monomer may be same but how we can use that volume or the chemical at the right time with the right molecular space that is important. So it is a solution driven business.

Hitesh: Now I'm sorry, I did not get you. Maybe I did not put my question right. The question here is when you say you're offering a solution, does the customer have to take the entire solution end to end for its value chain from one vendor so that you know there are no issues in one processes because of different chemicals that get you or maybe a different vendor that provides the chemicals is actually one vendor providing the entire end to end solution is it the case?

Arindam: So it is dependent on the customer mostly as we suggested that we have four or five treatment and 25 chemical, so, in each treatment customer have a choice to go with a one vendor. So, we are now targeting in that way we want to cater our highest share of that customer maybe we are present route with one or two products, we just want to multiply with 3x at the customer space with the solution provided in trim, you know, we have to provide some solution, we have to give our expertise solution with our product line to save some energy some time or some quality improvement in customer space and to cater that five or six products in place or one or two products.

- Hitesh: Just one last question, who would be competing in the products coming from HealthGuard? They will be competing in India and overseas? Can you name them?
- Arindam: In the moment, who would be competing is American giant. We are not talking about non metal based industry. Our all peer base, all our competitors are metal based. For your knowledge Marks and Spencer, all the brands banned their silver and chemical based from 2018, which is very recently. We think that with our innovations in nonmetal based space where cosmetic based products are high. If people are liking cosmetic derivative product in this segment.
- Kenin Jain: Thank you. Nikhil over to you, you have been waiting Nikhil.
- Nikhil: Yeah, thanks. Sir last three months having quite eventful for us say tie-up with Sasmira, HealthGuard or bringing in Mr. Arindam on board and taking of approval from the board for raising of funds to the tune of up to 200 crores. So, just wanted to have an update on an idea from your side like this 200 odd crores which we are planning. So, as you just mentioned that you are also eyeing some of the other acquisitions. So in what space would you be eyeing that type of acquisition? and second would be like up to what level of expert what size of acquisition you would be comfortable with? Like currently like our revenue would be say 200 to 300 odd crores. So, what could be the size of acquisition which you will be comfortable? Lie we bought Biotex just after your IPO and Biotex today is approximately very small compared to the overall size of Fineotex So in their newer acquisition, which you may plan what could be the size of that acquisition?
- Sanjay Tibrewala: So thank you, Nikhil. I will let you know Firstly, regarding the revenues, as we had the last year the first part was almost a COVID quarter as such for our businesses, I would rather ask you to work on our quarter four of the last year and then you can analyze it as our normal trend what we are expecting for because quarter four was something which was not having the impact of COVID to that extent of the you know, so from that angle. Now coming to the point of what kind of spaces see as you have already been, you know, watching Fineotex and the way we have been moving forward. So we are a very disciplined company when it comes to cash on you know, cash deployment and things like that, until we find a lot of synergies and the right kind of business line. We can have a profitable business line, we are not going to rush for anything which we are not knowing, or we don't have the expertise, either we should have the production expertise of those chemistries or we should have the application, you know, the marketing end of it. So, we are very much comfortable in doing certain things which we have been already doing. See as such we are doing polymerization, we are doing homopolymer copolymer terpolymer, we do esterification we do phosphorylation, we do sulfonation we do condensations we are doing and also the polymerization is doing of almost all the monomers, whether it's mineral acetate, acrylic hydrates you know, we are doing everything, as you must be knowing about. So, basically anything which fits in certain things, either from the chemistry production point of view, and having application in different angle businesses, or at least going to the same customers same I mean, same kind of divisions and the businesses in which we can add on complementing our existing range, which is easier to do on those bases. So, yes, that's the kind of comfort which we have in the right space, we will acquire synergies for sure, and the size. Now sizes often thing which is

you know, we will not go beyond a certain size for sure, because we are very much confident on organic deliveries, what we are going to do, we have already, you know, it's beyond any doubt that if we don't double our businesses in the coming couple of years or something like that, in the organic point of view, now, that is going very well as such. So we are not going to go for anything inorganic, which will be either not having some kind of synergy or getting out of the size for us. So it will be very conservatively streamlined, profitable. Similar EBITDA are similar gross margins level. So that's the kind of thought process we are looking at. I hope this answers to your question Nikhil Ji.

Nikhil: And that's, that's quite comforting, Sir. Sir. Just second question our margins if I look at EBITDA margin, they have trended down, I believe, because of the COVID in this quarter. But what would be the sustainable level of EBITDA margin we should look at?

Sanjay Tibrewala: Well, you know, on an average, always we have been over a period of three, four years always, we had around 19% - 20% of average EBITDA margins. And as also I would like to mention to our participants are 2018 and 2019. We had done a lot of expansion in hiring, marketing and marketing team members, technical team members, a lot of promotional activities, exhibiting worldwide in almost all the countries whether it's Brazil, in Spain, in and in Pakistan, Iran, Sri Lanka, Thailand, you name the country and we have been participating Ethiopia for that matter last year also. So there has been a lot of expenses and promotional activities, which we have done at the same time, Biotech's also got the blue sign, Beehive, Reach, and many more certifications, which are all costly, actually. So you know, we have been already be expecting, you know, that this would have given up on a great jump by now. But due to the COVID, everything got, you know, sluggish I can say if not reduce the momentum. So, yes. But however, going forward, I think the benchmark of 19% should be good enough for 19-20% EBITDA margins, because right now, we have already sown the seeds, we are just waiting for, you know, the COVID and other things not to come and hit on the business activities in the consumer binds. So once it is sorted out, I think we should be back with our expected line of EBITDA numbers.

Nikhil: Sure sir and I hope our facility should start by September.

Sanjay Tibrewala: Yes, we are looking for the phase one initiation, of course, we all are in the same, you know, lockdown kind of situation in which commissioning always takes a little more time because of the government paperwork, approvals and many more things. So yes, that's something which we are keeping an eye on very, very soon.

Nikhil: Yeah. Sure sir. That's all from my side. Thank you so much. Thank you.

Kenin Jain: Hi. We have a question from Satya, followed by Levin. And lastly, we'll take Anirudha. So Satya Krishna over to you, Satya.

Kenin Jain: Fine. We will move to Levin. Levin over to you Levin Shah and then we will take a question of Anirudha. Yeah, Levin, you can unmute? Yeah.

Levin: Yeah, thanks for the opportunity. Sir, I'm new to the company and pardon my lack of knowledge, but this tie-up that we have announced, so, we would be a disservice for them right, we would not be involved in any manufacturing?

Sanjay Tibrewala: Well, I know let me tell you about that, you know, there are two big pointers here there is a lot of investments which happens on warehousing, Technical Services, getting the registrations off from every country having the right people and you know, there is a big you know, so, these things are not taken as a small You know, it is equally important to manufacturing also getting the registration it's like, you know, as happens in pharma registrations are most important and the products have been made by people. So yes, it is equally important, there is no doubt about it, there are a lot of hard work and activities which are involved now, because our company and Aarti has expanded final tests into many more geographies. And even in the last quarter, we have expanded to many, three more big countries, which is Venezuela, Israel and Syria, which are the most difficult countries to do business with. So, we have a lot of tie up with everyone in the world across the world. Now, this is something which cannot be replaced, or somebody can I have, you know, this is most important to have the rack to put the have the channel. And this is what is very important. And I think that's also a lot of hard work from our side. And terms of profitability, if your questions are on the tops of profitability or the bottom line, what is left for buyout, Fineotex and biotech, you can be assured it will be much better or at least the same lines in the EBITDA numbers what we have been doing today in the manufacturing also. So, I think, you know, if your question was towards, you know, the bottom-line numbers are what are we going to do or what kind of roles we have. So, this is the right Levin for you.

Levin: Sure Sir. That was very helpful. Thank you, sir, a follow up on that. So are certain geographies that we have carved out and we will be focusing only on that and HealthGuard will go in rest of the geographies on their own or with any other distributor that is how we have negotiated the deal with them. And secondly, when we say that these 100 million dollars is the kind of market that is there for this production, we like around 7-8% market share to begin with, what is the kind of potential that you see two to three years down the line from this business?

Sanjay Tibrewala: One thing whatever we are telling you is more conservative style of approach. That's the way we always work on. So firstly, the marketing we are an exclusive global channel partner for HealthGuard, everything we'll be working on from Biotex and Fineotex right now the company is also be named and worked on and all over the world, we will be the central point for technical sales. By the way, even if you go on HealthGuard services held the guard the websites and things and email what you drop comes to our email by the way, so whenever wherever it is so for that matter, so it itself means that all the inquiries and everything has been rotated through us only. We need to strategize it; we need to make our channels I mean we have the channels we need to put the pricing stave levels we need to make it appropriate to fight with the Europeans-American companies also. So that's the kind of, you know, you know, our roles in those businesses. And now the other part, which you said, yes, it's a business of 100 million dollar, which is growing, which is still growing and growing, and it will become a trend where, you know, it's something like that every, every fabric will be antimicrobial treated for sure, eventually. And even the kids, baby care, you name it, and it will be on those lines. And yes, we are looking at least 7 to 10% of the business in the coming times from the global market. And it's doable. It will be done.

Levin: Yeah. Just last one thing. So, we would exclusive distributor for this product?

- Sanjay Tibrewala: Yeah, we are not a distributor let me correct the word distributor is another thing we will appoint the distributors.
- Levin: Sure Sir.
- Sanjay Tibrewala: So we are not the distributors or something we are their partners for that matter. And this, these agreements and other things are very much in, you know, it's a very stringent way of agreements and systems are well set. I just give you an example, even if anybody approaches on the website if the email comes to us. So, it's something like that. Now, I think this is the most important thing for us to know about.
- Levin: Sure. Got it. Thank you, and all the best. Thank you.
- Kenin Jain: Follow up question from Anirudha. Anirudha over to you.
- Anirudha: Yeah. Hi, Sanjay. Again, thank you for the opportunity. When you say that you have got some few more regions, because of the, like the shipping costs of the China and all. So what are the exact growth percentage we can expect from that in the revenue part of our profit part? Second is when we talk about HealthGuard, as Mr. Arindam had pointed out, there are only two players. And those are very biggies. So when we talk about the biggies, and when we talk about the small company like HealthGuard, compared to Darden, can we have a lot of price benefits that will help us to improve our margins more? And the last question, when you say a lot of times, you're conservative, you're conservative in that, because when we talk about why 50% growth? So that, again, is a conservative number, can we expect more than 50%?
- Sanjay Tibrewala: Well, let me start with your first question. It's about the new geographies which we are getting due to the Chinese plus one factor. Now this is something which is exciting to us, it's very tough to give you an exact number of you know, the kind of growth percentage of those countries which are coming to us. In fact, let me tell you, you know, the containers are in such a big, massive shortage, that if there are many countries from where China has shot, the entire lining line, there are no liners. So eventually, you know, in the world after China, India is the next country to produce chemicals from less, that's the way it is undisputedly or maybe. So, you know, this is the kind of, we are happy that, you know, this trend is prevailing, and we are able to make more tie ups and you know, once we make a relation, like we never lost a customer by now. So, this is the kind of relationship we work and the solution businesses, performance, chemicals, and things like that. So, we are very much sure that you know, this is going to pay not just for a temporary time, we'll be paying a long-term results, for sure. So that is the first part, not talking about comparing ourselves with the US companies, which is Dow which is HEIQ and all you know, for them, this business is just one of the product lines, when it becomes just a small product line for any company. Let's say Fineotex is also suppose working on some product, which is one of the very small business lines, of course, the focus area, it will not be the focus area. Now, this is the point, you know, and this is the place where we believe you we always believe the big doesn't need the small anymore, the faster we'll eat the slower. Now, the point is how fast we go to our channel partners and how fast we go to the end users. In order to replace them. Of course, there is a price benefit, the price benefit is at least more than 20-30%. That's not the point only at the same time this is sustainable, the point is very important, they are working on zinc, metal



and other chemistry, this is non-metallic number one, at the same time, the dosage of our products on the fabric is much lower. So again, you are having the sustainability approach. So, it's not only pricing, of course, pricing will be much better. That's not the USP of the product, by the way. So, the plan is to conquer this market more faster. That's what we are looking at. And now your third question, and your third question is about the conservative approach we are on your approach. So now I mean, as you might have read the CRISIL report also. They have also mentioned about the growth things they have interacted with our customers, suppliers, everyone almost, and that's the way they have come up with certain you know, expectations or something like this. And yes, I think everyone should be happy if we are able to even touch the conservative expectations whatever you said about.

Anirudha: Of course, of course. yeah, I wish you all the bets to touch those figures. Thank you Thank you so much.

Kenin Jain: So, we are done. Sanjay there have been many questions coming to me. So, I will just ask you last two questions, a. what is the sustainable debtors receivable? So, you know, one question was around that the receivable day, you know, what is a sustainable because it has been inching up? So, any thoughts on that? And last question is based on the existing infrastructure team strength and whatever capacity utilization, what is the peak revenue we can do as a team based on existing gross block? say you do a small Brownfield expansion of 510 corrode as a maintenance. So, what is the peak revenue, current infrastructure and the team strength and gross block can help us achieve?

Sanjay Tibrewala: Well, I would like to mention your doubts on that. So, firstly sustainable debtors' period. As we all know, if you notice our quarter for results, the quarter for results, we have already clocked something which can annualize to 280 crores or something like that 70 - 90 crores So, now, if you are calculating the Mach, it is always debtors at 31st March, which was the gross most important one for us the March month and divided by the number of sales. So, naturally if you look at it, the debtors to the number of days is higher. And then after that there has been a certain lockdown situation or half lockdown situation in India and also abroad. So, again that numbers you are not much, you know, can be self-sustainable. So, if you can see our numbers before one year before the COVID, I think that's the right way to look at us, in 2020 financial ending March 20. So that's basically the right system of thing. But however, let me tell our audience and participants, the kinds of customers we are working our corporates. Now, if let's say for example, one of some big corporate of India, whether it's Vardhman or Welspun, Trident or whoever it is, if there is a slight, you know, due to lockdown, there has been some stocks which are left at the transport or you know, certain things, it's, it's very much digestible over a period of years, there is no need to worry about for us or for the investors are by and large, and coming to a second. And the last question which you have given is about the utilization and the kind of things which we can look at. Let me tell you, like, you know, we have already been investing now in Ambernath, for expansion of our product, you know, capacities and things like that. Right now, also, we have an entire mix and all our capacities are fungible, this is very important for our audience and participants to know, because the ones the production is into fungible levels, you can always adjust and make many products in the same facilities, this is helping us to have better turnover asset ratio. Now going

forward, we are already working on, you know, the optimum level of capacity utilization is 75. In our 75%, in our business, right now, we are around 55, or something like that. So we can always enter with the new facility, there won't be any problems. Even if we expect that in coming two, three years, we can easily do double or more than that of the business what we are doing today. So that's doable, for sure organically.

Kenin Jain:

Perfect, perfect. That gives us a good perspective. I think, Sanjay and the whole team, you know, you have been, quite frank in expressing all the, outlook and the questions. So on behalf of everyone and Motilal Oswal, we really thank you for your time, patient explanation and we wish you great luck for the business trajectory and future growth. If there are any specific follow up, we will come back to you. And audiences feel free to write to Churchgate Partners, or myself or to any of the members from Fineotex, for any further follow up. Sanjay, thanks once again. Thanks, participants.

Aarti:

Thank you. Thank you Kenin for organizing everything. And thank you, everyone for being so patient and listening to our answers.

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*Note: This transcript has been edited to improve readability*

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