



April 27, 2021

To,

General Manager,
Listing Department,
BSE Limited,
P.J. Towers, Dalal Street,
Mumbai – 400 001
Company code: 533333

The Manager,
Listing & Compliance Department
**The National Stock Exchange of India
Limited**
Exchange Plaza, Bandra Kurla Complex,
Bandra East, Mumbai - 400051
Company code: FCL

Dear Sir/Madam,

Subject: - Transcript of Concall with Investors and Analyst held on 23rd April, 2021.

We enclose the transcript of Concall with Investors and Analyst which was held on 23rd April, 2021.

Kindly take this in your records.

Thanking You.

Yours faithfully,

FOR FINEOTEX CHEMICAL LIMITED

HEMANT
KISAN AUTI

Digitally signed by
HEMANT KISAN AUTI
Date: 2021.04.27
10:35:52 +05'30'



Hemant Auti
Company Secretary



Fineotex Chemical Limited

Earnings Conference Call
Q4 and Full Year FY2021

April 23, 2021

Management:

Sanjay Tibrewala - CFO and Executive Director

Aarti Jhunjhunwala - Executive Director

Pradeep Tibrewala - President, Accounts

Moderator:

Shailee Parekh - Prabhudas Lilladher Private Limited

Moderator:

Ladies and gentlemen, good day and welcome to Post Results Conference Call of Fineotex Chemical Limited, hosted by Prabhudas Lilladher Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. (Operator Instruction) Please note that this conference is being recorded.

I now hand the conference over to Miss. Shailee Parekh from Prabhudas Lilladher Private Limited. Thank you and over to you, ma'am.

Shailee Parekh:

Thanks, Mallika. Good evening, ladies and gentlemen. On behalf of Prabhudas Lilladher, I welcome you all to the 4Q and full year FY21 results earnings call of Fineotex Chemical Limited. We are joined today by Mr. Sanjay Tibrewala, Executive Director and CFO; Miss. Aarti Jhunjhunwala, Executive Director; and Mr. Pradeep Tibrewala, President, Accounts.

I hope all of you are doing well and safe. I'm sorry, I didn't say this at the start. With this, I'm going to hand the call over to Sanjay for his opening remarks, and post which we can set the floor open for Q&A. Over to you, Sanjay.

Sanjay S. Tibrewala:

Thank you, Shailee. A very good evening to all of you and I hope you all are keeping well and staying safe. I take the pleasure of welcoming you all to the quarter four and full year financial year '21 earnings conference call of Fineotex Chemical Limited. I hope you all had the chance to look at our financial statements and earning presentation which is uploaded on the exchanges. I would like to begin by giving you an overview of our business and the strategic outlook going forward. Fineotex is a leading speciality producer with a market leading position in the international textile industry. Also, it emphasizes oil and drilling chemicals as well as cleaning hygiene solutions. Our focus is to increase the company's opportunity size by expanding our portfolio, not only in textiles, but also in the home care and hygiene, and drilling speciality segments.

Within the home care and the hygiene, we foresee significant opportunities to collaborate with leading branded detergent manufacturers for their polymer requirements. Our plans have been recently approved and certified by the FDA; Food and Drug Administration, Maharashtra state, and the license has been granted to us for the production of disinfectant and antimicrobial hygiene and cleaning products, ensuring safety and effectiveness. We have also recently obtained multiple ISO certifications, the Green Building certification, the WHO Goods Manufacturing Practice certification for our plants in the last quarter four.

Within the drilling specialties, there is a significant potential for offering solutions to leading oil and gas companies based in India. Our subsidiary in Malaysia, Biotex, leads the R&D initiatives and overall product development. Fineotex and Biotex complement each other's strength and customers across the globe and well-recognized by our value proposition. Our upcoming brownfield project at Ambarnath near Mumbai is progressing as per schedule and is expected to be commissioned by the first quarter financial year '22, before June '22 -- '21.

Our confidence stems from our increasing customer base and our recent product launches. The plant will cater to our existing portfolio expansion and increase our utilization amongst existing and new product offerings. Our capacities are fungible and the same can be shared with all the verticals and different product lines which we are offering. We have deployed around INR200 million for the plant, INR270 million for the project. The plant will be a state-of-the-art automated plant, which will comply to the highest standards of sustainability and boost growth.

Our business is well diversified across key international textile hubs such as Brazil, Bangladesh, Indonesia, Singapore, Thailand, USA and Vietnam. Our top 10 customers contribute only 35% of our sales. Our aim is to grow our market share and strengthen our existing business relationship by leveraging Fineotex and Biotex strengths in both Indian and international market. We have a conservative approach to funding acquisitions, capacity expansions, and greenfield project developments are being done through internal accruals.

And we are targeting to be at net debt neutral capital structure. We understand the importance of sustainable solutions and the part it will play in the future. We are leading the transition from synthetic to low carbon footprint products, and we are playing a critical role in providing sustainable chemistries and driving efforts towards social responsibility in various industries.

We have continued to deliver a robust financial performance. This is testament to our constant efforts of adapting and evolving with the changing industrial trends. We have invested INR242 million, which is close to 65% of our operating cash flow, in the expansion of the business, reflecting prudent cash management and focus on entry into high-growth businesses. This improved (inaudible) in our future endeavours and generate high returns and improve cash flows.

Coming to the operations and financial performance of the year, the revenue from operations stood at INR 2,185 million, which is up by 11.3% year-on-year basis. This is in the COVID times financial year, which we are referring about, in this the first quarter was not active much due to the lockdown. We have increased focus to scale up our high-margin in speciality chemical orders from both our core textile segment and the new businesses.

Our EBITDA stood at INR 405 million for the year, up by 18.5% year-on-year basis. EBITDA margin stood at 18.6%, expanding 120 basis point, one of the highest in the industry led by our continuous focus on sustainability, which is supporting profitable growth. Also, we are focusing on expanding our product portfolio to offer more diverge range.

Our PAT stood at INR 445 million in financial year '21, which is up by 211% year-on-year basis. The margin stood at 20.4%. Quarter four financial year '21 PAT also include a mark to gain of INR 7.9 million as the maximum in the other income. Growth in the profitability was aided by sustained revenue growth and cost efficiencies. The Board has recommended a dividend of INR 0.30 per share for the financial year '21 compared to INR 0.05 in the financial year '20. This is the highest dividend the company has recommended since inception. We continue to strive towards achieving our business milestone in the next few years, by collaborating with our key stakeholders, which includes our customers, suppliers and investors.

With this, we would close our opening remarks and we'll open the call for interactive question-and-answer session. Thank you. Over to you, Shailee.

Moderator:

Thank you very much. We will now begin the question-and-answer session. (Operator Instructions) The first question is from the line of the Siddharth Mehta, an individual investor. Please go ahead.

Siddharth Mehta:

Yes. Congratulations. A wonderful set of numbers. We are quite happy to hear this.

Sanjay S. Tibrewala:

Thank you, Mr. Mehta.

Siddharth Mehta:

Thank you. And how you see this things moving forward; one is of course due to the coronavirus and the implications that we're having. That's an obvious question I think would be in everybody's minds. And secondly, assuming that this crisis goes over with a little bit of plus, minus here and there, how do you see the next year or two in terms of sales growth and margin sustaining from here on?

Sanjay S. Tibrewala:

Thank you, Mr. Mehta. Well, I can mention about, you know, during the corona period also, during the COVID-19 period, initial period, I can say, there has been a lot of shift in the needs and the demands of the consumers. Let me refer about the textile businesses first. The changes in the consumer demand is that the consumers have started demanding a lot of technical textiles and performance-driven fabrics. There's a big trend of antimicrobials, there has been a jump in the trends of water repellents, oil repellents, moisture management. I was just referring about the changes which has happened in the consumer trend. And there has been a big change in the needs of the consumer and there is a big demand for the technical textiles. Now, our main focus in the textile business has been on the speciality textile finishing agents and technical textiles.

These are the value-added finishing products in which Biotex is quite a big pioneer. They are into a very big way into the finishing chemicals and value-added chains like fluorocarbons, which gives them the antimicrobial and water repellents and oil repellents, all released by these facilities. So, going forward, the demand for chemical finishings in fact has increased during the corona period. And also, these products are very high margin-oriented products.

If you can also notice in the last one year, the performance of Biotex has become better because of -- in spite of the corona trend over there. And, in fact, apart from that, there is also a big demand which is coming to the Indian markets and because all the countries whether they are based -- I mean, all the buying houses from Europe and USA are looking at an alternate to China, and that is also one of the reason there is a big demand which has come to Indian markets also, and the need for having better speciality chemicals and finishing agents has increased, which can be done

Siddharth Mehta:

Yes. So, you are saying that there's a change in the product mix, and there is a greater demand due to the coronavirus for chemical finishing, this microbial products and other products. And you feel that once this thing comes to an end, then there will be a greater demand anyway going forward because China alternatives are needed. So, people are looking to buy more products from you and from other countries. So that will make up for the loss that have takes place when the virus fear is over and everything subsides. At that time, you will see greater demand from, as a China alternative. Is that what you're suggesting?

Sanjay S. Tibrewala:

That is one part of it. At the same time, we have also worked, like I mentioned about the FDA certifications and the hygiene and cleaning chemicals, which we have recently ventured into. These are like the perennial products and the perennial demands are there, which are, let's say, corona-proof kind of businesses and the market and the demand in those segments are ever growing. And we have recently got into that. We have our R&D people from JohnsonDiversey. And in the last month also, we have increased our sales team for that segment. And right now, we are working aggressively on the cleaning and hygiene chemicals also for the institutional businesses.

- Siddharth Mehta:** Sir, what percentage of sales do you think we are spending on R&D and are you planning to increase that or keep it constant because the sales are increasing so the amount will increase?
- Sanjay S. Tibrewala:** The major R&D activity and dependency is also with Biotex for us. Biotex is a company which was founded by Europeans in 2002. We acquired stake in that in 2011 after our IPO and we are working together with them for the development and they have been our soul for the R&D. At the same time, we have -- average 1% of the sales is being spent on the R&D facility in all. At the same time, we have been also venturing into the cleaning and hygiene businesses where Biotex is also helping us for developing more sustainable solutions, greener solutions. So that is one part of it.
- Siddharth Mehta:** Biotex's help that comes to you, does it come on an exclusive basis or do you think that they could also help others or they are free to sell their research to?
- Sanjay S. Tibrewala:** No, no. It's exclusive for us. We are doing it jointly.
- Siddharth Mehta:** Okay.
- Sanjay S. Tibrewala:** Also, many products which are made by Biotex, which we have been selling to our Indian companies, I mean, the water repellents and the anti-microbial businesses, we have been representing and bringing Biotex growth and giving it to many big Indian corporate houses. I mean, and we like let's say Reliance. Most of the Reliance's automotive orders are being treated by Biotex technical products for their technical textiles and the automotives. So, all have been acquitted by Biotex which Fineotex imports and stocks for Reliance and supplier grid. And there are many varieties and range in that, from soil release to moisture management, water repellents, oil repellents and the list goes on and on.
- Siddharth Mehta:** Yeah. So, what you are saying is that there is long runway ahead because of the wide range of products and the wide range of demand.
- Sanjay S. Tibrewala:** Exactly. We're much diversified. In fact our top 10 products only gives us around like 20% of our revenue and this is the way we have been totally diversified. We do solutions for pre-treatment dyeing, printing, finishing, and all these solutions preferred for polythene, for polyester, for wool, for nylon, for acrylic. And coming to technical textiles and fluorocarbon chemistries, we are being bringing all the goods from Biotex and we are supplying it to many well-known Indian corporates.
- Right now the companies which we are catering in India is right from like Chenab, JCT, Auro Dyeing, Auro Textile, Mahavir Spinning, Nahar Group, Reliance, Sai Exports, Himmat Singka, GHCL, Raymond, Raymond's all the plants, there is Chharwada, Vapi, Banswara, Syntex, Sangam, and the list is like -- I mean, almost all the biggest corporate houses, Welspun and Trident, all are our customers and we are bringing Biotex -- in fact Biotex teams also visits to India very often, I mean, before the COVID and we have been moving ahead together to capture more sales in the Indian markets. And we have been aggressively replacing the European multinational, let's say, who are Croma, Huntsman, they are our major competition for this segment.
- Siddharth Mehta:** So, what do you foresee as a growth going forward, say 20% in sales, is that a reasonable number that you have in mind for the next couple of years, per year?
- Sanjay S. Tibrewala:** Yeah. Well in fact, in the last two quarters, there has been a great interesting growth which we are foreseeing and expecting. It will be much better than what we have seen

in the past. And this is about the uncover the textile, at the same time, our other verticals like cleaning and hygiene businesses which we have just recently started off, it is becoming -- very encouraging reports are coming out of that. And also, our drilling speciality, that is also a very promising business what we are having. So looking at the next two, three years, it will be -- we'll be seeing some very good numbers. That's what we believe for.

Siddharth Mehta: Yeah. So, I say, so in other words 20% would be conservative. It would be -- you would hopefully --

Sanjay S. Tibrewala: We will be doing it much better than what we have done in the past.

Siddharth Mehta: Yes. And you mentioned that there is about 20%, your top 10 products are only at this point having 20% of your sales volume. As you know, normally it's the ratio is the other way around. Normally in any company, the top products will be having about 70%, 80% of the sales volume and profits. So normally when it's in the 20-80, 20-90 kind of ratio, because a lot of efficiencies in manufacturing, because your volumes are at 80%, you are manufacturing just a handful of products or 10 products. And since you have a very wide variety of products, does it impair your manufacturing efficiencies and does it cause you bottlenecks, does it cause you a lot of issues in and therefore do you foresee the need to increase capacity or do you feel that this is the just the nature of the business and therefore our margins will compensate and therefore we always have excess capacity built-in to adjust for all this?

Sanjay S. Tibrewala No. You have said it very well, that yes, we do have the extra capacity also and the best part of our business is that these capacities are fungible. So, as such we are doing phosphonation, sulfonation, polymerization, we do homopolymer, copolymer, terpolymer. We do condensations, we are doing all sorts of reactions, but all our capacities are fungible. The same machines are being used for all the businesses whether it is cleaning, hygiene or textile services, or maybe for the drilling services.

So, going forward it is always -- there is a reason for us to have lowered utilization. The peak utilization in our business is around 75% because certain products you need time to change your work and certain products have a longer production cycle. So, in order to cater to those orders of those products which have a longer production cycle, we need have those free capacities. So, that is exactly what we have mentioned about also.

Siddharth Mehta: Yeah. So, as you see there's good growth coming in the future quarters and future years, are you thinking of some capacity expansion?

Sanjay S. Tibrewala: Okay. Yeah. So, recently we had just -- we are just commissioning our brownfield project in Ambarnath, maybe expanding their capacities. The capacity expansion would be around 36,000 tons a year. Again, these capacities are fungible and that should be very much required for us or for our existing product lines, increasing our capacities for that and also adding more products to it. And all these -- again, it is all fungible items, so we can share the capacities between all the products whatever we would be producing at.

There are lot of joint venture proposals also coming up. There is a big change in the last couple of quarters which is we are very excited about. The changes that many companies overseas are looking at India to set up and have a partnership or something to such supply to pan-India and pan-Asia countries. So there is lot of joint venture opportunities coming in. At the same time, there are some commitments which are

coming in and which we can see for the growth of our existing business volumes, for which these capacities will be ideally very much important for us.

- Siddharth Mehta:** Thank you, sir. Thank you, and congratulations once again for an excellent job in these difficult times.
- Sanjay S. Tibrewala:** Thank you, Siddharth Mehta.
- Nikhil Rungta:** Hi, Sanjay, congratulations on great set of numbers.
- Sanjay S. Tibrewala:** Thank you, Rungta. Thank you very much.
- Nikhil Rungta:** Sir, just a few -- I mean two, three questions. First is, during the quarter our revenue was significantly higher. Does this involve any trading element as well or it was primarily from our manufactured goods?
- Sanjay S. Tibrewala:** No. It is 100% manufacturing only. And in fact, the reactions which we have mentioned about recently, we are also going to backward integration of the same. So, all-in-all, there is no activity of trading at all, it is totally manufacturing activities, in Indian operations and the Malaysian operations as well.
- Nikhil Rungta:** Okay. Sir, just a follow-up to that. Our gross margins declined both Y-o-Y and Q-o-Q, and that too by around 400 basis point to 500 basis point. Anything to read into that?
- Sanjay S. Tibrewala:** Not exactly, but the decline which you are mentioning about is in our calculation it is around 1%, 100 basis point, in the consolidated. And in fact, in the standalone, it has gone slightly higher. In fact, just let me also update our investors and all that, as we all witnessed a strange situation in the container movements internationally and the shortage of the containers and there has been some delays of the supply and raw materials coming out of, you know, the raw material which is coming international markets. So there has been certain, let's say, increase in the freight cost of the imported products for all the, I mean, all the businesses all over. So, that could have been given a little bit impact on the gross margins. And that's all, I mean, what we can say for the change in the cost pricing.
- But going forward, as we have working always on the total product mix range and we are making sure the bottom lines and the kind of product mix which we are giving to our consumers are giving us that much kind of a profitability. So all-in-all, it's a mixture of so many solution-driven businesses which we have. So, we are not -- that is not the quite different. And also, let's say, if you'd calculate over the period of three, four years, I think the gross margins are perfect.
- Nikhil Rungta:** Yeah. I mean, over a period of time, it's around 35% to 36% odd, annually I agree. It has remained constant.
- Sanjay S. Tibrewala:** Yeah. Correct.
- Nikhil Rungta:** Yes, sir. Sir, next is, we are currently operating at 56% capacity utilization, you have mentioned that in the presentation.
- Sanjay S. Tibrewala:** Correct.
- Nikhil Rungta:** And at 36,500 metric ton capacity and with the addition of this new plant of another 36,000. So, from 56%, to what utilization level do we intend to go, say in next one to

two years? Because this 56% will come down to straightaway 28% once this new capacity addition comes in.

Sanjay S. Tibrewala:

Yes. So, what is -- the question is perfectly right. The point is that the peak utilization can be only 75% because of the change of the cleaning of the vessels and getting the new batches in the same production, and the switchover of the batches. We have to give that much time for making the product machine ready for the new batches. So, the optimum way to -- capacity utilization, we cannot go above -- peak utilization cannot go above 75%, given our product range because we are catering to all the solutions right from pre-treatment, dyeing, printing, finishing.

We have more than 450 products lined up. So -- and also there are certain products which have a longer production cycle. So, in order to get those and cater to those new demands which are coming, we will always be better in a position to work at a capacity of now 60% or 65% so that we also have cap to grow our businesses ahead even if not during a short while. The capacity what we're expanding right now in Ambarnath would be used for our cleaning and hygiene business, our drilling specialties as well as our textile businesses which we are catering to and these are fungible as such, as I said. So, this will always add on to our further businesses and the opportunity levels will increase.

Like I also mentioned about, there are many opportunities for joint ventures which are coming up. So, we will also require certain capacity which are ready so that things can work out faster.

Nikhil Rungta:

Right. Sir, any new customer we have added in the past three months?

Sanjay S. Tibrewala:

Significantly, what is -- we have been increasing our wallet share rapidly. Right now, like I always been mentioning in my analyst con calls, that every customer, every group is using around 25 different speciality functional chemicals for pre-treatment, dyeing, printing and finishing. So, till now, let's say, supposing we are offering two products or four products, we always have a scope of 2x or 3x with the same customers. And there is what we have been doing now, we are increasing our wallet share. As such, we are supplying to almost all the India's top 80 corporate textile houses and we have a distributor network of around 100 distributors in India itself. And in most of the textile cities, we have our technical team deployed, what -- servicing them and meeting, and solving most of their troubles and problems faced in the processing, textile processing.

Nikhil Rungta:

Got it. Sir, last thing on this health and hygiene products which we have launched, these are B2C product, right? Or it's a B2B?

Sanjay S. Tibrewala:

Yeah. It'll be -- recently, what we have done is, we have been focusing right now on the institutional businesses, like housekeeping, facility management, hospitals. So, it is not exactly the retail businesses to start with. But going forward, that is something which we would always be looking at eventually once we have super grounds on handling the institutional.

Right now, for the institutional, we have -- like I would have mentioned in one of my earlier con calls, we have hired R&D people from JohnsonDiversey and many our team members are from well-known corporate companies. At the same time, in the last quarter we have increased our salesmen force for this marketing of these products and very good product feedbacks are being coming right now. So, we are very much optimistic about it. And going forward -- right now, it is B2B and going forward it will be posted in the small packing.

- Nikhil Rungta:** Sure. That was helpful, sir. All the best for the future. Thank you.
- Sanjay S. Tibrewala:** Thank you so much, Rungta.
- Moderator:** Thank you. The next question is from the line of Prateek Agrawal from ASK Investment Managers. Please go ahead.
- Prateek Agrawal:** Yeah. Just two questions. One, flush out this consumer focus strategy that you have started, even if it is B2B, hospitals and all of that, you were earlier a textile industry focused entity. Chemicals that you are making, are they something similar to what goes into textiles? How did you get into this space and how large can this space become? Because to my mind, lot of people during the COVID situation have got into it. What will make you survive? Because so many people have gotten in that many will have to opt out is one sense that I have. And two, are you sourcing materials from somewhere else, mixing and not losing your capacities which are there to cater to this market? How are you getting the ingredients from period and catering to the market, is the first question.
- Sanjay S. Tibrewala:** Okay. So, well, in textiles also, we have a cleaning process, which is the pre-treatment we call it, in which the fabric has to be cleaned from gray to the bleaching and the cleaning and scouring. Now, typically that is the same process what we do for our floor laundering or floor cleaning and that is the same kind of chemistries which we have been handling itself, like we have the polymers for that. There's a lot of surfactants which are being used.
- So, all-in-all, this business, in fact, we have been even in the three, four years, we had stepped into it in a very small way, which was not sizable that time. And we have been already registered with municipal corporations, we have supplied to the KEM and Kasturba hospitals even in the past. Simply, what has come -- always, it was in our -- it was always in our passion to work on these lines. We always love to be in the chemistries, which we're already handling for so many decades because once we are having those chemistries, we can surely market these products to various industries. And -- our other way, our focus in on giving this more products to the same industry.
- Now, this cleaning and hygiene in this one, what has recently happened, there is a big demand which has come for disinfectant, sanitizers, house floor cleaners. The consumption level of this has already gone very high. Apart from having the products and the capabilities what we have and also we are using our existing capacities for manufacturing these products, it is not exactly the -- like you said, the mixing and other things, but, yeah, let's say for the institutional and for the retail market, there is a certain kind of a fragrance and certain kind of color which is added to it to give it a look and a feel as such. But basically, it is all chemistries and polymers which are being used in different proportions and to give the right outputs. So, handling this has been always there with us and like I said, we have been registered in municipal corporation, having supplied in the past also. So, this is something which we are very confident about. And the market size is growing.
- And also to answer to you that, there are quite different kinds of markets. There is unorganized market. This unorganized market is the place where you have mentioned rightly that so many players from two-tier cities, three-tier cities might have entered in small, small ways and selling in the different names and labels. We are looking at a different way. We are already approaching big hospitalities, facility managements and other companies where we're also providing not only the -- we're also giving the free mixtures, we are working on having all those kinds of machinery led in their facilities where the chemicals will be ours and we are setting up the infrastructure also.

And our technicians will be also there to help them to line up and make sure the services of the machines are well done. This is not which many people are doing.

Johnson Diversey is doing and Satol is doing, and a few couple of them must be doing about it. So, I don't think there are more than, let's say, five or six. It's a little bit of an investment work and it is not -- these are brand setting things. It is not a one day -- it cannot lead to something different. But, yes, going forward, this is something which is, in fact, from the cash flow point of view also, it is excellent because this is one business where your working capitals are well taken care of. It's almost advanced base businesses.

So all-in-all, this is a very -- and the GP margins are also filling because we always love to have gross margins of around 40% or that's our way of working. So, these businesses are in fact giving 40% of gross margins also.

These are something exciting opportunities which has come. And in fact, we are getting excellent responses verses many well-set branded products also in the market because of our performance. And we are rightly priced also at the same time. So, we are very much optimistic about this business and this is something which we have been doing in a different format, the same thing we have been doing for the textile market in the past and even now.

Prateek Agrawal:

Sure. Understood. Any number target you have in terms of INR1 crore turnover for this new line of business?

Sanjay S. Tibrewala:

Yeah. Mr. Agarwal, the point is that, yeah, the margins are like 40% of this business. And right now, our main aim is, like today we have developed around 15 distributors in the last one month. And last month only we have hired almost around 10 salespeople in the marketing of this East India and West India. And going forward, we have been targeting for almost around 50 distributors and which will be very much active and will be supplying pan-India.

JohnsonDiversey, it's one of the biggest benchmark company which we are looking at and of course it's a very big multinational. At the same time, it is -- it will take a little bit time to develop to a great number over there. But going forward, I am not -- yes, we are looking for at least around INR50 crores of sales there in the cleaning and hygiene businesses. Along with that, there is a polymer which goes to a detergent. This is one thing which we have been successful. We have started with Vidisha, we have started with Sulzer, and we are -- our products are working now in the Patanjali also, and also in Ghadi. We have our trials and things going on into surfactant RSPL Group in Ghadi. These are the companies where they require the polymers for anti-redeposition of the dirt.

So, this is something product which will require like around 30,000 tons a year capacity also. So, this is something, which is also going to the similar cleaning and hygiene division and it will go in as a raw material to the detergent companies. So that is also typically what we are eyeing at.

Prateek Agrawal:

Understood. So, one small question from me. I had seen this product of yours for killing mosquito larvae in water.

Sanjay S. Tibrewala:

Yeah.

- Prateek Agrawal:** Your Malaysian subsidiary did the research for, just as an update to that? And two, the other one is, for the cases that you are doing, what kind of asset term should we expect?
- Sanjay S. Tibrewala:** See, as for the last question, which you mentioned about the CapEx, as such we have been having 5 times fixed assets to sales turnover and that is something which is easily doable in our business line. And yeah, that would be 5 times as such. That is the trend which we have seen in last couple of years also.
- And coming to the unique mosquito life cycle controller, which we have already been developed by Biotex along with the Malaysian government in 2008 onwards, and which got commercialized in 2015 in Singapore to some extent because the Singapore government, you know, they were using it for the housekeeping and things like that. Going forward with this right now for the WHO it is still under the approvals, but now for the last 14 months the focus of WHO is on the COVID. And so, that has been on hold, I can say for that part of you. But yeah, we are following it up.
- And whereas for the Indian authorities to the health department and the agricultural CIB departments, there is -- it is still being discussed with them, but the main focus would be to get a WHO pass for that so that we can overcome the procedures of the health department of India for that.
- Prateek Agrawal:** Sure, understood. Thanks.
- Sanjay S. Tibrewala:** Yeah. Thank you, Mr.Agrawal. Thank you so much.
- Moderator:** Thank you. The next question is coming from the line of Samir Rachh from Nippon Asset Management Company. Please go ahead.
- Samir Rachh:** Hello. Congratulations on a very good set of numbers.
- Sanjay S. Tibrewala:** Thank you, Mr.Samir.
- Samir Rachh:** So, I just wanted to understand how fast you expect Ambernath capacity to scale up, like from year one, year two, to year three, how do you see the scaling up happening?
- Sanjay S. Tibrewala:** Well, as per -- it is going as per the target till now. And we were always commenting on commissioning it in the first quarter of the current year and we are very hopeful by June we will have the soft opening there. And till that time, we are having our -- already been discussed it for the order positioning and other things. So, I think gradually we can say by 30% of growth can be seen for this -- we'll be able to use that much capacity immediately. That's what we are looking at.
- Samir Rachh:** Right. And since -- I think Ambernath capacity is going to take a while to ramp up, so in the interim is there any other CapEx plan?
- Sanjay S. Tibrewala:** Right now we have just got our plant approved by the FDA, that was in the last quarter. And we have been given the FDA pharma which we had applied for. And so, that was the last CapEx which we have done. Right now all the CapEx whatever will be happening will be in the Ambernath plant itself.
- Samir Rachh:** Right. And in a reply to previous question, you solicited that our health and hygiene business could scale up to as far as INR50 crores. So, that will be in what time period?

- Sanjay S. Tibrewala:** Well, we are very much hopeful, there can be a little bit change in that because of this little bit, you know, the uncertainty which has come up in the last couple of days due to the COVID lockdowns and other things. But we are working on that and we have been appointing our distributor network. So, at the back end, there is a lot of events and work which we have been doing to scale up our systems and team members and agents and product fine-tunings, and everything is also going on. So, I don't think it should take too much of a time, but let us -- once we are able to clear one quarter with it, we will be able to share more exact numbers about it.
- Samir Rachh:** Right. The last question from my side, you explained earlier that working capital cycle in this business is so much better. What about margins? Are margins also better than our company average margins?
- Sanjay S. Tibrewala:** Yes, our EBITDA margins have been 19% in the last financial year compared to 17% before and our PAT margins are also quite intact as per the previous quarters.
- Samir Rachh:** I am asking what about home care and hygiene?
- Sanjay S. Tibrewala:** Oh yeah, the gross margins in the home and hygiene is average 40% minimum.
- Samir Rachh:** Gross margins?
- Sanjay S. Tibrewala:** Yeah, gross margins. And equally, yeah, there is little bit more manpower expenses on that. However, giving the -- in fact, the gross margins are above 50% also, but EBITDA margins will be almost in line of our existing businesses.
- And the product lines which we have selected is housekeeping, kitchenware, laundries, and there are certain products which have a better higher margins and certain products which have a standard margin also. We are launching multiple range of products one sells for the premium customers, one is for the fastening consumers. So those kinds of product mix are always there. And that is the way we will be having the blended margins over there.
- Samir Rachh:** Yes, sir. That's all from my side. Thank you so much and wish you very best.
- Sanjay S. Tibrewala:** Thank you, Mr.Samir.
- Moderator:** Thank you. The next question is from the line of Kranthi Bathini from WealthMills Securities. Please go ahead.
- Kranthi Bathini:** Congratulations for the good set of numbers. I just want to know what is your vision towards your company. How you want to place your company as -- it's going to be remain as a B2B company or it's going to be a B2C company? And also, what are the new geographies that you are going to explore to increase your presence and increase your topline?
- Sanjay S. Tibrewala:** Well, let's say, from that point of view, right now we are already having B2B major businesses right now. Our entire textile, specialty chemicals, what we are offering is a B2B business and where our main competitors are the European companies like KROMA, CHT, Croda, Huntsman and all the big RUDOLF and so on. And most of them are also having the same kind of focus lines. At the same time, the new businesses of which we are looking at the health and hygiene one, right now, it is for institutional sales. Going forward, once we are having a good strength on this market, we can always be looking at smaller packing size, which we eventually will be doing so once we are very

much confident and going forward with our institutional businesses. So going forward, it will be also having certain portion of the B2C also. So, it will be a blended one, it will not be either B2B or B2C. It will be having a blended one always.

Kranthi Bathini:

What are the new geographies that you have planned?

Sanjay S. Tibrewala:

The new geographies, so as of now we have been working with almost 60 countries and recently, we have started a couple of new countries, which is Venezuela we have started, we have started Syria also in the last quarter. So, these are the two new geographies as we have worked into. At the same time, we have started Israel in January. So, these are the three countries which we have started in the last three months. Apart from that, we have been participating in almost all the fairs, international fairs, whether it's in Spain, it's in Brazil, Iran, Pakistan, Sri Lanka, Vietnam. So, we are moving ahead with most of the locations whereabout there is a market over it.

Of course, in the last one year everything is getting postponed, but there is a new virtual kind of exhibitions which have been laid over now. So we are working on participating in those virtual fairs also. So, going forward we have been increasing our geographies. Our product range has been increasing. We are delighting our customers with more sustainable solutions. But instead of having four traditional products, they can use one product and they can reduce the TDS load, BOD load, COD loads. At the same time, it will not only save their energy, labor, it will be having a better substrate quality as well. So, we're also trying to convert the utility cost of the consumer in textiles and converting into the chemical, which will in fact be much better for them from the ecological point of view also. So, these are the various kinds of process-driven products which we have launched in last two, three quarters and we are very much excited about this because the kind of -- the reception which we are getting from the textile consumers is one of the best we have ever experienced. Because going forward every textile consumer has one simple problem, which is affluent. Everything starts from sustainability and affluent. If we are able to reduce their affluent load by reducing their energy or labor or carbon footprints and getting into more green chemistries, it is something which is desired by them. So, this is what we have been eventually working at. We have been very much successful with Sai and very much successful with Zenab Textiles for that matter and various other companies.

So, this is our USP, what we have been doing in textiles. We are mainly not only producing speciality chemicals, but we are also solution provider. And most of our products are not been offered on the COA basis, it's not like a commoditized business, like caustic soda or acetic acid or something like this, which is stagnant for entire world. We have certain products with us, which the consumer itself is not bothered about the cost impact of it, it is more on the performance which it delivers and also it depends on what kind of a utility benefits they can get, how much time they can save, how much temperature they can save. So, this is the way we have been working very hand-in-hand with the customers and gaining their trust. Going forward, even if whenever we want to grow the business, I mean, whatever -- in our journey of growing the businesses ahead, with the same consumers what we are looking at, we can always have excellent numbers coming up with our existing customers whom we have already have the trust with. So, this is the way we have been looking at our growth and the geographies and the new products. And I mean, I've just generalized all your other aspects also apart from geography which you have asked me.

Kranthi Bathini:

That's very clear. Thank you.

- Sanjay S. Tibrewala:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Archit Joshi from Dolat Capital. Please go ahead.
- Sanjay S. Tibrewala:** Hello, Mr.Archit,
- Archit Joshi:** Yeah. Sir, I was saying that -- just taking forward the question of one of the previous participants, I was just looking at how the gross margins, especially in the standalone NLFIC on a quarter-on-quarter basis seem to have come off to approximately 300 bps. I understand that the logistics and shipping costs must have been higher which must have taken a negative toll on your EBITDA and EBITDA margins. But especially, if you can just throw some light on how gross margins have come down? Anything to read into that on the raw material costs or something like that?
- Sanjay S. Tibrewala:** Well, the realization per kilo for our kind of product lines is around, let's say, average INR100 a kilo, and these are not the freight components which have changed internationally, whether we are exporting or importing and other things, everything has changed quite dramatically. And also, the recent shortage of the containers and the Swiss Canal's things and everything which has affected the entire thing. So, this is something which does happen. And -- but if you see over a period of one year, this has been the regular margins, it was always around 37% to 40% and still it is right now even the standalone is 43%. Yeah, there is -- these are the main things and there is a slight increase in the packing cost. So, there is a general kind of a increase, but these things are not -- so maybe all the things have come into place together. But going forward, we always have these kinds of gross margins expectation in our businesses. And also --o, if you see there is a lag in the price change at the customers.
- Moderator:** Thank you. The next question is from the line of Rohit Nagraj from Sunidhi Securities. Please go ahead.
- Rohit Nagraj:** Yeah. Thanks for the opportunity and congrats on the good set of numbers. Sir, my question firstly -- yeah. My question pertains again on the diversification. So we are also doing into drilling speciality chemicals. On the drilling speciality chemical, are we doing maybe ethoxylate-based surfactants or PPDs and I understand that currently there are incumbents who are also trying to win from the industry, but the business itself is not doing good. So, what is our thought process on getting into this particular area? Thank you.
- Sanjay S. Tibrewala:** Okay. Now, drilling speciality is what we are mentioning about, is not those basic ethoxylation products or the basic things which has been generalized and required by the oil drilling companies. This is something which is a different kind of a polymerized speciality to do a special performance and this kind of initiative was something which had come from the companies and they were facing certain troubleshooting -- I mean, troubles in their processing and application of mud drilling, in which certain powder form products were used and they wanted something eco-friendly neutralized versions and eco-friendly -- economical version as well. So, this was a hand-in-hand kind of a business what we were working together with them.
- At the same time, we have hired recently in this quarter two, quarter three, our R&D people for drilling specialties from Gumpro, which is also very famous in the oil drilling businesses. So, we do also have the other kind of polyamines and the primary emulsifier, the secondary drilling, detergent drillings and other things, which we have already added in our books and our catalogs. So, that also we are looking at it. At the

same time, the point which we are mentioning about is certain additives which are used in the drilling, which is not -- in fact, it is not open -- it is not as a commodity like ethoxylation or like nonylphenol, which you must be referring about or something like that. So, it is not those kind of businesses. Yes, drilling was not working in the COVID time. It was completely shut. But now, going forward since last October, November, things have started shaping up again in the drilling businesses.

Moderator: I would now like to hand the conference over to Miss. Shailee Parekh for closing comments.

Shailee Parekh: Thanks, Mallika. Thank you, everybody, for joining us on this call today. Thank you so much, Sanjay, for taking the time out to speak with everyone and answering everyone's questions patiently. Appreciate it.

Sanjay S. Tibrewala: Thank you very much Prabhudas team and thank you all of you investors and analysts. And if you have any more queries and further more information, please feel free to write to us, our team and our investor relations, and we'll be trying our best to reply to you as soon as possible, and it was a pleasure to have you all today evening.

Moderator: Thank you. Prabhudas Lilladher Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

Sanjay S. Tibrewala: Thank you so much.

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