

**LAXMI ORGANIC INDUSTRIES LTD**

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July 28, 2022

**BSE Limited**

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Dalal Street, Fort,  
Mumbai – 400 001  
**Scrip Code: 543277**

**National Stock Exchange of India Limited**

Exchange Plaza, Bandra Kurla Complex,  
Bandra (E),  
Mumbai – 400 051  
**Trading Symbol: LXCHEM**

Dear Sir / Madam,

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

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

<b>Date and time</b>	<b>Type of Meeting / Event</b>	<b>Location</b>
July 28, 2022, at 14.00 hours onwards	Investor & Analyst Meet to discuss performance for the quarter ended June 30, 2022, hosted by Go India Advisors	Conference Call through dial-in

No Unpublished Price Sensitive Information was shared / discussed in the meeting with the investors.

Further, please see enclosed the transcript of the Investor Presentation for Q1 FY23.

We request you to take the above on record.

For **Laxmi Organic Industries Limited**

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**Aniket Hirpara**

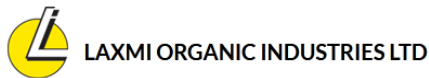
Company Secretary and Compliance Officer

**Encl.: A/a**



# “Laxmi Organic Industries Limited Q1 FY2023 Earnings Conference Call”

July 28, 2022



**ANALYST: MS. MONALI JAIN – GOINDIA ADVISORS**

**MANAGEMENT: MR. RAVI GOENKA – CHAIRMAN & MANAGING  
DIRECTOR – LAXMI ORGANIC INDUSTRIES LIMITED  
MR. HARSHVARDHAN GOENKA – EXECUTIVE  
DIRECTOR – BUSINESS DEVELOPMENT – LAXMI  
ORGANIC INDUSTRIES LIMITED  
MR. SATEJ NABAR - CHIEF EXECUTIVE OFFICER -  
LAXMI ORGANIC INDUSTRIES LIMITED  
MS. TANUSHREE BAGRODIA - CHIEF FINANCIAL  
OFFICER – LAXMI ORGANIC INDUSTRIES LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Q1 FY2023 Earnings Conference Call of Laxmi Organic Industries Limited hosted by GoIndia Advisors. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Monali Jain from GoIndia Advisors. Thank you and over to you Madam!

**Monali Jain:** Thank you Rutuja. Good afternoon, everyone and welcome to Q1 FY2023 earnings of Laxmi Organic Industries Limited. We have on the call, Mr. Ravi Goenka – Chairman and Managing Director, Mr. Satej Nabar – Chief Executive Officer, Mr. Harshvardhan Goenka – Executive Director – Business Development and Ms. Tanushree Bagrodia - Chief Financial Officer.

We must remind you that discussion on today’s call may include forward-looking statements and must be therefore viewed in conjunction with the risk that company faces.

May I now request Mr. Ravi Goenka to take us through the financials and the business outlook subsequent to which will open the floor for questions and answers. Thank you and over to you Sir!

**Ravi Goenka:** Thanks very much Monali, thanks Sheetal and very good afternoon, a sunny afternoon in Mumbai today to all the ladies and gentlemen attending our call and welcome to our earnings call of our Q1 of this fiscal year. As Monali had mentioned I am accompanied here today by our CEO - Satej, Executive Director – Harshvardhan and our CFO - Tanushree.

Despite the market volatility and embellish inflationary freshers seen across the globe Laxmi Organic has had a good start to this fiscal. The SI business in particular saw a growth more than the exports and in the contribution margins and of course it is heartening to know that we commissioned a new plant for SI supplies to an agro chemical major. Most of this capacity is already contracted and we will ramp up production in extensive flood proofing work has been done seeing our experience of last year at our SI manufacturing facility and this year the monsoons so far have been moderate, but we are well prepared in case of a down pour. The AI business saw quarter-on-quarter improvement in EBITDA margin and exports also grew very well, almost 40% of the revenues of the company came from exports in the last quarter. We optimize our procurement between imports and local supplies to support the margin expansion in the AI business that was aided also by the softening of petrochemical and acetic acid prices internationally. The quarterly EBITDA at 104 Crores resulted in an improved EBITDA margin at 14% and an increase of 29 Crores vis-à-vis Q4

2022, this was due to better contribution margins on both businesses and an optimizing of the SI product mix. Given that the quarterly revenue of Q1 2023 at 759 Crores was about 14% lower than the Q4 of FY2022; this margin expansion is very heartening. On an annual basis, the revenue of Q1 of this fiscal was flat as compared to that of Q1 of FY2022 which was 741 Crores while the SI business year-on-year has seen a steep increase in contribution margins the lower E-tech prices have subdued the margins on a year-to-year basis. This fiscal will see Laxmi Organic Group commence the floor of specialty unit. Almost all the civil and infrastructure work has completed at our Lotte Parshuram site and packaging and dispatch from Italy is also on track while the heat wave that Europe is facing and has slowed down some of the dismantling work for since the conditions are not conducive for the workers to work, a dedicated team from our side has been established at the site to put in place measures that will reduce the impact of this disruption. This is a year of consolidation for Laxmi. As we complete the capex of the floor of specialty business, we will continue to invest in debottlenecking investments for AI business. The SI business capex is continuing smoothly, and we are on track to commission yet another new plant in Q3 of this fiscal. Overall, the company has been able to develop core capabilities to execute organic capex of 350 Crores annually. Our strong financial position ensures that we are able to deliver this magnitude and offers a growth trajectory for our company.

Before I handover this call, I would also like to share my gratitude and thank my shareholders, employees, and all other stake holders for showing immense faith and trust in us. I am truly overwhelmed.

Last but not the least, Laxmi is blessed with eminent independent directors whose council has kept the company on the right path to sustainable growth. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Jenish Gada, an individual investor. Please go ahead.

**Jenish Gada:** Good afternoon. I have two sets of questions, one question is in standalone financial revenue from operation is 8036 million whereas in consolidated, it is showing 7566 million, why it is in consolidation there is a less amount of revenue from operation than from standalone and next question is last year, we had a flood in of our plant during monsoon, so we had a loss of profit insurance, whether the same has been received, if not reason for the same and how long will it take?

**Tanushree Bagrodia:** Good afternoon. This is Tanushree Bagrodia. On your first question said on the standalone entity, you see a higher revenue because when we consolidate subsidiaries, any purchases and sales which are infra group get cancelled out and so on consolidation, we have netted out the sale that we have made to one of our subsidiaries, so the difference which you see of

roughly about 40 Crores is that and on the insurance claimed work is in progress, we are very confident and in touch with all the required stake holders and we should be able to get the claim in this fiscal.

**Jenish Gada:** So, how much is the claim amount?

**Tanushree Bagrodia:** In the annual report, you will find all the details.

**Jenish Gada:** Yes, but it is long, one year has been passed but no claim has been received?

**Tanushree Bagrodia:** The thing is the process of this claim is quite cumbersome because there are different elements to the claim right, the flood was a massive flood which had a significant impact on both property and stock, so when the profit happens, the underwriter appoints a surveyor, the surveyor then comes and has a first assessment ask for number of documents, data, backup then they will come and revisit the site and that process is how it is defined by the underwriter, so that process is on like I said we are in touch with the underwriter, with the surveyor, with all the stakeholder and at the moment, we are very confident that in this fiscal we should get the claim amount.

**Jenish Gada:** So, in this financial, it will be done?

**Tanushree Bagrodia:** Cheaper.

**Jenish Gada:** Okay. Thank you.

**Moderator:** Thank you. The next question is from the line of Jay Shah from Capital PMS. Please go ahead.

**Jay Shah:** Good afternoon and congratulations for the management to state for their robust performance even after through a lot of difficulties last year, I wanted to know on the business side and especially on the fluorination front, what are the kind of enquires are you getting I mean I understand it will be confidential but can you throw some light on whether it is more from the pharma intermediate or even from the adverse state and also because of the ongoing problem in Europe, do you see a lot of you know it may be that there might be a shift in the business that might become stickier for us going ahead are getting even those kind of enquiries or these are just vanilla enquiries from scratch from customers?

**Harsh Goenka:** This is Harsh Goenka. Happy to take both the questions on. Regarding the first which is enquiries of fluoro I think we are getting enquiries on all three product segments, so pharma, agro and what we classify as industrials which primarily goes into coatings, inks

and adhesives so it is broad spectrum, these are typically all new products that are required by our existing customers at some point in their new product life cycle and they are already partnering with them on that. About Europe, yes this is quite a hard topic which we discussed with several people in the industry, certainly large products are very energy depended may not be sustainable in Europe at these levels and that would have some tailwind effect on this general Indian chemical industry what specifically comes out of it, I am sure time will tell.

**Jay Shah:** Okay, got it and in terms of the set up I just wanted to know, what kind of integration do we have when it comes to fluorine molecules like do we have access from Mitani or PFE or Fluorspar or anything or that is all going to be procured like so imposed on domestically, what kind of integration do we have when it comes to trade?

**Harsh Goenka:** I think Mitani's value composition Jay started off differently, they did not start off with HF, their starting points were chlorine and toluene and then HF was one of the steps that they performed in the value chain, and we are looking to replicate that in India, so the following what Mitani did but with the Indian cost based and Indian raw materials.

**Jay Shah:** Understood, so basically the raw materials would after being procured from the market?

**Harsh Goenka:** That is right.

**Jay Shah:** Okay. Thank you so much and all the best for the future.

**Moderator:** Thank you. The next question is from the line of Saurabh Bardia from Mangalam Industrial Finance. Please go ahead.

**Saurabh Bardia:** Good afternoon, everyone, and thanks for taking my question. I have two questions, one is like company operates into three segments, one is AI, second is SI and now coming up with the chloro segment, right, so what will be the kind of revenue mix going forward say from year, three years, five years down the line what is the kind of revenue mix where the company is looking in terms of the three categories, one and how would be the margin improvement in terms of the revenue mix going ahead, will it improve with the SI and chloro segment, so this is one and second one is on the environment side I mean how compliant on the environment side and what are the things which we are doing to mitigate the risk of an EHG norms? Thank you.

**Harsh Goenka:** Sure, so Saurabh I will answer the first question about our general strategy, so if you see Laxmi's history, we have started off with bulk chemicals and that is the history has been started off with the acetyl into medium space, a decade ago we took on the challenge to

come into specialties when we manage to scheme that and now we are looking to do the same with fluorination in a new market segment, a new technology base which has already been proven and whether addressable market is a lot larger. I think the margin profiles of each of these businesses is quite clear and as you go more and more specialty and more and go complex chemistry, therefore I used to entry in market and margins also improve. What commitment we are making is that more than 90% of our capex's will go towards specialty like businesses, so the capex goes towards a acetyl business currently and will continue to do so and that will define the product mix and business mix will be generated going ahead.

**Tanushree Bagrodia:** If I can add to what Harsh just mentioned, if you have the presentation on slide 4 of their presentation what you will see is exactly what Harsh was talking about that we started with the bulk business in FY2011 to FY2014 77% of our revenue came from AI are in the period or EBITDA CAGR was about 4% but as the revenue constitution from the SI business has increased EBITDA CAGR has also gone up and this is exactly what we planned to do even with the fluoro business because what this allows us is to generate profits and use that money for future growth of the company.

**Saurabh Bardia:** So, does that mean that we will evolve as a company from an operating margin of around say 12-13 kind of margin to somewhere upward to 20% of the margin going forward, is it what logically I see?

**Harsh Goenka:** I will leave that number for you to estimate but what we are committing is where our capex is efforts are going and the kinds of businesses we are getting in.

**Saurabh Bardia:** Okay, so in line with this we are saying that we will be around 350 Crores of capex annually, so what is the kind of over accrual and that mix which company is looking forward?

**Tanushree Bagrodia:** So, if you look at the current financial possession, right we also have unutilized proceeds from IPO of about a 100 Crores – 110 Crores, we have sufficient internal accruals as well and the balance sheet is completely unleveraged, so there is, you know today there will be some debt that we take on as an organization because it will only improve our working capital, we do not want just be reliant on our internal accruals but also if you see our history, we have been very, very prudent on our debt acuity and we will remain below the point 3.5 debt equity ratio.

**Saurabh Bardia:** Excellent, so coming on the large part, regarding the environment clearances and ESG norms which company is following and looking forward?

- Harsh Goenka:** Sure, so Saurabh I think we have been this is been something that is very dare to us since the company had found it and investing into environmental capexes ahead of it legal requirement is a principle that we follow, so today you will find our sites which are capable of much higher levels of adherence of environmental norm generally required by the legal statue and this allows us to operate with a great degree of freedom, so that I think it talks about our culture and we will continue to do that irrespective of which business we get into.
- Saurabh Bardia:** Thank you and all the best for a very, very bright future. Thank you.
- Moderator:** Thank you. The next question is from the line of Seema Bajaj from R K Consultant. Please go ahead.
- Seema Bajaj:** Good afternoon. Thank you so much for taking up my questions. My first question is that if you could please throw some light on the demand supply outlook for your key products?
- Harsh Goenka:** Sure Seema, we have many of our products and find application in a diverse set of markets, so given Laxmi's global supply chain, we have been able to move product across different geographies as well, so if you notice our acetyl segment had a slight increase in its export show in the last quarter primarily because we found some other markets being more fruitful than others. Similarly on the SI side this time had included a slide which shows you a constant change in product mix optimization, so the mix allows us to serve different market segments because we are so diversified being not really concentrated these are flexibility to not only operate different products but also serve different industries irrespective of the cycle that are going through.
- Seema Bajaj:** Right, thank you so much for your answer and my next question is that will the margins in fluoro be higher than the current 12% margin that we are doing, just some ballpark number or just if you could throw some light on this?
- Harsh Goenka:** So, I think principally, Seema yes because that is what we have got into the fluoro businesses for, we want to move our existing EBITDA margin and that has been our strategy for the last several years whole journey is to get into more specialty like businesses.
- Seema Bajaj:** Right and your take on debt, so will you be taking debt in future for your growth going forward?
- Tanushree Bagrodia:** Seema, currently if you look at our balance sheet we have absolutely no leverage which means that we have company equity funded which means that this is just on a simple one on one principle we are our weighted average cost of capital is quite high, so we will be availing at some date and we are very fortunate that we have large public private sector



bank, foreign banks that have had long partnership with us, so getting loans at very competitive rates is something we are fortunate to be in a position for.

- Seema Bajaj:** Right. Thank you so much. That is all from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Abhishek Navalgund from NBIE. Please go ahead.
- Abhishek Navalgund:** My question is mainly on the product profile in the fluorination business, so just would like to understand what sort of product profile we will be having in comparison to let us say what **Navin** and SRF are doing in the specialty chemical space and in the initial years what would be the margin expectations in this business?
- Harsh Goenka:** Sure, so fundamental difference with Mitani used to do is they would do only fine and Specialty Chemicals, the entire refrigerant gas space is not something that we are looking at as a business, now within the final specialty chemical, the products that Mitani would manufacture, none of those products were produced in India at that time and our intention is to start off with a basket of 8 products to 10 products which sets the baseline and bench very strong and then take it up from there and go down to further and further other products. Regarding your margins, I think I just referred alluded to that in the previous part, our intention is to get up into increase our margins overall as a company and investing in specialty like businesses with what you benchmark ourselves against different pairs in the market that is what will be targeting.
- Abhishek Navalgund:** So, broadly you are saying, these will be the building blocks or the catalog products only largely in the initial year which we will be targeting right, in the specialty chemical space?
- Harsh Goenka:** So, our immediate first phase will involve some building blocks but will also be getting into the down streams of these building blocks with which Mitani would manufacture, so it is not just building blocks.
- Abhishek Navalgund:** Sure. Thank you.
- Moderator:** Thank you. The next question is from the line of Rohit Nagaraj from Centrum Broking. Please go ahead.
- Rohit Nagaraj:** Thanks for the opportunity. So, first question is on acetic acid, so last couple of months we have seen that prices have declined quite a bit, any particular reasons for the same and are there any demand related issues for the downstream products of acetic acid? Thank you.

**Harsh Goenka:** Sure, Rohit, so regarding acid I think overall global demand and supply has undergone change where demand you might have seen slightly weaker and therefore you had acetic acid prices correcting. Seed stock prices would have come down as well, therefore that has happened globally. Our business model is agnostic to that. We look at making margin irrespective of where the raw materials are, and we will continue to operate in that manner.

**Rohit Nagaraj:** Right. Thank you. The second question is on the fluorochemicals business, since we are constructing it importing the entire capital asset and constructing it whole year, what could be the initial time lag in terms of you know teaching issues because it will be completely new asset and it may have some initial time lag, so what is our expectation, we have earlier indicated that the commercial production is expected to start by Q3 FY2023, so do we stick to that timeline? Thank you.

**Harsh Goenka:** So broadly, yes, we are sticking. We are completing the, so there are different, they are fairly large plants, so the first plant we are starting up will happen, the startup will happen in the end of this calendar year beginning of next year, regarding your concern on startup and issues definitely is very valid, we have done before so, we are taking adequate precautions and have learned some things from our previous experience but of course these are chemical plants and that they are naturally prone to such things but looking at our strategy, I do not think we are trying to say that let us do it 10 days or 20 days earlier we are generally moving towards a much more specialized molecule structure that was either underutilized or inefficient in Italy and allows Laxmi to get into a much more strategically focused space and serving customers for lot of their new product requirements and that was really exciting and driving us to get into the fluorochemicals.

**Rohit Nagaraj:** Right, got it. So, just one clarification, so have we started feeding the market with the product that we would like to introduce from this facility, or it will take time only after the facility is ready?

**Harsh Goenka:** I missed that one. We have set up a kilo lab where we have many customers essentially a miniature rice plant of the gray Italian plant in India and we did this during COVID because we could not get access to Italy, this allowed us to absorb technology, get our people trained on that and as well as sample out to customers, so currently various customers, the sample is in various stages of approval and that is a process that has helped us shorten the time, if I can say.

**Rohit Nagaraj:** Right, so once the commercial production starts, we will be able to immediately put out orders, commercial orders to our customers, is that right assumption?

- Harsh Goenka:** Correct, so every customer would like to see that okay your new plant has come up or it has been resurrected, is it performing well, so obviously be a few extra checks when the first batches etc., go but beside that it should be a lot smoother than starting up a brand-new product.
- Rohit Nagaraj:** Got it Sir. Thank you so much for answering all the questions and best of luck.
- Moderator:** Thank you. The next question is from the line of Meet Vora from Axis Capital. Please go ahead.
- Meet Vora:** Thanks for the opportunity. My first question was regarding the other expenses that we are seeing in on our books, so Y-o-Y if you see, our revenues have been around 750 Crores, there has been a margin expansion of around 4% but our other operating expenses have more than double Y-o-Y, so what is the component of that, is it a freight cost, power cost, logistics cost or what is it?
- Tanushree Bagrodia:** Yes, Amit, Tanushree here, on the other expenses you are right year-on-year if you see the large increase actually comes from the freight cost component which was globally you are aware the freight went up significantly and it is only started to taper down now. Similarly, there is a cost expansion that has happened on coal and on electricity and that also has had an impact, so those are the two major components. The third component year-on-year which has had an impact to some extent on the other expenses has been diesel cost because the domestic transportation that of transportation costs also go up. All-in-all other than these three large elements the cost elements which are in our control has either been very prudently kept under check or we also tried to reduce them where possible.
- Meet Vora:** Sure, so these costs might be primarily affecting the AI business or SI business?
- Tanushree Bagrodia:** These costs effect both, because your exports are for both products, your imports are for both products, you use electricity in both plants. So, the cost actually impacts both AI and SI you will see a slide on that in the presentation, what we have been able to do is optimize the product mix of the SI business and as a result of that what has happened is that our overall contribution margin for the SI business has seen an expansion. So, we make sure that where we can, we optimize our product mix and keep expanding on the contribution margin annually. So, even on the year-on-year result where you have seen that the overall EBITDA has gone down actually the contribution of the SI products has gone up significantly, it is 35% if you have seen on that slide. If you go to slide-8 on the presentation you will see that if I re-base my contribution margin percentage to a 100 in Q1 FY2022 the contribution margin percentage today has grown to Rs.135 Crores.

- Meet Vora:** Yes, understood. So, this contribution margin includes our power cost as well, we exclude power cost while calculating this contribution margins?
- Tanushree Bagrodia:** Yes, this contribution includes, it is your landed cost of your raw material, it includes power cost, it is your complete variable cost.
- Meet Vora:** Sure, so then the impact which we are able to see on the EBITDA on a console level should be more from AI side, right? Where got have been margin expansion because of better product list despite a higher power cost?
- Tanushree Bagrodia:** Absolutely, the product mix is also changed from that, if you see the graph above what you will see is it, we were making 100 products in Q1 FY2022 we then were making 96 products in Q3, we were making 88 products in Q4 and we are back to 100 products in Q1 FY2023. Now, this does not mean that same products, the basket has moved. But if you see the contribution margin growth has been constant except for Q2 FY2022 which is the flat impacted quarter.
- Meet Vora:** Collected, sure, great and my second question was regarding the fluorination business, so the basic building block that we require for fluorination is HF, have you already contracted volumes of HF from our sourcing guy for our perspective requirement once our plants or how are we getting into this. What I am able to understand is that India has four major players in edge i.e the HRF, Navin Fluorine, GFL and TANFAC and the other thing of them are using it captively, so only TENFAC is having HF to sell it steadily in India, so are we backward integrating or are we procuring it from TENFAC or how is it going to happen?
- Harsh Goenka:** Amit, regarding HF our fundamental is that our requirement for HF remains fairly small, our focus is not just fluorination, but fluorination is one of the steps among many that we are doing. The European market was living in for 60 years and till today since Miteni's existence with buying HF in the market. So, we will be doing that and that is our intension plus we are not seeing any product overlap with the existing players therefore we are seeing this now that is a major issue.
- Meet Vora:** So, the transportation of HF in tankers or availability of it in high pressure environment for chemicals etc is not an issue?
- Harsh Goenka:** No, it has been done globally, so globally it is been transported over sea. I think every chemical has its own hazard which you are plus scientific study to control and that is how it is transported.
- Meet Vora:** Okay, understood. Thank you so much and best of luck.

- Moderator:** Thank you. The next question is from the line of Alok Ranjan from IIFL Asset Management. Please go ahead.
- Alok Ranjan:** Thanks, just couple of questions. First on the acetyl intermediate business, could you just help me understand in terms of the contribution margin we are mentioning that we have been 30% quarter-on-quarter improvement. Can we say that generally the contribution margin that we make in this business remains stable adjusted for the inventory losses, so if the inventory gain and losses that we take aside generally the contribution margin remain stable in this segment. Can we assume that?
- Harsh Goenka:** I will answer that, I do not know but the number that you mentioned. But yes very, very much true if you take out the inventory ups and downs the contribution margin in the last five-seven years has trended upwards and the reason for that is that we have a very large sight and that the needles us to expand at the same cost base. So, as we do that over years you will find our contribution margin slowly increasing.
- Tanushree Bagrodia:** Alok, just to clarify the SI contribution margin percentage expansion is year-on-year and not quarter-on-quarter.
- Alok Ranjan:** Got it, perfect and the recent prediction you put a chart in the presentation in the acetic acid FOB prices the correction that we have seen, has it already factored in the current quarter, or we can expect that impact in the subsequent quarter in terms of inventory?
- Tanushree Bagrodia:** The acetic acid prices correction that is there, that has helped the margin expansion in the AI business in Q1 FY2023 along with the fact that we optimized purchasing locally versus importing.
- Alok Ranjan:** So, acetic acid prices correction will lead to inventory losses, right?
- Tanushree Bagrodia:** Our inventory holding is not very long, so Alok I do not know why it would lead to a loss because we do not hold on to raw material inventory for a very long period as fact. Our longest inventory holding period time is let us say about 30 days and no more.
- Alok Ranjan:** Got it. In terms of SI business just wanted some clarification, one is that the contribution margin re-basing that you have given on the base of Q1 FY2022 we have seen significant growth. Is it only because of the better product mix or it is also because of the tightness in the market in terms of the kind of product that we do or selling higher in the overseas market like when we are also talking that we have incentive intent to US so, is it a combination of multiple factors and what are the sustainability in that improved contribution margin?

- Harsh Goenka:** Sure, I think it has been fairly strategic the way we have gone about the SI to do that consistently quarter it has been strategically done many years back. Of course, international markets was one, new product introductions was the other, some amount of operational excellence was there as well. So, combination of all but I think what we are trying to drive is that it is more about product mix optimization that we run this business with, and we will continue to do so which is what will lead to improve margins.
- Alok Ranjan:** Got it and just last clarification in the acetyl intermediate side, in terms of the way we were discussing the inventory adjustment that happens. Is the understanding right that the inventory gain or loss is mainly pertaining to the acetic acid prices coming down which is leading to losses and when it moves up it helps the company in terms of inventory gain and that gets reflected in the contribution margin?
- Harsh Goenka:** As a business model I think you are perfectly right, where the inflationary benefit of raw materials would be accounted towards the company, deflationary goes the other way, long-term sustainability of the margins have been proven and we have shared enough quite a bit of data regarding that.
- Alok Ranjan:** Got it, perfect. Just one last clarification on this one, you have given this time PAT break up and 50% contribution to acetyl and 50% to a specialty, so around Rs.32 Crores contribution came from acetyl intermediate given that the prices remain where they are for both ETAC and AA, can we expect similar kind of numbers in consequent quarters or subsequent quarters also for acetyl business?
- Harsh Goenka:** I would not comment on that exactly but if you look at the last five-year trend, I think you will be able to find your answer quite easily and we have stated and I said that before about our capital investments going towards the specialty and that is what we will start driving our margins up further.
- Alok Ranjan:** Got it. Thanks sir. Just one more clarification on the fluoro side, our total capex that we are estimating by let us say when the plant will get commissioned in Q3 FY2023 will be Rs.350 Crores that is a total capex?
- Harsh Goenka:** Yes, around Rs.350 Crores to Rs.400 Crores will be the range.
- Alok Ranjan:** Got it, perfect. Thank you, that is all from my side.
- Moderator:** Thank you. The next question is from the line of Naman Bhansali from Perpetuity Ventures LLP. Please go ahead.

**Naman Bhansali:** Sir, my first question is on are we planning to enter into any new chemistry and the second is please explain a bit on the future prospect. So, is there enough space to execute those project or are we planning for any greenfield expansion?

**Harsh Goenka:** So, new chemistries I think we are constantly doing new chemistries at Laxmi which has taken on Miteni which gives us a basket of 13 to 14 new chemistry platforms that itself has significant room of growth. So, I do not think we are restricted to chemistries as projects come about, customers have seen the Laxmi's proving itself by adopting new chemistries at a significant scale. That is my response to the first question, future projects there will be growth today we are fully focused on the fluor project, there is adequate amount of room on our plate. Our next phase of growth we will come back to you and tell you all more about that at a later time.

**Naman Bhansali:** Okay, that is all. Thank you.

**Moderator:** Thank you. The next question is from the line of Anurag Patil from Roha Asset Managers. Please go ahead.

**Anurag Patil:** Thank you for the opportunity. Sir, how is the current price trend for ethyl acetate compared Q1 quarter?

**Harsh Goenka:** If I could predict price of ethyl acetate oil etc I think we make a lot more money then what we are. So, we do not like to predict to keep it simple. Our business is agnostic of raw materials or finished goods prices we have got to make margin on that and that is how we are running our acetyl's block.

**Anurag Patil:** Okay, sir I am not talking about the future prices, whatever the current trend it is decreasing or increasing that is the only thing till now in the Q2 for 30 days only?

**Harsh Goenka:** It is immaterial to our business, and we would not have a perspective on that.

**Tanushree Bagrodia:** Just to highlight to you in the last quarter if you look at the EPAK FOB graph that we have shown, you will actually see that there was a decreasing trend but in our case the domestic prices we could maintain flat and I think that is what we believe in given that we have a sizeable capacity gives us the opportunity to be a consistent and a reliable supplier both of quality and quantity to our customers and that helps us maintain a certain price level in the market.

**Anurag Patil:** Okay, madame. That is it from my side. Thank you very much.

- Moderator:** Thank you. The next question is from the line of Rupesh Tatiya from Intelsense Capital. Please go ahead.
- Rupesh Tatiya:** Sir, my first question is how much capex has been spent in SI business so far and how much is left to this time and when will it be capitalized?
- Tanushree Bagrodia:** We are hopeful of capitalizing the entire plant this year because we should be able to commission by the end of this fiscal. By the end of FY2022 we have spent about a Rs.152 Crores and in this quarter, we spent about Rs.30 Crores more, so till now we have spent about a Rs.180 Crores till the 30<sup>th</sup> of June 2022 and there is a balance of about Rs.120 Crores – Rs.150 Crores more to be spent.
- Rupesh Tatiya:** Okay, and what kind of asset terms do we expect from this investment?
- Tanushree Bagrodia:** On the asset terms I think there are two ways to look at the total business of Laxmi, one is you can look at it overall, the other one is to look at the business holistically and that is how we believe in looking our potential because the AI business is the cash flow, SI business is far more stable and the fluoro business will only start of. So, if you look at the SI business as being the base of asset turnover. The AI business will always be about 30% more asset turnover than the SI business given that there is no capex that is happening whatever we do will only be de-bottle necking and the SI business given that the capex is largely happening now, the asset terms will be about 30% lesser than the SI business.
- Harsh Goenka:** Just to add to what Tanushree is saying, because SI is a Greenfield site your asset term will be slightly lower and as we are able to add on more and more blocks that is when it significantly improves.
- Rupesh Tatiya:** But what is that number, is it 1.5X, is it 2X, is it 2.5X, what is the number?
- Harsh Goenka:** It will be below 1 in the beginning, just exclusively for SI.
- Rupesh Tatiya:** No, I am not asking about fluorine I am asking about specialty intermediates, SI?
- Harsh Goenka:** SI is much above 1, because it is a brown field expansion.
- Rupesh Tatiya:** How much would it be?
- Harsh Goenka:** Consider above 20-25%.
- Rupesh Tatiya:** For 1.25.



**Tanushree Bagrodia:** I think again to look at the asset's turnover from the SI business potentially not the best measure asset because there is constant capex that we are doing in the SI business. For example, this year we are looking at close to about 45% of our entire capex going into the SI business. Now, for whatever goes in that extends your asset term will drop, so at a stable or at a steady state what Harsh is saying is at about 1.2.

**Rupesh Tatiya:** Okay, and sir one other thing is I think you are largely into ethers and acetyl amide whatever I have understood and one of the global company has called their business to PE group, how do your market share going ahead with this selling to the PE fund and also the energy cost?

**Harsh Goenka:** So, competition, competitive environment constantly changes, I think we are agnostic to that, our strategic focus has remained to get into some international market because of demand pull reasons and our new product basket that we tend to be more specialized and focused with end customer contracts. That has reminded our strategy that is why we went IPO to get money and to put up plants for this very purpose. Regarding energy prices indeed you will have a larger impact on European players for energy today, so many of our competition in both our segments would be European players and that can have an impact if and what is yet to be seen fully into the market.

**Rupesh Tatiya:** Let me ask you in a simple way, what is our market share today and where do you see this market share in YTT in business invested three to five years?

**Harsh Goenka:** I would not give that number out straight, but I will give you a strategic intent and as this has been stated publicly before and written down as well. We have had more than a 50% market share for domestic and we were fairly insignificant internationally. We have managed to move that curve and we will continue to do that where products with margins are attractive and that will be our strategy, we are not necessarily chasing only market share.

**Rupesh Tatiya:** Okay, thank you, sir. Thank you for answering my questions.

**Moderator:** Thank you. The next question is from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

**Vignesh Iyer:** I wanted to know about AI and SI capacity, what are the utilization levels as on Q1, if you could tell us?

**Harsh Goenka:** The acetyl block tends to be at really high utilization levels constantly running at whatever best possible and measuring capacity utilization does not give you any result. Therefore, we

have shared some information around mixed optimization which is how we try to drive the business.

**Vignesh Iyer:** Right, so as in like when the product mix changes according to that it operates, right if I am not wrong?

**Harsh Goenka:** That is right.

**Vignesh Iyer:** Okay, and in SI there was a new plant commissioned for some high value molecule product for global use I wanted to know as things stand as a sale already started further sale?

**Harsh Goenka:** Indeed, it has already started, and supplies have commenced.

**Vignesh Iyer:** Okay, and sir it started from Q2 only, so we will see some revenue contribution coming from that area from Q2?

**Harsh Goenka:** Correct.

**Vignesh Iyer:** Okay, thank you. That is all from my side. All the best.

**Moderator:** Thank you. The next question is from the line of Sourabh Bhartia from Mangalam Finance. Please go ahead.

**Sourabh Bhartia:** My question is with the slowdown in global economy since 40% of our revenue comes from exports, do you see any margin pressure or say slowdown in demand in export market?

**Harsh Goenka:** We see demand pressures across the world Saurabh I do not think it is just in India globally as well you do have some mode of contraction of demand. Our strategy and our attention goes towards driving the product wherever we can find the market and the right margin and that is how we drive our business.

**Sourabh Bhartia:** One more question is with the top of this China plus one strategy do you see any increase in the demand on Indian companies and say for a company like Laxmi do you see increased demand due to this strategy China plus one?

**Harsh Goenka:** Sourabh, definitely I think not just for Laxmi with the Indian chemical industry this is a general trend around the world which is why there is so much attention going towards our industry it is a phase of capex building. Several companies have their own issues and many companies will look to capitalize on this as there is a lot of demand coming India's way.

- Moderator:** Thank you. The next question is from the line of Rohit Nagaraj from Centrum Broking. Please go ahead.
- Rohit Nagaraj:** Thanks for the follow up. Sir, just one question, you mentioned in the opening remarks that acetic acid we have started procuring from domestic market as well. So, has the proportion changed on a year-on-year basis from sourcing perspective, imports versus domestic? Thank you.
- Harsh Goenka:** Nothing significant in terms of change, it was more of a spot change that we have to do for the quarter to optimize on the prices there was a disparity between global and local prices which we tried to take advantage of.
- Rohit Nagaraj:** So, generally what would be the imports component of acetic acid for us?
- Harsh Goenka:** Just to tell you that India imports more than million tons of acetic acid, pure play local production tends to be less than 100000 tons or less than 10%.
- Rohit Nagaraj:** Right and just one clarification on the slide number 12 where we have given the contribution to profit. This is contribution to PAT not EBITDA?
- Tanushree Bagrodia:** This is contribution to EBITDA.
- Rohit Nagaraj:** Okay, so 50% from AI and 50% from SI?
- Tanushree Bagrodia:** Yes.
- Rohit Nagaraj:** Okay, thank you so much.
- Moderator:** Thank you. The next question is from the line of Shubham from Perpetual Investment Advisors. Please go ahead.
- Shubham:** Thank for taking my question and congratulations on good set of numbers. My question is what will be the incremental revenue arising out of the new plant that of specialty intermediates business vertical?
- Harsh Goenka:** We are putting about Rs.350 Crores to Rs.400 Crores of capex and Miteni at its peak would achieve about 30 million euros of revenue. So, we will try and achieve that in a phase wise manner.
- Shubham:** Do you expect any headwinds in international demand outlook due to the ongoing recession particularly in US and Europe?

**Harsh Goenka:** I think recession and demand head wins are definitely there that is a global phenomenon. What exact impact will it have on several necessities and things that we do is still a little unclear but generally we are seeing some amount of demand contraction globally.

**Shubham:** Okay, thank you so much. Wish you all the best.

**Moderator:** Thank you. Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to the management for closing comments.

**Harsh Goenka:** Thank you everyone. Thank you for attending the call, I think we have had a good start to the year and looking to continue on this trajectory. Our intension is focused on getting the fluoro specialty chemical started and look forward to talking with you all again. Thank you.

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