

May 27, 2022

DCS-CRD BSE Limited First Floor, New Trade Wing Rotunda Building, Phiroze Jeejeebhoy Towers Dalal Street, Fort Mumbai 400 023 Fax No.2272 3121/2037/2039 Stock Code: 543213	Listing Compliance National Stock Exchange of India Ltd. Exchange Plaza, 5 th Floor Plot No.C/1, 'G'Block, Bandra- Kurla Complex Bandra East Mumbai 400 051 Fax No.2659 8237/8238 Stock Code: ROSSARI
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Dear Sir/Madam,

Sub: Transcript of the Earnings Conference Call held on May 23, 2022 for Q4 & FY22

Pursuant to the Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and with reference to our intimation dated May 18, 2022, regarding Earnings Conference call with Analyst(s) /Investor(s) held on Monday, May 23, 2022, we would like to inform that the transcript of the aforesaid conference call is attached herewith and the same is also available on the website of the Company at www.rossari.com/announcement/ under the head 'Investor Call'

The same may please be taken on record and suitably disseminated to all concerned.

Thanking you,

Yours Sincerely,
For Rossari Biotech Limited




Parul Gupta
Company Secretary & Compliance Officer
Membership No.: A38895

ROSSARI BIOTECH LIMITED

(An ISO 9001:2015 & 14001:2015 Certified Company), CIN: L24100MH2009PLC194818

Regd. Office : 201 A - B, 2nd Floor, Akruiti Corporate Park, L.B.S Marg, Next to GE Gardens, Kanjurmarg (W) Mumbai - 400078, India. T : +91-22-6123 3800 F : +91-22-2579 6982

Factory : Plot No. 10 & 11, Survey No. 90/1/10/ & 90/1/11/1, Khumbharwadi, Village Naroli, Silvassa - 396235, Dadra & Nagar Haveli (U.T.), India. T : 0260-669 3000

: Plot No. D3/24/3, Opposite ATC Tyre Phase III, G.I.D.C Dahej, Village Galanda, Taluka Vagra, Bharuch-Gujarat - 392130, India. T : +91 2641-3505 03

info@rossari.com

www.rossari.com



Rossari Biotech Limited Q4 & FY22 Earnings Conference Call May 23, 2022

Moderator: Ladies and gentlemen, good day, and welcome to Rossari Biotech Limited earnings conference call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Aesha Shah from CDR India. Thank you.

Aesha Shah: Good evening, everyone, and thank you for joining us on Rossari Biotech Q4 & FY22 earnings conference call. We have with us Mr. Edward Menezes, Promoter and Executive Chairman; Mr. Sunil Chari, Promoter and Managing Director; Mr. Ketan Sablok, Group Chief Financial Officer; and Ms. Manasi Nisal, Chief Financial Officer.

We will begin the call with the opening remarks from the management following which we have the forum open for question-and-answer session. Before we start, I would like to point out that some statements made in today's call may be forward-looking in nature and disclaimer to this effect has been included in the earning presentation shared with you earlier.

I would now like to invite Mr. Edward Menezes to make his opening remarks.

Edward Menezes: Good evening, everyone, and thank you for joining us on our Q4 & FY22 earnings call to discuss the operating and financial performance for the quarter. I hope you all had the opportunity to go through our results presentation, which provides details of our operational and financial performance.

I'm happy to share that we have delivered an encouraging performance during the year despite macro challenges. Fiscal 2022 was in fact a milestone year for us on the business front. We successfully acquired and integrated three high potential companies Unitop Chemicals Private Limited, Tristar Intermediates Private Limited, and Romakk Chemicals Private Limited.

In the HPPC segment, with the synergy of polymers and surfactants, we have introduced a novel ingredient that not only enhances cleaning performance, but also provides the value addition to the customer. Then, under our Buzil Rossari banner we have launched Dr. Nanoxa brand, thus marking our foray into the nanotechnology space. This range of products offers a 30-day antimicrobial and



antiviral protection and is based on unique nanotechnology that stays fixed to any surface.

Coming to the TSC segment , a new range of products based on polyester chemistry was developed and scaled up at our Dahej site. This will fill a major product gap in our TSC portfolio for the sizing market in polyester and cotton fabric. Additionally, the application team at Rossari worked jointly with Unitop to develop a range of products for the spin finish market, which have already been approved by key global customers.

In sync with our DNA to work with green chemistries', Rossari's R&D team has successfully introduced green products in newer segments to reduce high TDS and save energy by designing products that work at lower temperatures. The state-of-the-art "Sustainable dyeing program" for blacks using Green Chemistry has been successful on knit fabric and is generating good interest from big brands.

In AHN segment, a new range of esters and glycerides have been successfully tested to enhance gut health in poultry and reduce the use of antibiotics and artificial growth promoters. In the pet care space, we have launched exciting new brands based on Bio-surfactants and green surfactants. Overall, we have received an excellent response from pet parents for this.

Our teams are also together developing environmentally friendly silicones and next-generation preservative ingredients. Using Rossari Dahej's state-of-the-art production facility and Romakk's technical expertise, a new range of silicone oils with low volatile cyclic compounds were manufactured with the focus on sustainability credentials.

The year also saw a joint development exercise between Tristar and Unitop's R & D teams at Unitop's state-of-the-art pilot plant that led to the development of a next-generation of preservative ingredients, which has major potential in the export market. So these are just some of the innovations that were launched over the last fiscal.

In addition, our R&D has worked coherently to improve formulation recipes and the sales teams are focused on higher margin product sales to improve margins across our businesses.

As we look ahead, we foresee an array of growth opportunities across all our business segments. We remain well poised to cater to these growth prospects on the back of our diversified product portfolio, strong innovation capabilities, increasing customer base and agile manufacturing establishments.

With this, I would like to conclude my address and I now hand it over to Mr. Chari for his comments.

Sunil Chari:

Good evening and warm Namaste to everyone. We have reported a healthy performance during the year driven by strong momentum in all our business lines. Increased client engagements with new and existing customers across various industries and steady demand translated to healthy offtake during the year. In addition, demand in the export markets aided sales in the TSC division. Even our acquired companies, namely Unitop, Tristar and Romakk Chemicals delivered strong and promising growth during the year under review, which assisted our overall performance.



The integration of these three acquisitions continues to bring in several promising growth prospect for us. It has enhanced Rossari's technical capacities in our two key chemistries, namely surfactants and silicones, and has also presented strategic cross-selling opportunities across domains and markets . The coming together of related technologies of Unitop, Tristar and Romakk along with Rossari's deep application expertise and fungible manufacturing capabilities has enabled us to introduce several innovations during the year.

On the raw materials front, the industry globally continues to witness severe pricing and availability issues in key raw materials. The ongoing geopolitical conflict has further affected the supply chain network. So, while the inflationary pressures had an impact on our margin performance during the year, we've been working alongside our customers and have started undertaking price hikes.

Coming to the business front, in addition to our new product launches that were covered by Edwardji, we have also been seeding new business lines across various industries, like water treatment, paper, ceramic, cement, and have been actively working on new product innovations. Thus far we have seen a strong and favorable response to all our innovations and new launches. Additionally, we are also witnessing robust momentum in Unitop's agro-chemicals business and our emphasis is on further strengthening the segment on a global scale going forward.

To summarize, we have reported an encouraging performance in FY2022. As we look ahead, we are seeing ample growth opportunities in the domestic market for all of our business verticals. Our diversified product portfolio, fungible manufacturing capabilities and our focus on constant innovation, position us well to tap upon this multidimensional growth prospects. Additionally, the stabilization of the RM environment and demand scenario in the country will further support business momentum in the quarters ahead.

On this note, I would now request Ketan to share his perspectives.

Ketan Sablok:

Thank you, Chari sir and good evening to everyone. We've closed the fiscal year 2022 on a positive note. The year saw major operating challenges for Rossari on account of COVID impact, supply chain constraints, inflation in key input prices, and more recently, the geopolitical conflict. Despite these issues we are encouraged with how Rossari has been able to navigate through these challenges and delivered a healthy performance.

On a consolidated basis, our revenue has grown 109% and on a standalone basis we grew a solid 55% year-on-year in FY22. Our key strategy during FY22 was to push sales in Rossari during these volatile times so as to maintain our absolute margins, and secondly, to ensure seamless integration of all the acquisitions. I think on both these fronts, we have been quite successful. Our Dahej plant has become fully operational towards FY21 and this additional capacity helped us push higher volumes during the year leading to stronger revenue growth.

Also, the acquisitions happened at the right time and their effective integration helped us navigate successfully during this challenging year. If we see over the last three years, that is if we compare from FY20, we were able to more than double our revenue and increase our EBITDA by almost 75% on consolidated basis .



On the balance sheet front, we continued to remain very strong. Even after undertaking organic and inorganic expansions during the year, our balance sheet profile remains very healthy. We continued to be net cash positive and our net cash position at Rs.52 crore at a Group level. Our working capital position remains strong in spite of substantial revenue growth. Overall, our working capital cycle continues to be below 60-days, which I think given the current situation and the way we've grown is commendable.

In line with our company guidelines on dividend policy, we are pleased to share that Board of Directors has recommended a final dividend of Rs.0.5 per share during FY22. So, overall, the company's financial position remains healthy. Over a longer term, we will pursue our defined strategic initiatives, while always maintaining financial discipline. In a normalized environment, we look forward to delivering a strong and sustainable growth.

On this note, I would now request Manasi to take you through the financial for the year and the quarter and post that we'll be happy to take your questions.

Manasi Nisal:

Thank you, Ketan sir. Good evening, everyone. Let me provide you with a brief overview of financial performance for the quarter and year ended March 31, 2022.

During the quarter, we have delivered steady performance driven by the improved demand and traction across businesses. On a consolidated basis, revenues came in at Rs.439 crore as against Rs.218 crore in Q4 FY21. On standalone basis, we registered an exceptional organic revenue growth of 30% on Y-o-Y basis in Q4 FY22. Revenues from HPPC stood at Rs.304 crore, contributing to 69% of revenues, followed by textile business at Rs.110 crore, contributing 25% and AHN at Rs.25 crore, contributing 6% to total revenues.

On the profitability front, EBITDA stood at Rs.52 crore as against Rs.35 crore in Q4 FY21. EBITDA margin stood at 12% as against 16% in Q4 FY21. As indicated, gross profit and margins during the quarter were impacted on account of raw material challenges. PAT during the quarter stood at Rs.24 crore as against Rs.22 crore in Q4 FY21. On a full year basis, our consolidated total revenue from operations in FY22 stood at Rs.1,483 crore, up by 109% on Y-o-Y basis. On a standalone basis, we marked 55% Y-o-Y growth in FY22 owing to strong client wins.

Revenue from HPPC stood at Rs.966 crore, contributing to 65% of revenue followed by textile business at Rs.405 crore, contributing to 27% and AHN at Rs.112 crore, contributing 8% of total revenue. On the profitability front, EBITDA stood at Rs.183 crore as against Rs.124 crore in FY21. EBITDA margin stood at 12%. Depreciation was higher at Rs.48 crore, owing to amortization of fair valuation on account of consolidation of subsidiaries. Interest costs during the year stood at Rs.13 crore. PAT during the year stood at Rs.98 crore as against Rs.80 crore in FY21. From a balance sheet perspective, cash and cash equivalents during the fiscal stood at Rs.52 crore. Net cash flows from operating activities during the year stood healthy at Rs.29 crore.

On that note, I come to the end of our opening remarks and would request the moderator to open the forum for operational and strategic clarifications that you may have. Thank you.

Moderator: Thank you very much. We'll now begin the question-and-answer session. The first question is from the line of Anshul Verdia from Edelweiss. Please go ahead.

Anshul Verdia: First one on the standalone entity, I think we noted that there's a slide moderation in the revenue in the Q4. So just want to know which segment led to this moderation. Could you give us the run rate for both Unitop and the Tristar for the Q4 in terms of revenue and EBITDA?

Ketan Sablok: In Q4 yes, its slightly about 2%- 3% below the last quarter. The growth over last Q4 FY21 is about 30%. I think the overall volumes have been same across all our three business segments. This year or this quarter what we had strategized was to look at our overall product basket and try to ease out of products where the margins are not really competitive or on the lower side. So that's something we looked at during this quarter. Secondly, your question on Unitop and Tristar, so Unitop this quarter had a revenue of about Rs.124 crore, so 4% growth quarter-on-quarter. And Tristar was at about Rs.49.5 crore, that's about a 15% growth quarter-on-quarter.

Anshul Verdia: Anything on the EBITDA number sir.

Ketan Sablok: EBITDA usually we don't give an absolute number, but in both Unitop and Tristar we had healthy EBITDA. Unitop was around 15% and Tristar was at about 12%, similar to what they were or probably slightly higher than what they were in the last quarter.

Anshul Verdia: Sir just one follow-up, in terms of margin, we are seeing that the quarter-on-quarter we have gone a good improvement in the margins of EBITDA and it gives me a sense that we are able to do the price pass through. So could you just give us a detail, was we able to do partially or there is a more prominent impact which will be coming in the following quarters? And secondly, on the volatility of the raw material, so how is the situation has been in the first quarter of FY23?

Ketan Sablok: So, yes, Anshul, as you rightly said, and I also told you that this quarter apart from pushing in some price increases, we also looked at our product basket and where we realized that the margins are below or on the lower side we tried to moderate those sales in this quarter. So that also impacted slight improvement in the gross margins. Some price increases we have started taking from the month of March. We plan to keep up this momentum in this Q1 and again fairly looking at the basket of products from a margin point of view. And we hope that we'll see a more stable margin profile going forward. So maybe Q2 is when we expect the margins to look a little more stabilized. On the raw material front, I think we are seeing some softening happening on our major raw materials, but given the current situation like lockdown in China and geopolitical situation, it's actually a little difficult for us to really guess how the raw material situation is going to pan out going forward. So we are still taking calibrated view on the raw material front. We hope that the calls that we take on this front prove to be helpful for us but currently the trend looks towards softening.

Moderator: The next question is from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

Sanjesh Jain: On the HPPC segment for the Rossari parent, which is ex of acquisition if I look at it, on the standalone basis, the revenue has sharply come down from Rs.190 crore at the peak of Q2 FY22 to close to Rs.126 crore in Q4 while we were



anticipating that the new capacity which will unlock the ability to produce more as well as the seeding in the new industry would help us to drive a significant growth in the revenue. So what's bothering us in the HPPC segment for the Rossari and why 35% drop in the revenue from the peak? And in the times when the raw material inflations are significantly high, that means underlying volume decline looks much cheaper, can you help us explain the HPPC segment for the parent Rossari?

Sunil Chari:

As we'd told in the earlier quarter, Q2 was an exceptional quarter and Q2 sales, if you see also for all the divisions and if you compare Q2 sales to Q4 sales of all the divisions, you'll find it much lesser. But if you compare the HPPC Q4 with HPPC Q4 last year, you'll still find growth in HPPC. I would request to consider Q2 as exceptional because pipelines were empty, which we already told in Q2 earnings call and even Q3 earnings call and we had to push in and also Q2 was the height for supply chain logistic mismatch in the system and we had lot of customers coming to us who were buying small quantities from us, but they did not get material from our competitors and we were able to supply. So this year in spite of we growing 50% in top line on a consolidated basis, we have grown 50% in EBITDA from nearly Rs.120 crore to Rs.180 crore, I'm saying approximate figures, and still being debt free, making this integration successful, we are very happy with what we have done in HPPC also in the Q4 quarter.

Sanjesh Jain:

.Just wanted to understand, even from Q3 to Q2 we have fallen from Rs.146 crore to Rs.126 crore. So, the decline continues again as I understand that Ketan sir told that we are looking at rationalization and it look like most of the rationalization is happening on the HPPC side on the parent basis, is that of fair understanding?

Sunil Chari:

No, this is across divisions in TSC we saw very high rise in exports which contributed well. As a company, if you can see our exports has grown from Rs.64 crore last year to consolidated Rs.264 crore this year so the export also has shown healthy growth. We have, of course, cut down on customers where we don't have margins on products. But if you compare Rs.126 crore standalone HPPC to the last year with quarter two and quarter three we also had higher prices in FG, because of higher prices of raw materials and this would normalize at certain extent. So I think there is not too much of a fall in HPPC that way.

Sanjesh Jain:

To understand when we say that we are cutting down on the sales or moderating the sales to the product or the customer where margins are lower, can you help us understand what is causing not to take the price hike, because raw material inflation is across players, right, it's not just for Rossari, and they wouldn't get the material anywhere at the historical prices. So what is such that we are not able to take the price increase and still manage to convince the customer, so what are the product category or a customer category, which we are fighting to or we are doing the moderation?

Edward Menezes:

So, you'll understand that we have two categories of products our trademark formulation black box and the other is the ingredients. So what is happening is, with the formulation background, since the ingredients are a kind of a black box for the customer, it becomes very difficult to go to the customer with multiple price increases. So we've been increasing our prizes from the quarter of March this year and it is becoming impossible to pass on price increases to customers without them knowing what are the ingredients inside. So this is a trade off that we have to play now. Wherever it's a formulation black box, we are cautious and we don't want to reveal all the raw materials. However, wherever there are



ingredient sales, like many of our peers do, in ingredient sales, the materials are open, and therefore, to pass on the raw material increase in prices is a little bit easier than what it is for the product range that we are working in. This we have experienced also with Unitop and Tristar, it is easier for us to pass on the raw material price increases, whereas with the specialty product range we have to be cautious keeping in mind our customers as well as keeping in mind the competition.

Sanjesh Jain:

Sir, is it fair to assume that the white label business itself has slow down for everybody, because they don't want to increase the prices of the end product and they're also compromising on the sales and health. We are also seeing the lower volume. Is that the case?

Sunil Chari:

If you see our last year HPPC sale of Q4 FY21, it was Rs.108 crore. So compared to Rs.108 crore, we are at Rs.126 crore now. So, we have a significant jump. If you see Rossari on a standalone basis, it has grown from Rs.700 crore to nearly Rs.1,050 crore. So we have a 50% growth and which is because of abnormal pipeline being vacant in Q2 and Q3, but from Rs.108 crore, to Rs.126 crore is already maybe 18% growth so even in Q4.

Sanjesh Jain:

My question was, what Edward sir said that we are not disclosing the ingredient of the white label, right, and hence the price increase becoming difficult. It's not that white label will be buying a new product from anywhere, right, because we do end-to-end manufacturing for that. Is that the white label themselves are not willing to sell too much because they are not able to take the price hike from their customer and hence their sale is falling and hence we are also impacting or they're buying that material from somebody else and supplying in the market. What is the situation?

Edward Menezes:

So as I already informed you that we are cautious both with what the customer sentiment is and how the competition is reacting. We don't want to lose business in white label because that is where the technology plays a bigger part. Therefore we have great strength in the white label business hence, like you said, you are very correct in saying that the customer who buys white label products from us really are unable to pass on their price increase to their customers. Not only that, but for the white label, for example, in textile, if you see the prices of cotton, they have gone through the roof. So it is becoming impossible for them to pass on the prices to the customer. And therefore, we are cautious we pushing them for price increases. So it's a trade-off kind of a thing. Having said that, we have still grown from last year. So if we had lost business from what we had done last year, then your argument could be correct, but that is not the case. The case here is that we are cautious because we have to go to the customer on multiple occasions for price increase. We've done that with our ingredients that we sell, but we are cautious and we find it little more difficult to do that. And like Ketan has already expressed that by the end of Q2, both things will kick into place that the material situation will normalize and therefore, we may not be required to do the price increase, and we can still keep the customer happy. So it's a trade-off kind of a situation for us now.

Sanjesh Jain:

Got it, got it. Just couple of more follow-up question on that. If you can help us with what was the volume growth in the business for FY22. And Ketan sir told that we have been taking price high since March and we will continue even in the Q1. What is the quantum of price hike are we anticipating to or we have already started the process, so what is the quantum of price hike we anticipate to take during this entire exercise?



Sanjesh Jain: I'm just asking FY22, if we can provide that for the full year.

Ketan Sablok: Full year, I think our overall volume growth is in excess of 40%.

Sanjesh Jain: No, this includes acquisitions. I'm talking without acquisition.

Ketan Sablok: No. I'm talking only about standalone

Sanjesh Jain: We have grown 40% in volume for FY22.

Ketan Sablok: As I said in my opening remark, our Dahej plant became fully functional early this year or probably later it got capitalized towards the end of FY21. So that entire capacity came on stream. And as I said, lot of this additional capacity which came, it helped us in gaining this volume share and the revenue growth. Maybe quarter-to-quarter the volume growth would probably be steady, but on an annualized basis the capacities have helped us to ramp up the revenues.

Sanjesh Jain: So, assuming that our EBITDA per kg has fallen from x to y, what is the amount of price hike required for us to reach that EBITDA per kg again to the FY21 level?

Ketan Sablok: Sanjesh, we've not looked at it that way. Our immediate target is to come back to our EBITDA margins of 14%-15%, which we are currently looking at. So we are at about 11.5% we close this year and we are working towards that, as I said, taking some price increases, expecting some further softening in the raw material front, rationalizing our product portfolio. I think all these should help us going forward to come back to our 15% on margins.

Sunil Chari: We sell in tankers, we also sell in 1 ml sachets to measure quantity numbers or kilos, if not, and it defers products wise. Some products sell more in some quarters. So we have never been able to work out quantity-wise breakup, because we have different divisions, different products and, as I said, 1 ml, 2 ml, 10 ml can not be compared with tanker sales product.

Sanjesh Jain: No. Just to understand. So, to reach the 14% -15% EBITDA margin from where we are today, how much percentage price hike will be required?

Ketan Sablok: See I cannot tell you the price increase. It's all a combination of products. And also, as I said, it's just not price hike, we are also looking at product rationalization and we are expecting the raw material prices to remain at the soften positions going forward. So we'll have to look at all the fronts. It's just not going to come only by pricing increases.

Sunil Chari: We have given Rs.2,000 crore and Rs.250 crore as our target for this year. We are confident to achieve those numbers this year.

Sanjesh Jain: Rs. 2,000 crore revenue and Rs. 250 crore EBITDA, right?

Sunil Chari: That is something which we are very confident that we've given in the past calls as well.

Sanjesh Jain: Great, sir. Just one bookkeeping question to Ketan sir. The tax rate in Q4 was high. What should be the steady state tax rate for us? And why was the tax rate higher in the Q4?

Ketan Sablok: Q4 tax rate on a consolidated basis was slightly higher because we had to do some tax recalculation for the two subsidiaries. So that's why the rates were higher. But I think if you see the annualized number, I think about 20% to 25%. So that's what the rate should be. We are at the 25% tax bracket.

Moderator: Thank you. The next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: First question on the HPPC segment there, now, as you mentioned, there are certain products with specialty one, where therein the price hike has not been as aggressive, or let's say, the multiple price hikes are not there. So just thinking aloud, so how are we trying to scale up that business, because that is one product in the green part of our business. So, is there any change in strategy in terms of how you should price the contract, maybe not entering into an annual contract, but maybe more quarterly, or is it more like a current situation being volatile in terms of RM pricing available and hence we will probably reject the cost there again, your thoughts there.

Edward Menezes: Of course, the customer knows what is going on in the marketplace, and therefore, he does not expect us to take a long-term strategy or a short-term strategy. It is to take one day at a time, basically, that is our idea. But from the product front, we are looking at being more innovative, trying to help the customer to rationalize his cost of finished product by giving him innovative solutions that is our focus rather than getting into contracts for long-term or short-term. Both the strategies today don't work out for us, because the situation is so volatile that even the customer is not willing to get into a contract with us basically, because everybody expects the price to come down in the future. If you fix the price today, in the future they might lose out. So, nobody wants to do it short-term or long-term. Our focus is to give them innovative solutions in order that they get some idea of how to rationalize their pricing strategy. Especially in the HPPC, as you must have seen in my opening remark, the first was in HPPC we have been able to launch a unique novel product, which really gave them some value addition. So maybe the price of the product did not go down, but they were able to rationalize the quantities that they used in their formulation and we give them some tips for their formulations, which brought down the cost of their formulation. So that's the kind of synergy that we are working between a customer and us, so that both of us are benefited. Like Ketan sir said that, only price is not going to help anybody in this situation. Our R&D has been working forwardly to come up with better formulations. We've come up with applications formulations which work better in application. And therefore, you have to use lower quantities in the final finished product. So we are using different methods to bring down the final price of the product so that the end customer does not suffer. The approach here is not about price increase at all, price increase is the easiest way out and is also very easy way to lose your customer or give entry to competitor into the customer. So we are using all the three different methods to get in there. R&D is working, our sales teams are working to push products with higher margins. We are working with our raw materials suppliers to get the best prices that we can, and we are also trying to get some price hike logically with the customer. So it's a four-to-five-pronged effort that we are trying to get into so that the customer is not dissatisfied.

Ankur Periwal: So, probably, from that perspective, if I got it right, it will take some time for the full RM inflation to be pass through, especially for the white label part of the business

- Ketan Sablok:** As I said, we've been working on this. We are expecting that probably by quarter two we should pass on the hike and get into our regular margin profile.
- Sunil Chari:** To add to this, when we came for the IPO in 2020, just two years ago, we were at Rs. 600 crore sales and Rs. 80 crore EBITDA. And at this moment we are talking about Rs. 2,000 crore and Rs. 250 crore EBITDA. So in three years we've been able to grow more than three times. And in three years, even the EBITDA has grown three times. We still remain debt free. So, the focus is on a consolidated basis, on HPPC, even the Q2 AHN numbers which were at Rs. 38 crore and now it is Rs. 25 crore in this quarter. But if you compare with Q4 FY21, even AHN is gone from Rs. 21 crore to Rs. 25 crore. We have grown across division on a year-on-year basis, we have also grown on standalone basis, but on consolidated basis, we have grown bigger. The best part we remain a debt free company and our working capital cycles are also intact.
- Ankur Periwal:** On the overall volume growth front, which you mentioned 40% for the full year, we have grown on a standalone business. So, if I got the numbers right, broadly, there is only a 15-odd percent price hike that we have taken during the year, will that be a right understanding sir on the standalone basis only?
- Ketan Sablok:** If you see the overall, the annual growth that has happened in the revenue of about 55%, it would be in the ratio of 70% to 30%, volume and price.
- Ankur Periwal:** Okay.
- Ketan Sablok:** I don't have the exact number, but it'll be around that.
- Ankur Periwal:** Sure. And on a consol basis we are guiding for Rs. 2,000 crore odd revenue, which is another, let's say, 30%- 35% growth over FY22 base. What should be the volume growth that we are targeting here? And will HPPC be the bigger segment contributing to this growth?
- Ketan Sablok:** Yes, so the volume growth should be significant; one, because the subsidiaries will have the complete full year numbers; second, we are expecting raw material supplies in these subsidiaries. The key raw material of EO to get stabilized from the second quarter. That'll help us push better capacity utilization. So the number for the volumes will definitely be much stronger going forward.
- Ankur Periwal:** But any directional call, maybe a 20% plus will be the volume contribution. Where I'm coming from is basically if the current business and you mentioned we are getting 14%- 15% odd EBITDA, if I do some back of the envelop working probably, we need to take another, maybe minimum 10%- 15% price hike there itself, maybe around 20% price hike to be there, and if I take that 20% out of 33%, that number comes out to be 15% volume growth. So, is 15% the right number or maybe a higher end
- Ketan Sablok:** We have at least about 15% volume growth coming next year.
- Ankur Periwal:** We highlighted lot many initiatives in terms of new product innovation, not only at HPPC but also in textile chemicals, what are your thoughts in terms of the growth here in TSC, especially from the international market and domestic given there were certain portfolio gaps, which now are incrementally getting filled, will it take some time the products approval side and the revenue ramp ups and it is more FY24 rather than FY23 or how should one look at that?

Edward Menezes: The new product impact definitely takes some time, but these ideas have already been floated in the marketplace, for example, the silicones with low cyclic content, the sustainable dying programs, as well as the low temperature washing programs so all these have already been seeded in the marketplace. We expect very strong export growth, because we are focused on export in this year, as well as in the coming years, because if you see the export share in the standalone itself has gone from 9% to 11.5%. So there you can see that, even in the last quarters, we had been saying that we will be focusing on export. So, similarly, since the focus on export has increased and we've also increased some manpower in the export side, we are sure that there can be a 10% to 15% growth in the textile space as well.

Moderator: The next question is from the line of Nitin Tiwari from Yes Securities. Please go ahead.

Nitin Tiwari: So you mentioned that we have black box products plus ingredient product in HPPC segment. So can we have a rough percentage of like what is the percentage of black box products and what is the revenue percentage coming from ingredients?

Ketan Sablok: So, Nitin we would not like to disclose these specific numbers.

Nitin Tiwari: No, I'm not asking for specific sir, just rough indication would be enough.

Ketan Sablok: We would like to keep that as confidential for us.

Nitin Tiwari: Sir you just mentioned or you just talking about the volume growth with the previous participant, so like just to summarize, can we have sort of an overall picture in terms of volume growth we are targeting segment-wise. So, would it be right to understand that we have about 15% of volume growth in HPPC as well as in textile segment, especially how is it, if you can just give us some granular detail over there.

Ketan Sablok: So, I think we could average out amongst the segments. We don't give specific volume-wise numbers for the segment. But as I said this, overall, our volume growth has been around the range of 40-odd percent. HPPC has grown very strongly and also in the current year AHN business has also grown quite strongly, so that two have played a good role in the overall volume increase.

Nitin Tiwari: Sir that was for the FY22, I'm talking for the FY23, where the guidance is about 15% growth, is that correct?

Ketan Sablok: We don't give specific guidance Nitin on specific division. The overall guidance should be good enough as of now.

Nitin Tiwari: So, overall guidance is 15%, is it?

Ketan Sablok: Yes. For us, the overall guidance is Rs.2,000 crore in the top line on the consol basis.

Nitin Tiwari: Okay. No, I'm just trying to break that down and just trying to reconfirm the volume part and the pricing part.

Ketan Sablok: To tell you, even I do not know that.

Nitin Tiwari:

I was asking that any updates on the new product segments that we were looking to like get into like esters and other products, so any updates on that front.

Edward Menezes:

So, as mentioned in my opening statement, all these new products are now at the introductory stage. So we have already introduced them. Some of them we've already introduced in this quarter. Some of them are stated to be introduced in the coming quarter. But interesting products are which will go into regenerated cellulose as additives. Then we have the black dying process, which we have already applied for a patent. Then we also have the new preservative that has been developed jointly between Unitop and Tristar that will also be one of the interesting products for the coming quarters. The most important one will be the synergy that we have between Unitop surfactants and Rossari polymers to bring in a new novel ingredient for enhanced cleaning performance, which will create an opportunity to partially replace traditional detergents in the HPPC segment, that is an important development and we promote that product very aggressively in the market. We have got some of the customer approvals already. Another new development is a spin finish. Again, it's a synergy between Unitop and Rossari Biotech, where Unitop's surfactants and Rossari Biotech's application teams have developed the spin finishes for textile. This is the last segment in which Rossari is not present. So, I'm very sure that we will build sales in this segment as well. In the AHN the esters and the glycerides that we are looking at for gut health improvement to reduce antibiotics and use of artificial growth promoters, these are very exciting products. However, there will be a challenge to introduce these products in India, because there is no regulation or there is no government intervention here. So we will have to create this market, and I think this would take us some time, but we'll definitely see some pick up in this year itself. Another very important thing that Rossari has taken up because of the integration with these three companies as well as two other smaller companies is the decision to implement SAP. So we have taken the decision to implement SAP across the organizations, which is a bold step for quicker integration. And I'm sure that by the end of this year we are going live with the SAP implementation. And definitely the operations will become more seamless, the synergies will be seen better and because we'll have more data, we'll be able to present more clearly or in a clearer way to you in the future. It's a big investment. I think Ketan can tell you what is the cost of that investment.

Ketan Sablok:

Yes. So, the overall SAP across the group will cost us about Rs.3 crore- Rs.3.5 crore, which will include not only the SAP software, but licenses, cost of hardware and the implementation cost, the cost of the effort etc. So that's what we are aiming at. Our target is to get these operations by the end of the current year.

Nitin Tiwari:

Thanks for the answers. Just a last one, so there was a constraint on availability of ethylene oxide. So, I suppose that was supposed to get resolved by the Q1 of this year. So, I suppose you just mentioned that in Q2, there a delay in that availability, can you throw some light on that please.

Sunil Chari:

Reliance has still not confirmed for June. So in all probabilities we will see enhanced availability from July onwards. This is subject to confirmation from Reliance. But with the expansion in Dahej we are hopeful that from July onwards we should get higher reallocation.



- Moderator:** The next question is from the line of Aashish Uppanlawar from InvesQ Investment Advisors. Please go ahead.
- Aashish Uppanlawar:** Just one question on the cash flow statement that has been given on the Slide 13 of the presentation. So, there's an item which says net gain loss rising on derivative instrument measure at fair value through profit and loss that's an item Rs. 192 crore, so just trying to know what's the charge on the cash flows there.
- Ketan Sablok:** I think there is a typo in the presentation. That line should actually have one below the operating profit before working capital. That should have been Rs. 192.5 crore.
- Aashish Uppanlawar:** The operating cash flow generated is Rs. 30 crore that's the last number is correct Rs. 29.4 crore?
- Ketan Sablok:** Yes
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to the management for closing comments.
- Edward Menezes:** Thank you everyone for taking part in our investor call. I hope we have been able to answer all your questions satisfactory. Should you need any further clarifications or would like to know more about the company, please feel free to contact our team or CDR India. Thank you.

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