

**LAXMI ORGANIC INDUSTRIES LTD**

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May 11, 2022

BSE Limited

Corporate Relationship Department,
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Rotunda Building, P. J. Towers,
Dalal Street, Fort,
Mumbai – 400 001
Scrip Code: 543277

National Stock Exchange of India Limited

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

Dear Sir / Madam,

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

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

Date and time	Type of Meeting / Event	Location
May 05, 2022, at 15.00 hours onwards	Investor & Analyst Meet to discuss performance for the quarter and year ended March 31, 2022, hosted by Ernst & Young LLP	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No Unpublished Price Sensitive Information was shared / discussed in the meeting with the investors.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 Q4 FY22.

We request you to take the above on record.

For **Laxmi Organic Industries Limited**

Aniket Hirpara

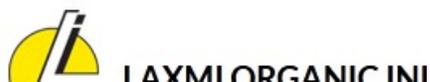
Company Secretary and Compliance Officer

Encl.: A/a



“Laxmi Organic Industries Limited
Q4 FY2022 Earnings Conference Call”

May 05, 2022



**MANAGEMENT: MR. RAVI GOENKA – CHAIRMAN & MANAGING
DIRECTOR – LAXMI ORGANIC INDUSTRIES LIMITED
MR. HARSHVARDHAN GOENKA – EXECUTIVE
DIRECTOR – BUSINESS DEVELOPMENT & STRATEGY –
LAXMI ORGANIC INDUSTRIES LIMITED
MR. SATEJ NABAR - EXECUTIVE DIRECTOR AND CHIEF
EXECUTIVE OFFICER - LAXMI ORGANIC INDUSTRIES
LIMITED
MR. PARTHA ROY CHOWDHURY – CHIEF FINANCIAL
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 Laxmi Organic Industries Limited Q4 FY2022 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 Mr. Kanav Khanna from EY. Thank you and over to you Sir!

Kanav Khanna: Thank you Inba. Good afternoon, to all the participants on this call. Before we proceed to the call, let me remind you that the discussion may contain forward-looking statements that may involve known or unknown risks, uncertainties, and other factors. It must be viewed in conjunction with our businesses that could cause future results, performance or achievement to differ significantly from what is expressed or implied by such statements.

Please note that we have mailed the results and the presentation and the same are also available on the company’s website and on BSE. In case you have not received them you can write to us, we will be happy to send it over.

Now, to take us through the result and answer all your queries today we have the top management of Laxmi Organic Industries Limited, represented by Mr. Ravi Goenka – Chairman and Managing Director, Mr. Satej Nabar – Executive Director and Chief Executive Officer, Mr. Harshvardhan Goenka – Executive Director – Business Development and Strategy and Mr. Partha Roy Chowdhury – Chief Financial Officer. We will start the call with the brief overview of the quarter gone past and the financial year 2022 and then conduct Q&A. Now, with that said, I will now hand over the call to Mr. Goenka. Over to you Sir!

Ravi Goenka: Very good afternoon ladies and gentlemen and welcome to earnings call of our company. This is the first full year after the listing of our company in March 2021 and I am happy to share with you my sentiments and views on the annual performance of our company. With me on the call, I have Satej, our CEO, Harsh, our Executive Director, Partha, our President and CFO and Ms. Tanushree Bagrodia, our new CFO.

The year ended on a strong note, our console revenues crossed Rs.3000 Crores a milestone we clocked consolidated PAT of Rs.237 Crores. Cash flows from operations crossed Rs.300 Crores, a large part of which got deployed in the ongoing capex after taking care of our working capital needs. We also completed the repayment of the long-term debts as envisaged in the IPO.

I am particularly happy that we could return a strong performance despite the headwinds on many fronts. Both our businesses did well, of course at different points in time during the year. Our AI or the acetyl intermediate business did very well in the first half and the specialty intermediate business has been continuing its good performance in the second half of the year and this resulted in recovering part of our losses that we incurred during the 50-day plant shut down on account of the unprecedented floods at our factory in July 2021. Through the year, raw material prices remained volatile, energy costs and international freights escalated to unprecedented heights, other logistic uncertainties compounded the challenges. The result this year however testify the resilience and tenacity of our businesses both AI and SI and speaks about the ability of our teams to deal with diversified business realities. Our performance this quarter was largely driven by the SI business which performed strongly on both fronts, volume and product mix. The volumes in this quarter mirrored our last quarter performance with an improved product mix. One of the high points of our specialty intermediates basket this year has been our ability to enter strongly into the international markets. Our SI revenue grew by 74% on an annualized basis. One of our capex in SI got commissioned and shall start generating revenues from the current quarter itself. Another major capex will get commissioned and start generating revenues from the next quarter.

On the AI front, this quarter, while our volumes showed some growth as anticipated margins were impacted due to price corrections. However, our European subsidiaries performance remained robust and it is expected to return similar performance in the near future. AI revenue grew by almost 98% in FY2022 from FY2021 on the back of both volumes and prices.

Our fluorochemicals capex is going ahead in the right momentum. Our civil construction, infrastructure and utilities at Loteparshuram is nearly completed, 60% and more of the Italian equipments have been dispatched and received while the work is going on at the site. Samples from the R&D and Kilo Lab are getting approved by domestic and international customers. The project is expected to start up in Q3 2022 in a phased manner. Going forward we will continue to drive operational efficiencies and maintain our leadership in AI through enhanced capacities and periodic debottlenecking. For our SI segment we are confident that new capacities will further improve our product mix while we focus on increasing the share of contractual sales and expand geographical presence. The opportunity in our SI segment is robust and we are preparing for a phased growth beginning with agrochemicals and progressing to pharmaceuticals and industrial applications over time. The strategy of creating a strong foundation has worked for us in our SI segment and we are confident that we can replicate that success in our FI area as well.

Just to give you heads up on all the numbers that we have reported in media as well as on our website, our standalone financial highlights, we had operating revenue of Rs.2996 Crores as compared to Rs.1606 Crores in FY2021, which is a growth of about 87% year-on-year. Our EBITDA at Rs.319 Crores compared to Rs.202 Crores shows a growth of 58% year-on-year. Our PAT at Rs.231 Crores compared to Rs.123 Crores in FY2021 is a growth of more than 89% year-on-year. Our console results are mirroring our standalone our operating revenues at Rs.3084 Crores as compared to Rs.1768 Crores in 2021, a growth of 74%. Our EBITDA at Rs.368 Crores in 2022 compared to Rs.217 Crores in FY2021 a growth of 70% and profit after tax of Rs.257 Crores compared to RS.127 Crores in FY2021 which is a growth of 102% year-on-year. So, all-in-all a good year, a good beginning and many more miles to walk, many more milestones to achieve and with this I take the opportunity to thank all Laxmiites, our business associates, our investors, well-wishers for their unflinching support through this journey. I now lead the floor open to the question-and-answer session.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Ritesh from RKS Equity Solutions. Please go ahead.

Ritesh: Thanks for sharing all the details and future focus. For the next year how do you see the demand and supply side, how you are going to manage your cost part, because we are seeing a lot of cost volatility are actually hampering our operating margins, do you see how we can improve our margins in the operations side? Thanks.

Partha Roy Chowdhury: Ritesh, good afternoon, I am Partha Roy Chowdhury. As far as the costs are concerned if you observe our material costs are of the order of about 70% that is the block which needs to be managed and in fact both our major raw materials are commodities where the prices are published and are available in the public domain. Therefore, the way we look at operating the business is not to really get a reduction or a cap on the cost, which we continuously and consistently do, it is all a matter of managing the cost and how we are able to pass them on through the selling prices. So, the phenomenon which you have noticed over the last five quarters, there has been a lot of volatility and therefore there has been a lot of volatility in the margin profile as well. But on a consistent basis if you have to run a model then my personal position on this is an EBITDA margin of about 13% odd should be good enough to give the necessary indication.

Ritesh: Thanks, I have one more question on this same part, in the P&L I can see we have purchase of stock in trade which is very high in numbers, it is three times to the previous quarter, can you elaborate on this item, why it is so high?

Partha Roy Chowdhury: Compared to the previous quarters if you have observed there are note in the published results which says that we have initiated the merger of Yellow Stone YCPL, so post October we are operating YCPL as a converter therefore we are actually supplying the raw materials to them and buying back the finished from them which because of the accounting treatments which we give to these transactions, the traded portion looks bloated. Going into next year, our expectation is that the merger process should come through within Q1 of the current financial year and then the numbers would get moderated.

Ritesh: Okay, and the demand side how we see the demand from the market in each region?

Partha Roy Chowdhury: The demand side remains robust Ritesh.

Ritesh: What is the guidance which we can see for the year, how much the growth you are expecting in terms of revenue for the year as well for the next quarter?

Partha Roy Chowdhury: We shall abstain from giving any guidance Ritesh, okay. That is point number one. Point number two, substantial portion or part of our topline the revenue line also depends on the prices of the products, both the finished product as well as the raw materials, right. So, if the prices soften then the revenue could get soften but if you ask me for the year as a whole, we are looking at some growth but that growth may not be as robust as we have experienced in the year which has gone by.

Ritesh: Okay, any tentative numbers because last year was a turbulent one where we have done very good job there, so do you think any 10, 20 any projection if you can give us?

Partha Roy Chowdhury: No, we would not like to give you any projections as such, but we can assure you we shall work harder than what we have worked this year.

Ritesh: Okay, thanks and as our Chairman also said that the new plant capacities fully utilized. So, would they be operational in this quarter or the exact revenue may be coming from there or still we need to wait from the operation point of view?

Harshvardhan Goenka: Ritesh, Harsh here. I think as it was told we have got capex's coming on stream for the next three quarters, as they come on stream these are chemical plants they ramp up, they have got immediate demand offtake but you will see maybe with a little bit of lag these things coming some within the quarter, but full stream might take another quarter to achieve.

Ritesh: Okay, thanks for answering me and wish you best of luck for the year and the quarter.

- Moderator:** Thank you. The next question is from the line of Nitesh Dhoot from Prabhudas Lilladher. Please go ahead.
- Nitesh Dhoot:** Hi! Sir, thank you for the opportunity. My first question is we had 40% contribution from your products in FY2021, what would be that number for FY2022. I am asking this as the graph in PPT on slide 14 mentioning about new products has incorrect number over there so basically mentioning the total SI revenue instead of giving the product, if you could check me that number?
- Harshvardhan Goenka:** We come back to you on that error if at all, but we will not give up number exactly we will just state that our new product that we had launched in the last year and expected to grow has grown as per our expectations and little bit exceeded that and this sort of trajectory that you have seen us deliver in the past is what we are looking to duplicate going ahead.
- Nitesh Dhoot:** This is one number which has been given out, so any specific reason why you are not willing to give that numbers?
- Harshvardhan Goenka:** Just competitive reasons it is part of our strategy because that will let out some of things that we are trying to do and if you like a deeper conversation on this maybe we can take this in our one-on-one session where we can explain to you in far more detail.
- Nitesh Dhoot:** Sure, that should be fine. Moving on to my next question, when did we add 32,000 metric ton capacity on the AI side and what was the capital gone for the same?
- Partha Roy Chowdhury:** These capacity additions are results of debottlenecking through the year and the enhanced capacity that we have reported is the capacity that we have at the end of the year. So, you can probably take half – half.
- Nitesh Dhoot:** So, what could have been the overall capacity utilization number including YCPL and the debottlenecking that you have done, so what is the total of utilization number if you can share?
- Partha Roy Chowdhury:** Very similar to what we have reported in the past. The capacity utilization would remain between 80 to 90% at all point in time.
- Nitesh Dhoot:** What would be the value and volume growth, I mean would it be possible to give out that number of the 98% - 100% on the AI revenue that you reported. Did you make from more of pricing i.e. around 75% odd pricing in the balance from volumes?

Partha Roy Chowdhury: I do not think we would be in a position to give out any value and capacity utilization indications. Having said that you have to keep in mind that even the fourth quarter of that financial year which has gone by in the acetyl segment prices remained at a very elevated level. The raw material prices have started correcting, but the finished product prices have corrected for just about a quarter, right so we need to keep that in mind and again for your modelling purpose you will get this price indications in the public domain.

Nitesh Dhoot: Sure, can I ask you what could be the EBITDA contribution of SI and AI in FY2022, not clear why we do not report the segment wise break up given that product profiles are very different and for that matter even our closest peer are giving out a few of break up between the segments/

Partha Roy Chowdhury: Essentially three reasons. The first reason is we consider ourselves operating one business, the way these two businesses operate, they are actually connected at the starting point and at the end point. So, we have common raw materials and we have common customers, it is only in the middle that they are divergent. Therefore, we continue to operate these business as one chemical business that is number one. Number two, we do not want to give out these numbers for obvious competitive reasons. Number three, we would like everyone to look at us as one and not really as sum of parts, that is the principle that we follow and we shall consistently continue to follow this.

Nitesh Dhoot: Okay, next question on the capex outflow, 290 Crores is the number for FY2022, if you could get the breakup again between AI, SI and how much would towards fluorochemicals, any ballpark indications?

Partha Roy Chowdhury: Fluorochemicals is of the order of about Rs.150 Crores, SI is of the order of about Rs.175 Crores odd and the balance investment has gone into AI. Lot of these investments in SI are also infrastructure related which are not directly revenue generating investments.

Nitesh Dhoot: Okay, but this number totals up to more than Rs.325 Crores, I am talking about the cash outflow on capex which as per your balance sheet is Rs.290 Crores?

Partha Roy Chowdhury: You are referring to the cash flows?

Nitesh Dhoot: Yes.

Partha Roy Chowdhury: Do not do that, because there are capital advances and all those splits these are constructed as per the accounting standards.

Nitesh Dhoot: Sure, so this Rs.325 Crores or slightly more than Rs.325 Crores that is the total?

Partha Roy Chowdhury: Yes, approximately. There are also compensating entries in consolidations, I am talking about ballpark numbers not exact numbers, exact number you would see once the annual report is published.

Nitesh Dhoot: That is fine. One more question on cash flow item whereby there is a purchase of investment of about Rs.1035 Crores and a sale of Rs.1034 Crores, so what do the investments pertain to?

Partha Roy Chowdhury: These are actually deployment of surplus funds in mutual funds and other similar instruments which are classified as investments under Ind-AS and GAP and all that.

Nitesh Dhoot: What I meant is that this number appears to be quite significant, last year this number was around Rs.170 Crores is it like there has been multiple rounds of investments of trading and which is why this number is pretty large?

Partha Roy Chowdhury: NO, these are all mutual fund investments for three day, five days, seven days some time maybe two weeks or three weeks.

Nitesh Dhoot: And one last if I may, on the tax rate what is the kind of number that we should work with going forward, Q4 tax was negligible so is there any write off or write back or a one off?

Partha Roy Chowdhury: If you have to work on that you work on a weighted average tax rate of about 20-21% basically the math you continue to apply.

Nitesh Dhoot: Sorry, one last if you can give out the total R&D spend for the year?

Partha Roy Chowdhury: What is the question sorry, I missed that once again, I am extremely sorry.

Nitesh Dhoot: R&D spend for FY2022 and breakup, if possible?

Partha Roy Chowdhury: Which we shall provide in the Director's report when we publish the annual report. But it should be of the order of about Rs.15 Crores odd and leaving aside of course the administrative expenses and the employment cost of R&D, but you will get that number in the annual report.

Moderator: Thank you. We will take our next question from the line of Saurabh from Asian Market Securities. Please go ahead.

Saurabh: Thank you for the opportunity. Sir, you mentioned about the margins in AI, but if you can talk about the margins in SI and outlook on the same?

Partha Roy Chowdhury: We will not be able to give you our numbers. But if you look at the other chemical companies who are in this space, the EBITDA margins are of the order of anywhere between 21-22% to 25-26%, we operate within that range as a basket.

Saurabh: No, sir my question was broadly on whether there was margin pressure or what kind of margin pressure was there in Q4 and how should we look in Q1?

Harshvardhan Goenka: The volatility that is there in the SI is not to the same extent in the acetyl business, the business are different principles of operating. So, while you saw that extensively in AI, SI were not that impacted and SI continues with the margin expansion growth as we optimize the product mix and continue to launch new products.

Saurabh: Okay, coming to the capex if you can give capex number for 2023, what could be that number?

Harshvardhan Goenka: We have not made the forward-looking statement on our capex plan for the future, but maybe if we have deeper conversation, we can come back to you on that.

Saurabh: But largely capex will be now on the FI and SI?

Harshvardhan Goenka: Correct, as a strategy as the company goes it remains quite similar, a large chunk of our capex's will always be going towards SI and FI, AI continues the debottlenecking route and we got adequate head room at our existing sites to debottleneck adequately for the several years ahead.

Saurabh: Okay, should we assume 8 to 10% kind of incremental capacity addition in AI is through debottlenecking happening every year?

Harshvardhan Goenka: More or less we are looking to go in line with the market as you find the end consumer demand is increasing, we will try to match that.

Saurabh: Okay, and just last on your customer of profile, for FI is there an overlap in terms of customer with SI for your FI business?

Harshvardhan Goenka: Of course, and that was the primary reason to get into this business or this new vertical as there is lot of customers pull and request to get into these kinds of molecules.

Moderator: Thank you. We will take our next question from the line of Kunal M from Jaguar Investment Management. Please go ahead.

Kunal M: Thank you very much for the opportunity. I wanted to understand for FY2022 what is the total tonnage if you could mention for the entire company combined AI plus SI and with the new capacity coming on both how much capacity are we going to add this year?

Harshvardhan Goenka: Again, let us split the businesses while we have declared the numbers on the AI part and you have seen that, we have spoken about that earlier. SI we have always maintained is not about the volume, volume does not give you the value that we are all looking to drive and that was more about the kind of products and the new products in the portfolio optimization that actually drives profitability over there. I hope that answers the question.

Kunal M: Got it, and just a continuation of that in the SI business could you mention what portion of the business will come from acetic anhydride, if you could just give a rough ballpark number of what portion will come from acetic anhydride?

Harshvardhan Goenka: We do not give product wise splits.

Kunal M: Got it, and just regarding the fluoro initiative I wanted to understand, at the end of FY2023 once we get the facility and once commercial coming out the facility operational, if you could give a rough figure as to what sort of capacity in terms of metric tons and what is the size of the gross block, if you could quantify those numbers, that would be very helpful?

Partha Roy Chowdhury: The topline that we are looking at, at full capacity should be of the order of about Rs.300 Crores odd and the block is going to be of the order of Rs.450 Crores odd maybe slightly lower than that. The tonnage is not important again as Harsh had mentioned, the product mix here is important, therefore we do not really would like to discuss the tonnage.

Kunal M: As you mentioned we start from the base products in agro-chem as you move along, we will make it more and more value-added product mix and in pharmaceuticals and agriculture that is what we should look at, so the margin will be compared to be lower than probably where the peers set is moving and then gradually it will ramp up, is that the right way to look at?

Partha Roy Chowdhury: Principally I say and that is the part of the story we have been able to achieve in the SI segment and looking to duplicate that model with the FI.

Kunal M: Last question from my end, I wanted to understand the way our pricing policies the volatility in acetic acid and all the underlying raw materials and inputs is fairly high, so wanted to understand personally how much quantity of inventory we are carrying in the books at any given point of time suppose right now where we are in surplus we may carry more, but on an average how much inventory you would carry and is the pricing change

every fortnight, how does the pricing adjust to the volatility in acetic acid prices and you also in one of the comments you mentioned that the raw material prices have gone down and the final product has not gone down to that extent in accordance to the raw material prices next quarter at least on the gross margin side can you expect some improvement for next one-two quarters?

Partha Roy Chowdhury: There are actually several questions in what you just now said. To answer your first question, we deal with liquids and liquid cargo, therefore we have a physical limitation of stocking that is number one, at any point in time on an average basis I do not think we carry inventory more than two-three weeks, because we do not have physical carrying capacity. Having said that, the prices get locked in for supplies of about 60 to 75 days depending on our view on the prices. Now, with regard to the next part of the question where you say that the finished product prices are holding up and the raw materials have declined, in the AI business when the raw material prices soften up the finished product prices immediately soften up. Therefore, there is a margin correction which takes place. Whereas in SI, it is somewhat reverse, because in SI we have longer-term contracts on an average every contract is for two to three months the shortest one's, we of course have annual contracts and multiyear contracts as well. Therefore, the margin profiles behave differently at different points in time. As a result, you will observe that even if the raw material prices get halved between two periods, our margins do not get halved the average margin sort of travels within a bandwidth of maybe a couple of percentage points here and there.

Moderator: Thank you. We will take our next question from the line of Meet Vora from Axis Capital. Please go ahead.

Meet Vora: Hi! Sir, just wanted little bit more clarification on the AI segment. As you said that once the raw material prices correct, the finished goods prices correct immediately, so is it reverse when the prices are increasing because acetic acid as is was somewhere hovering around 90-95 in Q3 and in Q4 they were around somewhere around 60-65 kind of, have ethyl acetate or a similar kind of product prices jumped by a similar margin and that is what is being able to see on our margins as a pressure. How do we pass through or there is no pass through?

Partha Roy Chowdhury: When you have observed these prices of acetic acid, what is the price of ethyl acetate that you have observed, I am disclosing my prices.

Meet Vora: These are like GNFC basic prices that I have observed.

Partha Roy Chowdhury: You have some GNFC margin, right and then you do a bit of a mark up and give us a few points for our efficiencies, you know the margin.

Meet Vora: Okay, typically when the prices of raw materials are rising for the AI segment, we will see that the margins are improving and similarly a downward tendency when the prices are going down?

Harshvardhan Goenka: Okay, let us take the model aside, prices of raw materials and finished goods are constantly moving, the business model that we are into is managing that and ensuring that we are able to constantly expand on that spread. That is there in this business which is how we grow this business and manage it. At any point in time there will be a 30-to-45-day lag at best and through cycles which we have seen this normalizes and constantly operates within a band.

Meet Vora: Okay, can we hear that number like AI business margin by any chance so that we are able to understand how it moves?

Partha Roy Chowdhury: The AI business operates on a long-term basis at an EBITDA margin of low double digit and in this business, we operate on per kilo margin, we do not operate on percentage margin.

Meet Vora: Sure sir, the second question was regarding the FI segment that we are adding in our portfolio. Sir, just wanted to understand more on the product side, so will these products be totally import substitution products or what is the market size that we are looking at and whether it will be complete capture of market immediately, are we at pilot stage or have we got approval for our products, any rough idea on that?

Harshvardhan Goenka: I think the FI addressable market for us remains fairly large. If you see fluorinated derivatives that the Indian industry is serving is what more than \$4 billion that is the broader market sense. India does import lot of fluorinated derivatives and as the buzz word is going on lot of new acids are being set up in India to either serve import substitutes and some international customers that require these products in different geographies. So, I do not think it is one or the other but combination of both that will feed our growth.

Meet Vora: Got it, sir. I will come back in the question queue for a follow up. Thank you.

Moderator: Thank you. We will take our next question from the line of Rohit Nagraj from Emkay Global. Please go ahead.

Rohit Nagraj: Thanks for the opportunity. My apologies as this question has been answered I was dropped off in between. Sir, my first question is in terms of the dynamics of the acetic acid, if you could just give us what has changed over the last few months that the pricing has come off drastically and what are our expectations, is there any demand side issues which we are

currently facing or we are expected to face because of maybe non-availability of raw material or probably some demand decline from user segment? Thank you.

Harshvardhan Goenka: Sure, first on the acetic acid like we mentioned earlier, raw material prices constantly fluctuate for various factors, this is a large global commodity. We are not in the business of predicting what the price will be, we are in the business of managing our spread and risk and ensuring we are able expand on that so, we are fairly agnostic to where the raw materials are. Sorry, what was your second question again?

Rohit Nagraj: Is there any demand side issue for acetic acid which we are experienced or how the things are moving from that perspective?

Harshvardhan Goenka: Acetic acid is not our sale product therefore I would not be able to comment on that.

Rohit Nagraj: Got it, sir. The second question is Partha Sir indicated that we expect this year to be better than last year and given that the commodity prices have come down, what gives us confidence that we will be able to do better, if you could just give subjective assessment in terms of each of the business segment where we see traction in terms of the new products, in terms of the volume growth and obviously there will be contribution from SI segment as well. So, just your assessment how the growth is likely to come during FY2023? Thank you.

Harshvardhan Goenka: If you take a step back and look at our model right, there are three businesses sitting within us which are all connected in some way. The acetyl business continues to operate within the band as mentioned and has fairly high acid terms, this speciality is growing by our capex and the FI is brand new platform that sets us up in a very exciting a new space which should also grow by capex. You have seen our capex numbers that we have been putting into the business year-on-year not only right now and capex have delivered and we have constantly grown our business in steps which is what you will continue to see as our strategy going ahead as well. Irrespective of where our acetyl business margin profile lies at the higher end or at the lower end of the curve, our capex and our growth projections are towards our SI and FI businesses.

Rohit Nagraj: Right sir, got it. Just one request since the year is over and probably from modelling perspective, we give the capex number and as you rightly pointed out just now that is going to drive our growth. If it is possible for us to share that number at least on yearly basis, that will be really helpful? Thank you, sir and best of luck.

Moderator: Thank you. Our next question is from the line of Dhruv Muchhal from HDFC Asset Management. Please go ahead.

Dhruv Muchhal: Thank you so much. Sir, just one clarification for the AI business the capacity last year was 1.6 with the Yellow Stone I was building about 2 lakh ton but the presentation is 2.33, so the incremental has because of the debottlenecking that you mentioned earlier, that is right sir.

Partha Roy Chowdhury: Yes, it is.

Dhruv Muchhal: Okay, and this Yellow Stone equation is that part of our numbers, I mean is that consolidated or not yet?

Partha Roy Chowdhury: It is part of the console numbers for half year.

Dhruv Muchhal: Okay, got it. Sir, the second is bit related to the earlier question is on the demand so we are seeing significant price increases across commodities or across products, so just trying to get your sense are you seeing some implication on demand or a broader level are you seeing some implication on demand or customers getting a bit back also, you have Europe as a decent exposure as in terms of exports we are seeing lot of price increases, the fuel price increases and some capacity closures or temporary closures there because of the unviability themes. Any thoughts on what is happening in terms of your products, any implication on demands that you see at least from a six month – one year or probably relatively medium-term basis?

Harshvardhan Goenka: Sure, first on the demand front I think we have passed the high-water mark if you look at it in on a general basis and even at the previous high-watermarks, we have not seen demand contracting because we find our products being essential to several applications and substitutes have tried to come in, but not been successful, so we have seen a fairly robust demand throughout last year irrespective of the cycle. Regarding Europe, we find that it to be a larger opportunity as local producers over there have a significant increase in the energy cost which might give us some opportunities to play.

Dhruv Muchhal: Okay, but from a demand perspective that does not have any implication. I was actually coming from demand but you mentioned interesting point in supply that opens your opportunity but from a demand angle does it have any implications in some of the chemical producers shutting there temporarily or something?

Harshvardhan Goenka: We have not seen that in our segments, yes there have been shutdowns or trimming of capacities as far as possible in the overall industry, but our segments have been fairly unaffected.

Dhruv Muchhal: Sure, and on the second point that you mentioned is supply that benefits us because for us the cost of the fuel or others will not increase as much as probably for the Europeans and since that puts us in a better position.

Harshvardhan Goenka: That is right.

Dhruv Muchhal: Sure, sir. That is, it, sir. Thank you.

Moderator: Thank you. Our next question is from the line of Rohan Gupta from Edelweiss Financial Services Limited. Please go ahead.

Rohan Gupta: Hi! Sir, good afternoon. Couple of questions, first is on your SI business we have seen that in the current quarter the exports growth has been pretty decent and roughly 39% of the business in Q4 has come from exports which is much higher than the 29% contribution came in Q3 and definitely much higher than 19% in last year. Just wanted to understand that is there any competitive pressure you are seeing in the domestic market because it seems that in Q3 versus Q4 you have lost probably some business in domestic market while the growth has been coming mainly from the exports. So, just wanted to understand that what can be the possible reason for that, that loosing domestic market in SI business?

Harshvardhan Goenka: We had stated our strategy of going into exports almost a year ago, so I think this has been very strategically driven over a long period of time and this is a resultant of that. Losing a domestic share to another competitor coming up or another import substitute you will have some changes happening quarter-on-quarter, but our trajectory for export has been strategically driven.

Rohan Gupta: Sir, you are saying that this is intentional and I understand that we are in a hunger to grab more market in exports but that does not mean that we may lose domestic market until and unless we have some capacity constraint which I think that is not in the case of our company, we still have some surplus capacities available, I was not able to comprehend that whether it is a competitive pressure which is driving the domestic market or you did mention that your focus is more on export but I just wanted to understand that focus on export should not be coming on the cost of domestic markets is it not?

Harshvardhan Goenka: I do not have much of a comment to add on that but at this area we are operating our business strategically where we value both markets and we are serving customers everywhere.

Rohan Gupta: Right sir, going forward once again in SI business now fairly almost closer to 40% of business coming from our exports so, just want to understand more strategically that what

kind of margin difference is there in exports versus domestic and does this export market gives us more comfort in terms of any kind of volatility or easily passing on of the raw material volatility versus domestic, I just wanted to understand what are the key differentiating factors between the domestic markets and exports market?

Partha Roy Chowdhury: The margin profiles between the domestic market and the export markets are similar, that is number one in specific product ranges, but it is not that every product is sold in the domestic market and the same product is sold in the export market, we have a large basket of products. Now, if Harsh would add something?

Harshvardhan Goenka: No, that is fine.

Rohan Gupta: Okay, sir second is on our fluorination, so I believe that our plant at your presentation already mentioned that we are on track to commission this by end of Q3 FY2023 however we have definitely did have some Kilo Lab trial runs which you have done on your lab. Just wanted to understand how we are progressing in terms of reaching out to the customers in fluoro speciality because this is a new business for us and new more complex chemistry for us. So, how we have approached to the customers in terms of trial runs and sampling and how do you see that the customer acceptance has been there towards our fluoro speciality business?

Harshvardhan Goenka: We have luckily been able to get a company with a fairly rich history of more than 50 years of producing some of these products. So, customers we have seen has generally been very receptive and happy to see the company get a new life in India and get the advantage with Laxmi since we share existing relationships with lot of the same customers. The sampling plan is going of fairly well and there is a whole way that we have set forth with customers of how we are going about it and that remains on track.

Rohan Gupta: Sir, just the last one if I am allowed to ask otherwise, I can come back very well in the queue. On this Dacotin as you know that one of our closest competitor has entered into Docotin and have commissioned the plant, so do you see that the product basket which they are developing competes with your product basket in Dacotin and is there any kind of pricing related competitor pressure you are seeing in Dacotin derivatives or if you have completely different set of product basket which is not competing with yours?

Harshvardhan Goenka: Competition has not just been there today but been there from international sources since we existed in this business in the same product basket. So, competition has always existed and we have been able to perform and consistently grow across products and new products throughout out the decade which we will see continue to grow, we have explained some of

the competitive advantages that we have as Laxmi in this business and we think that will keep us in good stead for the times ahead.

Rohan Gupta: Sure, thank you very much.

Moderator: Thank you. We will take our next question from the line of Tarang from Old Bridge Capital. Please go ahead.

Tarang: Hi! Good evening, everyone. Couple of questions from my side, one has there been a change in your trade policies with your suppliers in terms of taking credit or giving credit?

Harshvardhan Goenka: No, not really.

Tarang: Okay, got it. Second, just from a reconciliation standpoint if I look at your inventories as on March 2021 and compare it to March 2022, inventories have moved up by about Rs.170 Crores from Rs.203 Crores to Rs.373 Crores, but when I go back to your cash flow statement the delta on inventory or the working capital squeeze on inventory is about Rs.123 Crores. If you could just help me understand that better, that is number one. Number two, how much of the delta on inventory that we are seeing is on account of prices and how much of it is on account of holding on to additional volumes?

Harshvardhan Goenka: Tarang, I think this is very, very, very specific if you would not mind you can take this question offline and we will be happy to answer this is fairly technical we may have to refer to some of our notes.

Tarang: Okay, no worries. I will connect back. Thank you.

Moderator: Thank you. Our next question is from the line of Rohit Sinha from Sunidhi Securities. Please go ahead.

Rohit Sinha: Thank you for taking my question, sir. Some of my questions are already answered. Just wanted to understand the outlook on this fluoro speciality business, we have in the process of 14000 capacity in this business and you have mentioned that Rs.300 Crores kind of order in your would be as a peak utilization, I think. So, first of all what would the progression in this business once it is commissioned and secondly, what are our plans to basically invest more on this or we are looking to add capacity on this fluoro speciality going forward?

Harshvardhan Goenka: Sure, again we spoke about it, we are happy to speak again. The size of the opportunities that is available that it was opened up to us with the FI businesses fairly large. What we achieved with the SI business in a fairly in a much smaller market was we took a few years

to establish the base very strongly and then that allowed us to multiply and get into either down streams or find our own initials in the market. McKinney we had a very strong base in which they were operating in Europe and they could operate in Europe in a healthy manner and they are looking to extend that over here and possibly do it much faster than what we did with the SI business.

Rohit Sinha: Okay, maybe you are mentioning that all those customers who were with McKinney, our initial customer looking at our profile?

Harshvardhan Goenka: Exactly, in the existing customers of McKinney or our customers they are fairly similar which gives us a good starting point.

Rohit Sinha: Great, so just that is what going forward how are we looking to scale the capacity from this next may be three years would it be possible and would it be 100% utilized and looking to add some capex in that?

Harshvardhan Goenka: That is exactly in the vision where we bought this platform because we see much larger addressable market available and this is really just the first phase and we just allowing ourselves sometime to establish the platform and absorb the technology safely and successfully which then allows us to invest more and grow this business significantly.

Rohit Sinha: Okay, and the margins in this fluoro speciality would be how much, will it be northward of what we are currently experiencing if at all you can mention?

Harshvardhan Goenka: We benchmark ourselves with other peers in the industry, you can think of it like that.

Rohit Sinha: Okay, that is from my side. Thank you.

Moderator: Thank you. That was the last question. I would now like to hand the conference back to the management for closing comments.

Ravi Goenka: Thank you very much. I hope we have been able answer most of your questions and if there is anything that still remains to be answered, please feel free to send us a mail and we will talk to you or discuss and send you the relevant answers as soon as possible. Thank you for your patience, thank for your time, thank you for your support and thank you for being with us. Thank you everybody.

Moderator: Thank you members of the management. On behalf of Laxmi Organic Industries Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.