

October 27, 2023

DCS-CRD BSE Limited First Floor, New Trade Wing Rotunda Building, Phiroze Jeejeebhoy Towers Dalal Street, Fort, Mumbai 400001 Fax No.2272 3121/2037/2039  Stock Code: 543213	Listing Compliance National Stock Exchange of India Ltd. Exchange Plaza, 5 <sup>th</sup> 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 October 23, 2023 for Q2 and H1 FY24**

Pursuant to the Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and with reference to our intimation dated October 16, 2023, regarding Earnings Conference call with Analyst(s) /Investor(s) held on Monday, October 23, 2023 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/](http://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**

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GUPTA

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PARUL GUPTA  
Date: 2023.10.27 17:33:58  
+05'30'



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, 2<sup>nd</sup> 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](mailto:info@rossari.com)

 [www.rossari.com](http://www.rossari.com)



## Rossari Biotech Limited

### Q2 and H1 FY24 Earnings Conference Call Transcript October 23, 2023

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**Moderator:** Ladies and gentlemen, good day and welcome to the Rossari Biotech Limited's Earnings Conference Call.

As a reminder, all participants' 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 this conference call, please signal an operator by pressing "\*" then "0" on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anoop Poojari from CDR India.

**Anoop Poojari:** Good evening, everyone and thank you for joining us on Rossari Biotech Limited's Q2 and H1 FY24 Earnings Conference Call. We have with us Mr. Edward Menezes – Promoter and Executive Chairman, Mr. Sunil Chari – Promoter and Managing Director, and Mr. Ketan Sablok – Group Chief Financial Officer of the company. We would begin the call with opening remarks from the management, following which we will have the forum open for the question & 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 a disclaimer to this effect has been included in the earnings 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 Q2 and H1 FY24 Earnings Call. I hope all of you had the opportunity to go through our Results Presentation that provides details of our operational and financial performance for the 2nd Quarter ended 30th September 2023.

This has been a record quarter for us, and we are pleased to report the best ever performance, both in terms of revenues and profits. Revenues improved by 14% Y-o-Y to Rs. 483 crore in Q2 FY24, primarily fueled by our core HPPC segment growing by 21% and our Textile division which was up 5% on a Y-o-Y basis. In our AHN division, we encountered some seasonal softness leading to a subdued performance. On the profit front, PAT surged 38% Y-o-Y reaching Rs. 33 crore in Q2 FY24, driven by the significant improvement in revenues. Such performance is especially noteworthy considering the current tough operating environment in the chemicals industry.

In the face of the challenges that marked the previous year, we are happy to see momentum in our core HPPC offering during the quarter. This positive trajectory is a testament to the dedicated efforts of our team on the ground.

Coming to our growth plan and commitment to future readiness, we are excited to announce the expansion of our facility at Dahej by 20,000 MTPA. This strategic move would enable us to enter new domains within the HPPC segment as well as pave the way for producing essential ingredients for our subsidiary companies. In addition, to cater growing demand in sectors including Agro-Chemicals, Home & Personal Care, Oil & Gas, and Pharma, we are augmenting the ethoxylation capacity at Unitop Chemicals. With our existing 36,000 MTPA Ethoxylation capacity already operating at an optimal level, the planned expansion of an additional 30,000 MTPA aims to meet future demand.

Looking ahead, our focus remains on diversifying our customer base and targeting higher-margin segments. We are confident that our strategic initiatives along with our commitment to R&D position us well for sustained operational and financial performance in the future.

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

**Sunil Chari:**

Good evening and a warm welcome to everyone.

I would like to begin by underscoring Rossari Biotech's robust growth trajectory over the past three years, which has been driven by a blend of both organic and inorganic growth initiatives. To put this growth into perspective, our revenues for the year FY20 for the first half was Rs. 350 crore. Impressively, we have already exceeded this milestone in just our first quarter and our first half of the current year with revenues reaching Rs. 900 crore. From 350 crore in the first half year to Rs. 900 crore, it is nearly 3x growth in the last 3 years. Regarding profitability, the EBITDA and PAT for FY20 stood at Rs. 105 crore and Rs. 65 crore respectively. Notably, within the first half of FY24 alone, we have attained an EBITDA of Rs. 121 crore and a PAT of Rs. 62 crore. Overall, such performance not only highlights the company's commitment to driving growth, but also reflects our strategic focus on enhancing value for all stakeholders.

While our recent strategic endeavors and investments have moderated our return ratios over the last 3 years, it is important to note that our balance sheet remains extremely strong. These investments were made very prudently with a clear focus on driving future growth. As these initiatives begin to yield tangible results, we remain confident that a significant uptick in our return will materialize in the future.

On the organizational front, we have further strengthened our leadership team, reflecting our commitment to nurturing and elevating talent from within our rich in-house pool. Their expertise will be instrumental in spearheading our strategic initiatives in the future. Such additions to our leadership team over the years reflects our ongoing endeavors to build a professional team, fully equipped to guide the company as we envision managing a substantially larger organization in the coming years.

Looking ahead, our HPPC segment is well positioned to deliver healthy growth, especially with the underlying industries expected to pick up in the second half. While the textile sector's outlook remains muted for now, we remain hopeful and committed to identifying opportunities within space. Our AHN division has been slow because of muted demand. However, we are hopeful of a better trajectory for the rest of the year.

In conclusion, we remain focused on delivering long-term value to all our stakeholders and remain confident in our ability to take advantage of existing and emerging opportunities. Thank you again for being part of our growth journey.

On that note, I would now request Ketan-ji to share his perspectives.

**Ketan Sablok:**

Thank you. Good afternoon, everyone. Let me provide you with a brief overview of the financial performance for the quarter and half year ended September 30, 2023.

On a consolidated basis, our company achieved a record revenue performance of Rs. 483.5 crore during the quarter, signifying a 14% Y-o-Y growth. This has been a marked improvement compared to our performance in the recent quarters, despite the ongoing challenges in the external environment.

The HPPC division delivered a robust growth of 22% Y-o-Y for the quarter, again led by strong contributions from Agro, Phenoxy, Institutional Cleaning, Paints, and Home & Personal Care. Textile Specialty Chemicals division performance improved by about 5% Y-o-Y while AHN experienced a dip in performance, mainly attributed to the seasonal variations in demand.

We are pleased to announce our highest-ever EBITDA and PAT performance this quarter. Our EBITDA improved by 13% Y-o-Y to Rs. 63.6 crore, up from Rs. 56.5 crore in Q2 FY23. Likewise, our PAT for the quarter surged by 38% to reach Rs. 32.9 crore compared to Rs. 23.9 crore in the corresponding period last year. Even amidst a fluctuating business environment, the company was successful in maintaining its profit margins on a Y-o-Y basis. I would also like to emphasize that Rossari's balance sheet remains remarkably strong. As of September 2023, our net debt-to-equity ratio stood at a low of 0.05x. The working capital was higher as of this quarter ended at 98 days versus 79 days in March, but this was in line with the growing size of the business. We had a strong Agro off-take in H1, and the payment cycle is generally long with these customers. The major institutional sales that we did in Q2 also had a long payment cycle. However, all the receivables are good and all of them have a long relationship with us. There has been a slight increase in the inventory days also, but this is mainly as we purchased certain key raw materials and stocked them in September as part of our production planning for Q3.

Coming on the expansion plan mentioned by Edward-ji, we have allocated a CAPEX of Rs. 50 crore for Dahej expansion, while the Ethoxylation capacity at the Dahej facility of Unitop has an outlay of Rs. 128 crore. These investments and projects will be executed in a phased manner and we anticipate their commissioning by Q3 of FY25. Our financing strategy encompasses a balanced blend of the company's internal accruals and external borrowings. Additionally, our ongoing focus on enhancing capacity utilization, adding new products in our chemistry basket, further strengthening our R&D, and increasing our customer and geographical presence will go a long way in further strengthening our business model for future profitability.

To conclude, as the macroeconomic environment and the RM situation stabilizes, we remain confident in our capability to deliver a healthy performance across all our business segments going forward. Thank you for your continued support and confidence in Rossari Biotech.

On that note, I come to an end and open the floor for Q&A.

**Moderator:**

The first question is from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

**Sanjesh Jain:** Thanks for taking my questions. I have got a few of them. First, on the volume growth in the HPPC and the standalone, it appears to be super strong considering that there is a significant fall in the raw material prices and revenues on the standalone basis appears to have gone up by 81%. Can you help us understand what has driven this strong growth? Both Y-o-Y and sequentially, there is again a 65% growth. What category within the HPPC is growing on a standalone basis which has driven such a strong growth and how sustainable is this number? And the related question on the subsidiaries of HPPC which is standalone minus consolidated it appears to be softer Q-o-Q while Q2 is seasonally very strong because of Agro chemical cycle, just wanted to understand curiously why your Q2 revenue reported to be sequentially softer despite of seasonally strong quarter

**Sunil Chari:** You asked about the strong growth. The strong growth has come from across different segments within the HPPC. Home & Personal Care, Performance chemicals including coatings, paint, water treatment, paper, ceramic. We have sales in all this. Whatever was seeded in the past has come through now. Homecare also we have some good new customers for anti-redeposition agents. All in all, whatever we had seeded in the past has come up very well. Our capacity utilization at Dahej plant now is nearly 77% to 80%. Our capacity utilization in Unitop and Tristar is nearing 100% in the last quarter. We have had a very nice quarter in terms of demand. And that is why we have also taken up expansion at both in Unitop and also at the Rossari Dahej factory.

**Ketan Sablok:** Sanjesh, what was your second question?

**Sanjesh Jain:** On the subsidiary performance which is standalone minus consolidated. For Unitop, this is seasonally a strong quarter, Q2, while Q-o-Q, the revenue appears to be flattish on standalone minus consolidated numbers.

**Ketan Sablok:** Sanjesh, as we have discussed earlier, we should start looking at these numbers on a consolidated basis. In standalone, it's not just simply subtracting the subsidiary minus consolidated because there are a lot of intercompany sales that are happening. A lot of these businesses, some of them we are doing it through Rossari, some of them we are doing it through Unitop or Tristar depending on the customer requirements and also depending on how we would like to position those sales. So, ideally it would be better to look at these numbers on a consolidated level.

**Sanjesh Jain:** But I thought that is more Unitop selling to Rossari than Rossari selling to Unitop.

**Ketan Sablok:** There are intercompany sales between the two because there are certain customers of Unitop who also take some products in Textiles and also in Tristar some in the Home and Personal Care. So, some of them is done through Rossari and then transferred through them. That's how we are looking at it.

**Sanjesh Jain:** But if you just want to talk on the Unitop's results ex of this intercompany, how has been the Unitop's growth on a YoY basis?

**Ketan Sablok:** Unitop has done well. As Mr. Chari said, the capacities have now peaked in the first half. Y-o-Y, there is almost a growth of about 25% in Unitop. It's about 18% to 20% in Tristar. Both of them have done significantly well.

**Sanjesh Jain:** Second, on the margin. While the revenue growth, we are positively surprised, but on the margin front, we assumed that the raw material has fallen. So, optically, margins otherwise would have improved plus a very strong operating leverage now that the utilization has gone from 50 odd percent to 70% to 75% and the margins are still at 13.1% which indicates a much lower return ratio on an overall company now that we are nearing peak and already doing the second level of investment to drive the growth, how should we see these entire margin phenomena for us?

**Ketan Sablok:** This quarter, our key has been to up our utilization levels across all our plants. That's what we talked about in the last quarter also. We have seen that coming up very positively at Unitop Dahej and the Tristar plant. And also, at the Rossari plant at Dahej. Now, while we have done this, raw material prices have been generally stable over the last two quarters. Maybe some of the raw materials would have also seen a slight dip, but prices have seen some corrections in our front. And for us, I think this quarter, we took certain calls in terms of increasing our overall off-take and increasing our volume, which has also impacted slightly on the pricing side. That's one thing. Second, this quarter we have seen a significant drop in our AHN business. AHN has been a slight dampener for us. The main reason was that there was a seasonal fluctuation and the demand was not there. And there are certain business which we used to do which was the feeds business which we have taken a call to overall reduce that business because these are facing certain issues with the customers in terms of payments and payment cycle. So, we have significantly downgraded that part of the business. That has also impacted on the AHN revenue. AHN, as you know, is a high gross margin business for us and that business dropping by 30% to 35% on a Y-o-Y basis has also impacted on the overall margins. Also, in this quarter, if you see, we have had a little bit of jump in our other expenses. Of course, part of it if we see it as a percentage of sales, it's almost at the same level, but on an absolute basis, we have had some maintenance expenses which we incurred at Unitop as well as at our Rossari plant. And with the increased sales volume, there was increase in utility consumption and other expenses. This led to other expenses also going up. And some selling and distribution expenses also we incurred at a higher level in this quarter in terms of some of the travels and exhibitions. Overall, that's why the EBITDAs are at, in this quarter, about 13.1%. But if you look at a half yearly level, it's about 13.5%. I think given the current market situation and things happening globally, we would be happy to push our volumes, grow our revenues, and of course keep improving our capacity utilization. Margin is something which once we get the top line going, I think margins we can always come back to, but I think we should expect similar kind of margins, at least till the end of this year.

**Sanjesh Jain:** But again, just to follow up, Ketanji, on that, this is contrary to what Edward sir mentioned in his opening remarks about growing more higher margin business while the margin trajectory is slightly on a downwards movement. So, when should we start again seeing margins improving, say, in FY25 and FY26?

**Sunil Chari:** What we have said in the past earnings call also and in the past answers to your questions in the last three earnings calls, we are now not focusing on margins as percentage at all. I think all of us should be happy that at Rs. 63 crore of EBITDA, we have the highest EBITDA ever. So, we would only focus on our EBITDA as an amount rather than EBITDA as a percentage. We will not be looking at EBITDA as a percentage in the future.

**Sanjesh Jain:** That I completely, fairness to that, agree to that, sir. But what is happening is that our ROCE is now dipping below 20%. Our working capital has gone up. Margin if we like or don't like has an implication on ROCE which is declining. And we have a CAPEX which is increasing, which is inherently making the return ratios which at the time of IPO was close to 40%. Now, we are under 20%.

**Ketan Sablok:** Sanjesh, if you see our ROCE has been constant at about between 20% to 23%. That is what the ROCE have been. And I think once these new CAPEXs come on stream, probably 2 years down the line when they get their substantial capacity utilizations coming through, I think the ROCE will again peak. They will come back to the 23% to 24%. We are already at 22%. It's not that ROCEs have declined in any way.

**Sunil Chari:** And, Sanjesh-ji, to add here, our ROCE which you would also be measuring, ROCEs have increased Q-o-Q to substantial level. ROCE at 23% has not declined at all. Our

ROCE has increased and Ketan sir will share with you separately the ROCE figure also.

**Sanjesh Jain:** One last question from my side on the CAPEX. There had been Rs. 75 crore of CAPEX in the first half. Can you help us understand where we have spent these Rs. 75 crore and what should be a CAPEX assumption for this year as a whole now that we are embarked on the capacity expansion in both Unitop and Dahej?

**Sunil Chari:** The CAPEX has been divided into four different companies. So, in total, you see a consolidated figure of Rs. 75 crore which is as per the approval from our budget in the annual results board meeting. This is in different areas. It has been on ETP expansion, it is on the animal project, there has been solar installation at Dahej, the tank farms are involved, the debottlenecking at different areas, there would be maintenance CAPEX, and then we have some purchase of some brands and then also the GIDC effluent line. We have toilet cleaner lined. We have taken some packaging machines at Silvassa. So, this has been spread over 4-5 different sites. And I think we have approval now for the total Rs.50 crore for Rossari and about Rs. 120 crore in Unitop which we expect to complete in the next 18 months. This is going to be ongoing as we have had a very very good last quarter, and we see things to be good.

**Sanjesh Jain:** What is the CAPEX are we spending for this year and next year?

**Ketan Sablok:** This year, out of that total Rs. 178 crore of CAPEX that we have announced, we will spend, I think, roughly about another Rs. 50 odd crore in this year.

**Sanjesh Jain:** Basically, 75 plus 50; so, this year, we will end with 125?

**Ketan Sablok:** Yes, around 125-130 as we have planned.

**Sanjesh Jain:** And next year, we will be doing a similar amount of CAPEX?

**Ketan Sablok:** Yes, the balance will go in the next year.

**Sanjesh Jain:** Just last one on the Ethoxylate, it is largely to support the growth in the Unitop, or we are looking at expansion of the product even in the HPPC category for the cleaning segment?

**Sunil Chari:** We are at 100% capacity utilization in Unitop. The existing markets in July and August we had nearly 40 days of waiting for orders. We lost some orders, in fact, in July and August in Unitop and Tristar. We do not want to have the same situation where the customer is not happy. The existing all the segments are doing well, and it is for extra production of the existing segments.

**Sanjesh Jain:** And it will come next to the same existing plant?

**Sunil Chari:** Yes.

**Sanjesh Jain:** Do we have a tie-up for EO for this expanded Ethoxylate?

**Sunil Chari:** Now, Reliance has adequate capacity. So, we do not foresee any issues on that.

**Moderator:** The next question is from the line of Rohit Nagraj from Centrum Broking Limited. Please go ahead.

- Rohit Nagraj:** Sir, the first question is in terms of the capacities picking out in Unitop and Tristar. I understand based on the CAPEX plan, probably new capacities will be coming 1 year hence. How do we foresee growth in these 2 subsidiaries over the next 1 year?
- Ketan Sablok:** Rohit, these CAPEX as we have announced will come up in a phased manner. Some of the phases will start coming up over the next 6 months and then the Q4 or whatever we said, the Q3 of FY25 is when the entire project will get capitalized. The plan is that slowly we will start putting up the Ethoxylation capacities at Unitop in a phased manner, and then by the end of the Q4, the entire thing will come through.
- Rohit Nagraj:** And the second question in terms of the availability of further expansion after the capacities are put up in Unitop, do we have further scope for expansion? And just one clarification. The Rs. 70 crore CAPEX in the first half excludes the Rs. 50 crore plus Rs. 128 crore of additional CAPEX. Is that right assumption?
- Ketan Sablok:** Yes, that's right. And on the first question you were talking about in terms of availability of space, I think we still have some space available. The major CAPEX is coming up at the Unitop facility at Dahej. The CAPEX at Rossari's Dahej facility is a smaller one. So, we will have space for expansion.
- Sunil Chari:** To add here, Rohit-ji, we have 19 acres of land in the Unitop site, and we have space for expansion there. We are also trying to acquire the neighboring land, but we are still not successful. The Rs. 128 crore also includes some land approvals, land which we have planned and may happen or not happen. But at the moment, whatever we have planned, we have adequate space for expansion in both Unitop and Rossari.
- Rohit Nagraj:** Just one last clarification. On the raw material side, how has the import and domestic mix changed over the last 1 year? And incrementally, how do we foresee given that probably we will be further scouting for domestic supplies?
- Sunil Chari:** If you see, acrylic acid is now practically mostly domestic, which comes from the BPCL plant. Acetic acid is something which we continue to balance between GNFC and imports. Other than that, we have a lot of raw materials now which are in Unitop which are the products we have manufactured which are imports. But if you see our exports to imports, our exports are nearly 1.5x of imports. So, we have a natural hedge on the forex fluctuations.
- Moderator:** The next question is from the line of Aditya Chheda from InCred Asset Management. Please go ahead.
- Aditya Chheda:** My question is on the asset turn. Earlier today in the interview, you highlighted that the new CAPEX of Rs. 180 crore should contribute roughly Rs. 400 crore in top line. However, historically, Rossari has done at least 3x of gross asset turns. Would you like to comment on anything? Would the sales potential be higher than Rs. 400 crore here?
- Ketan Sablok:** Aditya, the potential for these projects is definitely going to be far higher. The Rs. 400 crore number which we talked about would be the number probably in the first 1 to 1-1/2 years. I think at a peak revenue, we would be closer to 4 to 4.5x of an asset turn. We should probably come around the 4th year. Around the 4-year mark, we should be there.
- Aditya Chheda:** On the CAPEX of Rs. 75 crore in H1, what was that spent on?
- Ketan Sablok:** I think Mr. Chari just said that was spent across all our group companies. They were spent on the Effluent Treatment expansion. In fact, that was done in all the 3 plants



of ours – in TriStar, Unitop, and Rossari. There were some more spends on the NMMO old project which we had talked about in the last quarter. That was a smaller project and then we further expanded that. There was some spending on various warehousing facilities we had put up. We put up a solar facility and there were some other GIDC requirements. With the requirement of EO going up at both Tristar and Unitop, we had to put in additional tank farms. These EO tanks are quite a big tank in terms of the spend. Apart from this, there were other small maintenance CAPEXs. In BRPL, we bought some IPs across various products. All this was a spread of about Rs. 70 crore to Rs. 75 crore in the 6 months.

**Aditya Chheda:** My last question is on the gross margin. Of course, AHN was lower, textile has still not made a comeback, and we have sort of focused on volume over margins, so is it a right inference that these should be the bottom margins in terms of gross margins and the only direction is up as AHN makes a comeback and textile cycle also comes back? Would you have an outlook on how you are looking at gross margins overall? And in other expenses, if you can sort of break it down? The delta which I see from Q1 to Q2 is roughly Rs. 10 crore more. If you can help us understand what the exhibition expenses, etc., were? And where do you see a broad run rate? If you want to qualify some of these as one-offs, is that sort of correct to by some number? If you want to put some comments there.

**Ketan Sablok:** On the EBITDA, I already talked about it. I think the current levels are where we should be by the end of the year. As I said, our emphasis has been, from the start of this year, to fill up capacities, increase our volume off-takes, and that we have seen in the first half. We will continue with that strategy going forward. Even if it's a little bit at the cost of the margins, we will keep leveraging our facilities and the capacities that we have. I think it would be better if we should be around the same kind of margin numbers in the second half.

And on the other expenses of Rs. 10 crore, I would not say there is any major one-time kind of an expense. These are expenses in line with the growing size of the business. The half yearly number if you see is at about Rs. 88 crore. I think that run rate would be a better run rate to stick to.

**Moderator:** The next followup question is from the line of Aditya Chheda from InCred Asset Management. Please go ahead.

**Aditya Chheda:** Sir, I just wanted to know your view. You mentioned that it will be funded by both internal accruals and debt on the future CAPEX. How are you looking at the debt levels for FY24? If you have any number worked out as there is some cash stuck in working capital too?

**Ketan Sablok:** Aditya, the working capital, as I said in my opening commentary itself, 98 days is slightly on the higher side, more to do with the seasonality of the business. I think this should even out a little more. But considering the way the business is growing and the size and the customers, I think the working capital would be between 85 to 90 days. Going forward, I think that's what our targeted working capital days would be. On the CAPEX front, as I said, these CAPEX are going to happen in the next 12 to 18 months. We will have enough time on the spread of the cash flows. We will go in for some debt depending on what our cash levels are. Nothing has been worked out as of now, but I think the way we are structured in terms of debt to equity, we are very very comfortable and even if we borrow the entire amount, I think we will be quite comfortable in terms of our paying ability and the overall balance sheet strength.

**Aditya Chheda:** My last question is on the Animal Health segment. There was an element of seasonality, but nothing really a major concern there, right? It should sort of make a comeback in the H2. Is that the right inference?

**Sunil Chari:** No, there's nothing. We were cautious on total outstanding in the market, and as I said in the previous call, there was a double Shraavan, and we were mostly into the poultry industry. We continue to hold that the AHN industry is something which we will focus on and should do well in the future.

**Moderator:** The next question is from the line of Aashish from InvesQ Investment Advisors. Please go ahead.

**Aashish Uppanlawar:** Sir, I wanted to know your thoughts on the Textile Chemicals segment of ours. How are you reading the coming 6-8 months for the business, both in terms of top-line and margin?

**Edward Menezes:** In the Textile Chemicals business, we had seen headwinds in the last 2 quarters. Now, we have taken a lot of steps from our side to focus on certain markets, especially the Bangladesh market where we have strengthened our team with 2 very senior leaders. And Rossari Bangladesh is also incorporated now. So, we believe that there will be an uptick in the Bangladesh business for us. If the forex problems, etc., get solved, in the coming year, we see a pretty good demand from this area. Apart from that, we have also had some reshuffling within the organization itself, and now we have a new leader for textiles within the organization. And I think this has inducted fresh energy into textiles. So, the focus will be domestic market and the Bangladesh market. We are also looking at other markets like Turkey and Egypt. But with the new geopolitical issue, I do not know how that will pan out. But we have gained market in the textile area, and we have become stronger. So, we are very positive for the textile business in the next year, from January 1, 2024.

**Aashish Uppanlawar:** What we are hearing from most of the textile players is that the inventory issues would take a pause there and inventory refilling would happen in the developed markets – and that's what could get the demand on track, maybe a quarter to go for that. Would you concur with this view that things might look up maybe in 3-4 months after?

**Sunil Chari:** Are you asking us about the inventory levels at our textile customers' end?

**Aashish Uppanlawar:** No, what I am asking is, since your customers would be supplying to developed markets probably, right?

**Sunil Chari:** Right.

**Aashish Uppanlawar:** And the inventory destocking that happened over the last 3-4 quarters in the US and Europe, probably, a certain level of correction has already happened and again it will come back to normalcy, maybe it would come down the line in the second half. Concurrently, the chain, which is your customers in Bangladesh, etc., and again, your business would be taking some upturn. Is that reading, correct? Maybe in the second half sometime should that happen?

**Sunil Chari:** Aashish-ji, when we talk to our customers and they tell us the discretionary spending of US consumer on textiles has not increased in the past few months and they are not still sure of the future. It is because higher interest rates have translated into higher EMIs and the amount of income they have left for spending on textiles and other things has decreased plus there was a subsidy during the COVID from the US government where per month there was some money coming. Things are still not clear on what will pan out in the future. But we hope the domestic demand, which is picking up for textiles now, if you see what our Bangladesh business was, we are now at one-third because we chose to be safe than sorry later. We did not supply to anyone on open terms in Bangladesh and even in countries like Egypt and Mexico and Argentina and even Turkey. These were our big markets. All these areas, our customers faced currency and they asked us to supply on open terms. We said no,

we are prepared to forego business rather than risk our capital. We do not have bad debts in our systems for the past 26 years and we do not want to in the future also. So, the Bangladesh business is now nearly one-third of what it was last year. And we are happy not to do that business till we have safety on the money. If the Bangladesh business picks up and the local demand we think should do well in the future, we would do better in textiles.

**Moderator:** The next question is from the line of Vishal Biraia from Bandhan Mutual Fund. Please go ahead.

**Vishal Biraia:** Sir, my question was on the Agro surfactant demand. The first quarter was very good for this. How is it for the 2nd Quarter, and how is the outlook? The second was on the pricing front. Have the prices more or less stabilized?

**Sunil Chari:** Vishal-ji, the prices have stabilized normally. In Ethoxylates, EO is the key raw material as you know for Agro surfactants. This season, we have at least 10 to 12 days of very low Ethoxylate because the supply from the Nagori plant is shut down and we do not have enough EO available in those seasons and this is 2nd Quarter. The agro season has not been good for the agrochemical customers. The ones who make the agro formulations, it has not been so good, which we would know from talks with all the agrochemical companies. But we have done very well to sustain the demand for Agro surfactants, and we are looking at growth in the export markets also for agro surfactants.

**Moderator:** The next question is from the line of Siddharth Purohit from InvesQ Investment Advisors. Please go ahead.

**Siddharth Purohit:** I just wanted to understand what this CAPEX was for. Could not understand properly. Will it result in direct incremental revenue, or it is some backward integration you said?

**Ketan Sablok:** You are talking about the CAPEX which we have announced?

**Siddharth Purohit:** The Dahej one. You mentioned Rs. 50 crore and Rs. 150 crore incremental at Dahej. What was it regarding?

**Ketan Sablok:** Those are all capacity expansion projects. The one at Unitop is for Ethoxylation and related products, and the one at RBL is for products which will go into the HPPC division of ours.

**Sunil Chari:** To add it here, it will be adding on an incremental sale of about Rs. 600 crore if we reach the peak capacity in the next 2-3-4 years.

**Siddharth Purohit:** The reason I was saying that probably in the previous call you had mentioned we are still at a lower utilization level. So, is it some new product or how is it then?

**Ketan Sablok:** If you see the large project at Unitop, the Ethoxylation capacities have almost peaked. In fact, in the last quarter, we were at 90% capacity utilization. As a future plan of action, CAPEX has been put forth and this will happen over the next 12 to 18 months in a phased manner. Overall, the capacity availability on the Ethoxylation front will go up by about 30,000 metric tons.

**Sunil Chari:** Siddharth-ji, to add here, when we came for IPO, we were Rs. 600 crore and we had promised double growth in 4 years. This quarter, we were Rs. 332 crore and this translates already to nearly double the revenue we have crossed within 3 years. We were at a very healthy 78% utilization at Dahej, and at the Tristar and Unitop, we were

practically 100%. The CAPEX we have used in the past 6 months, for example, in Tristar, we changed and automated a lot of flow meters to increase production without adding to big capacities, but also we had to put in a lot of new tanks in Unitop just for storage of raw materials and finished goods which we are doing for Ethoxylation. We did some debottlenecking. If you see in the Rossari business, we have probably close to 5,000 products, and you cannot have 100% capacity in a multi-product manufacturing facility because there is a changeover, there is washing, and there are small batches. So, our 80% capacity at Dahej, Ethoxylation at Tristar and Unitop, we have been able to get nearly 100%. Our teams worked extremely hard to cater to the demand which we had. Vishal-ji of Bandhan asked us a question. We lost some orders because we did not have adequate capacity to service those orders. Otherwise, our quarter would have been more stronger.

**Moderator:** I now hand the conference over to the management for closing comments.

**Edward Menezes:** Thank you, I hope we have been able to answer all your questions satisfactorily. 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 once again for taking the time to join us on this call.

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