February 07, 2023

To,

General Manager, Listing Department, **Bombay Stock Exchange Limited,** P.J. Towers, Dalal Street, Mumbai – 400 001 **Company code: 533333**	The Manager, Listing & Compliance Department **The National Stock Exchange of India Limited** Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai - 400051 **Company code: FCL**

Subject: Transcript of 9M & Q3 FY2023 Earnings Conference Call held on 31st January, 2023

Dear Sir/Madam,

Pursuant to Regulation 30 read with Para A of Part A of Schedule III of the SEBI (LODR) Regulations 2015 and with reference to our letter dated 24th January, 2023, please find enclosed a copy of the transcript of the Investors/Analyst Concall held on Tuesday, 31st January, 2023 at 2.00 p.m. on 9M & Q3 financial result of the company.

The above information is also available on the website of the company i.e. www.fineotex.com

This is for your information and records.

Thanking you,

Yours faithfully,
For FINEOTEX CHEMICAL LIMITED

SUNNY BHARATBHAI PARMAR

Digitally signed by SUNNY BHARATBHAI PARMAR
Date: 2023.02.07 11:56:15 +05'30'

Sunny Parmar
Company Secretary & Compliance Officer

FINEOTEX CHEMICAL LIMITED MUMBAI

Encl: As above

FINEOTEX CHEMICAL LIMITED
Manorama Chambers, S. V. Road, Bandra (West), Mumbai - 400 050. India. Phone : (+91-22) 2655 9174
Fax : (+91-22) 2655 9178 E-mail : info@fineotex.com Website : www.fineotex.com CIN - L24100MH2004PLC144295

FCL

Fineotex Chemical Limited

Earnings Conference Call

Q3 FY2023

January 31, 2022

Management:

Sanjay Tibrewala	CFO and Executive Director
Arindam Choudhuri	CEO
Aarti Jhunjhunwala	Executive Director
Bharat Mody	Strategic Advisor, Investor Relations

Moderator: Ladies and gentlemen, good day and welcome to Fineotex Chemical Limited Q3 FY23 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Aarti Jhunjhunwala, Executive Director from Fineotex Chemical Limited. Thank you and over to you, Ms. Aarti Jhunjhunwala.

Aarti Jhunjhunwala: A very good afternoon, everyone, and thank you for joining us today. Fineotex welcome you to Q3 FY23 earnings conference call. The financial statement and the presentation have already been posted on the stock exchange and website and I hope you had the chance to review the same.

Fineotex Chemical Limited is the leading manufacturer of specialty chemicals for numerous industries and also provides sustainable technical solutions and technical services, which is the key USP of our company. With over 470+ product categories, we provide a comprehensive range of solutions for the entire textile value chain, from pretreatment to finishing.

In addition to textile chemicals, the company also produces drilling fluid chemicals and a variety of home-care disinfectant, detergents and sanitizers. With a focus on innovation and high-quality products, we are well-positioned to meet the demand of our customers and grow in a dynamic and competitive world. Our strong results in this quarter reflects the hard work and dedication of our team and the continued support of our customers.

We are committed to sustainability and have implemented various initiatives to reduce the negative environmental impact. We believe that companies have aresponsibility to operate in a way that benefits both, their bottom-line and the planet. We are also pleased to announce that we have invested in solar panels and installed a complete solar energy system intuit operations at our Ambernath plant.

This not only highlights our commitment to sustainability, but also demonstrates our forward-thinking approach towards utilizing renewable energy sources.

Our recognition with the Times Ascent, Women at Leadership Award highlights the importance of women leadership in the workplace and acknowledges the achievements of women who are making a significant impact on the society. We are delighted to announce that we have been honoured with the highly regarded Business Excellence Award 2022, in the category of SME, Chemicals and Pharmaceutical by the prestigious Dun & Bradstreet Corporation. This recognition showcases Fineotex' s commitment to excellence and its standing as a leading player in the chemical industry. This award is a testament to the hard work and dedication of our team and validation of the Company's innovative products and customer focus approach.

Now I would request Arindam ji to walk us through our operational overview.

Arindam Choudhuri: Thank you, Aarti ji, and a warm welcome to everyone. We are pleased to share the progress and success we have achieved in the past year. Our high-quality innovative chemical solution has paid-off as we have seen significant growth in demand for our products. Our R&D efforts have resulted in the development of new and improved products that meet the evolving needs of our valued customers. We have also expanded our global reach, we have reached new customer base, established new partnerships, channelized marketing and increasing our presence in key textile and other markets.

We have secured a major order from a leading FMCG company for our specialty performance chemicals, which our team glorious effort in last year. This is a testament to the quality of our products and the trust that our customers have placed in us. Expansion of our Ambernath plant had boosted our utilization capacity nearly around 83,000 tons to 1,04,000 tons annually. This accomplishment is a tribute to the efforts of our team and their ongoing support of our shareholders.

I would like to thank our team for their hard work and dedication. And I'm confident that this is just a beginning of our many more success to come in near future. We will continue to invest in our R&D and explore new growth opportunities while maintaining our focus on delivering exceptional products and services to our customers as a value-based industry where we claim technology and service are the both platform to satisfy any point of customer.

Now I request Sanjay ji to walk us through the quarterly performance of our company. Thank you. Thank you, everybody.

Sanjay Tibrewala: Thank you, Arindam ji. Good afternoon, everyone. Continuing from there onwards, our focus on financial discipline and operational efficiency has resulted in strong financial performance, demonstrated by growth in our revenues, EBITDA, EBITDA margins, and profit after tax. We are excited to announce another successful quarter as a result of our steadfast commitment to consistent performance.

Let me bring you on the highlights of the 9M and the Q3. During 9M FY23, our operational revenue rose to Rs. 379 crores, representing a year-on year increase of 54% approximately. Our EBITDA has reached Rs. 80 crores approximately with a Y-o-Y increase of 61% and EBITDA margins of 21.1%. We have also recorded profit after tax of Rs. 63.6 crores with the Y-o-Y increase of 59.3% and a PAT margin of 16.8%. Our annualized ROCE and RoE are 29.1% and 35% respectively.

In quarter Q3 FY23, our operational revenue improved to Rs.1,092 million from Rs. 1,051 million. The operational EBITDA has grown by 14% from Rs. 251 million to Rs. 286 million with a margin of 26.1%; PAT grew by 17.8% from Rs. 191 million to Rs. 225 million and with a margin of 20.6%. The volume has doubled and the increase is 100.12% Y-o-Y basis, demonstrated a strong performance and success of the company once again.

We are thrilled to announce an improvement in our credit rating by CRISIL. Our long-term debt has been upgraded to CRISIL A/Stable from the earlier rating of A- and our short-term debt has been upgraded to CRISIL A1 from earlier CRISIL A2+. This upgrade reflects the positive financial growth and the stability we have achieved. In addition to the accomplishment already mentioned, I would like to bring to your attention some more significant achievements. Our company has been certified as great place to work in the last nine months, it has been also included in the Nifty Microcap Index and Morgan Stanley CI Small Cap Index. The new rating from ICRA and the upgrade of CRISIL inducted as A Group company in the category of listed companies. Our best-selling antimicrobial treatment HealthGuard AMIC has received the US EPA approval.

With this, I will open the call for interactive question-and-answer session. Over to you, please.

Moderator: We have the first question from the line of Kush Tandon from Ananta Capital.

Kush Tandon: Many congratulations on a good and consistent performance over the last six, seven quarters. I just had a few questions, sir. So, my observation is that as we are moving more and more towards FMCG business, it looks like its very ROCE accretive. And should that be the main reason why our working capital and cash flows and ROCE has improved so much in the last few quarters.

Sanjay Tibrewala: Well, thank you, Mr. Kush Tandon about this, yes, you rightly said, as we have proceeded towards more FMCG cleaning and hygiene businesses, which has a better cash flow and a better working capital requirement compared to the traditional textile chemicals, yes, there has been an improvement on it. Right now, as such, we are almost, we can say 40% of our sales of the Q3 is from the cleaning and hygiene segment right now.

Kush Tandon: So sir, also just one small question. What will be our operating cash flow this quarter? How much of EBITDA would have converted to operating cash flow?

Sanjay Tibrewala: See, as such, our EBITDA has been almost Rs. 80 crores in the current nine months. And out of which around -- so let's say, 87% is the operating cash flow which is 87% of the EBITDA is the operating cash flow, almost 87%.

Kush Tandon: And sir, finally, we understand that you had received a large order from an FMCG major for around Rs. 150 crores in the last quarter that you had put an exchange filing also. I'm assuming that you started supplying somewhere in Q3. So just wanted to know that probably the full impact of this order may come in Q4 and subsequent quarters, is that a fair statement to make?

Sanjay Tibrewala: It is a correct point. As such, we just started-off on that. There was a very little time and it takes time for the FMCG companies to readjust their supply chain and other inventories. So yes, we just had a small requirement in the month of December and a little bit in November. That was just you can say the beginning of the consignments. I think less than around Rs. 10 crores business was there on the new product line and this has been picked up now from 15 January also and I think you should be seeing that impact happening from Q4 for sure. And more importantly from the next year onwards, we are also looking at some more the upgrade in the volumes also going forward. So this is, yes, you can see the impact from the Q4 businesses.

Moderator: The next question is from the line of Ashish Rathi from Lucky Investments.

Ashish Rathi: Sanjay , just wanted to check what is the scope of diversification in terms of the products in the home and hygiene segment which we have, because we seem to have some bit of client concentration here?]So just wanted to understand And what is the progress in some of other potential clients?

Sanjay Tibrewala: See, as such, we have always been a very high specialty performance chemical producer for technical textiles and also providing a lot of technical solutions, sustainable solutions and technical services, which has been our core business as such.

Along with this, we have been working towards the other avenues where the similar kind of fungible production requirements and the similar kind of product chemistries have been using. And that’s the way three years back, we entered into more into the cleaning and hygiene sectors, oil and gas, where the similar kind of product lines were also going for different applications.

Let’s say, that is also part of textile chemistry also because textile also reached cleaning and hygiene and cleaning stuff in substance, same thing has been happening with the new cleaning hygiene FMCG businesses. So as such diversifications, I would rather say, we are moving towards other businesses and growing the textiles also, which is our core business.

At the same time, we have diversified into the hygiene and other businesses, which are in fact more promising from the point of view, these are COVID-proof businesses as such also these businesses generally do not have a wavy kind of a demand, in textiles on and off you must be also watching that due to do sharp fluctuations in cotton prices, there is a fluctuation in the cotton demand and the production. So Sometimes one or two quarters are lower than the next quarter brings it back to the normalcy. That happens with most of the biggest textile companies also as such.

So basically, getting into diversification, into such FMCG cleaning and hygiene business is the best thing what the company could achieve and this should be the right way of a chemical company also to balance it out. Right now, we have already balanced out almost 40% of our businesses, FMCG right now. In FMCG also, I would like to mention that we have been here for last three years. Of course, we have our plant audits and we have FDA certification. So we have lot many products for cleaning for most of the home care and other personal items. However, I would also like to mention, we are already diversified.

We have also Patanjali with us for last year. I don’t want to name too many of the customers we have, but I would like to mention that we are quite diversified and they are a very high interest, from very big international, multinational giants, and have shown a lot of interest and there is a lot of product evaluation going on for different applications in the FMCG cleaning productline. So once we get into this further which I am very sure off, our team will be able to further diversify and make sure that we have more number of customers for these application. Right now, we are already having substantial number of customers, we are picking-up the volumes from each of them. This is for the cleaning and hygiene.

Also for textiles, I would like to mention the top 10 customers contribute only 27% of our business and the top 10 products contribute only 18% of our business. So as such, I would like to mention with the 470 product lines which we have and in that we are doing almost all sorts of chemistries, phosphonation, sulfonation, polymerization, esterification etc. I think we are already rightly quite diversified from the customer point of view and also from the product chemistry, we are quite diversified from that point of view, this is what I would like to mention.

Ashish Rathi: Sure. I appreciate your diversification into the home and hygiene segment per se and textile being a diversified space. The concern or the observation was more in regards to the home and hygiene segment where we have a large concentration for one particular or two particular products with a single client or maybe two, at there . So this is where we are just looking forward to some more diversification synergy, but your explanation is fine.

On the second point, in the EBITDA margins, if I wanted to understand what is the kind of sustainable and steady range that we as investors should look forward to, say, for the next couple of years?

Sanjay Tibrewala: Yes. Ashish Ji, I would like to also mention in a different way, for the last 50 quarters of being listed, in any of the quarter, you will always see that our EBITDA has always been minimum 16%/ 17% and up to 24%, This has been on the period of 12 years of being listed. And in the last three to four years, we all are aware about what kind of turnoils and ups and downs situations we have seen, right from COVID, from supplies constraints, containers shortages , freight charges soaring up and, many other things the entire world has faced not missing out the geopolitical situations and also the slowdown in demand and news on probable recession

In-spite of all those things, we have been able to grow our EBITDA% or I can also mention that we have almost matched the EBITDA % of even the last year Q3. In the last year, our quarter 3 EBITDA was around 24%, 25% broadly, even today we are at 25%, 26%. Also keeping in mind that now our new plant has already been commissioned. Now when any plant is getting commissioned there is for sure a lot of pre-operative expenses, revenue expenses which will be there before the plant begins any single kilo of production.

Now, those things are already factored in. At the same time, we have got great operational efficiencies, automization, the kind of infrastructure we have for machineries is something which is quite remarkable and this has helped us to reduce our overheads of manpower, labor, and we have gone for further more automization. Also the reactor sizes are so big capacity that the overall overhead cost per kilo has gone down considerably.

So we have worked on these kinds of operational efficiencies, which we were always anticipating and trying for. In most of our con-calls, you might have heard from usthat we were always quite confident about having a better EBITDA margins going forward. And also what has also been happening now in the last few months, there has been certain reduction in the freight costs, there has been certain reduction in the basic price of the chemicals. Now these things also helps us to have a better EBITDA.

See, I would like to mention to all of the participants today along picking-up this question as well that our company is a very high-end specialty chemical producer. We are not those kinds of companies where you will find our EBITDA sometimes 5%, sometimes 35%, this will never happen with Fineotex. And this is not our business model. When we sell our products, we sell as a solution. We are not like a COA-driven business where the purity or solid contents is prime nor where there are other me-too makers or something like this. We are in a business like a homeopathy solution provider. We provide the solutions. The cost is not material to the customers, because like I always say, the full processes of textile together require 25 different functional chemicals and all put together contribute only 3% cost to the users. So every chemical is costing 0.15%, which is insignificant.

At the same time, the risk of changing the chemical is very high. So there is a big risk entry and exit barrier for the businesses. When the raw material prices goes down, like what also happened now, our EBITDA margins does go up because of that as well. And then that also helps us to get more motivated to have more kind of marketing, promotional activities and expenses. So this is the way to look at us. We are very confident on the EBITDA margins always which has been proven for the last 50 quarters. I think going forward also, you can expect similar range of EBITDA margins what you have seen in last few quarters.

Ashish Rathi: And you initially mentioned about the capex. You said that you might be looking at adding more volumes next year or so. Could you indicate kind of numbers we have in terms of volume capacity right now. What share they can sell it through and when will we need the new lines?

Sanjay Tibrewala: See, Ashish ji, what has happened is, we have just on 14 November started the 21,000 production capacity. Earlier it was 84,000, now its 104,000, so that is almost 25% on it. And in the last quarter, we have not yet performed the way it will happen for the new businesses which we have got, because that was just new ones only. So that has not been seen yet, which is happening now in Q4.

Right now, if I say, while we speak today and the way it is going on, I'll try, avoid forward looking statements on this, but I think we have the first aim here would be to reach the optimum utilization of 80%, 85% right now, which we are gearing up for and I think by the next month, by mid of February, we will be able to plan the next round of capacity increase, which will also be done in the same plant where we have lot of space availability .

At the same time, this additional capex timeline will not take us too much of a time, because already most of the infrastructure is well laid-off, the administrative, the environment permissions, planning, structuring, the machineries foundations, more or less everything, the building foundations are already well set. So I think this is the plan we have right now. By next month, we'll be able to plan the next round of capex.

Ashish Rathi: Finally, congratulations on the steady progress and diversification of business and working capital. I acknowledge as investors that we are heading in the right direction. I wish you all the best and the team as well.

Sanjay Tibrewala: Thank you so much, Ashish ji

Moderator: The next question is from the line of Rohit Sinha from Sunidhi Securities.

Rohit Sinha: Just one question on this, as you mentioned that 40% of volume is towards the FMCG side. So does that same applies to the values front also or is there any difference in value and volume term?

Sanjay Tibrewala: As such, generally, the price per kilo, the realization in the cleaning and hygiene per kilo is quite lower compared to textiles. That is one. However, the volumes will always be good enough. So it will lead to the overall turnover would be almost again contributing to 40%, 50% going forward. So this is the position. If you want exact numbers broadly, average realization per kilo in textiles, generally it's like Rs. 130, Rs. 140, that's the normal levels. But in the detergents, it's almost like Rs. 60 to Rs. 65 broadly, per kilo. So it's almost, you can say, little like almost 40% of it.

Rohit Sinha: So when we take our combined capacity after addition of this 24,000 so how we should see, I mean, is there any bifurcation you can do for textile and FMCG or it is the same, this same capacity will be going to, I mean, same product would be going to textile or FMCG.

Sanjay Tibrewala: See, actually I'll tell you, our capacities are fungible so in the same kind of machinery setup, the products for textiles and also for oil and also for the cleaning and hygiene can be produced. So just from the investment point of view, it is a fungible asset and which can always be switched to work.

Going forward, our main core business has always been solution provider for the textile businesses, that is going well. It is increasing. It is definitely going to increase further on. Yes, textile sometimes have less demand in the quarter, then again the next quarters cover it up, things like this. But going forward, the most difficult part for any specialty chemical company would be to enter the FMCG. FMCG is one area which is really-really a challenge and it's one of the best sweet areas to be because you are sure of sustainable businesses as the demands in FMCGs doesn't fluctuate as much as it fluctuates in the textile businesses. So I think for any company and even for us also we are very much delighted the way we have progressed in the last three years. It took a lot of time, it takes a very long-time in the FMCG., FMCG is one of the most difficult sector to enter, it takes a long time even to get a sampling requests and things like that. So we are very much excited and from the last three years of efforts, which we have been doing from before the COVID and it actually finally shaped up that big brands like Patanjali, and other ones have started using our products in their FMCG products. So this is something which we are very happy about. And yes, so this is to reply to your query.

Rohit Sinha: And when we say, the realizations are almost double in textile, does that difference is there any in the margin front or it will remain more or less similar for the combined business or for both the businesses?

Sanjay Tibrewala: See, in textiles, what also happens is there is a lot of promotional expenses, technical services, which we are providing and things like that. So there is a good gross margins in textiles as such. However, looking at the blended EBITDA, if you talk about the EBITDA margins, more or less, it is similar because in detergents, then your overheads are not too high from the point of view of giving technical services comparatively to the textile businesses.

So as such we look at our business from the EBITDA point of view. We only work with product lines, which have a higher EBITDA and I think that's the main difference between a commodity chemical company and specialty chemical company, the EBITDA margin itself. As such, this is the way we have been going forward and we believe we are in the right directions and the kind of traction which we are getting from most of the FMCG players and we are in talks with many of them right now that they also would like to improve their product with certain additives and things like that. So we are very excited with the journey right now for the FMCG as well. Yes.

Rohit Sinha: And any outlook you can provide for the textile side, as currently obviously for last few quarters, we are seeing slowdown. So any recovery kind of thing visible from your side or it's still a long way?

Sanjay Tibrewala: I understand your point of view. I'll say two things, one is the external things and one is our businesses. So let me put it like that, we never lost any product, we never lost any customer, I'm referring about textiles too. And so I would like to mention, yes, the demand per product per customer might have reduced or the orders got postponed due to some demand in the foreign land, which has reduced broadly.

But also I would like to mention the same kind of situation happened in 2020 in the first COVID-1 and that also was a very big slack for the textile businesses and then we all have witnessed the kind of jump the home textile market have seen, whether it is Indo Count or Welspun or Himatsingka and GHCL and all these companies.

broadly, I would like to mention to all of our investors that textile will no longer be an industry, which one can view quarter-by-quarter. This is something to be viewed on an average of two years and understand where it was, where it is now. I think that would be the right indicator. The reason being, number one, from the time the cotton is grown at the farms and up to the time the fabric has been sold in Walmart etc , it's a great long gestation period of six months.

So what happens is, whenever the cotton prices goes up, most of the biggest buyers of the world, they stop ordering more because there is enough of fabrics and garments in the pipeline, which will be enough for them to manage for one season or something, more or less. So that is the time when most of the textile producer companies who have invested in machines have been affected as we also have been servicing into them affect our orders

But as such, as we speak, it is just a seasonal variations, it is just a wave of the business. I don't see this can be prolonged and in fact, I see that already from 14, 15 January, things are getting much-much better than it was. I'm talking of textiles now.

Aso what we have experienced is that most of the pricing of cotton has corrected and also the pricing of textile, chemicals, raw materials have corrected. Generally what happens then,is that most of the buyers, do not want to have a high inventory level, they all go for low-end inventory level because they understand that the prices might go down and then nobody would like to end up with high inventory. It is unlike the last year, which we had seen, in the last financial year, when the prices were going up because of Chinese factor and the freight cost and other things like shortage of containers

So this is something which has been happening now. Going forward, I think this is the right way to view the textile businesses is not quarter-on-quarter basis and the demands are coming back, which we have experienced in the last 15 days. So I think while we complete this quarter, I think it should be much-much better than what we have seen in the last six months. This is our view about it.

Moderator: The next question is from the line of Nikhil Rungta from Nippon India Mutual Fund.

Nikhil Rungta: Sir, couple of questions from my side. First is, on our margins, I mean, this quarter have shown a very strong margin of 26%-odd. What would be sustainable margin for us? Do you think it would be in the range of 18% to 20%-odd or do you think it might go up as well?

Sanjay Tibrewala: Thank you, Nikhil ji. I got similar kind of a question just a while back. And yes, I can mention to you that our nine months average EBITDA margin is 21.6%, I would rate that as our minimum level where we are. This I'm talking from a minimum level point of view. However, the way that business is going down, and most importantly the kind of new operational efficiency we have got, the kind of optimization, which we have done in our expenses and revenue, cost and things like that.

I'm quite confident that where we have achieved this quarter and somewhere between the average mean of the nine months it is 21.6%, so that would be the place it would be, it will not go to the level where it was at least for the next few quarters, looking at the kind of businesses and orders we have in-hand, also.

Nikhil Rungta: So sir, over last a couple of years, our share of cleaning and hygiene chemicals in the overall business is increasing and so is our EBITDA margin, which we are seeing. So can you just give specifically in the three segments, what type of EBITDA margin you are getting basically in the cleaning and hygiene segment, in drilling specialty and other specialty which is textile?

Sanjay Tibrewala: See, as we have rightly mentioned, in the last five quarters, our business of cleaning, hygiene, FMCG has gone almost we can say almost 20x from where it was, as such. And talking about the EBITDA margins, I would like to mention there is a deviation in the gross margins between both the product lines as such textile businesses will have a higher gross margins.

But there'll be a lot of technical services, plant audit certifications, product certifications, German audits and lot of other expenses which will be there, in the P&L, as such, which will affect the EBITDA. The blended EBITDA % or maybe the individual EBITDA % for all the businesses which we have experienced is almost the similar ones there with us today. And yes, sometimes there can be some fluctuations, but that fluctuation cannot be more than 100 bps plus or minus.

So I would like to mention, you can consider the total EBITDA of our company, which is the EBITDA for each and every segment line as such. Yes, there is a great benefit in the FMCG business is one, businesses are like COVID-free businesses, the volumes is good enough. That will give you more churning around.

It will also help your working capital as you might have noticed our working capital from 140 days is today at 94 days. It is also definitely because of our FMCG business, which you will see more betterment in this quarter with the new orders and again the payment terms and the supply in the working capital will be much better. So going forward, if you talk about EBITDA percentage, the answer is yes, the blended ones will be in the similar line. So that's the point.

Nikhil Rungta: So individual segment-specific, we should not look at, but you will continue to push around 20%, 21%-odd of EBITDA margin?

Sanjay Tibrewala: Correct. Also keep in mind, these are like a fungible product lines. There are certain products of the FMCG, which is going to the textiles also because let's say in textile there is a cleaning process, same our FMCG products are also about cleaning. When we say FMCG, it is let's say, detergent soaps, detergent liquid, detergent powder. Again, it is used for cleaning of textiles. Maybe this is done only for the hand washes or for the washing machines. But at the same time we are treating it on the textiles and have similar final application I,e; to be applied on the textiles.

Now our main technical core business for the last so many decades has been servicing the technical textiles and technical solutions, which we have been giving. So these are like the same kind of product lines, I mean I'm not saying 100% same, but you can see 90%, 95% there has been a correlation in raw materials. So if we get a benefit of pricing power and the raw material volumes from the FMCG product line, that same benefit will also comefor the textiles, because i procurement of raw material, which is going for cleaning and hygiene that same product will also have its way in textiles and so our EBITDA % will get much improved . So both the businesses are supporting each other, as such.

So you can look at it as totality only and it's not a new investment specially for FMCG , in the same investment what we have done, we can produce textile speciality chemicals and in machineries where we produce textile speciality ,we can produce FMCG ,, . A different analogy is more like a kitchen where in the same pan one can cook the different kind of vegetables or things like that. So that's the analogy I would like to give to the participants. That also translates that why is the asset turnover ratio still strong enough and it will get stronger the way we will proceed ahead because it's in the same capacities, we are able to produce all the kinds of product requirements.

Nikhil Rungta: Sir, last question from my side. We had increased our capacity by 21,000 MTPA during the quarter and now it's 1,04,000. So how much land or space do we still have in Ambernath so that we can, I mean, to what extent we can increase our capacities before going for another Greenfield expansion?

Sanjay Tibrewala: See, there is a lot of planning and space which we have in Ambernath. When we entered in this space, we always had in view the phase-wise expansion, which should be facilitated because right now as we all know, any country has lot of restrictions on chemical plants and new local permissions and EC permission, things like that.

So we always had this thing in mind and then from that point of view, we have quite enough space. We can always have expansionand already the new buildings are also erected now, the third building also has been erected and there is quite enough space for the expansion. Right now, where we are today is like 1,04,000 tons. I think another 35%, 40% easily we can expand in the same line. And that would not take a lot of investments also nor will it take a lot of time comparatively.

Moderator: The next question is from the line of Vinayak Mohta from Stallion Asset.

Vinayak Mohta: I just had a question with regards to the growth expectations. So like, given that you've already mentioned that you have expanded the capacity by 20%, 25%, and you will be expanding it further like after you decided in February and March. So can we expect to 25%, 30% kind of growth to continue for the next two to three years in that case?

Sanjay Tibrewala: See, I will also like to mention we have increased our capacity from 43,000 tons to 1,04,000 tons in the last 16 months. In fact, not even 16 months, it is 14 months precisely. The first expansion was in November 2021 and from that point of view, we have expanded on the next stage in last November, that was 14 November, so there has been almost an expansion of almost 2.5x or 2.3x from the earlier cases. And not only expansion, it has been in quarter-by-quarter, our utilization has also gone through remarkable extent that we had to increase the expansion step-by-step.

Now going forward, the last expansion which we have done of 21,000 tons, we are quite hopeful that by this quarter we will be also utilizing it in a good way. The next coming two to three years, like you mentioned 25% to 30%, I'm quite confident about it also from the point of view, even if you see up in the last 12 years of being listed, our average growth is 24% on a 12 years CAGR .

I think it's something which we have been doing more or less every time and not only from the historic point of view, but from the excitement of having the right kind of business line today, the efforts which we have done from 2019, which have started paying in 2022 and the major benefits which we will be seeing from as we speak from this quarter onwards to the next two years, we are definitely sure that we have no way looking back below what you mentioned about the growth rate.

But this is something which is definite, we will be achieving as such, but we would like to do something what we have done in the last two years, we would like to go to a different level of growth percentages organically. And I think the way the things are working well and again if I say that the textile is also going to come back and it's almost looking that it is going to come back very soon, I think it will not be wrong to say that we will definitely touch this kind of a growth rate again.

Vinayak Mohta: And sir, your volume growth has been 100% around, but your revenue growth has not been on a similar scale. So is that a factor of product mix, because your realization differs or is that a factor of -- the prices of those chemicals going down?

Sanjay Tibrewala: See, there is many things. As we say that we have like 450-plus product lines and FMCG cleaning, hygiene product lines are low-priced realization, of course, this does matter and having the similar kind of growth rate, that does definitely affect. There is no doubt about it. But also if you consider in last year when we close that Rs.220 crores, then the next one was Rs. 379 crores, this year we have already done Rs. 380 crores great EBITDA margins in the nine months itself and there is a big quarter left out which is the most important quarter of the entire year.

So I would not say that the figures has not gone up in the similar direction. Yes, but that is not the way only to look at us. I think you should look Fineotex in a way as a very high end specialty chemical company which is translated by three things, I believe, is the EBITDA margins, which is consistently growing, consistently there. Asset turnover ratios are quite good enough, which also demonstrates our products specialty and the performance, the focus which we have. And the third thing which we are quite happy about is our cash flows, which is almost 87% to the EBITDA value so operating thing obviously. So that is the kind of trendswe are like having along with us. That's about it.

Vinayak Mohta: Sir, one last question. So given the sectors we are present, where the demand is sustainable and there is hardly any time there even non inaudible 0:43:27] products, so from a demand perspective, market opportunity size, margins have been consistent and you are coming off the additional capacities which will allow you to go to newer players and penetrate into existing players as well. What would be some of the risks that you would see that could come and hamper the business apart from the slowdown, textile as a sector would see because FMCG is relatively consistent. So what are some of the risks that you think that could impact the business or could hamper the growth at the very least?

Sanjay Tibrewala: See, Mohta ji, actually I don't know what can I answer, but I can say the chemical companies in the last two years have seen or maybe entire world has seen almost all the ups and downs in the last two years. There is nothing more which can be anticipated or which has not yet come to us in the last 3 years. I think everything has come to the world including geopolitical situation, the recent recession, again some things cropping up in China last month for the COVID. The demand is one part of it, supply, freight cost, containers not getting available at any price. So all the things have happened already and I think we have relatively done one of the best what we could do and reached wherever we are today.

So I am quite confident even if there is something more to come to the world, which is not yet anticipated, I think Fineotex will be able to sail-through very well. So this is all I can say. I don't see anything undiscovered yet, which could happen to the business of chemicals or textiles or maybe to the world in general.

Vinayak Mohta: Understood. Sir, just one clarification. On the working capital days, you said that you will be able to get that down to what level, approximately?

Sanjay Tibrewala: As such our working capital for the last two quarters has come back to 90 old levels from the original 140 levels. So this is also due to the mix of the product lines where we are and also in textiles we have got more prudent about the cash payments and things like that where we have also started offering some dealers some cash discount policies and things like that, which has also helped us. But yes, this is the output of these things. So yes, right now we are on 90, 94 days broadly as we speak. I think in the future, it will be much lower than 90.

Vinayak Mohta: And any potential inorganic acquisitions that you are looking at or anything else of that sort?

Sanjay Tibrewala: Okay. So here opens a different angle as such. Let me mention that after our IPO 12 years back, we did invest in Biotex, which is a European company, European founded company producing specialty chemicals in Malaysia. We acquired 72% of it from the IPO proceeds in the three months of listing. And when we did that, that was our first inorganic maiden international acquisition and the international acquisitions as such are more difficult than the domestic ones. I think it has scaled very well.

We are very much happy about the performance of the team. It gives us good energy and scope of getting into more such opportunities, but as such, we are much disciplined in our cash deployment. We have a great sense of the synergy and we will not do anything or we will not acquire any kind of a company which is not matching to our main synergy, which is either in the chemistry i.e;, product chemistries or from the market segment point of view.

Something which goes in our markets, let's say, the cleaning, hygiene textiles or oil and gas, that is one or maybe the same chemistry, which is going for different businesses. Those can be our target, there has to be a great synergy. And of course, from the value point of view, we are quite conservative in placing a value of it. So we keep looking at it. There are lot of proposals do come. At the same time there is a lot of cash flow, which has been generated by the company, internal accruals. I think that will also be utilized for such kinds of activity whenever it happens. So right now there is nothing immediate to be shaped-up.

Moderator: The next question is from the line of Anupam Agarwal from Lucky Investment Managers.

Anupam Agarwal: Sanjay sir, my question to you was, you mentioned that FMCG business was 40% of volumes this quarter. So if I do some calculation, its sequential decline over last quarter. If you can explain the reason behind that, please?

Sanjay Tibrewala: I would like to mention what is also happening is, in the last quarter, there were some decline in the FMCG businesses also. Also if you can also go through it, there has been a decline in the prices of certain cleaning chemicals, caustic has gone down, certain things. So most of the FMCG companies broadly have also reduced their inventory levels and purchase levels for and most of the things were also postponed for January businesses, as such, because from a falling situation where the raw material pricing getting down or most of the companies will always look at having lower inventory levels.

So this is something which has happened. The demand, I don't see there was a great change in the demand as much as we see in the textiles for sure. And these things have again picked-up. So it is more of a, you can say certain orders of December, which has been postponed to January for certain requirements and things like that. So that would be covered up in the next quarter, something like that.

Anupam Agarwal: So Q4 should be on a volume quarterly basis in FMCG business across Q1, Q2 levels or?

Sanjay Tibrewala: No, for sure it will do it because there is a lot of more businesses which we have tapped. But that has also not reached the fullest extent because of the year ending things and, I mean the calendar year ending things. And also it takes time for certain FMCG companies to have a look at the SAP and inventory levels and supply chain, things like that. So FMCG is one of the most difficult areas to work with, but this is once you enter, this is the best area. So I would like to say, this that, it takes time, and now that we have reached a level and now things are working towards us, we are very much optimistic that we'll out-beat the earlier quarters for sure. There's no doubt about it.

Anupam Agarwal: Second question to you was the Rs. 150 crores new order. In terms of per kilo realization, is it similar to the first order that we had of Rs. 200 crores?

Sanjay Tibrewala: No. Per kilo realization, this is around Rs. 49, Rs. 50 per kilo broadly, the new one. But again, as we mentioned, we have not supplied much as we have answered this in some of the initial questions of this conference. This, as we have supplied I think around 2,000 tons only yes only 2,000 tons approx.. So that would be around Rs. 10 crores only we have supplied in the last December month. And a lot of things has been postponed for the January month and things like that. That Rs. 150 crores will also be increased actually. So on a conservative level it is Rs. 150 crores, as such, that is another remark, yes.

Anupam Agarwal: And at Rs. 50, we are able to make similar margins what we make at the first product of Rs. 65, Rs. 70?

Sanjay Tibrewala: We are able to make a similar EBITDA margins on that, because as we said that the overheads in this business is comparatively much-much lower than our main core business of textile specialty where you have a lot of product orders, exhibitions, manpower technical doctors for servicing etcetera. So yes, if you talk about EBITDA numbers, yes, it will be the same range.

Anupam Agarwal: Also last question, now that we have for the entire 1,04,000 tons capacity coming through for the entire year available to us, what kind of utilization should we expect for FY24 on an overall blended level across two businesses?

Sanjay Tibrewala: See, in a way that always we have been expanding, we always touched almost 70% of the utilization. I am talking about the earlier quarters. With this new plant, the new kind of machinery, the new movements, the optimum utilization capacity will go up. And this I believe would be 85% broadly more or less. So let's say, when we are on a level of 80,000 tons or 85,000 tons, considering 1 lakh round ballpark number of capacity, I think from that point onwards, we will be requiring more capacity addition.

Now, coming to when do we reach this capacity.. I don't think it is too far for us to reach here at the moment. And once we are just exactly sure about it, which we will be sure in the coming one or two weeks or something like this in the February month, we'll be planning for the next expansion activity. And once we plan that, I think it's another six months for us to -- let's say by Diwali maximum that we will be able to start using the newer ones also.

Anupam Agarwal: My question was, if we close FY23 at around 50,000 tons, 55,000 tons, that's 55% utilization on overall FY23 level, how should we look at FY24on that basis?

Sanjay Tibrewala: See, you are looking at the entire 55,000 tons from quarter 1 to quarter 4, our focus will not be that. Our focus will be quarter 4 multiply by 4 i.e;, annualize it and that will be the way it is going. So the quarter 4, I mean, this current quarter is also going to be very high in the volumes. So we will have to not consider quarter 1, quarter 2, quarter 3, we have to just annualize the quarter 4 and then we understand where we are today. I think if we are reaching around 18,000 tons to 20,000 tons, which I feel is not difficult actually in the quarter 4, so that will be annualized to almost 80,000 tons, broadly speaking, let's say we take 20,000 and annualize it to 80,000, so that is almost 80% of the capacity broadly.

So now that is the right level where you have to start working on for expansions in order to execute more orders when it comes, because anything whenever we plan a expansion, obviously, there are so many procedures and things which will also take two quarters broadly. So we'll plan according to that.

Moderator: The next question is from the line of Aditya Mehta from G.K Capital.

Aditya Mehta: So sir, could you please share the volume number for the quarter ?

Sanjay Tibrewala: I will, it's almost. I will share with you the exact numbers, but it is we have -- let's say it's almost 21,000 tons for the nine months for the cleaning & hygiene. I have the nine months volume right now. I'll share these details exact answers for you again.

Aditya Mehta: 21,000 tons for nine months?

Sanjay Tibrewala: Nine months. Yes, for our HPC Division.

Aditya Mehta: And secondly, you mentioned that we will be reaching 80% to 85% utilization levels, will you try to -- first aim is to reach 85% utilization. So what could be the peak revenue considering the current mix of textile and FMCG products being carried forward?

Sanjay Tibrewala: See, I have a correction to say, I have, while speaking up when I said 40%, I mentioned 40% of the volume, it is not about the volume, it is the turnover, so please condone that thing, it's 40% of the value, which is into FMCG as such. Yes. So as such, if we talk about the 85% utilization on the peak utilization, there is a lot of changes in the average realization prices as such. So if you consider that, I think our average prices will be somewhere around Rs. 80 to Rs. 90 broadly per kilo.

Aditya Mehta: So your target of around reaching Rs. 800 crores and revenue margin remains intact?

Sanjay Tibrewala: Let's say, it's been worked on. see, it also depends on the pricing of the basic chemicals. As we see now, there is a lot of correction happened in the basic prices of the raw materials. So if you consider those kinds of things, again, and using 85,000, I think around Rs. 700 to Rs. 800 crores comfortably seen with the current capacities, as such. Now that is also contributing that more-and-more per higher value-added products when we sell in textiles. That will be the right way to reach there.

Moderator: The next question is from the line of Akhil Bansal from AD Private.

Akhil Bansal: Hello, Sanjay sir. Sir, my question is the kind of growth momentum, the kind of growth you are showing, sir what's next big trigger for the company for the growth, but in future, like you entered into FMCG, now your team is working towards it. Doing great. What next sector or what's next leg for the company, so the business should grow like millions for 10 years, for 20 years?

Sanjay Tibrewala: Yes. I can tell you one thing. The best place for a specialty chemical company, I believe from my point of view would be to come in the branded sector like the FMCG businesses. This is something where we today are is once upon a time, where we were imagining to touch and now the best way for us would be not to go here and there or getting further diversified, rather, just focus , on things which we are doing and we are not going to do something, which we are not masters off. The reason we are into cleaning and hygiene is also because we are masters of cleaning and hygiene for the textile since long.

So that is a big synergy, which we had. This is the kind of experience we always have. So we want to work on our strengths. We don't want to be a general physician, we want to be a cardiologist. And we are one of that and that's the way we are working towards our customers, giving them more value-added products, giving them products, which can add more value to their product lines and keep growing with the demand the way the India demand and economy is going up and the same thing is directly translated into the FMCG business.

I think rather than doing certain things which you are not experienced about, our team is totally aligned to just focus on our strengths and we will keep doing what we know. We will not do anything which is we are not strong at. So we would just keep on working towards adding more specialty products via R&D. There are certain new projects we have done, which has been well appreciated by certain key FMCG companies, which is under process now. These are certain new things which we have achieved.

Now there is also a new strong technical team with doctors, and a lot from ICT and benefits, which we have got from the technology universities and they are our panel doctors also. So a lot of new R&D things we have achieved. We will keep focusing on our core areas. I think this is quite the best place where we are today. We would not like to do anything which is just, something which we don't know about.

Moderator: The next question is from the line of Keshav from RakSan Investors.

Keshav: Sir, can you confirm the nine-month volume number we mentioned a while back, the full nine-month volumes?

Sanjay Tibrewala: You want the nine months volume, it is around 38,000 tons.

Keshav: And our target is to do 18k to 20k a quarter going forward?

Sanjay Tibrewala: Yes, this is what we are looking at.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Sanjay Tibrewala for closing comments. Over to you, sir.

Sanjay Tibrewala: Thank you participants for hearing us out. We are thankful to all of you for your time and please let us know if you have any additional questions. Our enthusiastic team and Mr. Bharat Mody, Investor Relations, Strategic Advisors, Churchgate Partners are always there. Our team is there. We are here to reply to all your questions. Keep in touch and hope to see you soon in the next quarter. We're doing certain nice things for the entire group. Thank you so much once again.

Moderator: Thank you, sir. On behalf of Fineotex Chemical Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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For further information, please contact:

Bharat Mody Strategic Advisor, Investor Relations bharatmody@fineotex.com +91 98980 46584	**Anvita Raghuram / Kavin Sadvilkar** Churchgate Partners fcl@churchgatepartners.com +91 22 6169 5988

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Corp. Office: 42-43, Manorama Chambers, S. V. Road Bandra (West), Mumbai - 400 050, India

Web: www.fineotex.com

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