November 17, 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 Q2 and H1 FY2023-24 Earning Conference Call held on November 11, 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 02nd November, 2023, please find enclosed a copy of the transcript of the Investors/Analyst Concall held on Saturday, November 11, 2023 at 11.00 A.M. (IST) on Q2 and H1 FY2023-24 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

SANJAY SURENDRA TIBREWALA Digitally signed by SANJAY SURENDRA TIBREWALA Date: 2023.11.17 17:07:23 +05'30'

FINEOTEX CHEMICAL LIMITED MUMBAI

Sanjay Tibrewala
Executive Director & CFO
DIN: 00218525

Encl: As above

FCL

Fineotex Chemical Limited

Earnings Conference Call
Q2 FY2024

November 11, 2023

Management:

Sanjay Tibrewala	CFO and Executive Director
Aarti Jhunjhunwala	Executive Director
Arindam Choudhuri	Chief Executive Officer

Moderator: Ladies and gentlemen, good day and welcome to Fineotex Chemical Limited Q2 FY2024 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. Thank you and over to you, ma'am.

Aarti Jhunjhunwala: Thank you so much, Yusuf. Good morning, everyone, and a very happy and safe Diwali to all. We are pleased to extend a warm welcome to you all for our Q2 FY2024 earnings conference call of Fineotex Chemical Limited. We have already updated the financial statement and the presentation on the Stock Exchange and our website. Trust, you have had the chance to peruse them in detail.

Fineotex is at the forefront of India's specialty chemical sector, renowned for its leadership in both domestic and international textile markets. With a commitment to market expansion, we are dedicated to pioneering new products, venturing into untapped territories, and delivering value-added services, including cutting-edge technical solutions. Against the backdrop of a positive domestic macroeconomic landscape, our journey in FY2024 remains robust.

Our core emphasis on developing high-performance chemicals, coupled with strategic initiatives, positions us for sustained growth. These endeavours not only forecast substantial expansion in the upcoming quarters, but also reaffirm our status as one of the market leaders in the chemical industry.

Our extensive range of products and services is crafted to provide tailored solutions for our customers, reinforcing Fineotex's commitment to excellence. We are pleased to announce that the quarter, we successfully commissioned our 100-kilowatt peak solar power plant at Ambernath facility. This strategic initiative not only enhances our long-term energy reliability, but also positions us at the forefront of environmental stewardship by minimizing the carbon emissions.

This sustainable approach aligns us with our commitment to ethical practices and also provides us with a competitive edge in the industry. I'm also pleased to share that our commitment to sustainability has been recognized through the prestigious ESG badge conferred upon us by Dun & Bradstreet. This recognition highlights our proactive initiatives and signifies our ongoing dedication to shaping an industry that prioritizes environmental, social, and governance consideration. Our commitment to excellence, innovation, and the creation of a sustainable future is the path that we passionately undertake to ensure a greener and safer environment.

With this note, I would request Arindam-ji to provide us the insights into our operations.

Arindam Choudhuri: Thank you, Aarti-ji, and a warm welcome to one and all. Wish you a happy Diwali in advance. As you know, Fineotex is a well-diversified company with an extensive array of product portfolios. Our journey commenced with the production of speciality chemicals for the textile industry and subsequently expanded in related products for the niche segment, including hygiene products and oil and gas.

As a part of our commitment to value-add offerings, we offer high-end customized solutions to our esteemed clients in every sector. This approach is underpinned by the trust our customers have in our products and the brand equality we commend in the market. Our expertise in research and development, particularly in the manufacturing of eco-friendly and sustainable products at our overseas facility, has served as the driving force behind our expansion in numerous significant international textile hubs.

Also, during the quarter, we have received an accreditation from NABL, India's premier aggregation body for laboratory assessment and accreditation. This accomplishment underscores our commitment to financial prudence and quality standards, reinforcing our position as a trusted entity in the chemical market field.

Now, I request Mr. Sanjay to guide us through the quarterly performance of our company. Thank you.

Sanjay Tibrewala: Thanks, Arindam ji. On the fundamentals of Q2 FY2024, our operational revenue rose to Rs. 1,453 million. The growth in revenue was due to the increase in the sale volume. The EBITDA has increased to Rs. 382 million, up by 52.3% year-on-year basis, with its margin at 26.3%.

We recorded a PAT of Rs. 315 million, which is up by 51.6% year-on-year basis, and its margin was at 21.7%. For H1 FY2024, our operational revenue has increased to Rs. 2,775 million. Our EBITDA has increased to Rs. 697 million, up by 36.0% year-on-year basis, and its margin was 25.1%.

We recorded a PAT of Rs. 576 million, which is up by 40.3%, and the margin stands at 20.8%. Our annualized ROCE and ROE were at 36.4% and 30.3%, respectively. We are also pleased to announce that ICRA, the renowned credit rating, has upgraded our long-term and short-term rating at ICRA A+, and ICRA A1+, respectively.

The robust financial performance observed in the H1 FY2024 underscores our commitment to creating values for our stakeholders and customers and upholding resilient and operational efficiencies. Our focus remains on fostering sustainable growth and optimizing shareholders' wealth through the upcoming fiscal year. Our consistent performance over the last quarters and years is thanks to the strategic alliances which we have, and we continue to explore such opportunities in future too.

With this, we close our opening remarks, and we will open the call for interactive question and answer session soon. Over to you, Yousuf.

Moderator: First question is from the line of Souresh Pal from KRSP Capital Limited. Please go ahead.

Souresh Pal: My first question is, from our Investor presentation, I can see that our capacity utilization has gone up sequentially. So, in the coming quarters, can we expect some operating leverage going ahead as our revenues will go up?

Sanjay Tibrewala: Thanks so much. As such, yes, there has been an increase of 43% in the volumes year-on-year basis, quarter-on-quarter basis. I mean, for the quarter, year-on-year basis. And also, as you rightly mentioned, there has been an increase in the volume from Q1 basis also, quarter-on-quarter basis. Gradually, yes, we are ramping up the capacities of our new state-of-the-art plant in Ambernath, and it’s quite well and we are quite delighted from where we are looking at it in spite of, let’s say, the global slowdown, which we have experienced in the last two, three quarters, we are still able to touch a utilization of 68% for this quarter. And that last quarter was 62% broadly.

And yes, so we think that in the coming times, there has been, the demand is coming back very sharply in the textiles and the cleaning hygiene FMCG field. And going forward, yes, we are looking at a further production utilization on the capacities which we have.

Souresh Pal: Okay, sir. And, sir, since textiles is our high-value, value-added product, high-margin product, so how is the recovery so far in this segment, sir?

Sanjay Tibrewala: We are quite delighted with the recovery of the demand which is coming in the textiles, especially the bedsheets. Let's say our customers like IndoCounts and Himatsinka, Mohan Spentex, and other companies. They have been faring quite well, as you might have also, if you are tracking them, they have been performing quite well. That is helping us also.

And plus, we have focused on the package operationals and package marketing in which we give the entire solutions to the textile companies in which the entire basket of the products have to be taken from Fineotex. In this way, we are growing our wallet share also with them, focusing our main specialty products in the textiles, which is the finishing area.

As such, finishing is today also, let's say, 60% of our textile volumes. And that is something which is the most sustainable business because no textile company will be able, generally, it's not possible to change the finish easily. And we are the masters in the finishing of textiles. We would like to retain and keep focusing on our core strengths in the textile, which is the finishing, and that's going very well. So, textile has picked up quite well in the last quarter. But textile will always be, you know, the recovery is coming fast.

Health and hygiene, FMCG is at the same level. I mean, in the sense, it's good, but it's growing gradually. But textile, I can see, has been quite significant growth in the last quarter.

Souresh Pal: Okay, sir. Last question from my side is, actually, I'm new to the company. So, what I can see is there is a volume growth of 43% year on year. But that has not translated to our top line growth. So, I guess this growth is mainly to our FMCG and hygiene-related products. Is that understanding correct, sir?

Sanjay Tibrewala: No, actually, what is happening is, as we have experienced in the last three, four quarters, there has been a change in our product mix. And also, the more we focus on hygiene and FMCG areas, the average realisation prices are comparatively lesser. So, although the volume growth has been 40%, or 43%, if we talk about the incremental business sales, that has not gone more than, let's say, 30% or in terms of volumes, yes, sorry, I mean, in terms of 10%, it has gone up from the, in the revenue mix, because of the product mix has changed as such.

Souresh Pal: Okay. And sir, what is the growth that we are expecting this year? Earlier, you've given guidance of 20% to 25%. So, is that when guidance maintained, sir?

Sanjay Tibrewala: So, as such, I think, we will take it as your last question, because there are a lot of other participants who will be there. So, anyhow, just to answer that question would be that. So, as such, we have been listed for the last 50 quarters by now. And in our last 12 or 13 years of being listed, our average CAGR growth of PAT and EBITDA has been more than 25%. And our EBITDA percentage in, also, you can always check, it has been minimum 16 to 18%. Till where we are today is 27%, broadly.

So, this is the reason why we are able to do it because we are focused on solution driven product lines, rather than 'me too' kind of businesses, which always is fluctuating in terms of EBITDA and profitability and things. The way the last two, three years have been encouraging for us, I am -- our team is, I think, we are the most confident right now that we will be able to, you know, again, deliver much better performance in the future. That's all I can tell you from the forward-looking point of view.

Moderator: Next question is from the line of Sriram R, who is an investor. Please go ahead.

Sriram R: Thank you for the opportunity. Sir, can you give the volume and value split for textile and other chemicals?

Sanjay Tibrewala: See, as such, I can just give you the percentage mix of it. So, let's say 56% of the volume is on the FMCG and the remaining, let's say, is from textiles from the volume point of view. The textile average realization prices are higher. So, the, I mean, in terms of the revenue mix, it is more than 59% for the textiles and it's almost 40%, 41% in FMCG cleaning hygiene.

Sriram R: And on the margin side, sir?

Sanjay Tibrewala: Margins, our company is more of aEBITDA driven company. So, what happens, let's say, each industry will have their own plus and challenges. So, let's say in textile, what happens? You have a better gross margin for sure. However, there are a lot of expenses on the documentations and certification, product audits, factory audits, team power, exhibition. This is what we have done in the last three years, four years, where we have invested a lot.

And that has really helped us to grow the company in the textile division substantially, which is now shaping up, which as you can see the results also. So, basically, we do not operate from the point of view of a gross margin broadly, which is more on EBITDA levels. More or less, I can say it's almost the similar kind of margins, which we get on that, on all the industries, which we cater to.

Moderator: Thank you. Next question is from the line of Kush Tandon from Ananta Capital. Please go ahead.

Kush Tandon: We are witnessing consistent growth in the company, margin expansion, cash on books, all the good things are happening. But quickly, just on the environment in general for the chemicals, there was weakness in the last six months, one year. Obviously, our numbers have been good. But in general, is the environment improving? How are the inventory levels in the channel for us specifically, sir?

Sanjay Tibrewala: Yes, thanks, Tandon ji. So, actually, in our last con call also, I had somewhere mentioned that the bottom's already behind us. And that was, if I'm not wrong, it was the month of August or something. And that is what we can expect in the future. I am quite of the opinion that the bottom demand or let's say the downfall of the pricing and the destocking activity all have been completed in the quarter one for most of the commodity chemical companies.

Whereas where we are coming from, we have been always been, as you can rightly mentioned also, our profitability, growth rates, efficiencies and deployment of capital has been always quite in control with our always the past performance because we are more of a solution delivering business. We are not a 'China Plus One' kind of a company.

Our products are such specialty nature that there is no China effect here. It's a tailor-made solution. It's not a commodity, it's not a capex driven businesses where we are, like the Chinese type of product line. So, I think the environment has been improving, number one.

For textiles, definitely, there has been an increase from the Q1 one in the demand. It's also due to, I think in the US market, there has been the demand is coming back. And I heard also there is the interest is also getting reversed and things like that. So, I think this, as it goes ahead, we'll be back to the original demand of textiles and demand is coming back even the cleaning hygiene FMCG sector also. So, going forward, we are quite excited on the next coming times.

Kush Tandon: Okay. And sir, I think we focus more on the EBITDA margin as you were answering the previous participants call, but that has also gone up a little bit this quarter because primarily at a material level, our margin has improved. So, sir, was there any one time in this quarter or this is just that, pass through of raw material has been better for us, our pricing has gone up and raw material, pass through has been better for us?

Sanjay Tibrewala: So, I would like to mention in the last quarter also, the EBITDA margin was almost 24%. And let's say that was also the time when, all the chemical companies were experiencing a destocking effect in which, everyone has inventory and, of a higher price and things like that.

So, I would not like to mention on that is due to that part, but it is more likely with our product positioning, our wallet shares, and the kind of specialty demand which has come in textiles and also in the cleaning hygiene, there has been substantially new product and new geographies, which we have identified and working upon.

So, I would like to mention it's not only due to the destocking or things like that. It's because the product lines and the promotion of the products and the focus is done on the specialty chemicals and solutions. So, I think that is something which is going on.

This was always anticipated. I think in some of the calls, we have always mentioned that we are very much confident that we will be able to maintain that much EBITDA levels. And that is already being seen now in the Q2.

Kush Tandon: Understood. So, what you are saying is that, going ahead probably our chances of maintaining 24% to 26% EBITDA is quite high, given the product mix and in general, the demand environment?

Sanjay Tibrewala: Yes, it's looking like that also because, see what happens in our businesses, there is a lot of gestation period. So, the investments and the sales promotions for all the verticals which we have, which we have done in the last one year, one and a half year, which has started materializing. Now, the results are also coming on that line.

So, also you can see in H1. The H1 EBITDA is already 25.13% as I see now. So, that is something, we are very confident to keep delivering on that line.

Kush Tandon: Okay. Sir, and one just bookkeeping question on the volume and value mix across textile and FMCG. I don't know whether you have already mentioned this. I joined the call a little late. But can you give those numbers?

Sanjay Tibrewala: So, as such, the average relation price of textile is higher. So, let me say that the volumes in textiles is 44% broadly, and the revenues is like 59%. And the remaining you can, take it as for the like 56% volumes is on the FMCG and almost 40%- 41% is the revenue mix for the FMCG.

Kush Tandon: And so, if I can just chip in one last question on the FMCG business, we obviously have a large customer. Any other breakthroughs in some of these other detergent companies, which you are having, some aren't some prototyping or some product? Yes. Any update on that, sir?

Sanjay Tibrewala: There is a lot of things happening day in day out. In fact, we had a great technical seminar last week, last Saturday, in Northeast and that was attended by the biggest mid-level corporate companies in the cleaning hygiene detergent field. And that's shaping up very rapidly.

Our team has released our distributors and our wallet shares also increasing in most of the corporate companies also. Also, there are certain big global MNCs with whom we are on the stage of, but the global MNCs do take, it's all years of efforts. Like Patanjali started, it took us three years to start, almost two and a half years to start.

So, these, I mean, it's the sweetest spot for us to be there in the FMCG, but at the same time, it's the most difficult because the FMCG company, let's say Patanjali for that matter, they are using our products in their detergents. Okay. And for Patanjali, their major business is not detergents. It's the entire brand chain for Aloevera, Dant Kanti and ghee and other organic ghee's and things like that. So, they have to be more careful, obviously, that, there should not be any kind of issues happening in the product where they are using our speciality products. So, their trust on us is a testimonial that, this kind of like Rs. 50,000 crore brand is looking at us and accepting our products over to all the multinational chemical companies like BASF and Dow and things like that, which I've already mentioned in our last con call also.

So that is a testimonial that, we stand against them. Our products are performing better. Of course, the economies will also be performing better. So that is something which excites us. And then that should be in the sitting time. So, we are on the right track. We are very happy where it's how the progress is happening. And I think this you'll see in the reflections of the things in the coming times.

Kush Tandon: Okay. And so just one thing, last thing I'm noticing, we are generating a lot of cash. And I think this year we may generate north of Rs. 110 crores, Rs. 120 crores operating cash. And we already have some Rs. 200 crores cash on the books. Sir, any utilization of this cash going ahead in terms of rewarding shareholders or any, inorganic activity or any such, avenues for further growth?

Sanjay Tibrewala: Correct. So, yes, you have rightly mentioned our cash on books is already, as you mentioned, the numbers. So as such, after our IPO in 2011, we had used the IPO proceeds to acquire stake in a European manufacturing company, which is Biotech, which is 72% is owned by Fineotex. Now it's in Malaysia.

It's a specialty chemical high-end for functional chemicals and things like that. So that was the first made in international acquisition what the company has done. So as such, we are using, we are, having in mind to use this cash generated for the organic growth, which is already been funded by internal accruals.

At the same time, we are also having, we do, we are open for discussions on inorganic opportunities. We keep looking at things. However, we are a very cash disciplined company. As you can see in the last so many years, we have always been cash rich company as such and debt free. We would like to remain as such a debt free company more or less.

And from the perspective that, we are very conservative and disciplined in deployment of cash. So we do not want to just go for any kind of inorganic acquisitions just for, I mean, just to get it into, we have to have a proper synergy, a plan, and there has to be a meaning for any inorganic opportunities if ever we go ahead. So, there are certain things which we keep discussing. Certain topics are on also.

Whenever the timing is right and as such, you can see every year we are getting approval in the shareholders meeting also for raising funds and debt also and the, for any kind such deals. So yes, we have, we are not hurrying about anything on such points, but yes, we can always consider that.

Kush Tandon: Okay. Noted, sir.

Sanjay Tibrewala: Thank you so much, Mr. Tandonji.

Moderator: Thank you. Next question is from the line of Rajesh Jain from NB Investments. Please go ahead.

Rajesh Jain: Sir, my first question is for the FMCG segment. We have done a very good, commendable performance growing from Rs. 38 crores to Rs. 200 crores within a year. So, I have two questions in this. One, out of the Rs. 270 crores that revenues we have done as on H1 FY2024, how much is from the FMCG segment? That is question one.

And question two is, we were depending exclusively on very few customers in this segment. You have explained in detail, what are the actions that have taken. For us to diversify based on your interaction with the customers, how much time it would take to get business from other customers?

Sanjay Tibrewala: So, thank you, Mr. Jain. Let me mention, yes, even in H1, the contribution of the FMCG business in terms of revenue mix is 40% broadly. And that has been maintained and that has been growing also. Let me say that in oil and gas businesses or maybe the detergent businesses, we will always have certain bigger customers like, because the markets are mainly controlled and addressed in oil and gas also. They might be the bigger producers and bigger things.

So as such, step by step, if I'm not wrong, we have already touched more than 100 customers in the detergent businesses for pan India. And this is growing rapidly. In fact, we just had a meeting with at least 60, 70 customers in the last week's technical seminar where our panel doctors and our other team members were also speaking about the new scope and the new sustainability which is coming in. So, the inner idea and the concept, what we are bringing to the detergents is something different. So, I'm not touching on those topics now.

Just to cover on your questions is, we are very much optimistic the way it is going on. And in the future, I think both the divisions are going to perform in their own, there has been a growth coming up in both the divisions. And I think we are quite excited from where we are looking at it.

Rajesh Jain: Okay. Small clarification. You said of the Rs. 270 crores, what is the contribution from the FMCG? You said 40%?

Sanjay Tibrewala: 40%. Yes. So, let's say Rs. 110 crores broadly.

Rajesh Jain: Okay, fair enough. Thank you, sir. My second question is regarding the oil drilling business, which you touched upon. Sir, in the presentation, you mentioned that you have already got the business from a customer. So, I have for now, what I want to know is one, what are the products that we make for this segment? How big is the potential? And when we can see a significant contribution from this products, complex products?

Sanjay Tibrewala: I'll tell you what is our business model. Our business model is that for oil and gas and other businesses, we look at chemistry. So, we do basically polymerization, esters, esterification, Phos phonation, sulphonation, we do homopolymer, terpolymer, copolymer, things like that. These oil chemistries have application in different variety of industries.

Our focus is wherever industry can absorb these products, we can work on that so that we have a synergy in our capacity utilizations. And we have the same kind of chemistry going for the other businesses like oil and gas also. Now, oil and gas business is mostly, let's say, it's like a tender debase business. It's more of a hit and run business. So, it's not a perennial dependable business.

It's more about sometimes we get an order, sometimes we don't. There are a lot many products we are doing. Yesterday also, we had a good, you know, tender and things like that, which is ongoing on many aspects. So, I would like to mention, we are not banking in our future on one particular industry as such. Oil and gas industry, the scope is enormous. However, it always has its plus and minuses that, you know, the disadvantage of oil and gas is it's too, you know, it's too sometimes the demand which has been shown is not happening because oil and gas extraction is sometimes postponed for six months or more than that also.

And sometimes some of the rigs are not working well. So suddenly the demands will not happen for that product for six months or four months. So, we do not want to depend on this kind of industry totally. We are already diversified. At the same time, the products and chemistries, which we are doing for other businesses, we are very much happy to use it for the oil and gas as a fungible capacity utilization. This is our model.

And so this is the kind of the scope in oil and gas is enormous. I mean, there is no words about it because the products which we are doing, we do antiscalents, we do polyamides, we do polygols and other so many items, which we are already products have already approved and supplied also in the past. So, this is the place where we are.

Rajesh Jain: So, you mean to say this cannot be a continuous business? It comes once in a while whenever we are the L1 for those businesses, correct?

Sanjay Tibrewala: Yes, it is not continuous. Rather, I would say we are not depending on that because it's not a perennial business or dependable and sustainable from the terms of supply. Sometimes there are cases, I mean, it's not for us, it's for everyone. Sometimes there are situations where the tender you are L1, but they are not lifting it only. And these things do happen because these are government owned bodies like Oil India, ONGCs and things like that.

Rajesh Jain: OK, fair enough. So, my last question is regarding the other vertical, you know, other specialty chemicals. Just wanted to know how big is the potential, you know, which can contribute to the top line from this segment regarding some clarity on the margins. And are we marketing the Eurodye products in this segment?

Sanjay Tibrewala: I'll tell you the way we look at it. We are like to focus on our core businesses. Our core business is one, providing specialty solutions to textiles and cleaning hygiene FMCG. This is our core business. This business itself is like detergent business is a $50 billion market. And there is a sustainability which is going to happen, which is already happening on the way.

In the next 10 years, we will find a lot of changes happening in the detergent businesses. Initiative of P&G and Unilever and things like that. Let's say P&G have also made a claim that by 2026 or 2027, they will be stopping the use of acid slurry and Lapsa in their product lines or something like that to avoid the, you know, the fossil fuels and dependency on crude oil and things like that.

Now, then there has to be a product which is performing equivalent, even though it's expensive, but to give a right result to the user and in the hand washes or the washing machines and things like that. Now, those things can be done by solutions. Now, that's the place where we enter.

Now, if let's say textiles was the same thing 10 years back, we were telling the world when we acquired Biotech, they were the masters of sustainable solutions. We were talking to all the biggest textile corporate companies from 2011, but the demand came from 2020 when the COVID started coming in, sustainability issue has started coming in and things like that. Just imagine, even if 10% of the detergent market in the world converts into sustainability in the now, over the 10 years, we are talking of another $5 billion market opportunity coming in.

At the moment we do not want to get into any other areas, which we are not on, I mean, which is, which is, you know, not our key strengths, let's say, yes, product wise, like water treatment. Now, water treatment and detergents are quite similar. We are looking at water treatment already as such because detergents, water treatments is also being used to purify the water and, you know, avoid the hardness of the water and things like that.

So, that is something what we have been we do not want to experiment our time. And the time is going very well for us. And we are already having a lot of opportunities on the table to look at rather than we do and find something new, which we are not masters of.

So, we like to focus on our core business, it doesn't excite us if some other business of pharma related business or something different is, you know, shaping up in a different direction. So, we are like to stay where we are into.

Moderator: Next question is from the line of Ashish Rathi from Lucky Investments. Please go ahead.

Ashish Rathi: So, I wanted to just ask you one simple question.

You know, it's not very most of the questions have been answered. Is there that on the EBITDA margin side, you've been guiding us to a 5,200 basis point expansion every year. And clearly the first half seems to be doing far better than the guidance. So, is it something that needs to be revisited?

Sanjay Tibrewala: Thanks, Ashish ji. I would like to also mention, you rightly said that we have been always guiding that, you know, we are confident of delivering the EBITDA numbers, percentages, what we have been doing in the past. And always there will be some growth. Let me also mention generally for the business where we are, the H2s are generally better than H1s, generally. And we have already fared quite well, like you said, 25% in the H1. And I would like to mention that the kind of, you know, the investments which we have already done on sales promotion, exhibitions, and, you know, certification, factory audits. And those audits and, you know, the product certifications have been quite a cost to the books as such. And after doing that, we have been able to, you know, start getting the returns because these are some kind of product lines which we have been able to succeed with biggest customers. So, going forward, I wouldn't say that this is, you know, I mean, of course, this is easily maintainable for us right now, the way things are going on. So, I think that's again what we would like to mention here. We are hopeful that we will be having at least where we are today.

Ashish Rathi: Great, great, great. And specifically on the, you know, I know the previous participant asked something on the similar line, but we have a large customer for which we are doing some specific business in the detergent and cleaning segment, right? And we have launched two products. Any more products in the pipeline immediately for, you know, which can be scalable?

Sanjay Tibrewala: No, we have not launched two. We have launched, we had launched two categories and now there are many more categories which are already launched and started selling also. And this will keep on going on. And so, step by step, you will see that, you know, things are happening in those businesses and those categories more and more. So, basically, our objective.

Ashish Rathi: Yes. Sorry, specifically on the detergent and cleaning, one very large customer, we have two big products, right, which contribute to a sizable number. I was asking any such sizable significant product in the pipeline in the near term is there or, you know, it's going to be more generic products which will be applied to all kinds of companies?

Sanjay Tibrewala: Not typically, to be more precise, we have started another product also with them, which has just gone for trial orders and things like that. So, I will not, I mean, I would not like to promise the moon now, but the point is that we are very happy where we are. Things take time to happen in these businesses. And what we are aiming at is, there is a great sustainability opportunity waiting for us. And the faster the sustainability happens in the entire world for, you know, for the, because detergents, I mean, what happens with detergents is directly this water is going for the, you know, for the water pollution and things like that. And that cannot be stopped easily.

So, it's the detergents which has to have those kinds of sustainable raw materials. And at the same time, of course, the customers will demand performance. So, that's the place where we are coming in. And our competitors are like BASF and Dow, for them, this business is not sizable at all from the, I mean, I mean, they're like tens of billions of dollar companies. So, maybe from that point of view, it doesn't, it's not their focus area. For us, yes, it's a focus area.

Ashish Rathi: Okay. I'm not sure if this has been asked before, but what is the capex plan for FY25?

Sanjay Tibrewala: Well, we are already, you know, looking at organic expansions and in two ways, adding some machineries in our existing facilities and also adding some certain facilities in areas which are more closer to Mumbai. We are looking at these kinds of organic expansion and we have already shortlisted and things are going ahead on that lines. This is similar to the same experience which we had in the COVID-1 in 2020, when we had this Ambernath plant going forward and it took us two years.

So, in chemicals, as you know, it takes two to three years always, you know, to set up it and commission it. So, we are already looking at 2026 and how do we shape up our next growth phase on that. So, we need to get prepared now.

The capex plan for this year should be around, I think, 50 to 60 more or less on the higher level. And I think this will be easily being taken care of by internal accruals, so that it will be still a debt-free company for us.

Moderator: Thank you. The next question is from the line of Nishit Jain from SNJ Investments. Please go head.

Nishit Jain: Could you tell me how much of our revenue comes from exports?

Sanjay Tibrewala: Almost 23% is coming from exports.

Nishit Jain: Okay. And going forward, do we expect that in H2 or maybe next financial year, this percentage contribution may increase or something like that? Or this will be steady?

Sanjay Tibrewala: Oh, well, as you see, there is a lot of changes in the global market being happening now. And especially in the textile market, let's say, the big countries who are addressing to textiles are getting bigger, and there is a consolidation happening on that front. And at the same time, I can mention in the last two quarters, the global demand has been quite weak.

And so, that's the reason our, and our India performance has been growing also. So, I think that's the reason, you know, we are on almost 22% to 23% broadly right now. Once upon a time, it was, I think, 35% or something like that.

So, this is something as the things, you know, we are doing very well in the export demand markets also. We are increasing our exposure. We are participating in almost all the trade fairs happening around the world. And every, let's say, yearly, at least four to five international exhibitions our team has been exhibiting at. So, we are, I mean, and then the markets, sometimes the demand and, you know, these things keep fluctuating. Going forward, I think the exports are also going to revive as such.

Nishit Jain: Okay, that's great. And just one last thing. So, as we understand that in the commodity chemical space, more or less things have bottomed out. So, do we also expect that going forward, if the commodity chemical space prices for the companies bottoms out, our raw materials can see some rise?

Sanjay Tibrewala: See, it has been going down in the past. And then there was a shoot up also, to some extent, let's say a contribution from the Middle East also, due to the war type situation in the Middle East, that helped the commodity prices to have a, you know, recovery. Again, there has been on the same level, there is, it's, let's say, it's not a direct direction. But yes, I can, we can always say it is, the prices are better than, I mean, it has bottomed out in the past. That's what we can see right now. But we cannot predict, it's a very volatile situation. And let me say, even if the prices are going down, for us, like we are in the specialty kind of a business, like, if the prices of commodity chemicals goes down, those are our raw materials. So, it's always good for us to have more, better pricing, the raw materials, and then our selling price is always the same. So, you know, we can have a better EBITDA margins also.

Nishit Jain: Yes, that's what I, that's why I meant, if those things have bottomed out, if those raw material prices, and now if there is a recovery in the prices, then it may affect our margins?

Sanjay Tibrewala: Well, not necessarily, because it is, you know, when the prices are getting corrected, there is a, inventory levels are getting diminished in almost all the companies, like in textiles, generally, the inventory levels were always like six months from the time the cotton is, you know, made and, and the fabric is sold at the malls in Walmarts and things like that. Now, what happens with the pricing going up again, there is again, an inventory increase, and everybody's demanding more products. And then it's always good for the industry to have slightly pep up mood.

The ones in the mood goes up, and that time the consumers also, you know, getting more anxious to buy more, produce more and things like that. So it doesn't, these things, I can say in the last two, three years, everything has happened, we have seen container shortages, we have seen Chinese supplies going off, Indian companies, this, and that. So, everything what we have experienced, and you know, in the last two years has happened in our books.

In spite of that, we have already been able to increase our EBITDA margin. So I don't think it's a challenge because we are a solution business, we always have a chance to increase our cost. It's not a tender based yearly contract, or anything like that in our businesses, and we sell to our customers. So we can always adjust the prices.

Moderator: Thank you. Next question is from the line of Varsha from BQ Prime, please go ahead.

Varsha: So my first question is, there was growth in volume, but it didn't translate into revenue per se. And you said that you don't have much pressure on prices, because we are into specialty chemicals. So why the volume growth has not been translated into revenue growth?

Sanjay Tibrewala: There has been, I think, I have somewhere answered this point in a different way in our concall today. So basically, what happens is, in the cleaning, hygiene, FMCG businesses, the average relation prices are lower, number one. Number two, we have been having consistent realization for in textiles in terms of the pricing. And almost, let's say a little bit lower in health and hygiene, there has been a change in the product mix as such, we have been able to grow our businesses in the cleaning hygiene as well. And that is also contributing that in spite of the volume increase of 40%, there has not been a great sharp increase in the prices in the turnover. But still, we have done almost 12% or something like that broadly.

Varsha: Okay. And the next question is, over the few quarters, we've seen our EBITDA margin growing and a very healthy growth. So, in September 22, we had margins of 19% versus 26% this year. So, what has led to increasing EBITDA margins, number one, and are these margins sustainable?

Sanjay Tibrewala: See, it's how do I answer this, actually? So, sustainability, I mean, if you see our 50 quarters of being listed, we have always been having at least 15%, 17% in the most difficult quarters also. And in the last eight or 10 quarters, you can always see there has been an increase of 200 basis points per quarter, broadly. And this is something which we have been doing. I think this reflects what kind of capital allocation we are doing, what kind of strategies we have, the kind of customers and the solutions we are providing to them, and exciting them to add more performance to their fabric because of which we are able to have those kinds of EBITDA.

So, I think it's more on the R&D and the product quality, which we have been doing, and that's proving itself in the translation of the EBITDA. Going forward, I can say we have been always guiding, if you were attending our con calls in the last couple of quarters, we have always been guiding and quite optimistic that yes, we will be able to maintain our EBITDA margins. It's definitely there. And I would still like to say the same, we are very confident to have approximately the similar margins going forward.

Varsha: Okay. Okay. Sure. Thank you. Thanks so much.

Sanjay Tibrewala: Thanks so much.

Moderator: Thank you. Next question is from the line of Anirudh from AV Securities. Please go ahead.

Anirudh: So just one question regarding capacity utilization and capacity expansion. So, you just mentioned that around 50,000 to 60,000 is what we're looking at in the next year for capacity utilization. So, I just wanted to know what portion of it is going to be from the Ambernath facility? And is there a new facility that we're targeting now? Because I think the last time we spoke, we had like, what, 15,000 - 20,000 capacity left in the Ambernath facility.

Sanjay Tibrewala: Yes. Okay. I will answer it in a different way. So as such, we have been increasing our capacity utilization. And today we have reached almost 68% on approximately. Last quarter it was 62%. The idea here is any kind of capacity or organic expansion, when we do, we need a timeline of almost two years or one year for a new plant to set up and things like that.

Like I already mentioned, we are looking at certain, not immediate quarter or two quarters, but we are looking at already FY2026 and things like that, for which we have to be prepared from today. So yes, we'll be expanding our capacities in the new facilities whenever we acquire it, number one.

And in the existing also, there is some space and we can always increase certain capacities in that area also. So, I mean, that's the kind of guidelines we have been doing. And the capacity utilization of 68%, as you can also see, the capex cost is not dramatic for our businesses, because we are in a fungible capacities, our capacities and products are all fungible. So, the same set of production plant and machinery can produce the goods for cleaning hygiene, it can produce for textiles, oil and gas and things like that. So, it helps us to have a better efficiency, you can see our asset turnover ratio, which is always healthy. And that's the kind of specialty product lines which we have been making in our plant.

So going forward, I think yes, we will be increasing our capacities in another plant also and in our existing plant as well.

Anirudh: Okay, sir. Thank you so much.

Sanjay Tibrewala: Thank you.

Moderator: Thank you. We have our next follow up question from the line of Sriram R, who is an investor, please go ahead.

Sriram R: Thank you for the opportunity. What is the market size for the domestic textile chemicals and what is your market share? You can throw some light on who will be your nearest competitor, that will be helpful, And again, on the margin side, on a Y-o-Y basis, the gross margins have gone up from 31% to 39%. So, I'm just trying to understand like, which products have been exited or, what is the new product that we are focusing upon? Can you throw some light on the product wise details?

Sanjay Tibrewala: So, I will have to take one question at one time, because you have combined a lot of questions right now. So, I can just mention in terms of, let's say, I'll take the last question first is about the gross margins. So as such, yes, there has been increase, it will, it's also because the kind of solutions and the product line which we are offering for textile finishing and for the cleaning, hygiene and other businesses, those products are getting more in demand, which are more technical solutions and more sustainable solutions, which we are a pioneer of.

Now, the more and more demand which is happening in those lines, we have been able to increase our, the gross margins and also the EBITDA margins because of that. So, this is something which we are always anticipating to happen. And it's shaping up quite nicely.

So that answers your gross margins question. At the same time for the market share, see, actually this business, I'll tell you what we have been doing. We have here, earlier our main business was we were supplying to all the European multinational chemical companies who were selling under their brand, the products, and they were selling at a very high margins to the textile users.

Thereafter, we developed our own brand, our own set of technical team, our distributors, channel partners, and going to the direct customers and branding our products itself with all the documentation, factory audits and product audits and research and other things. So that kind, our major competitors in this business are the global European companies who were erstwhile our, let's say, customers. And now we are, let's say, sort of co-producers with them, which is Archroma, erstwhile Clariant. Then it is, Huntsman, which is now part of Archroma. Earlier, it was known as Ciba. Then there is BASF, which is part of Archroma again. So, there has been a lot of consolidation happened in the European giants as well in the textile division I'm talking about. And that has helped us also to become more strategic and more quicker. And as I see, most of these European companies were also diversified or hive of their businesses because the margins in textiles, which was once upon a time, 400% has come to 40% broadly.

And that helped us, I mean, that helped us because the European companies always having a, let's say, not an efficient way of handling the affairs of the company. And they are always having a higher overheads and things like that, because of which even after 400% gross margins, they were not able to make the right bottom lines. I'm talking of almost a decade or two before from where we are today. And that time, most of the companies started diversifying to other businesses, which were more profitable. We were in this business, we were able to develop our brand name, which takes a lot of time in textiles because textile business in solutions is like changing the salt of the food. Nobody will change the salt of the food.

Similarly, the textile customers do not change those chemicals, which they are using over the period of years, because the cost for them is negligible. At the same time, the risk is very high. If something goes wrong, the entire fabric is wasted. So, it's not a price game. It's more on dependability, reliability, and how do we position ourselves? So basically, we are the doctors of textiles.

And in those product lines, we are working, we are working on the specialty products, which are going for not on the commodity products for textiles. As such, we can always add on more products for textile chemicals, which are more commoditized. But we do not want to be, our positioning is by the customer is on the specialty high end and which would love to happen like that.

We are not a turnover based business company, which is only looking for volumes and turnovers and no EBITDA margins. So we are, we don't want to be a commodity chemicals. We are a specialty chemical companies and our customers have a trust on us and giving us the chance for that. So, if we are the cardiologists of the textile industry, we do not want to be the general physicians, let's put it like that.

So, we are going in that direction where the entire market size is not the topic at all. Actually, the markets are dramatically very big. I mean, it's about textiles. Every textile company requires 3% textile chemicals of their turnovers. So that's the business area. What is important for us is the kind of customers we have. We do not have one segment customers. We have customers for cotton, we have a polyester, we have for towels, for nylon, for bed sheets, for the continuous machines, for exhaust machines. This is more important for acrylics. So, what happens in this business, a lot of me too businesses are there. It's not like one, you make a paracetamol and everyone can take the same product, whether it's a cotton or polyester or acrylic or not. It doesn't work like that. There is a totally, technically, we have to be sure of the customized solutions which have to be given, which is working only for that customer. So, there is a lot of SKUs we have. We have more than 1,400 SKUs, by the way.

So, we are positioned and that's the reason we have this kind of EBITDA. So, we have become, I would not say irreplaceable, but it's very difficult for any company to replace and that's the reason there's a very high entry exit barrier. So, the risk of changing a chemical is very high for the consumers. So that's the places where we are right now and we are, this has been built over the period of years.

We are working with, I mean, you can name India's top corporate customers and we are working with almost all, but that's because of the trust they have and that helps us to grow the businesses rapidly. And we are going for wallet share increase also from them, which is easily helping us to, we can always double X our business in the coming years, even if we focus on the same customers where we are working right now. I would like to give you, the overview of our business model in that direction, rather than just jumping on numerical answers for you.

Sriram R: Thank you for a very elaborate answer. Thank you so much.

Sanjay Tibrewala: Thank you.

Moderator: Thank you. Ladies and gentlemen, we will take this as the last question for the day. I now hand the conference over to Mr. Sanjay Tibrewala for the closing comments.

Sanjay Tibrewala: Thank you participants. Wishing you all a very happy Diwali, happy and safe Diwali. Please, we are very accessible. Our team is always looking forward to answer any of your queries. Due to time constraints and things, we were not able to continue this session further. Please write to us for any question query will be happy to share as much as information we can do. Thank you so much once again. Over to you, Yusuf.

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

Sanjay Tibrewala: Thank you.

For further information, please contact:

Anvita Raghuram / Rohit Valecha
Churchgate Partners
fcl@churchgatepartners.com
+91 22 6169 5988

Note: This transcript has been edited to improve readability

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