LAXMI ORGANIC INDUSTRIES LTD
Chandermukhi, Third Floor, Nariman Point, Mumbai 400021, India
T +91 22 49104444 **E** info@laxmi.com **W** www.laxmi.com

February 01, 2024

BSE Limited
Corporate Relationship Department,
1st Floor, New Trading Ring,
Rotunda Building, P. J. Towers,
Dalal Street, Fort,
Mumbai – 400 001
Scrip Code: 543277

National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra (E),
Mumbai – 400 051
Trading Symbol: LXCHEM

Dear Sir / Madam,

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

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

Date and time	Type of Meeting / Event	Location
January 25, 2024, at 15.30 hours onwards	Investor & Analyst Meet to discuss performance for the quarter ended December 31, 2023 hosted by Strategic Growth Advisors	Conference Call through dial-in

No Unpublished Price Sensitive Information was shared / discussed in the meeting with the investors.

Further, please see enclosed the transcript of the Investor Presentation for Q3FY24.

We request you to take the above on record.

For **Laxmi Organic Industries Limited**

ANIKET BAVCHANDBHAI HIRPARA
Digitally signed by ANIKET BAVCHANDBHAI HIRPARA
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Date: 2024.02.01 11:26:40 +05'30'

Aniket Hirpara
Company Secretary and Compliance Officer

Encl.: A/a

“Laxmi Organic Industries Limited

Q3 and 9M FY24 Earnings Conference Call”

January 25, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 25th January 2024 will prevail.

MANAGEMENT: **MR. RAVI GOENKA – CHAIRMAN -- LAXMI ORGANIC INDUSTRIES LIMITED**
DR. RAJAN VENKATESH -- MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER -- LAXMI ORGANIC INDUSTRIES LIMITED
MR. HARSHVARDHAN GOENKA -- EXECUTIVE DIRECTOR, STRATEGY AND BUSINESS DEVELOPMENT -- LAXMI ORGANIC INDUSTRIES LIMITED
MS. TANUSHREE BAGRODIA -- CHIEF FINANCIAL OFFICER -- LAXMI ORGANIC INDUSTRIES LIMITED

MODERATOR: MR. NISHANT DUDHORIA -- STRATEGIC GROWTH ADVISORS

Moderator: Ladies and gentlemen, good day, and welcome to the Laxmi Organic Industries Limited Q3 and 9 Months FY '24 Earnings Conference Call. As a reminder all participants line 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 the operator by pressing star and then zero on your touch tone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nishant Dudhoria from Strategic Growth Advisors. Thank you, and over to you, sir.

Nishant Dudhoria: Thank you, Manuja. Good afternoon, everyone, and thank you for joining us on the Q3 and 9-month FY '24 Earnings Conference Call for Laxmi Organic Industries Limited. We have with us on the call Mr. Ravi Goenka, Chairman; Dr. Rajan Venkatesh, MD, and CEO, Mr. Harshvardhan Goenka, Executive Director, Strategy and Business Development; Ms. Tanushree Bagrodia, CFO. The company has uploaded its financial results and investor presentation on company's website and stock exchanges. I hope everybody had an opportunity to go through the same.

We will begin the call with opening commentary by the management followed by the Q&A session. Before we begin, I'd like to point out that this conference call may contain forward-looking statements about the company, which are based on the belief, opinions, and expectations of the company as on the date of this call. These statements do not guarantee the future performance of the company, and it may involve risks and uncertainties that are difficult to predict.

I would now like to invite Dr. Rajan, MD and CEO for Laxmi Organic Industries Limited, to give his opening remarks. Thank you, and over to you, Dr. Rajan.

Rajan Venkatesh: Thank you. Namaskaram. And I think after the auspicious prana pratishtan that recently took place, Jai Shri Ram is in place. Today, what we would like to take you through, as always, is give you a view of how we have performed, take you through first on the macro environment that we are operating in as a chemical industry, then we will provide you a certain level of granularity of how our customer segments are evolving in their demand patterns.

We will also take the opportunity to provide you how our key raw materials have evolved in quarter 3, and how is this potentially looking into quarter 4. The red sea crisis, which is the last thing we needed at this point of time, but certainly comes from a logistic lens on top. We'll give you a flavour of how do we see the competitive landscape, provide you on update on the projects and then Tanushree will take you through with our numbers.

So let me start with the macro. And I think all of us who have not yet attended Davos had the opportunity via YouTube to get all the deep dive of Davos and all the discussions that happened there. So for us, it was a very nice cost effective and prudent way to get a deep presence in Davos by not physically being there.

The key takeaway is what you sense from a lot of the conversations there and also in a lot of the reports that you see on the economic backdrop is the global economy is still very tentative, is expected to be slowing in some senses, depending on the narrative that you hear.

Certainly, it is still below the pre-pandemic growth levels that we have seen in the past and certainly, there are also certain curve balls or positive momentum that could swing it either way, elections in various economies, including ours, is going to be an important element. Obviously, the U.S. elections as will have it say the physical monetary policy, whether the easing happens and what implications that would have a certain impact.

So it will be fair to say at this point of time, there is the economic outlook looks a bit more murky. But that being said, let me end on a positive there in India, as the country tops the growth charts and that is also anticipated to progress also into 2024. So with that certainly we continue to be a shining light in what appears to be a very murky environment.

Now that being said, if you reflect that obviously into the chemical sector which has obviously large implication of how the buying and macro happens, not surprisingly, the chemical demand was in the course of 2023, very muted. But what we are also certainly seeing is there is a certain stabilization that has happened, especially in the last quarter, but the weaker demand continues. So that's what I would talk with you when you talk about the chemical space at a global level.

We certainly see big markets in the chemicals places like China continuing to be very, very weak. There is quite some upstream cracker capacity in China, off-line or at running at a very reduced rate. Parts of Europe are also continuing to be weakish when it comes down to the demand pattern. So those are, I would say, the macro environment that we're contending with as we are operating in Q3 and also as we move into quarter 4 of 2024 and the full year of 2024.

Then coming very specifically to certain of the key segments where Laxmi serves our dear customers. Let me start with the first, which is CASE, which is the coating, adhesives, sealants, and elastomer segment. Towards the end of last year, last financialyear, we saw quite of the innovator companies where we provide our solutions sort of tapering down with their inventory. So there was a slower pickup.

But as this year has started, which is the new financial year for many of the foreign or innovator companies outside of India, we are seeing a certain demand pickup coming in that lens.

When it comes down to the packaging segment, specifically keeping the domestic lens and we are seeing this also in the results of a lot of FMCG companies. And our customers who tend to serve the FMCG companies, certainly are reflecting that the post festive season lull and rural consumption is on weaker side. So that's going to be certainly a watch out for us as we enter our quarter 4.

When we talk about pharma, the sense we get in discussion with our customers is exports continue to be weaker, but domestic focus driven demand continues to be still reasonably strong, relatively spoken. When we talk about the agchem space, the overall conversation of inventorying the pipeline is ebbing away now, but that seems to be something, I would say, is not as prominent in conversations with customers, but it is going to be -- it's more the topic of demand pickup and more competition that certain of the customers and especially certain of the innovators continue to see a cheaper substitutes from their competition. That's primarily from Asia.

So that gives you, I hope, a good bit of a sense about the key industries. We certainly as Laxmi are serving more industries, but we felt these were some things that this would be food for thought for the audience in the call. When it comes down to raw materials, I'll state to 2 raw materials, 1 is acetic acid and then ethanol.

These are the key building blocks for us. The last time we had the opportunity to have this conversation was October, and we were sharing with you in September, we had seen an unusual spike in the acetic acid prices which went upwards of $600 per metric ton. We had also at that point of time shared with you that we felt it is not sustainable because that spike was really driven by an unprecedented and unplanned shutdown in capacities, was not dependent on demand. And since then, we have certainly seen the prices moderating lower.

So in the whole of quarter 3, our quarter 3, we have seen prices in the range of about $430 to $440 for acetic acid. And as we also move into our quarter 4, we are seeing prices at that range or maybe slightly less by $10 to $20. So I think there seems to be, from today's perspective, enough capacity to serve the demand that is how they're in the market.

The other element is ethanol. And ethanol prices, also what we have seen in quarter 2 were sort of peeking out at $860. Since then, we have also seen the ethanol prices moderating lower. And as we speak and as we see now, ethanol prices are in the range of about $725 in quarter 4, they are looking at about $770 to $740 in range of ethanol prices.

This is also linked with the fact that in U.S.A, the prices have softened as a result of enough inventory, lower corn prices and Brazil, which is another big market where ethanol is produced, we are seeing there is surplus inventory of sugar, so sugarcane has been diverted to ethanol manufacturing, thereby putting pressure on ethanol prices in a downward trend. So those are the 2 big raw materials, which we also felt that we wanted to share the development in quarter 3 and what we see in quarter 4.

The other element that has certainly taken all of us by surprise is not surprisingly the Red Sea crisis that we are all now familiar with. Does it have consequences? Yes, it has consequences. The implication of that is it is taking much longer for the ships. So there are delays if you go via the Cape of Good Hope, this is delaying the entire transit time in the range of about 4 to 5 weeks.

We have also seen prices increasing in the range of 2 to 3x times than where they were. they had actually subsided to pre-COVID levels. In fact, the prices before the Red Sea crisis, now we are seeing them spike. So obviously, the element of vessel availability, space constraints, container shortages are all being prevalent and being experienced. Recently, there were also reports that a lot of the European producers could depend on imports from Asia feeling the pinch even more. So I think there are also conversations that's happening with customers to secure, again, talking from a supplier liability flexibility.

When it comes down to the element of competitors, talking about the local competition, again, it depends on product to product. We are seeing that and you will see that in our business performance, certainly, we are able to hold our own. And we are seeing -- we are being resilient by being very, I would say, on one side, being -- defending our share, on the other side being aggressive and going hunting more and expanding our customer base.

So that's keeping us in good stead. The Chinese competitors and the capacity I started this conversation with, certainly, there seems to be overcapacity in China, certain of this is moderated, especially in certain of the exports market, we continue to see a lot more competition from China with very, very aggressive pricing. So that gives you a sense on competition.

Then let me just come closer to home, talking a bit about how we have talked on a qualitative basis on our performance. So as I said, the operating backdrop for the chemical industry continues to be challenging. And in this environment, I'm really happy and I'm thankful to the entire Laxmi team that we have really delivered on a stand-alone basis, we have delivered quarter-on-quarter and year-on-year basis profitable growth.

This has been achieved by the levers that are in our control. One, stronger customer engagement; second, a product mix tiering within both the business units; the third one, the manufacturing operational excellence, which we have embarked on even more stronger with data analytics, which has resulted in higher output from an existing asset base and an active working capital management.

When we talk about our projects and we have shared that in the past, so the double clicking on that. The first project, which is I'm assuming top of your mind is our fluorochemical projects in Lote, that, as we speak now, is taking excellent shape and all key units are slated to be operational by end of financial year 2024. This will enhance our asset capability and expand our specialty product offering to our customers. For all projects, not excluding Lote, we remain on track. We have done a focused tiering on cost and timeline adherence is why we are now very confident as we embark on completing projects and starting new projects.

Speaking about our Dahej project, we are working diligently with the relevant authorities to receive the environmental clearances, to start construction post which the project execution is expected to take anywhere between 18 to 20 months for the approximately INR710 crores that we are investing and envisaging in Dahej, our asset turn there is estimated to be 2 to 2.5x. And this we have shared our asset turns in the previous presentations for Essentials vertical and also our Specialty vertical. The capex split in Dahej is 65% is for our Specialty business and 35% is for our Essential business.

Healthy cash flows from operations, and you will hear the numbers from Tanushree, and the recently raised funds from the qualified institutional placement are funding our growth projects.

Our head product portfolio catering to diverse industries across geographies. Ongoing capex to serve our customer needs will all deliver future growth. We are gearing ourselves to drive positive change and create long-term value. We are also building the muscle, the process, people, systems in the organization to deliver on our growth ambitions and commitment as we move ahead.

With that, I will segue into Tanushree we to take us through the financials.

Tanushree Bagrodia: Thank you, Rajan. Good afternoon, ladies, and gentlemen. I'm wishing you all a very abundant 2024. As Rajan mentioned, the market conditions continue to remain challenging in Q3 of FY '24, but at the same time, Laxmi team resilience also continued to remain steadfast. The overall volume dispatched by the company has been the highest. In the third quarter, we saw a 17% increase in the volume dispatched year-on-year for the quarter, a 19% increase for the nine-month period. These additional volumes come without capacity additions in this fiscal.

In addition to the increase in volumes, the Essentials business unit saw new products taking a more prominent presence in the product mix. The Specialties business, product mix remains to be strong and the business continues to grow in line with the strategy. The volume increase has resulted in a top line increase of 8% year-on-year and quarter-on-quarter on a stand-alone basis.

The total income for the stand-alone was at INR698 crores for the quarter and INR2,047 crores for the nine months ending December 31, 2023. The improved product mix gave a boost to profitability with the Q3 EBITDA for the stand-alone business coming at INR70 crores, which is 17% higher than that of the preceding quarter. Year-on-year, the quarterly EBITDA on a stand-alone basis was 6% higher. And on a nine-month basis, it was 7% higher at INR213 crores.

There was no additional capitalization in quarter 3 of FY'24 at the stand-alone level. And hence, the depreciation remains unchanged quarter-on-quarter. The PAT for the quarter stood at INR39 crores, which is almost 70% higher quarter-on-quarter and almost 15% higher year-on-year.

On a nine-month basis, the depreciation has increased INR17 crores, which is on account of the capitalization made in quarter two and quarter three of last fiscal, resulting in the PAT for nine months ending 31st December 2023, coming at INR100 crores, which is just INR9 crores lower than the nine months of the previous period.

At a consolidated level, the overseas subsidiaries also saw an improved performance for the quarter. And this is true both on a Q-on-Q and a nine-month to nine-month basis. This has resulted in the consolidated total income at INR700 crores, which is 6% higher quarter-on-quarter and year-on-year.

On a nine-month basis, the total income of INR2,093 crores is about INR20 crores higher or about 1% higher. While on the revenue side, as Rajan mentioned, that the teams have had a very customer-focused approach, improving the quarterly top line, the cost optimization efforts have yielded profitability benefits. With these efforts continuing, we are confident that the financial performance of the international subsidiaries will be in line with the company's internal estimates.

YFCPL, the 100% subsidiary at Lote, continues to be on track from a cost to complete and internal cost estimates points of view. Given that we are still in the preproduction ramp-up stage, the cost share continues to be borne by LOIL. The consolidated EBITDA for the quarter at INR58 crores is 22% higher quarter-on-quarter and flat year-on-year.

On a nine-month basis, the EBITDA at INR186 crores is INR6 crores lower than the previous nine-month EBITDA. There is no additional capitalization done at any of the subsidiaries. And hence, the depreciation quarter-on-quarter remains unchanged. The PAT in quarter three of FY'24 at INR27 crores is about 2.5x of the PAT of the previous quarter and flat year-on-year. On a nine-month basis, the PAT at INR76 crores is 24% lower than that of the previous period, given the depreciation increased by INR27 crores.

Cash flow from operations remains to be a key metric that we continue to monitor. In the nine months ended 31st December 2023, the cash flow from operations to that INR329 crores, which is 150% of the same period last year. A large part of this increase in the cash flow from operations comes from the continued focus on working capital that Rajan also spoke about. And I can share that both on inventory and debtor days, there has been a significant improvement year-on-year. The balance sheet continues to remain strong with the gearing at 0.13x which is very, very low. And once again, the credit rating of the company has been renewed at AA- with a positive outlook. Our rating agency is India Rating.

And with this, I'll hand the call back to Nishant.

Nishant Dudhoria: We can begin with the question-and-answer, Manuja.

Moderator: Okay. Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: Yes, hi, sir. Thanks for the opportunity and congrats for a decent set of numbers. My first question was on the volume growth side, given that we have found good growth there. Two questions. One, where is this growth largely originating from? Whether it's new products and -- or the older products scaling up? Or is the new customers that we have added in either of Essentials or the Specialty vertical?

Rajan Venkatesh: Thanks for that, Ankur, and thanks for your commendation to the performance the Laxmi team has delivered. So to your question, specifically, it's a combination of both. As Tanushree said, one is taking an internal focus is where we have looked at operational excellence using data analytics. That's where we have got out more volumes coming from the existing asset base.

And the other thing has been really a concerted, given the market backdrop that we are operating in is basically positioning ourselves in the existing customer base and growing certain of our market share there because we are seeing also certain of the competition getting impacted, not having the cost position, and ramping down their capacity and utilization, which is giving us headroom. And there are also new segments that we are entering into.

As we have always shared in our Specialty business, one of the big strengths has been that we have a large exposure, one, into we have even exposure into pharma, into agro, into pigment solutions and industrial solutions. And we consciously capped our market share at only 25%, and we are also well hedged between our domestic and exports. So that also gives us an interesting and good headroom to grow. I hope I've answered your question.

Ankur Periwal: Sure, Rajan. So just taking it on the segment specific. So if I look at the Q-on-Q trend, Essentials have shown a decent growth on a quarter-on-quarter basis, while Specialty is largely flat. Would it be fair to say that large part of this benefit was derived on the Essentials front?

Rajan Venkatesh: On a quarter-on-quarter basis, we are talking from a volume lens?

Ankur Periwal: Yes, volume because realizations, as you said, because of the global competitive intensity, my sense is realizations would have been largely stable.

Tanushree Bagrodia So on a quarter-on-quarter basis, you are right that the volume growth that comes, comes from the Essentials piece. But I think what's important also to note is Ankur that year-on-year, there is also a significant increase in the volumes for the specialty business.

Ankur Periwal: Sure. And just a clarification on the specialty bits because if my memory serves me right, if your exports were slightly weaker given we were focusing more on the domestic market. How has been the trend now? And there were new products that we had launched in specialty, how has been the ramp-up there?

Harshvardhan Goenka: Ankur, Harsh here. So you're right, Ankur, there's a little bit of shifting going on in the specialty between domestic and export, but nothing significant. We have seen this quarter that more or less, we are back to where we were in the specialty export of where we were last year. And the new products continue to be resilient because they're largely contractually backed.

Ankur Periwal: And this contractual is on an annual basis or there could be some shifting possible there as well?

Rajan Venkatesh: It's on an annual basis you may see something in some quarters, but we are always having that flexibility with the large product basket that we have in the specialties.

Ankur Periwal: Fair enough. And just a last bit on the fluorination side, you know, we had mentioned earlier that while we are still, guiding that the full capacity will be operational by the end of this financial year. From a product feedback perspective, pilot perspective, anything that you can share on those sides?

Harshvardhan Goenka: Yes, sure. Again, we released it in our presentation that we've again had a successful launch of another product group that had not started last quarter. So this quarter, we successfully produced that, achieving better quality and norms than Miteni-- and we're very happy that the teams have strived to achieve that. The products has gone for qualification. We are waiting some answers from our customers.

Rajan Venkatesh: Ankur, it will be fair to say what we have, we stay to the commitment. One is what Tanushree said, we shared very publicly that the cost to complete had escalated. We stay with the Rs. 550 Cr number and we are bringing this on board.

We are also saying that the first year of revenue from this site will be derived in financial year '25 we stay with that commitment. And we also stay with the commitment we have given that this would take a certain ramp up as is normally the case for most plans over a three-year period. So those are all the things we are double clicking on.

Ankur Periwal: Sure, Rajan. So my question was more on the incremental. I take your point in terms of the capex investments and the ramp-up. But in terms of number of products and, let's say, from a quarterly run rate perspective, maybe the revenues from Lote should start coming in H2 of the financial year '25 or we should start being in Q1, Q2 itself?

Rajan Venkatesh: It a fair analysis to say we have always been also very transparent in saying once we sample customers, it will take a minimum of 6 months for them to qualify. So H2 of financial year '25 is where we'll see revenue being contributed from Lote. That would be a fair understand.

Moderator: Thank you. The next question is from the line of Dhavan Shah from Alfaccurate Advisors. Please go ahead.

Dhavan Shah: So my question is on the volume side, you mentioned that because of the one of the factors is data analytics, which led to improve the volume growth for this quarter. So can you share some more light on this, what kind of data analytics you have done? And I mean, is that sustainable?

Rajan Venkatesh: So Dhavan, maybe I take it and then the entire DG, Centre of Excellence is nestled under Harsh. So he will give more color to it. So data analytics, basically, we have we all our plans, we have DCS integration, it is really leveraging looking at historical data coming and then looking at tweaks. And you know, what is the sweet spot? How should we operate our assets? What should be run rate?

What are feed ratios? What is temperature? You know, what could be the best-in-class technology? So I think it's not one element. It is really looking at history trying to as I said, when we also embarked on our strategy, which we presented about two quarters ago, we also did top class benchmark analysis. And we found as Laxmi we are in the top quartile of producers when it comes down to essentials and specialties.

So it was building on all of that learning and certainly to the question of is it sustainable? Certainly, it is very sustainable with that. I will also pass it to Harsh to bring in his perspective.

Harshvardhan Goenka: Yes. So Dhavan, I think the basic innate philosophy, how can you juice your assets more? That's what we're trying to do. And some of that has come out last quarter in a difficult environment. And I believe that will be sustainable.

Dhavan Shah: And what is the capacity utilization right now? And how much of the volume growth can you attribute because of these analytics out of the 17-odd percent?

Rajan Venkatesh: So we'll keep that little confidential Dhavan. But essentially, we are operating at good level of capacity utilization like we always have been. We have not turned down the plants, despite having difficult demand. And we'll continue to be at this rate.

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

Rohit Nagraj: Yes, thanks for the opportunity. Congrats on good set of numbers. My first question is regarding the export's breakup. So on slide 19, we have given last year 9 months, we had a significant exposure to Europe with 56%, and this time around, partially that has been taken care by higher exports to Asia Pacific, if you can just give us a little more understanding in terms of which segments we have supplied to in Asia Pacific? Which are the geographies that we have penetrated? And any other reason for the shift which has happened during the last 1 year? Thank you.

Rajan Venkatesh: Thanks for that question. So as we've also been sharing very transparently that our Europe part of the business for our essentials, which encompasses a large chunk from just purely a volume perspective, is the one where we have consciously taken a bit of a backseat because of the demand decline that we observed in Europe. And also the price arbitrage, where even the local competition, given that the pie had shrunk, were a little more aggressive to take market share and some of the Chinese were also going into predatory pricing.

So that's where we have seen a dip primarily on our essentials part of the portfolio. And very specifically, ethyl acetate, you want to be very specific about that. And then therein, we have also seen our domestic demand.

And also across Asia, when we talk about Asia, for us, we have also certain elements in Middle East, Africa, we have seen certain opportunities there, where we have been present in the past, where we can slightly augment. But we are also seeing in the domestic space, that we have been able to garner market share because some of the marginal producers with the swings that have happened in the feedstocks, they are no longer producing and that's where opportunities came in.

Rohit Nagraj: Right. Just one clarification. So you categorically mentioned Chinese competition as far as Europe is concerned. In these other geographies, did we not face any Chinese competition? And would it be safe to assume that incrementally, also the pie would be shifting to what has happened in nine months FY24?

Rajan Venkatesh: Can you just clarify what do you mean the pie would shift in the sense?

Rohit Nagraj: So the concentration, which was there in Europe, which was more than 50% and now it has come to say, 30% would probably remain at similar levels of, say, 30%, 35% or so.

Rajan Venkatesh: I think it is going to be evolving because when you look at our Essentials portfolio, there is a large bearing on feedstocks, right? And now we already see, for example, in the end of quarter three and also slightly into quarter four, we are seeing opportunities opening up where end-to-end, there is still value creation that we can do. But we will take its case by case. So I would, at this point of time, not simply swat it away saying that the pie would shrink or it would remain.

The Essentials portfolio, what we do from an export lens primarily into Europe, are going to be -- we have some regular customers, and we have other certain opportunistic customers. So we will view it from that lens for our specialty part of the portfolio, that will be even more solid because that is really solution offerings that we are providing.

Rohit Nagraj: Sure. That was clear. The second question, again harping on the data analytics and its result and increase in output. So is it safe to assume, say, last year, the capacity was 100 and now the capacity has become 117. And whether increment -- is there any incremental upside from this 117 to maybe 120, 125 given that we are probably still in the process of implementing those solutions. Thank you.

Rajan Venkatesh: So first of all, I think just let's give some colour. So we should not look at 100 and 117. We have multiple reactors when we start from the Essential's part. And each reactor has a certain output that we've been able to design, there are continuous operations. So net-net, what we are seeing is we are with the data analytics and what we are able to gleam out, we are able to have improved utilization without a dollar of capex being spent.

But as is the nature of the deals that some point of time, we would hit the ceiling right until and unless, you augment that capability by putting another capex. So at this point of time, I think we are in a good space, and we are really as to paraphrase, Harsh's word, we're juicing it out. And I think that's really what we will continue to see and where is the sweet spot that we are able to get across this range of assets.

Rohit Nagraj: Right. And just one clarification on this. Is there any further possibility of debottlenecking at these existing assets?

Rajan Venkatesh: So what we have always said in our Mahad setup, both at Unit 1, 4 plus Unit 2, the land bank, we are basically blanked out we have fully utilized assets, as you heard from Harsh, we are also reasonably very well utilized across these assets despite the macro-operating environment. So at this point of time, really, to have large capex, I think there is no possibility, and hence, for us, it's really looking at smarter option at the existing sites, portfolio mixes and others.

And especially when you talk about the specialty in the multipurpose reactors that we have. And then really the big hurray for us is the Dahej project, which comes in with a large land bank, as we have explained in the past, of 85 acres. Our first wave of capex will only cover 20% of the land bank. And then obviously, fluoro-chemical projects at Lote provides even a 50% additional land bank for other ideas to be installed.

Rohit Nagraj: Sure. Fair enough. Thanks for answering all the questions. And best of luck sir.

Rohit Nagraj: Thank you.

Moderator: Thank you, very much. The next question is from the line of Arjun Khanna from Kotak Mahindra Asset Management. Please go ahead.

Arjun Khanna: Thank you sir for taking the questions. First question is, in the opening remarks, you did talk about the impact of the Red Sea situation. I just want to understand what kind of impact would it be? Is it (a) availability of raw material, that's an issue? Secondly, in terms of ability to export or freight cost itself have moved up to a large proportion. What impact do we see from the same in the fourth quarter at this point in time?

Rajan Venkatesh: Arjun I was waiting for somebody to ask that question. So I'm glad you asked it. So when I was giving you this information, I was sharing this at a more macro level. So the elements of cost increasing 2X to 3X. This is experienced by most market players. Vessel availability is more relevant now because it takes some time before it starts hitting you and the space constraint.

Now specifically speaking about Laxmi, the way we are positioned, especially for our export business of finished goods, the entire Essentials portfolio we have freely negotiated. So this is something we are already able to capture in the pricing and account for. And Specialty is also, obviously, from the learning's from the COVID period when we had these escalations, these are also hardwired into contracts and formulas.

So that flexibility. So at this point of time, as we look into quarter four where certain of these impacts will come, we are well positioned to navigate through them. And we are also certainly taking more pre-emptive measures when it comes to raw material to secure our supply chains internally.

Arjun Khanna: Sure. That's good to hear. Sir, the second question is in terms of our cash flow. So we've talked about cash flow from operations of almost INR330 crores in nine months and our EBITDA is substantially lower. So effectively, it means that our working capital cycles have improved. So could you help us which part of it? Is it payables, which have increased to historical levels? Is that the right way to understand this?

Tanushree Bagrodia: So Arjun, as I had also mentioned, both on the debtor days and the inventory days there has been a substantial improvement. So from last year to this year, our inventory days have reduced by more than 10%, right. And our debtor days itself has also reduced by about 12% to 13%. So that's the one large delta. On the creditor days, yes, there has been an improvement because we've been importing a lot more. So yes, the creditor days have increased versus last year but that delta is lower than the delta on these two.

Arjun Khanna: Sure. Fair. That helps. If we look at it more sustainably in FY20 and, say, FY21, we used to run at less than 30 days working capital. Is that the right direction where we are headed? Or is it more in terms of closer to the two months period in terms of the working capital days?

Tanushree Bagrodia: So I think the roughly 30 days net working capital is fairly okay from an operating standpoint. I think higher days comes in, in blips. But on a sustainable basis, operating working capital at 30 days is okay.

Arjun Khanna: Sure. That helps. My final question, sir, is on the R&D for a fluorine chemistry. We had stated once the plant started, we would look at facility, both in India and in Italy. Could you help us with the thought process on that? And what's the progress in setting up these labs? Thank you.

Harshvardhan Goenka: Hi, Arjun, Harsh here. So Arjun, when we move - when we initially conceptualize the Miteni project, we had planned to continue on with the labs at Italy. However, with the entire COVID scenario, we had to change plans and were forced to set up a pilot plant in India to fast track a learning process, which then led to us establishing and starting research even before the plant had moved.

So while our Italian colleagues landed up not coming to India, a lot of the transfer of technology and new product research had already have started in India. So we've had a lab now that's fully operational in India. We are expanding on that lab, which will start up in the first quarter of next year in Mumbai. And the piloting facilities have already delivered and we have dispatched new products to innovate the customers for launches in the future.

Arjun Khanna: Sure. So just to understand then, so we wouldn't be having a lab in Italy at this point in time, and the erstwhile Miteni personnel who we had stated would work with us as consultants, they would be working remotely. Is that the right way of understanding this?

Harshvardhan Goenka: Yes, that's correct.

Arjun Khanna: Sure. Thank you and wishing you all the best.

Harshvardhan Goenka: Thank you, Arjun.

Moderator: Thank you very much. The next question is from the line of Raaj from Arjav Partners. Please go ahead.

Raaj: I wanted to know your outlook for FY'25?

Rajan Venkatesh: I'm looking at my CFO, as a public listed company, whether we can give an outlook for FY'25?

Raaj: No, you can always give us qualitative outlook of the same?

Tanushree Bagrodia: Quantitatively, we don't give a...

Raaj: Qualitatively. Qualitative outlook, ma'am?

Tanushree Bagrodia: Qualitative, I think if you look at our trajectory for FY'24, right, if you just look at the nine months to nine months, I think it is fair to say that on a volume perspective, we have grown, we have also diversified the product mix, we've also gone ahead and had a better customer approach strategy. And I think those are the elements that we will focus on in FY'25, the other key elements to look at from a business perspective would be our Lote plant coming on stream and revenue starting to come in the second half.

And of course, then this year also, the other thing qualitatively, which is important for the company is to start the construction at Dahej because then that is where with the changes to the financials are also coming from. I will then let Rajan add.

Rajan Venkatesh: So Raaj, I -- in my opening statement, I gave you what is the macro environment and what implications it has for the chemical industry. So from today's perspective, as we look into 2024 as a calendar year, I think it still remains challenging. That would be fair to say. While the demand has stabilized, that's the important part of the puzzle, but we are still to see the demand pick up happening. And we will continue to steer our businesses across as we have exactly Tanushree just alluded to and as we shared in our performance for quarter three.

Raaj: Understood. Okay. Thank you.

Rajan Venkatesh: Thank you, Raaj.

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

Rajan Venkatesh: So thank you for all the questions. And I think let me conclude by firstly again thanking the whole Laxmi team. Some of them who are on the call, it's very pleasure and pride to lead this team and especially what makes it fun is in a tougher environment. When things are easy, then you can always play. It's when things are tough, that the true mettle of the team has seen.

So again, a big thank you from my side and the whole management team to the Laxmi colleagues. And let me conclude by also saying our hedge product portfolio catering to diverse industries across geographies, ongoing capex to serve our customer needs will all deliver future growth. And we are gearing ourselves by building the muscle to drive this positive change and create long-term value for all stakeholders. With that, thank you, and have a wonderful year ahead.

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