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

August 02, 2023

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
July 31, 2023, at 16.00 hours onwards	Investor & Analyst Meet to discuss performance for the quarter ended June 30, 2023 hosted by Go India 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No Unpublished Price Sensitive Information was shared / discussed in the meeting with the investors.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 Q1 FY24.

We request you to take the above on record.

For **Laxmi Organic Industries Limited**

ANIKET
BAVCHANDB
HAI HIRPARA

Digitally signed by ANIKET BAVCHANDBHAI HIRPARA
DN: c=IN, o=PERSONAL,
pseudonym=ce5f9dfa97d34eb49e5fb559158177c2,
2.5.4.20=fed9fc9175122e179cf3cf10ac37b357f4a487a5
9a48cb24f4da181f93558c40, postalCode=401202,
st=MAHARASHTRA,
serialNumber=578ad360ba01564218b7b5de223e94a9
3f822395c169b34d73d690d70b78a1fa, cn=ANIKET
BAVCHANDBHAI HIRPARA
Date: 2023.08.02 18:11:52 +05'30'

Aniket Hirpara
Company Secretary and Compliance Officer

Encl.: A/a

"Laxmi Organic Industries Limited
Q1 FY '24 Earnings Conference Call"
July 31, 2023

Go India Advisors

Unbiased and Balanced

CHORUS CALL

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 – LAXMI ORGANIC INDUSTRIES LIMITED
	MS. TANUSHREE BAGRODIA – CHIEF FINANCIAL OFFICER – LAXMI ORGANIC INDUSTRIES LIMITED
MODERATOR:	**MS. KRUTI PATEL – GO INDIA ADVISORS**

Moderator: Ladies and gentlemen, good day, and welcome to Laxmi Organic Industries Q1 FY '24 Conference Call, hosted by Go India Advisors. 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. Kruti Patel from Go India Advisors.

Kruti Patel: Thank you, Zico. Good evening, everyone, and welcome to the quarter 1 FY '24 earnings call of Laxmi Organic Industries Limited.

We have on the call, Mr. Ravi Goenka, Chairman; Dr. Rajan Venkatesh, MD and CEO; Mr. Harshvardhan Goenka, Executive Director; and Ms. Tanushree Bagrodia, Chief Financial Officer. We must remind you that the discussion on today's call may include certain forward-looking statements and must be, therefore, viewed in conjunction with the risks that the company faces.

May I now request Mr. Ravi Goenka to start the call, subsequent to which we will open the floor for Q&A.

Ravi Goenka: Thanks very much, Kruti, and a very warm welcome to all of you, our dear investors, esteemed colleagues and partners. I essentially appreciate your time, interest and unwavering trust in our journey. We recently welcomed Dr. Rajan Venkatesh as our new Managing Director and CEO. Dr. Rajan comes with nearly two decades of global experience, having led BASF across functions with the last few years leading $1 billion business. I am excited, truly excited to take -- to see him take our company towards the next phase of our growth.

It's no secret today that globally we find ourselves in challenging times. Post-COVID, the world has moved from a just-in-case to a just-in-time buying pattern. Therefore, destocking of supply chains are impacting the chemical industry tremendously. To top that, the recession in Europe isn't helping. But India remains extremely well-positioned. And I am certain that it will grow exponentially this decade.

It seems to be the only silver lining in an otherwise cloudy atmosphere globally. While our company is fully prepared to face the current headwinds, we have many growth enablers that will propel us forward. And I'm excited to see our company pivot to our new trajectory under the able leadership of Rajan. Over to you, Rajan.

Rajan Venkatesh: Thank you, Ravi, and Namaskaram from my side. This has been a greeting I've been wanting to use for many years. I'm glad I'm back home and using that.

So today, what I would like to take you through is, I would say, two distinct pillars. One is after 4 months in Laxmi, my reflections of what has made Laxmi successful. And second is, we have also laid out our ambition on our way forward. So those would be the two key buckets.

So let me start by my reflection of what I believe has made Laxmi successful in the past. First, when I engaged with the team, when I engaged with our customers, when I engaged with our Board members and when I engaged with our stakeholders, the one thing that stands out is, Laxmi as a team is exceedingly agile, there is a strong willingness to learn and there is a strong eagerness to win. The other element is our customer base. And our customer base is exceedingly diversified. And a lot of our actions are customer-led, a lot of the investments have been customer-focused.

So here, I'm also wanting to, in the next step, take you through the presentation that we uploaded. And so that's what my first, who we are, a reflection. What we have also done with the team is really look across our performance, and for those who are following, this is slide number four, over the business cycle. And we have used the acetic acid price as a reference over from financial '08 to the current point in time.

Few key reflections here. Laxmi has always been prudent in the capex and investments and acquisitions because we have landed doing that always in the down cycle, be it the acquisitions of the Clariant business, be it the Diketene capacity expansions which we did, be it the YCPL acquisitions to augment our ETAC capacity or even the acquisition of Miteni from Italy, which today forms the bulk of our Fluorine Intermediates. Even our IPO which happened, actually happened in a down cycle. So that's a very, very important reflection.

Second one is, if you really see through the cycle, so we have split it into three between financial year '11 to '16, '16 to '21 and '21 to '23 are very distinct business cycles, again, links to the acetic acid price. And we have also indicated some macro events like the financial crisis, oil crash, COVID impact, economic slowdown, what Ravi alluded to currently. In all of this, what stands out for me is our return on capital employed. It's on an average is about 20%. In the financial year '16 to '21, it's about 22%, that was our highest.

And in the financial year, '21 to '23, it's about 18%. But my one disclaimer there is the fact that this includes our capex for the future. It includes the capex we have done for Lote, it includes the Dahej land acquisitions that we made. Including that, if you take that into perspective, that's about 200 basis points. So you would be looking at ROCE about 20% if you were to take that out, but we thought in sake of transparency, we make it very, very transparent.

The other one is we have consistently deleveraged our balance sheet, looking from an average debt to equity of 1.06 where we stand today is 0.12%. And I think all of this are testimony to the performance of Laxmi and will also set the basis of how we will steer moving ahead.

Then moving on to slide five is why I believe we are geared to win. On the left-hand side, we have attributed our, I would say, key DNA topics. Our global leadership in a range of products; the cost leadership across technologies that we are engaging in; the large scale, flexible and safe operations that we have managed; the multiple sites for expansion and business continuity, and I will reflect on this in the course of the presentation focusing on Lote and Dahej; our well-diversified customer industry, which I alluded to; solid balance sheet, low leverage and strong cash flow from existing businesses, which have been referred to in the previous calls; an experienced leadership team and an independent eminent Board and trusted partners to our customers. So those, I would say, I hope are music to everybody's ears and certainly to my ears as I come into Laxmi.

Our ambition is 4-fold. One is to continue to be in the top 5 in the segments globally. Let me give some colour to it. In the Ketene/Diketene space, we are today top 5. With our investment road map, we will be top 3. In our acetyls business, and specifically, if you talk about the ethyl acetate, we are outside of the top 5. Today, as we speak, we are very, very strong outside. If you carve out China, we are again very, very strong. As a supplier to the market, our aspiration is to be global top 5.

If we then -- the other second topic is continue to have leading cost positions. That is our right to win for any business. And that has been our right to win in the past, will continue to be the right to win in the future. The third element is to balance our export and domestic sales and find the healthy balance there. In the past, we have had exports in the range of 30% to 40%. With the global supply chains all looking into India, I think we have a great opportunity to leverage also on the export story. And last but not the least, is the continued trusted partner of choice for our customers.

What -- in part of our ambition, what we are also leveraging is what we've always oft heard is the shifting of the supply chain. I'm coming with this experience, as Ravi said, of leading business across Asia Pacific, including China. I've had the opportunity to lead global businesses. And post-COVID, certainly, the narrative and the actions that we see from stakeholders and customers is very, very strong. They are looking at business continuity as a top priority and wanting to set-up a more diversified global footprint.

And here, India, I remain convinced, has a unique position to play. And Laxmi therein also has a unique position to play. We also see a growing end product markets for the industries that we serve, both in India and outside. So that's our ambition, 4-fold and leveraging on both the macro and the micro trends.

Now what we have also approached is really looking at our business. What we have really strengthened our portfolio when you think about it from chemistries, looking at our production capabilities, then going into platforms and then customers. And that we have done because at Laxmi, we have always bought in technology, be it the Diketene/Ketene, which I alluded to or the Miteni's fluorine chemistry. That has been our strength. So over the path that has been our proven success and that has broadened our platform to leverage both on assets and capabilities.

Now what we did is we basically also took an outside-in approach. When we spoke to our customers, what we realized is in the AI, acetyl space, what customers are seeking for most is price -- competitive pricing. And what they are seeking for is that the product is delivered in spec, in time and with good quality. While in our Specialty Intermediates and also Fluorine Intermediates business, the need and ask from our customers are more on the innovation side and needless to say also priority, quality and in-time. Pricing, while important, is not the most important decision point.

So when -- by looking at that, we have also now decided to pivot, build on our strengths, and given our breadth in portfolio and land, we want to really start even more from the customer interface, bring in the request, look at our platforms, then build up the capability and then bring in the product and serve our customers. So that's a very distinct approach we have taken, a proven success and pivoting from that building on the customer interface.

What we have done now -- on slide number seven if you are keeping track, what we have also done is really looked at customer interaction models. And there are about 6 distinct customer interaction models that are, I would say, oft discussed in this space, on one end of the spectrum is a very, very commoditized trader transactional. And on the other end of the spectrum is something called value chain integrator where customers come to you and we jointly put the acids and make music and money together.

And when we really map this out across our offerings of Acetyl Intermediates, Specialty and Fluorine, what really stands out is the following. The Acetyl Intermediates is in the lean and reliable basic supplier space. While our Specialty and Fluorine Intermediates are in the space of standard package, product process innovator, customized solution provider and we are seeing more and more and ask for value chain integrator.

So what we have done is really moved forward with 2 distinct business units. The first one we call Essentials. This encompasses our Acetyl Intermediates. And we have also included the Anhydrides business, which was part of our erstwhile SI portfolio. In this, this is a lean and reliable supplier, customer interaction model, a very large global addressable market in excess of $12 billion and the assets to win here are economy of scale and cost leadership.

On the Specialty space, we have decided to steer both and merge the Fluorine and Specialty Intermediates under one bucket. This is because we want to leverage scale. And we want to leverage, I would say, the interfacing with our customers. So let me give you a very tangible example. When we speak to our customers in the pharma domain or agro domain, they are already buying Diketene-based chemistries from us, they will buy fluorine-based chemistries.

They are also buying the acetyl-based chemistries from us. So we are having distinct conversation with the same customers. So in the Specialty space, we decided to steer this under one bucket. This will provide us world class technology platforms, a large addressable market in excess of $3.5 billion. And clearly, innovation continues to be a lever for profitable growth.

Looking at slide number eight, again, this summarizes, A, again, the Essentials and Specialties on the technology platform. In the Essentials, we have the Esterification and acetylation. And on the Specialties, we have the Ketene/Diketene, fluorination and we have put new platforms because we are seeing exceedingly good interest from multiple customers to come in, and I'll share an example thereafter in the presentation, to really augment and really partner with us with new technologies and platforms. And this will be all in the Specialty space.

In the bottom part is -- the first thing is steering on Essentials and Specialties. And needless to say, I'm assuming the question in your mind is what does that mean in our targeted financial KPIs? And in our KPIs, we are again, very, very clear in the ambition. For the Essential space, our asset turns should be in the range of 3% to 5%, EBITDA margins in the 8% to 12% levels. And for the Specialties, the asset turns in the 1 to 2 range and EBITDA margins in the 20% to 25% range. And which then provides a combined ROCE at a Laxmi Enterprise level of 20%. So we see the music in both these verticals, Essentials and Specialties, enabling us as Laxmi to continue to deliver 20% ROCE, as we have done in the past, also in the future.

Ravi alluded to growth enablers, and I will speak about 3 distinct growth enablers. The first one is the growth enablation of innovation. As a chemist by myself, obviously, I have a slide bias towards this, but I believe a positive bias. What we see here at Laxmi is, we have invested upwards of 2% of our Specialty revenues on innovation. And as our revenues in Specialties will continue to increase, we are committed to invest 2% of that in innovation and R&D.

What we are also will continue to strive towards is achieve 20% of our revenues from new products in Specialties that have been launched in the last 5 years. Today, as we speak, in our Specialty Intermediates portfolio, 25% of our revenue is coming from products that have been launched in the last 5 years. In our innovation pipeline, we have 11 products that are in pilot and capex approval stage. The Miteni infrastructure and pilot assets is a huge plus for us and we will leverage that. And I'm exceedingly proud to announce that the new innovation campus, which will start up in Mahape will be up and running by March of 2024.

The second growth enabler is our manufacturing sites. As I would say, for the software, this is our hardware. The hardware here, as you all know, we have Mahad, 2 sites. A land parcel of 45 acres, land occupancy of 90%, product mix, Essentials and Specialties is 60-40. Lote, our, I would say, a baby that is growing up with some growing up pains, but land parcel of 30 acres.

And as we complete our Phase 1 capex for Lote, the land occupancy will be 50% and a mix of primarily Specialties. And Dahej, which is a baby, which has just born and we are looking forward to build this up strong, a land parcel of 86 acres. And you will see our plans for Dahej with a product mix of Specialty to Essential 65% to 35%. If I reflect, both Dahej and Lote's, will be scalable brownfield sites which will enable us growth in the future.

The third enabler is the element of our networks and alliances. And what do I imply by that? We have an exceedingly -- we are blessed, as Ravi always says, to have an exceedingly great Board of Directors. And I'm not reading all the names here. These people come who the who's who in both in the chemical space, come with deep innovation experience. Mr. Manish Chokhani is a very well-known figure in the circles; Mr. Bundellu, Sangeeta. So this is a network we have at the Board level. And needless to say, my management team is also coming with a very, very strong mix of experience and execution.

I want to also place something here which I heard last time, and I want to share this very transparently. The average tenure in my management team as we execute on these plans is 5 years minimum. We have our heads of manufacturing, our heads of R&D, who have been upward of 5 years. We have the business heads who are in the range of 5 years. In fact, Tanushree and me in some ways are new kids on the block to Laxmi.

I also believe -- so those are the 3 enablers. I also believe for any organization to achieve, ambition is the value system. And in Laxmi, we have 4 distinct values we will leverage on; integrity, innovation, customer centricity and sustainability. I think I have given a little more colour on those and we'll not go through that in detail, but these will be the things we will live on to achieve and deliver on our ambition.

Now on slide number 13, which is talking about the business update for the site at Lote. The cost to complete, as it stands, is INR550 crores. And this, we have got full clarity because we have opened up all the containers, we have done the health check-up of all the equipment that has reached our stores and there is nothing there in Italy at this point of time. So INR550 crores is the hardwired number that we know we will commit and that will give us all elements of EHS that we can run this site in the future and also provide the right platform.

The project has had delays, has had cost over-runs. There are various reasons; the COVID restrictions, the freight cost, but we now remain exceedingly confident in what we are establishing in Lote. We are, in fact, on the infrastructure and utilities also geared up for future expansion. And as I said, 50% of the land is available for expansion. Timelines, financial year, this year is complete commissioning and sampling. Financial year '25 is ramp-up of production.

I hope you will also be excited to hear the first wins. We have successfully established quality and norms of our first products. We have qualification quantities of a new agro intermediate supplied to an innovator company for their product launch in 2026. And we have signed with an MNC to add more technology beyond Miteni with the buyback supply agreement, which I believe this is just the tip of the iceberg, as they say, there is more to come.

When we talk about the Dahej, also super-excited to share that the Board has approved the largest investment that Laxmi has put on the ground of INR710 crores over the next 3 years. What are we leveraging here? Again, let me repeat myself. Shifting of the supply chain, China Plus One, growing end products market and growth of the Indian market. This is India's decade, as Ravi said, I am 100% convinced about that. The onus of responsibility is on us.

Of the INR710 crores, we plan to cover about 20% of the land parcel of 86 acres. This is also very strongly driven by customer requests, customer growth and business continuity from what our customers seek. I'm also thrilled to share, we already have the first customer-led project signed for Dahej. We will leverage economies of scale both on the make and the buy side. And our product portfolio will encompass the Specialties, Diketene and Ketene derivatives; and Essentials, Esters, Anhydrides and Aldehydes derivatives.

So before I hand it over to Tanushree on quarter 1, let me just take away summarize. We are geared to win, ladies and gentlemen. We have the ingredients in place of know-how, connection, facilities, space and management. We are always invested at the cyclic bottom, that's exactly what we are doing. We will have differentiated steering and differentiated KPIs for the business units. And we are committed to continue making 20% ROCE across the business cycle.

With that, I will pass it over to Tanushree, just a few words before quarter 1 is what she will share. You will hear the quarter 1 performance also linking to what you heard from Ravi. Obviously, the markets are a bit cloudy. It's a mystery out there. But as they also say, in every challenge remains an opportunity. And that is what I believe that we should tap into. While quarter 1 numbers are panned out, quarter 2 looks a little more challenging where we are having customers also seeking us, postponing some of our deliveries, but we are also hearing from customers that the demand has not vanished. It's more a calibration year.

With that, I hand it over to Tanushree.

Tanushree Bagrodia: Good afternoon, ladies and gentlemen. Before we discuss the financial numbers, I think it's important to shed some light on how our volumes have performed overall as a company and for the business unit, because at the end of the day, it is the volumes that results into the financial performance of the company.

At the company level, the absolute volumes sold increased 5% quarter-on-quarter and 9% year-on-year. Within each of the BUs as well, which is Essential and Specialties, the sales volumes increased. In Essentials, the quarter-on-quarter sales volumes grew in line with the company at 5% quarter-on-quarter and 9% year-on-year. In Specialties, the quarter-on-quarter sales volume grew by 6%, while the year-on-year sales volumes grew by 15%. The year-on-year growth in Specialties comes on the back of the capitalization that were completed in the last fiscal.

Looking at the financial performance. The increase in volumes ensures that year-on-year the top-line remained intact. Q1 FY '24 consolidated revenue of INR737.5 crores was only 3% lower than that of Q1 FY '23, while versus the immediately preceding quarter of Q4 FY '24, the consolidated revenue was flat. At an EBITDA level, the consolidated EBITDA of INR81.3 crores was 21% lower than quarter 1 of FY '23, which is primarily driven by the changes in inventory. In Q1 FY '23, the inventory increased by INR48 crores roughly, INR47.5 crores to be precise, while in Q1 FY '24 the inventory reduced by INR12.8 crores.

Other expenses have come down by 15% year-on-year. On a quarter-on-quarter basis, the EBITDA was 26% higher, largely driven by the lower expenses that you can see on the other expenses and once again the lower change in inventories. Driven by the EBITDA and the higher depreciation, profit after-tax at the company level was INR38.3 crores, which is 41% lower on a year-on-year basis. But on a quarter-on-quarter basis, it was almost 60% higher.

If we look at the business unit level, the revenue contribution of Essentials is at 67% of the company, which is comparable at 65% for the full year of FY '23. These numbers are realigned to factor in the new business unit where the Essentials business unit now factors in the Anhydrides in addition to the previous product. The Specialties BU contributed 33% of the overall company revenue, which is once again similar to the full year of FY '23.

On the EBITDA front, Specialties continues to be close to 70% contributor to the overall company EBITDA, while Essentials continues to be around 30%. With the capacity addition and change in product mix, the contribution margin percentage for Specialties grew 18% in Q1 FY '24 versus full year FY '23 like-for-like. The consolidated cash flow from operations for Q1 FY '24 was at INR172 crores versus INR250 crores for the full year of FY '23. This is a significant improvement overall for the company. And along with the low leverage of 0.2x, it further strengthens the financial position of the company.

With this, I would like to hand back the call to Mr. Ravi Goenka.

Ravi Goenka: Thank you for your patience hearing and happy to take this forward on the Q&A session and answer any questions that you may have.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Amar Maurya from AlfAccurate Advisors Private Limited.

Amar Maurya: So first question is, did I hear correctly, volume growth on a year-over-year basis is something 9% for Essential and 15% for Specialty, right?

Tanushree Bagrodia: Yes.

Amar Maurya: Okay. So what would be the utilization for both these BUs?

Tanushree Bagrodia: So our Essentials BU always runs at the maximum possible utilization. And as far as the Specialty goes, like I said, the 15% year-on-year volume growth also comes from the fact that we had two large capitalizations that came in FY '23.

Amar Maurya: Correct. So what would be the utilization now for the overall BU, Specialty?

Rajan Venkatesh: So Amar, just to give it more colour, the Essentials vertical like in most businesses is a continuous process. So you run it at high utilizations. So as Tanushree explained, so I must say -- sorry, Rajan here first, so that you're hearing my voice maybe for the first time here. So again, Essentials' focus is really economy of scale, leveraging the economy of scale. While in the Specialty vertical, these are batch processes and multi-step plans and reaction. So utilization is not the necessary tipping point. It is the complexity that you are steering through those assets. And the Dahej investment is really triggered because we are at a cusp where there is a lot more Dil Maange More from customers. And today, we are at a point that we are not able to service all the needs.

Amar Maurya: Correct. So why I was asking like what I understand is that the last two capex which we had done was largely more of a backward integration and which were likely to add more to the profitability and less to the margin. So that is why I was asking like what would be the utilization in that context?

Rajan Venkatesh: Harsh will jump into the last two capex since you asked that.

Harshvardhan Goenka: Amar, Harsh here. So the utilizations have remained fairly good for the new assets as well. But yes, the overall Specialty concept of utilization I think is well shared.

Amar Maurya: Okay. And lastly, sir, was there any Fluorine Specialty FI revenue in this quarter booked?

Harshvardhan Goenka: No.

Amar Maurya: Okay. So basically the commissioning will start by, let's say, fourth quarter or it will -- everything will come in FY '25?

Ravi Goenka: So Amar, as we have stated, commissioning has already happened. We have got the first products on spec. This year, we'll go in doing the same for all our initial phase of products and the sampling of that will also happen within this year. Large revenues and ramp up will actually get delivered to the P&L next year.

Moderator: Our next question is from the line of Ankur Periwal from Axis Capital.

Ankur Periwal: Thanks Dr. Rajan for your oversight -- insight in terms of how the business is going to pan across the two verticals. I'm just trying to delve into those tiers. So from an RM inflation perspective, erstwhile, we have the AI and SI business wherein AI was more immediate RM pass-through and we were making typical margins at the commoditized margins there. How should one look at both Specialty and Essentials from an RM inflation perspective -- pass-through perspective, and let's say, a short-term, long-term contract, how we look now?

Rajan Venkatesh: Good. Thanks for the question. I think you've sort of hit the hammer on the nail. So obviously, the Essentials part -- and that's why when we were sharing in slide number four, really over the business cycle is what you see our acetic acid as a base and what our performance has been. So let's delve a little more details into that, right?

Prior to the financial year '16, what you really saw was a stronger contribution coming in from our erstwhile AI portfolio, the acetyls portfolio. And post financial year '15-'16 as we ramped up all the capabilities that we achieved from Clariant and we further augmented is where we have seen the kicking in on the Specialties. And that's what is really driving the EBITDA, and also as you can see, the ROCE on that element.

So yes, in the acetyls or the Essential space, there is a closer link up, and that's also what we shared. If you refer to that triangle, on pricing and product, while on the Specialties space, the linkage per se to raw material. So for example, we don't have any cost plus formulas per se that we will throw out in the Specialties, right? In the Essentials space, that's what we would sort of leverage into. I would say, if you want to make it black and white, obviously, there's a gray area, but broadly. So that's what I would answer that question with.

Ankur Periwal: Sure. Fair enough. Second bit on that regulation capex that you mentioned, the revised was at around INR5.5 billion. And obviously, there is a significant sort of cost over-run and time delays, etcetera there. If I look at our numbers, the aggregate gross loss for last year is INR10 billion, on which we have made -- we have generated a decent ROCE. But given the cost over-run, your medium-term thoughts in terms of maintaining the 20% ROCE at a company level, does it imply that incremental business that we are doing in fluorination will be much, much margin-accretive to compensate for the capex overall?

Rajan Venkatesh: So first, let me restate our element and then I'll have Tanushree also jump in. So what we said was, in this first phase of bringing all the Miteni assets into India and establishing, as you have correctly pointed out, there has been a capex escalation. And as we stated, INR550 crores is -- we know is the final number. And the peak revenues that we can envisage from the Miteni asset base is INR210 crores. And that's why I also put in the timelines. This year, commissioning and sampling. Second -- next year is ramp up. And our aspiration and ambition remains that the financial year '26 we are closer to achieving the peak revenues from the Miteni assets.

So yes, capex has increased. But I think at this point of time, from the Miteni assets, obviously, we are not seeing more, I would say, opportunities. But that being said, and that's why I also alluded to in slide number 13, what we have been able to do is really sign a new opportunity with another MNC beyond the Miteni technology, which we are then able to do in our Lote set-up, and that is where I believe the value add is. And Lote, as it stands today, we are investing in additional infrastructure and utilities, keeping in mind future expansions and investments since 50% of the land is available. And these next blocks of investments that we do is where, for a lack of a better word, I always like to say where the music is with regard to the profitability.

Ankur Periwal: That's helpful. And last, if I may. Since you mentioned that on a sequential basis, probably Q2 looks like slightly soft because of the global macro challenges. Just focusing on the Specialty vertical here, so from a market share gain perspective, especially in the SI business, how these things look not only from a ramp up in the two new projects that we have capitalized, but also on the existing ones?

Harshvardhan Goenka: Ankur, Harsh here. So Ankur, broadly, the market share of our Specialty does not change. We are seeing headwinds where the supply chains of various customers have sort of shifted. As the Chairman was referring to, it's more just-in-time as opposed to just-in-case. So you had almost all of that fact in the supply chain coming off, but end market demand still remains there. So it's more about that. Our market shares are not really impacted.

Ankur Periwal: Sure. And Harsh, if I may, just follow-up on that. The leaning of the supply chain or let's say inventory in the system, do you expect this to come back to normal maybe once macro is stabilized or probably this is a new world that we live in?

Rajan Venkatesh: So maybe let me throw some colour on this because this is really from the customers' mouth. We were talking to one of our key customers who is engaged in the agro space. Beyond the just-in-case and just-in-time, what was -- what he or she was also alluding is agro per se saw, and I would say, a significant double-digit growth, which if you compare with a normalized growth which is in the range of 3% to 4%, was an outlier.

So the feedback the customer provided us is, obviously, this outlandish or outlier growth are moderating and it would normalize to the normal growth pattern. So I think the positive element in that is the growth still persists, but it will not be from the outlier growth that we have experienced in the COVID and just immediate COVID years.

Moderator: Our next question is from the line of Nitesh Dhoot from Dolat Capital.

Nitesh Dhoot: So my first question is on the Diketene business. [Inaudible 0:40:35] the new Diketene plant of one of your domestic competitors has ramped up quite well. So have you seen any impact on our business howsoever small it might be in terms of the market share?

Rajan Venkatesh: Let me again try and give some colour to it because this is what I tried to gleam out regarding our business first. When we acquired Clariant's Diketene chemistry, that came with a portfolio of about 8 products. Today, as we stand, we have 50-plus products that we are leveraging off that chemistry. So while I don't think I'm privy to talk about competitors, but I think I can proudly share our strength and our right to win. And that is what is giving us the confidence to also further expand at Dahej with these chemistries.

Nitesh Dhoot: Okay. My second question is on the chemicals business. So if I heard you correctly, you said the top-line of INR210 crores on your INR550 crores investment, which is less than 0.4x asset turns and which could imply much lower return ratios versus your peers in the fluorination space. So your thoughts on the same?

Rajan Venkatesh: So let me start and then I will have Tanushree or Harsh step in. So first and foremost, the INR550 crores is the number that we are grappling with. When we started off on this journey, we did not envisaged the INR550 crores. Obviously, we are openly acknowledging there were certain curveballs which were in our sphere of control and outside, like COVID restrictions, like the rise in freight costs and the additional capex we are bringing to bring the entire site to a very strong EHS standard, because one needs to bear in mind, fluorine comes with a certain premium of how you run your site in a safe and reliable manner.

So yes, the INR550 crores versus INR210 crores looks skewed, but that's where it is. But that the -- as I said, the story does not end there. For us, we are seeing this as an important nucleus that we can further expand on. And beyond just the talk, the conversations and the conversions we have had, as I shared openly, with 2 of these customers is giving us a great deal of confidence that our wave 2, wave 3 of capex, that we will make in Dahej. In Lote we'll be significantly more value accretive. And as I've said, the run rate that we are aspiring for with our ambition in the Specialties is in the range of 1% to 2% to the capex that we employ. And Tanushree wants to add.

Tanushree Bagrodia: Yes. Nitesh, I think if you look at it from a point in time, yes, you are right that the asset turns look subdued and the returns look subdued. But I think I will request you to take a look at this from the perspective of 2 perspectives, right? A, this is, like Rajan also mentioned, it includes infrastructure and utilities from a future-looking point of view. So what will be the business with and without this investment. And given that we've already given you a ROCE of about

20% is what we target, that should actually tell you that the future plans for this will mean that this business starts to deliver what is expected to deliver.

The second is, if you look at our own history, and that's there on the slide that is there as well, the ROCEs were subdued. The EBITDAs were subdued even in the initial phases of our Diketene business coming in together. And as time has passed, you've seen how the benefits have come about, right? We are seeing an 18% growth in contribution margins of Specialties just year-on-year when we've had 2 more backward integration. So I think we've got to keep a journey in mind and not look at it from a point in time perspective.

Nitesh Dhoot: Fair enough. Just as a follow-up on this. Can I have the cash capex outlay for '24 -- FY '24, '25 and maybe '26 if you already have that laid out?

Tanushree Bagrodia: So Nitesh, a couple of things. We've said INR710 crores in Dahej over a period of 3 years. We've told you that there is INR550 crores that we are looking at Lote. There is no major capex that is planned in this financial year for our current Unit 1 and Unit 4 because we did 2 strong capitalizations just last year. So I think that gives you a fair picture of what we are doing in FY '24, '25 and '26.

Nitesh Dhoot: So Lote INR550 crores, of this, a substantial part would have already been done, as I understand or am I wrong in my assessment?

Tanushree Bagrodia: No, you're absolutely right that a substantial piece of it is already done.

Nitesh Dhoot: Okay. So broadly, can we take an evenly spread out capex cash outflow for say around INR300 crores for the next 3 years?

Tanushree Bagrodia: I think for your modeling perspective, if you want to take a INR300 crores to INR350 crores, that's fine.

Nitesh Dhoot: Given that the fluorochemical investment hasn't ramped up now, there is a considerable delay in terms of the ramp up there. And on top of it, you're planning a INR700 crores-plus kind of an investment. Any possibility of any excessive on the balance side?

Tanushree Bagrodia: Any what on the balance sheet?

Nitesh Dhoot: Any stress on the balance sheet side given the environment that we are in especially?

Tanushree Bagrodia: Nitesh, we are 0.2x levered. Our cash flow from operations has been improving quarter-on-quarter, year-on-year. I think from a balance sheet stress point of view, we are actually in a very, very robust position. And this is also reflected in our credit rating of AA- with a positive outlook.

Moderator: Our next question is from the line of Chintan Patel from Abans Investment Managers.

Chintan Patel: So there has been a lower pricing as well as some bit of China dumping impacting the global demand. So what is our action plan to mitigate this risk? We're historically doing the export of almost 30% to 40% of the total revenue. So how do you see the growth in the export market? And recently, you announced the capex of INR700 crores. Already we spent around INR550 crores on Miteni. So how will the capex get you the desired returns going forward in the current environment?

Rajan Venkatesh: So I hear three questions in one. So that's very smartly played. So I think let's maybe not tackle all, but let's tackle the pressing topics on your mind. First is really looking at the China element of where we are seeing. What I could lean from your question, how is the China surplus potentially impacting us. So the first is, really, we are very clear with our right to win.

Tanushree, in her narrative for our Q1 performance, shared with you our volume growth. So that already I believe should give you confidence that we are gaining market share in our Essentials vertical domestically. We are also gaining -- we have also shown market growth in our Specialty verticals. So that for me, and I hope gives you also comfort that we have a right to win and we know how to win. So that's the first part of your question.

The second one I think was about the capex outlay. And I think Tanushree just answered the same to the other colleague who had asked the question about the capex outlay. I have laid out our clear ambition for the Specialty that -- how the ROCE that we want to achieve the turns, asset turns and also the EBITDA percentages that we want to achieve. So I hope that is also an answer. We do not post numbers out lightly. So we have our homework done. And on the capex outlay, I think Tanushree already alluded to it.

What was your third question that you so smartly positioned, if you might -- if you can just remind me?

Chintan Patel: So how do you see the export market? And what is the growth potential in the export market?

Rajan Venkatesh: Right. So as you said, if you saw the presentation in the SRM, the market opportunity for us in the Specialties is upward of INR3.5 billion and in the Essentials space up to INR10 billion. That's one. That's the opportunity out there in our verticals. That being said, at this point of time, we are seeing softness in demand in Europe, which we cannot certainly run away from.

And that's why also if you see the slide that we have provided, we do see certain exports, especially on our Essentials vertical where we are actually consciously stepping back from the exports, while on the Specialties, we continue to be on a decent run.

Chintan Patel: And sir, payback period on the Dahej facility?

Rajan Venkatesh: So payback, again, I think as I said, this is what we have shared with you is a 5-year plan and we anticipate to have a ROCE of 20% across the Essentials and Specialties at an enterprise level. So I know -- I hope that gives you a great confidence in that we know what we're doing here.

Moderator: Our next question is from the line of CA Garvit Goyal from Nvest Analytics.

CA Garvit Goyal: Sir, you talked about China dumping of the excess capacity, like last participant touched upon that. So can you give some colour how the things are shaping up from here now? And how the things are looking to you in respect of the global markets as well as India, like China dumping in the market, so prices of the chemicals are falling? So how do you look at it from the sector point of view?

Rajan Venkatesh: I think one is, the Chairman really kept it in perspective. The overall scenario on the chemicals with all the destocking that is happening, there is certainly the weakness in the overall space. That is point number one. The point number two, I think I hope you all understand that when we talk about India chemical demand, we are just about 1/10 of China. And China, today as we speak, is somewhere between 40% to 45% of the global chemical market. So one cannot not think about what happens in China. So all the questions coming that way are pertinent.

The important thing is what are we doing as Laxmi? And for me, the biggest testament is that you are also able to play the volume lever. And that is what we have been able to share with you that in quarter 1 and also last year, we have grown our volume share. We have done capex-exs. We have leveraged on that capex-exs. And that is what I believe that we will focus on is what is our right to win with a stronger customer proximity and also taking conscious call, like I just shared with the other colleagues, that we have taken a slightly nuanced position for our exports to Europe in Essentials because we felt there was no point in losing money in that context.

I hope this -- I am able to give you a little more on that colour.

CA Garvit Goyal: So that thing I understand, means the Laxmi is obviously going good. But the thing is, we are continuously talking about China Plus One from a sector point of view. But now the things are looking quite different, like China dumping of the excess capacity. So where is that China Plus One advantage? And from where that advantage will come to us, sir? So that's what I was targeting.

Rajan Venkatesh: Okay, understood. I think the advantage simply comes from a customer perspective in a very simplistic level, right? And as I come from a company which is globally steered. And when I speak to our customers. And specifically, I also gave you very tangible examples that we have actually pinned up customers both for our Lote and also Dahej projects.

That already gives me a great deal of confidence that customers, A, are cognizant about they need to switch, but at the same point of time, we have to be competitive. Nobody is going to pay you a huge premium, let's be very clear. But they are willing to play, I would say, strategic premiums. And that is what we are seeing. And that is what I believe as India we should leverage.

Moderator: Our next question is from the line of Nitin Agarwal from DAM Capital.

Nitin Agarwal: Sir, on the FI business, if you would like to probably give your thoughts on from a competitive dynamics perspective, how was Laxmi's positioning versus the more established peers? What is going to be our USP over the next 3 to 5 years in the space?

Rajan Venkatesh: Sure. So Nitin, Laxmi's positioning versus peers, let's start from where and why we did Miteni. A lot of customers came to us who we were doing various contract manufacturing projects for and requested for the fluorine molecule to be part of several new products. And rather than have us rent the wheel and build out a specialty chemical fluorinated business, we said let's go for a joint venture acquisition, which is how Miteni came into the fray.

Several of our peers have started the journey with refrigerant gases and progress to specialty chemicals in fluorine. Miteni has started with specialty chemicals exclusively. And several of the technologies that Miteni has are not currently present with our peer set. So there is a differentiated technology approach and fluorination remains one of the steps in several what we are trying to do in our erstwhile FI segment. An example of that is for electrochemical fluorination, which is completely new and unique to India.

But secondly, I don't think India is competing within itself. The overall target market of fluorinated chemicals is very large and there's adequate opportunity for all of us to take. So that is really the strategy which we are going for, how can we be a partner to several global players and not really playing within and impacting ourselves.

Moderator: That was the last question of our question and answer session. I would now like to hand the conference over to Mr. Ravi Goenka for closing comments.

Ravi Goenka: Thank you everybody. I do hope this session has been informative, transparent and very accretive to all of you. Please do feel free to get in touch with us for any other clarifications that you may need. And I am very confident -- that I have never been more confident than today of our company's preparedness not only to handle the headwinds today, but also to pivot to our new orbit and our new trajectory.

And somebody had asked why India? I think India's time is there in the chemical industry for this decade. We have IP protection. You would have heard the Finance Minister announced that the PLI scheme will be coming in for chemicals. And we have a local consumption where I believe truly the opportunity is there for large scale capex-exs in the Indian chemical space. Thank you very much. All the best.

Moderator: Thank you. Ladies and gentlemen, if your questions were unanswered, you can go ahead and contact Go India Advisors and they will revert back to you. Thank you very much. On behalf of Go India Advisors, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.