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May 18, 2023

BSE Limited
Corporate Relationship Department,
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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 would like to inform you that the Company, in its letter dated May 17, 2023, has submitted transcript which has some typographical errors.

Hence, please see enclosed revised final transcript of the Investor Presentation for Q4 FY23

We request you to take the above on record.

For **Laxmi Organic Industries Limited**

Aniket
Bavchand
Hirpara

Digitally signed by Aniket Bavchand Hirpara
DN: c=IN, o=Personal, title=3326, pseudonym=6a26e4af943276d9d3ac1bc0c5ef920ace8063f4a379fa30f60a44d3b797803f, 2.5.4.20=8db433ce8f1c86cc382ef3b38a166730a1696fb4509336ffbffabf376256b444, postalCode=401202, st=Maharashtra, serialNumber=578ad360ba01564218b7b5de223e94a93f822395c169b34d73d690d70b78a1fa, cn=Aniket Bavchand Hirpara
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Aniket Hirpara
Company Secretary and Compliance Officer

Encl.: A/a

"Laxmi Organic Industries Limited
Q4 FY '23 Earnings Conference Call"
May 15, 2023

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, BUSINESS DEVELOPMENT AND STRATEGY – LAXMI ORGANIC INDUSTRIES LIMITED
MS. TANUSHREE BAGRODIA – CHIEF FINANCIAL OFFICER – LAXMI ORGANIC INDUSTRIES LIMITED

MODERATOR: **MS. PRIYA SEN – GO INDIA ADVISORS**

Moderator: Ladies and gentlemen, good day, and welcome to the Laxmi Organic Industries Limited, Q4 FY '23 Earnings 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. Priya Sen from Go India Advisors. Thank you. And over to you.

Priya Sen: Thank you, Ryan. Good afternoon, everyone, and welcome to the Q4 and FY '23 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 of Business Development and Strategy; 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 take us through the financials and the business outlook, subsequent to which we will open the floor for Q&A. Thank you. And over to you, sir.

Ravi Goenka: Thank you, Priya, and a very good afternoon, ladies and gentlemen. Thank you for joining us today for our earnings call for the last quarter and for the full year of 2023. At Laxmi, we have always promoted excellence and innovation to provide local and global customers with consistent quality and reliable delivery. FY '23 has been a journey in that direction. We augmented our Acetyls and Specialties product portfolios and enhanced exports. The diverse industry and customer base enabled effective countering of headwinds, especially the demand drop in Europe in quarter 2 of last fiscal.

Our investments in health, safety, sustainability have continued through the year, reiterating that this aspect of our business will always get unflinching support. As we continue to build on our operations, we also continue to invest in our people and strengthening the company leadership. It gives me great pleasure to formally introduce to you our new Managing Director and CEO, Dr. Rajan Venkatesh.

Dr. Rajan comes with nearly 2 decades of global experience in the chemical industry and has rich experience of working across functions from research to sales, to marketing, to finally leading more than a USD1 billion business. His global experience across Europe, Asia including India, is very relevant to Laxmi, as our exports and customer centricity are accelerating. I'm convinced that he will take the baton from our outgoing CEO, Mr. Satej Nabar, and take Laxmi to new heights.

I would also like to take this opportunity to thank Satej for all his contributions and efforts that have led to Laxmi significant growth over the last 3 years. He has been a key part of the Laxmi family, and we wish him all the very best in his future endeavours.

I would now like to hand over to Dr. Rajan to address the call. Over to you, Rajan.

Rajan Venkatesh: Thank you, Ravi. A very good afternoon, good morning, good evening, depending on the time zone that you're dialing in from. Thrilled to be part of the Laxmi team and also to be engaging with you. As I now embark on this journey, I think what is very clear in my mind is who am I accountable to? And my accountability lies to 5 stakeholders. One, the investors, both the retail and the financial institutes; second, the Board of Directors and the Chairman that I report into; third, the Laxmi team; four, our customers; and fifth and last, but not the least, the societies that we operate in.

In the last, almost 45 days, I have been engaging very intensely with the Laxmi team. I've had a chance to visit our sites. I have met a few customers and I'm looking forward to meet many of the other customers. I'm really impressed by what I see on the ground. I have visited our Mahad site. I have visited our upcoming Lote site. And this gives me a great deal of confidence for the vision that Laxmi has charted for itself.

In my next steps, what I would focus on with the team, are clearly sharpening our strategy, our right to win, operational excellence. This is a continuous journey. But we will further embark very strongly on this. Our EHS journey, we have been investing at Laxmi pretty extensively on an annual basis and this will continue and, obviously, looking at improving digitization at every space of our business, leveraging innovation, which is core to success, not today, but also looking ahead. And last but not the least the people element. And I'm really looking forward to engaging with you guys quarter-on-quarter as I embark on this journey.

With that said, I would like to, again, thank the Board of Directors and the Chairman for entrusting me with this opportunity and looking forward. Back to you, Ravi.

Ravi Goenka: Thank you very much, Rajan. And it's a pleasure to have you lead our company and take it to its potential in the next few years.

I would now like to address the business performance for the last financial year. Our acetyls business portfolio saw strong volume resilience despite the demand volatility. Diversified industry presence from essentials to lifestyle to industrials enabled the same. Exports at about 40% of the sales were driven by a strong on-ground presence in Europe, and the strong supply chain we have developed and showed efficiencies across the board.

The company continues to be a market leader in India and a Tier-1 supplier in Europe, with customers continuing to rely on the product quality and timely delivery. Focusing on diversification and customer needs, we augmented the product portfolio in this segment with smart capex, and the same has already contributed to our sales in quarter 4.

Today, the acetyls product portfolio comprises of more than a dozen products and we remain committed to supporting our customers with reliable quality and timely supply of products they need to grow their businesses. Our Specialty Intermediates business with a focus on innovation, the company has made significant investments in R&D, which in the last financial year stood at more than 10% of PAT. This has enabled Laxmi to bring immense value to our customers.

The company retains its market-leading position with a share of approximately 50% in diketene derivatives market in India and is regarded as a strong and reliable partner of quality products by global customers. The 2 new plants capitalized in financial year '23 have further strengthened the company's leadership in the diketene derivatives and improved contribution margin significantly.

Our exports in FY '23 grew 30%, with no single product contributing more than 10% to the top line. The trajectory of this growth and diversification is what we intend to maintain. Our fluoro intermediate section, the asset which we acquired from Miteni has now been successfully relocated to its new home in Maharashtra. The site will be commissioned in a phased manner over the course of this year, and we have successfully started Phase 1. This is a new and exciting platform for us, with every third pharma and agro intermediate needing a fluoro compound. Our initial efforts are to ensure securing a strong foundation for this business.

Over to the financials, I will ask -- request Tanushree to discuss our performance in further detail.

Tanushree Bagrodia: Thank you, sir. Talking about our quarter 4 FY '23 financial performance, the last quarter of FY '23 was sequentially better for Laxmi Organic. Consolidated income at INR737 crores was 12% higher versus the immediately preceding quarter. In the same period, the EBITDA at INR64.5 crores at a consolidated level was 11% higher. Improvement in the profits came largely from the changed product mix.

Ocean freight levels have normalized, with container availability also having significantly improved. Coal prices remained flat in Q4 FY '23 versus Q3 FY '23, albeit much higher than the prices of FY '22. Profit before tax for the period at INR42.7 crores was 27% higher than the immediately preceding quarter, driven by the improved top line and product mix. Depreciation in the quarter increased in line with expectations.

On the annual level, FY '23 consolidated income of INR2,809 crores was 9% lower than the previous year, driven by lower realization. Year-on-year volumes remained strong. The consolidated EBITDA of INR256.6 crores was 33% lower than FY '22. Power and fuel costs driven by the steep increase in coal prices, which were up almost 40% year-on-year was the primary driver of this EBITDA impact. This is further evidenced by the fact that despite a 9% drop in top line, gross profits remained flat year-on-year.

PAT at INR124.6 crores was 52% lower, driven by the drop in top line and EBITDA, and a INR24 crores increase in depreciation. The strength of the operations, however, was visible in the considerable improvement in cash flow from operations, which more than doubled from INR121 crores in FY '22 to INR250 crores in FY23 at a consolidated level.

Post-tax, the cash flow from operations stood at approximately INR200 crores for the full-year FY '23.

Consequently, the cash flow from operations to EBITDA ratio for FY '23 stands at 97%, up from 29% in FY '22. The working capital days improved by 20%, despite a decrease in payable days.

The overall financial position of the company remains strong, with improving cash flows and an unleveraged balance sheet.

With this, I would like to hand over to Priya for the Q&A.

Moderator: We take our first question from the line of Dhaval with Girik Capital. Please go ahead.

Dhaval: Yes. Firstly, sir, our fluorine assets have been operationalized this quarter. If you could share some thoughts, what was the revenue of fluorine in this quarter and how do you see it over next 2-year period?

Harshvardhan Goenka: Dhaval, good talking to you again. Harsh here. So, Dhaval, as mentioned earlier as well, fluorine is going to be a platform play. And like we have done in SI, the first year is spent a lot in establishing the base and the foundation strongly and we've reiterated that earlier. So, we are very bullish about the potential of this platform and how it can change the orbit for Laxmi.

While the first year will be primarily spent in establishing the operations, sampling out with all of the customers, revenues will start hitting and ramping up in the years to come. A lot of the new product investment has also already started, which we started a lot later in the SI journey. So, that's how I would really think about it. I think the SI journey and the growth of that is fairly clear and we've made that available to you -- those numbers available to you.

Dhaval: Yes. Again on the fluorine side, if you can just revisit our product pipeline. So, we would be focusing on what sort of products? To start with ETP, how will our product mix look?

Harshvardhan Goenka: Sure. So as we've said, we have not changed our initial hypothesis. We are starting with all of the products that Miteni would produce in the first -- in this capex, let's call it that, where Miteni's assets produced a certain amount of products. Those are the products that these assets will continue to produce today, and we are seeing further opportunities of adjacencies, which we will take up once the base is established strongly.

Dhaval: Okay. Got it. And on the SI business, how is the growth rate looking like there? Any newer opportunities in terms of newer product application or some large new customers signed up, anything which increases our visibility there? And what sort of revenue growth should we assume for the next 3-year period in the SI side?

Harshvardhan Goenka: If I mention all of those granular details, it will be a little problem sometimes for us. What I can state is, we have a leadership position in SI that we would like to grow. Growth will come in multiple ways from new products and new markets. And we are looking at how we can grow that continuously and grow our leadership.

So, you will see that happening in the SI. We have just managed to establish 2 large plants as you are all aware. Those are stabilizing. One has stabilized. The other one is in that process of being stabilized. And, yes, we'll continue to do more of the same. Our product pipeline remains strong. As Chairman mentioned, almost 10% of our PAT is invested into R&D.

Ravi Goenka: Yes.

Dhaval: And yes -- so on that front, that number will -- how will that -- you will keep investing a similar absolute amount in the R&D or let percentage remain same?

Harshvardhan Goenka: No, R&D is expected to grow. I don't think we are targeting percentage, but our strength and infrastructure of R&D will continue to grow.

Rajan Venkatesh: And maybe since innovation as a chemist, close to my heart, and that's where I started my career with BASF, I think if you think about it logically, most products go through the S-curve, right, we are all aware. So, we will obviously really try to focus on bringing in new products, new technologies based on the platform that we are engaging with as we see certain of our products moving to the S-curve. So R&D, our innovation as a whole will continue to play a very important part. And as Harsh said, we don't have a specific target. While that being said, we are also investing -- we will continue to invest in that.

Moderator: Our next question comes from the line of CA Garvit Goyal with Nvest Research. Please go ahead.

CA Garvit Goyal: So, my question is particularly on the demand environment that's currently going on in the end industries, like we see last couple of quarters, our top line is recovering, right? So can you spend some few minutes on the demand side basically in the end industries that we are targeting from our product portfolio?

Rajan Venkatesh: Yes. Okay. So, Rajan here, Garvit. And I'll give a stab at it. But I hope you'll give me some discount since this is day 40 for me with Laxmi. So let me start with broadly the industries that we are serving as Laxmi. Let me start with the agro part. And you certainly see it in the results of our customers. We do see certain slight weakness in the agro space from the exports and also the domestic side. While the previous year, if you recollect, was very strong, yes. So that's the agro part.

I would say on the pharma space with, obviously, all the COVID things coming to an end, it has got dual effect. So demand is slightly ebbing. On the other side, you are also seeing a significant higher audits happening at our customer interfaces. So, that's something to be sort of on a watch out. While on the elements, on the case that is the coatings, adhesives, sealants and elastomers, we continue to see domestic demand being broadly positive, while exports especially into Europe are being slightly softer. So hope that gives you a bit of a perspective. So the essentials part of our portfolio that we serve is slightly weaker, but the other elements are reasonably positive when it comes down to domestic demand.

CA Garvit Goyal: So how do you see situations changing in next few quarters, say, next 2 to 3 quarters in those areas that you mentioned that currently weaknesses is there?

Rajan Venkatesh: I think if we were unable to actually predict that to the last T, I think you would need a crystal ball. But I would say we are in close contact with all our customers. We are seeking a clarity from them depending on how also the macro element in Europe, how things are prevailing, you've had the Green deal coming up in Europe in a very big way. North America, the recessionary fears have not yet disappeared. So, I think we are closely watching. And I think it would be just too premature to say that we know for sure how the whole thing will pan out in the next 3 or 4 quarters.

Harsh, if you want to add anything on that, please jump in.

Harshvardhan Goenka: I think that's good, Rajan.

CA Garvit Goyal: Okay. That's the one. And second is on the margin side. So, there is a little bit volatility in the margins on a historical basis, if you see the numbers from 2020. So how do you see margins shaping up from here going forward in next few quarters? And how do you see, what will be the sustainable margins for us in the longer term?

Harshvardhan Goenka: So, you should actually look at both our segments in a way that the essentials basket has its own cyclicality, which we've experienced last year. But over the cycle, both of these businesses make us money. And as our capexes increase towards speciality businesses, you will see this becoming more and more stable. So, we are not giving guidance, but I hope this is able to help you arrive at a number.

CA Garvit Goyal: That's good. And is there any guidance for top line for FY '24?

Harshvardhan Goenka: Sorry, we're not giving guidance to our financials right now.

Ravi Goenka: So CFO, any comment on that?

Tanushree Bagrodia: As a listed company, we don't give out a guidance at this point in time.

CA Garvit Goyal: Understood, sir. And in fluorination segment, basically, can you tell me the industries that you're looking to target? I think -- is it the new age verticals like solar industries, EVs, or the basic industries you are going to target like electrification and all sorts?

Harshvardhan Goenka: Yes. So happy to comment on that. Our primary applications from the FI business will be agro and pharma in the Phase 1. And then we have a large basket of industrials, which makes up flame retardants to composites to battery -- some parts of battery, not the materials play but other chemical plays in that is what we are targeting.

Moderator: Our next question comes from the line of Jatin Damania with Kotak Securities. Please go ahead.

Jatin Damania: So just 2 broad questions. One is on diketene, where we said we have a 50% market share. And if I'm looking at the numbers, we are -- the diketene accounts for almost 70% of our segmental revenue. But if I'm looking in terms of margin, the segment is not in the double-digit margin. So as an analyst of an industry, how shall one look at this particular segment going ahead in terms of the performance?

Tanushree Bagrodia: Jatin, Tanushree here. Jatin, I'm not sure how you are calculating the margins to reach the conclusion. Very happy to speak to you offline separately and then answer this question so that you can get a better understanding of the numbers that we are presenting.

Jatin Damania: Sure. We can do that. Okay. And secondly, on the fluoro situation, I mean, definitely, we have completed -- we will be completing the -- capitalizing the 3 Phases. So once all the phases are completed, what will be the revenue contribution of the fluoro into the overall revenue mix probably in next 2 years to 3 years?

Harshvardhan Goenka: Yes. So, we've also released this information publicly where we said the Miteni assets would do about EUR25 million revenue when they were based in Italy. So depending on the product mix and the inflation, etcetera, etcetera, we'll be around that in the first phase.

Jatin Damania: In the first phase. And sir, after the completion of the 3 phases, if you can give some guidance in terms of the -- I mean, growth trajectory in terms of the revenue and EBITDA?

Harshvardhan Goenka: Sorry. Let me clarify. My first phase -- so we are looking at fluoro as a platform. This phase of capex, what we have stated will deliver that. We will then obviously reinvest to grow this business exponentially.

Jatin Damania: Okay. And sir, how much money that we are looking to reinvest back into the fluoro business?

Harshvardhan Goenka: So, we will not give that number today, but what we can state is that, that addressable target market that we have is a lot larger than what these assets can serve. And there are several adjacencies that are already part of our R&D pipeline that will require capexes in large-scale plants. So, we are looking at this business to establish it the way we have established SI, and we're excited by that.

Jatin Damania: Right. Sir, last question is on the -- I mean, we have seen frequent changes in the top level management. So I mean, what is the employee chain? And is it that as an industry, are we unable to retain our talented employees at the top level? Or how is the thing on that front?

Tanushree Bagrodia: Jatin, Tanushree here. I think if you see the company has had a fairly stable run of top management. Of course, we've had Mr. Partha Roy Chowdhury who left last year, but he retired. And Satej was with the company for 3 years, and he has decided to move on to pursue his own other opportunities, right? So from a top management point of view, if you look at the rest of the top management with the sales segment heads, they've all been with the company for a very long time, right?

The senior management tenure is fairly stable. We also have a huge set of employees who've been with the company for various tenures, but all long period of tenure. So the 2 changes that you're mentioning to are reason driven and with a fairly stable tenure.

Jatin Damania: Sure. And Tanushree, I'll get back to you offline for this diketene thing.

Tanushree Bagrodia: Sure, Jatin. Get in touch with Go India, and they will put you in touch with us.

Jatin Damania: Sure.

Moderator: Our next question comes from the line of Nitesh Dhoot with Prabhudas Lilladher Private Limited. Please go ahead.

Nitesh Dhoot: Yes. Dr. Rajan, great to have you on board at Laxmi Organics. My first question is on the capex side. So have you finalized our plans on the next round of capex for the Dahej land that we acquired some time back? So if you can give color on the products and the chemistry that we would be looking at on that side? Or will it be the existing products itself?

Rajan Venkatesh: So, Nitesh, as I've just come on board, the team has certainly -- the investment in Dahej certainly has been done with a plan in mind and the team has really worked out a business plan. But I would like to also understand a certain level of granularity of that business plan, and that's why that's work in progress. We are happy to share with you a little more details once time progresses and once we have clarity. But I would say it would be certain of the portfolios would be building off the successes that we have and then certainly, we will be also augmenting others. That's what I would like to place on the table for now and seek your understanding.

Nitesh Dhoot: Sure. Sure. But what would be your capex otherwise for FY '24 as a company overall?

Tanushree Bagrodia: Nitesh, we have always said that on a normal basis in any 1 year, we'll have around INR300 crores of organic capex and that yardstick remains unchanged.

Nitesh Dhoot: Sure. Sure. Okay. So coming on to the Specialty Intermediates side. So what was the utilization of the first and the second long-term projects in Q4?

Harshvardhan Goenka: We don't answer plant-wise utilization.

Nitesh Dhoot: Ballpark on the second long-term project, particularly, sir?

Harshvardhan Goenka: No, no. So Nitesh, let me give it you this way. Both products have good demands and they are operating well. We are looking to ramp up the plant that got established later in this quarter furthermore.

Tanushree Bagrodia: Nitesh, if I was just to once again reiterate, looking at capacity utilization may not be the best metric for this type of a business, right? So the way we look at is, are we generating the same sort of margins that we had expected in the same timeframe? And that's actually coming through.

Nitesh Dhoot: Okay. So how is the -- if I just can ask you as to how have the SI revenues ex of the 2 long-term projects performed in FY '23 overall? Any ballpark growth number that you can give out there? And what will be the outlook for those products for FY '24?

Tanushree Bagrodia: Nitesh, so let me give you an answer in 2 parts, right? Look, when we are going downstream, you've got to appreciate that we've become consumers of products that we were selling ourselves, right? So to that extent, you may not see an increase in the top line, but the changes in the bottom line and the contribution margin itself that we've put in our presentation are indicative of the contribution that has come from -- the new products that have come this year, right?

The second is our volumes remain quite strong. So if I look at it without the 2 new plants, we would have still been in a very, very healthy position. And the idea of investing is always to keep going downstream. And there you will continue to see a higher growth on the margin versus on the revenue.

Nitesh Dhoot: Sure. But in that case, I mean, I was just trying to understand that despite the 50% export contribution coming through for SI, which would rightly imply a significant increase in the SI exports sequentially as well. And so that should ideally sort of driven the blended EBITDA margins higher, which is not the case. So, I was just trying to understand as to how to look at this.

Harshvardhan Goenka: So Nitesh, we are fairly agnostic to exports or domestic. Our supply chains and our customers -- sorry, our customer supply chains keep on changing from a location to the other. So, I will not take that yardstick. Giving you all the number of exports is just to show that we are increasing our presence internationally.

Tanushree Bagrodia: Nitesh, my request will be that just to help you understand the numbers a bit better, we connect offline so that we also have a clarity of how you are interpreting the numbers and that there's no slip between the lip and the cup. So please get in touch with Go India and then we can circle back on this.

Nitesh Dhoot: Sure. I'll do that. Just one last question if I can put it through. So what should be the -- what should be the effective tax rate that we should work with for FY '24? I mean, should it be a full tax rate? Or do we have any benefits there? So if you can answer that?

Tanushree Bagrodia: Nitesh, we are -- as you will acknowledge, we are currently in the old tax regime. And we are in the process of evaluating whether we should move to the new tax regime or currently stick with the old tax regime. So the worst-case scenario you may want to take is a 25% tax rate, which will be the full tax rate in the new tax regime.

Moderator: Our next question comes from the line of Ankur Periwal with Axis Capital. Please go ahead.

Ankur Periwal: And welcome Mr. Rajan. Good to hear from you. So starting with the Specialty Intermediates segment. Correct me if I'm wrong, the export, while they have shown a pretty strong growth, which, to my mind, will be partially driven by the new product launches as well. Domestic has seen some slowdown. Is it largely a discretionary, non-discretionary sort of thing because of the macro slowdown? Or how should one look at it?

Harshvardhan Goenka : Ankur, I would look at it being choice driven. We are choosing to supply certain markets over others. And therefore, that choice remains with Laxmi.

Ankur Periwal: Sure. And the capacity remains fungible here in terms of which product you want to sort of produce here depending upon the domestic or the export outlook?

Harshvardhan Goenka : Yes. Exactly. As always mentioned, we are looking at product portfolio optimization constantly.

Ankur Periwal: Sure. Sure. Okay. So second question. And referring to your Slide number 14, which is largely talking about Specialty Intermediates. There has been an optimization in the product mix. On a scale of 100 from 88, we have gone to 108. But if I look at slightly longer term or even from a contribution margin perspective, the growth has been sharper. But when I look at the EBITDA margins, number are largely flattish, give and take on EBITDA this year, full year versus last year. The higher overheads here, are they largely logistics and coal due to which the number looks bleak and with cost normalization now maybe the direction will be more upwards going ahead, if you can share some thoughts there?

Tanushree Bagrodia: Yes. So, Ankur, that's right. So if you look at -- if you were actually just to look at the gross profit, right, the gross profit on a year-on-year basis despite a 10% lower revenue actually remains flattish. The EBITDA this year in FY '23 has been impacted in more than 50% because of the higher power and fuel costs. And that is so much more than the freight costs. Of course, that's been a part of it, while the -- and in particular, the coal costs. And while the coal costs have come down, right, they still remain about 30% to 35% higher than what they were in FY '22. So till this starts to normalize, I think the improvement of the gross profit is not going to come down to the EBITDA.

Ankur Periwal: Sure. So on an annual basis, if I look at our SI business has grown at around 10%, 11-odd percent, and there is a contribution from the new product here also. So if you can -- and my presumption here is there is an RM inflation, so there will be a pricing increase as well. While at the same time, we are commenting that on the volume front, we are pretty much stable. So, I'm just trying to connect how should one look at it? Is there a maybe a de-growth in the older products and the new product is compensating for it? Maybe if you can share some thoughts.

Tanushree Bagrodia: So that's, by and large, just from what has been sold outside, that would be true, right, because you've also become consumers of the product. But by and large, if you look at the products that are being sold, what you're saying is correct.

Ankur Periwal: Sure. And so from an old product, if I could broadly classify it as old and new, old product, there is some slowdown, but there is still a scope of growth or those products are optimized as per new?

Tanushree Bagrodia: No, absolutely, there remains a scope of growth. I think the choice is a choice that we make of what we want to sell.

Harshvardhan Goenka: So, Ankur, broadly, while we are giving the data of product mix and how many products, etcetera, based -- I mean, rebased, we will constantly do these product portfolio optimization as we are driving this business more on margin.

Ankur Periwal: Sure. Sure, Harsh. Fair enough. Just on the fluorination side, your earlier comments did suggest that probably year 1 of fluorination business, which is FY '24, will be more focused on building the franchise, the product approvals getting in place, etcetera. So from a ramp-up perspective, if you can highlight how are we looking at the timelines, let's say, for the new product launches, the revenue ramp-up and which part of the segment, how is the customer feedback on the fluorination product side?

Harshvardhan Goenka: No. Perfect. So, I think customer feedback has been fairly robust, Ankur. Nothing has changed over there. Customers are excited for us to get into existing products with Miteni, as well as a lot of new products. So, there's traction and efforts going on, on both sides, while our capex and our delivery and establishing of the plant on the baseline products remain solid. And we are following our strategy clearly by stating that we want to set the foundation strong. All of the sampling from all our commercial products will happen in this year, and then you'll really get the ramp-up and the reinvestment into the adjacencies thereafter.

Ankur Periwal: Sure. And when we say for the product approvals, what sort of a timeframe are we looking at? When we can see the commercial ramp-up of these products?

Harshvardhan Goenka: Yes. So customer approvals will be anywhere between 3 and 6 months depending on their complexity of their own supply chains.

Ankur Periwal: Sure. And Harsh, lastly, if you can just remind the revised capex number here and the asset turns that we were targeting?

Harshvardhan Goenka: So, Ankur, we have already stated that we have not changed. It will be around that INR400 crores mark and I have stated the revenue potential of the Miteni assets as well earlier on this call.

Ankur Periwal: Which is a EUR25 million odd, which will be done from the Phase 1?

Harshvardhan Goenka: Correct.

Moderator: Our next question comes from Chetan Thacker with ASK Investment Managers Private Limited. Please go ahead.

Chetan Thacker: I just wanted to check with you, particularly on the AI side, it appears this was a weak quarter from a profitability point of view. Is that assessment correct that there was near negligible contribution on profits from AI for this quarter?

Harshvardhan Goenka: I think generally, Chetan, the entire year was weak for AI. As you had the raw material prices slipping throughout the year all the way until March, you've seen that in the Acetyl Intermediates segment, which was broadly expected.

Chetan Thacker: And the subdued environment still continues in Q1 as well. That would be a fair assessment that Q1, Q2 still look a tad bit difficult?

Harshvardhan Goenka: So as Rajan mentioned, Chetan, we are seeing headwinds in agro and pharma, where these segments are still -- agro globally and pharma, specifically in India. But the CASE segment; coatings, adhesives, sealants, elastomers are where we're seeing a stronger pickup. So consumer is still doing a little bit better. So anything upstream of consumer seems to be doing better.

Rajan Venkatesh: And Chetan, maybe just adding on to that. Obviously, we have also observed that capacity in China, while existing demand in China is weaker, so when we are looking into exports into Europe where demand is weaker, we are facing very strong competition from the Chinese who are positioning the products at a much lower pricing. So, we are also being very cautious and conscious on our actions there.

Chetan Thacker: Understood. And for the SI bid, the exit run rate that we've seen in terms of revenue, would it be fair to assume that ballpark this number can sustain through FY '24 now that these plants have ramped up in this quarter?

Tanushree Bagrodia: Yes. That's a very fair assumption.

Chetan Thacker: Great. And just last bit on the borrowing limit extension that was seek for INR2,000 crores, just wanted to know if there is any clarity that you can provide on that?

Tanushree Bagrodia: Chetan, that's an enabling resolution that we take year-on-year.

Chetan Thacker: Got it. Understood. And FI -- any meaningful contribution in revenues this year? Or it will be a year of stabilizing the plant sampling and foundation being laid in FY '24? So from a revenue point of view, there might not be contribution, but the foundation is laid in '24.

Harshvardhan Goenka: That's right. That's right.

Moderator: Our next question comes from the line of Dhruv Muchhal with HDFC Mutual Fund. Please go ahead.

Dhruv Muchhal: Sir, the question was related to the SI business. In general, we are seeing that the RM prices for many of the products are declining. I'm not sure for your specific product. But as probably you pass that on to your customers, do you think there will be an implication on revenue growth for the SI business next year? And also, can it -- given the RM is declining, can it also hit to the margins? Or do you think the market conditions are not very favorable to that?

Harshvardhan Goenka: Okay. Dhruv -- so I heard 2 questions. RM prices, are they declining? I think it's a mixed bag in SI, where finally, the large raw material called acetic acid has stabilized over the last 2 months. But the specialties are -- you have some higher and some lower. The way we run the business of SI is more on margin and we're able to pass that on with some amount of lag. Even our long-term contracts, we try to build that flexibility here.

Rajan Venkatesh: So maybe building on that, I think one -- what I have been able to glean out the way we operate in Laxmi are really coming from the customers' perspective. So, these are enablers called customer interaction models. Our SI business is more a product process innovator where we really create value with our customers, while our AI portfolio is looking at a lean and reliable supply model, where we seek to actually supply our customers in a very, very reliable and predictable way in a competitive price environment. So, that's something I hope you can take with you of how we are steering these businesses and how we will continue to steer these businesses.

Dhruv Muchhal: Sure. That's helpful. The only thing is I'm just trying to understand this better is, say, if the RM declines as they were increasing earlier, even if the percentage margin remains the same, given that you have to pass it on some of the -- probably some of the benefit, if not all. The absolute profit declines, even if the percentage remains the same. So, I'm just trying to understand, is that the case? Or you don't see that as a worry?

Tanushree Bagrodia: Dhruv, that is really not a worry because it's not as straightforward as what you've put through, right? We are not really worried on that account at all. And if you want to have a more detailed discussion on this, happy to take a call offline.

Dhruv Muchhal: Sure. Sure. And the second thing was on the CWIP. This CWIP that we see in FY '23, is this primarily for the fluorine business? Or this includes -- because I thought the fluorine business was capitalized at the end of -- in the fourth Q. Okay. That was already capitalized in 4Q.

Tanushree Bagrodia: No. So, Dhruv, as we've said, we will be commissioning the entire site in phases, right? So the capitalization for the fluorine business is only done in part. What you are seeing in the consolidated figures today is, yes, a large part of it is the fluorine business. It also has some other capitalizations that are currently being done for Unit 1 and Unit 2, and it also contains some of the building assets that we acquired in the Dahej land acquisition.

Dhruv Muchhal: Okay. Got it. Got it. And lastly, a small thing. Your interest cost was, I think, negative this quarter. So what could be driving that?

Tanushree Bagrodia: This was an extra provision that we had taken for interest that actually didn't materialize and hence, it got reversed.

Dhruv Muchhal: Okay. So against normal amount, there was a provision and hence, the overall number is negative. The normalized number will be same approximately same as 3Q approximately, is it?

Tanushree Bagrodia: Yes. On the normal borrowing cost, actually, we've been very, very good. Our borrowing cost has -- on the working capital side, the increase in our borrowing cost has been less than that of the repo rate.

Moderator: Our next question comes from the line of Resham Jain with DSP Asset Managers. Please go ahead.

Resham Jain: Yes. So, I have few questions. So first one is out of our overall revenue, in terms of user industry, agro will be what percentage in terms of our overall user industry across all the segments? Do you have idea?

Tanushree Bagrodia: We've given that data on Slide 10 of our presentation, where we've said 29% of our total company revenue comes from agro.

Resham Jain: Okay. Perfect. Sorry to -- I didn't saw that. Okay. So the second question is related to agro, whereby, we are hearing across all the agro generic companies, where, as you mentioned, China is giving a very tough competition, lot of products they are selling below cost as well. So based on your past experience, are there any takeaways here in terms of how long this typically remains because we are hearing lot of Indian companies have -- in some of the products they have shut down their plant as well. So anything here, which you want to share your thoughts on?

Harshvardhan Goenka: Difficult to comment specifically on that because it's -- as you can tell, the chemical industry is very diversified. But yes, in general, the agro industry globally is facing some headwinds right now.

Moderator: Our next question comes from the line of Amar with AlfAccurate. Please go ahead.

Amar: Yes. Sir, just one question on the roadmap, which we had given primarily from the guidance perspective. Like we had, I think, in FY '25, we are targeting 50% AI and 50% SI versus earlier guidance of 55% and 45%. And despite that, our margin guidance still remains 15%. So what we understand here is that SI is a largely a high-margin business. So if your revenue shift is happening, I believe the margin should also increase, right?

Tanushree Bagrodia: Amar, Tanushree here. For FY '25, the estimate is a 50-50 split between AI and the specialty type businesses. It's a typo. It should not be SI. It should be SP. And there, we are taking a 15% margin. We are going to FY '27, where we say AI will be 45% and SI will be 55%, and the EBITDA margin will be at 16.5%. When we do these projections, we are fairly conservative on the AI side. And of course, that's why the entire margin expansion that is coming is coming from the specialty type businesses.

Amar: Okay. Okay. So meaning like what I understand, ma'am, like if I see the presentation of first half FY '23, basically, our revenue split was 55% AI and 45% was -- 35% was SI and 10% was FI. Now, obviously, he classified everything as an SI. Now basically, it is divided 50-50. So, I'm saying the 5% shift from AI to FI, which is happening, despite that, the margin remained 15%. So ideally, I'm assuming that we would have been conservative even at that point of time, right? So basically, the 15% should have increased, right?

Tanushree Bagrodia: Amar, I think let's do this correlation so that you understand the math offline because you are comparing the past presentation, which has a certain transition into the current numbers. So let's connect offline to explain that to you.

Amar: Sure. And secondly, like in SI business, I believe we also have a fair enough dependence on the textile part of the business. So any upgrade and outlook? Like what we are hearing is that now the outlook for textile is largely at the bottom and from here on, we should see some improvement. So should we see that populate into the SI business?

Harshvardhan Goenka: So, we won't be able to predict what's happening and when an uptake in a specific industry can happen. But as Laxmi, we are serving several industries and we are not banking on one industry doing well. That's been our general approach, and that's been our portfolio so far. So if some applications that we serve, you will always have that change happening throughout the cycle.

Rajan Venkatesh: And maybe just to augment on to that, with our SI product portfolio, we are pretty diversified with the industry like Harsh said that we are serving and we are also well hedged. So to your point about textiles, it's not as if we have a very prominent exposure. But broadly, we are -- I think with all these customers that we are serving, we are well hedged.

Tanushree Bagrodia: So Amar, just again, if you look at Slide 10 of the presentation that we've put in, you'll see that our reliance on per customer, actually, has come down significantly, right? Top 10 customers were 37% in FY '21, went up to 41% in '22 and then came down to about 34%. And then no year has this number been more than 41%. Similarly, if you see the industry base is equally diversified, right? So, I don't think -- and the evidences of our diversification is that in this year, despite all the cycles that the business has seen, the top line is only down 9%. So, I think we are a very, very de-risked and diversified business. So not really worried about any one sector.

Amar: Okay. Okay. And one last, if I can squeeze, ma'am. Like despite -- like the muted kind of a specialty revenue growth, we have seen an improvement in profitability. Like you always indicated that last two capexes, which we did was largely more from the backward integration perspective. And largely, we target 3 years kind of a payback. So is it fair to assume that from here on, despite, let's say, revenue growth muted, the benefit of the backward integration would be seen in the profitability?

Tanushree Bagrodia: Absolutely. And I think it's evident even in this year, that's where you see that our contribution margin percentage increase even in Q4 has been substantial, right? So, your statement is absolutely correct.

Amar: Okay. So meaning like total capex, which have gone for these two blocks was something around INR100 crores, right, INR125 crores, if I'm not wrong?

Tanushree Bagrodia: We have capitalized over INR250 crores in this fiscal towards increasing production and capacity.

Amar: Okay. But that would include...

Tanushree Bagrodia: Across Unit 1 and across Unit 2. But most of it has come in Unit 2, which is the...

Amar: Total INR200 crores, right?

Tanushree Bagrodia: Versus INR200 crores. Yes. So it's in excess of INR200 crores.

Amar: Okay. So basically, this whole should -- I mean, bulk of this should come to the bottom line. That is what we should assume, right?

Tanushree Bagrodia: So, I don't know how you're looking at the numbers, Amar, but again, please get in touch with Go India and we will answer this question more in detail for you.

Amar: Yes, ma'am. Sure. Sure. I will get back.

Moderator: Our next question comes from the line of Rohit Nagraj with Centrum Broking. Please go ahead.

Rohit Nagraj: Yes. Sir, my question is on the fluorination business. So since we have started -- and congratulations on starting of the plant. Are we facing any initial teething issues and quality issues in terms of products?

Harshvardhan Goenka: So Rohit, this is -- it's a chemical plant. There will constantly be hiccups in a start-up, which is expected and natural. But that's what we are here for. That's what we are -- we are used to doing. But I guess you're coming from the -- I'm reading the question as a -- because it's fluorine and some new chemistry, is there a challenge? I think we are fairly well equipped with that. There are no large un surprises because of the technology that we have imported.

Rohit Nagraj: Right. Got it. Sir, allied question to that. So, you mentioned that probably the opportunity size is about $25 million. And given that we are talking about the opportunity size 10 years back with the products which you were growing or which was stabilized that time, what confidence does it give us that the customer will give incremental orders to us? And what different is to offer to the customer than the existing supplier who is currently supplying these products to the customer?

Harshvardhan Goenka: So multiple reasons, Rohit. You're right, it's been 5 years since the Miteni plant has shut down. But Miteni in its life has produced over 100 products. So, we have selected products that the customers are genuinely seeking from us for various reasons of their own, and we are choosing to produce a certain basket where we see demand traction in. So, that is the first phase. But the larger question is we're in a very large market overall, and there are more opportunities than this asset can serve. Therefore, can we really transform this business over time?

Rohit Nagraj: Right. And just one last clarification on the same. From an R&D perspective, which are the subsegments that we are looking at from a product diversification perspective, given that the domestic incumbents are also trying to enter a lot of new areas from fluorination perspective?

Harshvardhan Goenka: So R&D generally would go towards all 3 of our segments. It's not pertaining to one. But yes, SI and FI tend to be more chemistry driven. And we have a specialized basket of chemistries that are unique to us. Mixing those chemistries gives you a unique proposition for our customers, and those are the areas we play in. And that remains similar for other players in India and for Laxmi.

Rohit Nagraj: I was talking more from fluorination perspective, sir.

Harshvardhan Goenka: Even from fluorination, we have got some unique things with the Miteni asset that no one was doing in India, which is why that's unique to Laxmi. Each of the fluorine players have their own strategy sort of chalked out.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, that was the last question. I would now like to hand the conference over to the management for closing comments.

Ravi Goenka: Thank you very much. And it's a pleasure to be on the call with all our well-wishers and investors. With the inflation showing a neutral to a southward trend, a normal monsoon prediction and the higher GST receipts, we do look forward to a higher traction in our businesses as well. Until our next call in end of July, beginning August, happy sunshine. Good luck.

Moderator: Thank you, sir. On behalf of Go India Advisors, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.