

January 30, 2024

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Dear Sir/Madam,

**Sub.: Transcript of the Earnings Conference Call held on January 23, 2024 for Q3 FY24**

Pursuant to the Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and with reference to our intimation dated January 16, 2024, regarding Earnings Conference call with Analyst(s) /Investor(s) held on Tuesday, January 23, 2024, we would like to inform that the transcript of the aforesaid conference call is attached herewith and the same is also available on the website of the Company at [www.rossari.com/announcement/](http://www.rossari.com/announcement/) under the head 'Investor Call'

The same may please be taken on record and suitably disseminated to all concerned.

Thanking you,

Yours Sincerely,

**For Rossari Biotech Limited**

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**GUPTA**  
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by PARUL  
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Date: 2024.01.30  
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Parul Gupta  
**Company Secretary & Compliance Officer**  
Membership No.: A38895


**ROSSARI BIOTECH LIMITED**


(An ISO 9001:2015 & 14001:2015 Certified Company), CIN: L24100MH2009PLC194818

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## Rossari Biotech Limited

### Q3 & 9M FY24 Earnings Conference Call Transcript

#### January 23, 2024

**Moderator:** Ladies and gentlemen, good day and welcome to the Rossari Biotech Limited's Earnings Conference Call.

As a reminder. All participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing '\*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anoop Poojari from CDR India.

**Anoop Poojari:** Good evening, everyone and thank you for joining us on Rossari Biotech Limited's Q3 and 9M FY24 Earnings Conference Call. We have with us Mr. Edward Menezes, Promoter and Executive Chairman; Mr. Sunil Chari, Promoter and Managing Director and Mr. Ketan Sablok, Group Chief Financial Officer of the Company. We will begin the call with "Opening Remarks from the Management" following which we will have the forum open for a "Question-and-Answer Session."

Before we start, I would like to point out that some statements made in today's call may be forward-looking in nature and a disclaimer to this effect has been included in the earnings presentation shared with you earlier.

I would now like to invite Mr. Edward Menezes to make his opening remarks.

**Edward Menezes:** Good evening, everyone and thank you for joining us on our Q3 and 9M FY24 Earnings Call. I hope all of you had the opportunity to go through our Results Presentation that provides details of our Operational and Financial Performance for the 3rd Quarter ended 31<sup>st</sup>, December 2023.

We are delighted to announce another strong quarter for the Company, marked by a notable Y-o-Y growth in both revenues and profits. The performance was primarily fueled by our core HPPC division. While our TSC and AHN divisions faced industry headwinds and seasonal softness, we are optimistic about their recovery in the upcoming quarters. Notably, while this quarter's revenues were slightly lower compared to Q2, we achieved a new record by surpassing our previous quarter's EBITDA and PAT.

Our long-term growth strategy remains focused on expanding across all our business divisions. Over the years, we have proactively seeded new verticals with our core chemistries laying a solid foundation for future expansion. We believe we are now poised to significantly scale up these ventures. Our emphasis is particularly strong on areas such as Specialty Surfactants, Phenoxy Series, Institutional Cleaning and

Performance Chemicals. By leveraging our existing and new product lines, we aim to penetrate deeper into new geographies and further increase our wallet share with existing partners.

As we have discussed in the past, R&D remains a cornerstone of our growth and innovation strategy. Rossari's position as a premier solutions provider is strengthened by its R&D capabilities enabling us to meet the evolving market needs and solidify our role as a sought-after partner for bespoke solutions in the specialty chemicals sector. We are dedicated to leveraging our R&D expertise to drive future growth, create value and strengthen our reputation as a leading provider of intelligent and sustainable solutions across various industries. We continue to focus on developing Green Surfactants that will act as the door openers for the home and personal care industry and also have varied applications from textiles to industrial cleaning and oil and gas.

As we look ahead, India is anticipated to emerge as a major hub for global clinical manufacturing in the coming years. In this scenario, with the backing of our robust R&D framework, solid financial base, increasing manufacturing capacities and diverse range of products, we believe we are well-positioned to capitalize on growth opportunities in both domestic and international markets across all our business verticals.

With this, I would like to conclude my address and now hand it over to Mr. Chari for his comments.

**Sunil Chari:**

Thank you, Edward-ji. Good evening and a warm namaste to everyone.

The third quarter has once again showcased our resilience and capacity for growth even amidst a challenging external environment for some verticals. We have achieved a consolidated revenue of Rs.463.8 crore, a notable increase of 19%. Moreover, our EBITDA has grown by 18% to Rs.63.7 crore, and we are particularly pleased with our PAT which stands out with Rs.34.4 crore, marking a significant Y-o-Y increase of 34%. These figures highlight our focus on maintaining and enhancing profitability even in a demanding market landscape.

In a strategic move towards future readiness, we announced the expansion of our facility at Dahej in the previous quarter. The expansion is designed to help us foray into new products related to our core HPPC segment. Additionally, in response to the increasing demand in sectors such as agrochemicals, home and personal care, oil and gas and pharmaceuticals, we have also initiated the expansion of Ethoxylation capacity at Dahej facility of Unitop.

Work on both these expansion projects at Dahej has begun and is moving forward according to the planned schedule. The commissioning of these projects is expected to take place in a phased manner, with completion targeted by Q3 FY25. These expansions with the total CAPEX of Rs.180 crore is poised to be a major driver for Rossari contributing significantly to our long-term growth trajectory.

To conclude, we believe our journey of growing our revenues at a CAGR of more than 25% between FY21 and FY24 is a testament to our emphasis on growth. This significant expansion achieved through a blend of organic and inorganic initiatives, clearly demonstrates our commitment to delivering long-term value to our shareholders. Our focus remains on enhancing this value, supported by our confidence in capitalizing on both current and emerging market opportunities. We thank you for your continuous support and trust in our journey towards sustained growth and success.

I would like now to request Ketan-ji to share his perspective.

**Ketan Sablok:**

Thank you, Chari sir, and good evening, everyone. Let me quickly provide you with a brief overview of the financial performance for the quarter ended December 31st, 2023.

We have reported a healthy quarter, reflecting the resilience of our business model. Revenues from operations have increased significantly by 19% Y-o-Y to Rs.463.8 crore, up from Rs.389.3 crore. This healthy top-line growth following a period marked by the volatile raw material situation in the corresponding quarter last year showcases our strong recovery and focus on growth.

The robust performance of our HPPC division has been the key driver for this growth, registering a notable 31% Y-o-Y increase. Substantial contributions have come from Specialty Surfactants, Phenoxy Series, Institutional Cleaning and Performance Chemicals, all of which we believe hold immense potential for further expansion in the future. Additionally, our Animal Health division has demonstrated recovery, with a 22% increase compared to the last quarter FY24.

While our textile specialty division faced a slowdown this quarter, largely due to soft demand in the underlying textiles industry, we are optimistic about the demand uptick in both domestic and export markets in the next fiscal which we expect will lead to a positive turnaround for this vertical. The division-wise revenue contribution for this quarter stood at 77% from HPPC, followed by 18% from Textile Specialty and 5% from Animal Health.

Our EBITDA for Q3 FY24 stood at a high of Rs.63.7 crore, marking an 18% increase Y-o-Y, with EBITDA margins at 13.7%. This growth in operating profit has been supported by a stable raw material situation combined with our revenue growth. Additionally, PAT for the quarter improved significantly by 34% to reach 34.4 crore on a Y-o-Y basis.

Looking forward, we expect to report a continued uptick in profitability, backed by improving capacity utilization levels and various growth initiatives undertaken by us. With a robust balance sheet as our foundation and a disciplined approach to financial management, we believe we are well-positioned to achieve sustained long-term growth in the coming years. Our focus continues to be on adding new products in our chemistry market, continuously strengthening our R&D capabilities and increasing our customers and geographical presence. As the macroeconomic environment and the RM situation stabilizes, we remain confident in our capability to deliver healthy performance across all our business segments going forward.

Thank you for your continued support and confidence in Rossari. So, that's all from my side. Now, we would be happy to take any questions that you may have. Thank you.

**Moderator:**

We will now begin the question-and-answer session. The first question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

**Ankur Periwal:**

My first question is on the new product launches. What you did mention is our focus on green surfactants, performance chemicals etc., but can you drill slightly deeper into it? The reason I'm asking this is we have been focusing on launching new products. So, how has been the ramp up of the earlier ones and what all remains on the pipeline there over the next two to three years?

**Edward Menezes:**

Thank you, Ankur ji. Yes, in the capacity expansions that we are taking up with our focus on these surfactants as well as ingredients, we are actually increasing our ethoxylation capacity, almost more than doubling the ethoxylation capacity, because in the last quarter we had a very robust demand for our surfactants. Apart from that, our Phenoxy Series sales were also very robust. Although capacity is less utilized in Rossari, we have to go for capacity expansion at both Unitop and Tristar. So, in Tristar also, we will increase distillation capacity. Some projects in the last quarter that we had discussed where the Esters and the Ester Quartz that we manufacture, we will be focusing on these products because we got good success with the initial introduction of these products, and we intend to increase the capacity manifold here. Two new products have been introduced, the CAPB that is Cocamidopropyl Betaine, as well as the Cocodiethanolamide, have very good demand and we are planning to expand capacities there. In Block Silicone that is the newer technology, in the last two quarters, we have established a large number of new products and now we have increased our capacity for the manufacturing of these blocks also.

In the last quarter also, I mentioned Biosurfactants, which is our key focus area, not only for the Detergent sector, but also for Textiles as well as Oil and Gas. The biosurfactant capacity was at the pilot scale in the last quarter. We are now establishing a 200-ton plus capacity per annum for these Biosurfactants. In fact, in the Silicone Surfactants which we have already launched in the last year or in the last season for Agro, we are now in the process of launching a few other Silicone Surfactants which will go into industries like Cosmetics, Textiles and in Paper, etc., In addition to that, we have strengthened our Water Treatment Chemicals range also. We have promoted very aggressively the Ceramic Chemicals and we have also introduced a new range of products for coating of Pharma tablets. So, these are the new focus areas that we are looking at in the future. NMMO which is N-Methylmorpholine N-Oxide, which we tasted success in the last quarter, here again we are looking at increasing capacity. Apart from that, although textiles have some headwinds in the last quarter, but volume-wise we have done pretty well in textiles, although we see a 13% drop in revenues, but we have grown in volumes, we are looking at spin finishes for textiles and lubricants for yarn and thread. So, we have invested in certain specialty equipment and machinery for silicon wax lubricants for this large part of the market.

The newest initiative in textiles is Green Chemistry. So, we have introduced a concept called "RENEWA" which is focused on renewable energy, and we have introduced a range of products for processing in the towel industry. So, all in all, our focus on surfactants as well as polymers is razor sharp. One other product that we are looking at is also TG in powder form. We used to manufacture the TG in plate form. We are putting up capacities for making powders for our TG products. So, that too will add 5,000+ tons per annum capacity. And last, but not the least, the anti-redeposition agents that we were doing so well with, and we have cracked up certain multinationals, we are on the cusp of getting approval for another couple of products, and I think in the coming quarters this product also will give us a lot of traction. And in the oil and gas industry, promotion and product development has begun in earnest. We've got the first large order from ONGC, and we expect to do well even in this segment.

**Ankur Periwai:**

But, just to follow up, if I could broadly break up these product launches and the initiatives into three revenue segments, HPPC, Textile and the Animal Health and Nutrition. What sort of time do you believe it will take for us to see the ramp up in revenues? For the first nine months, if I see that you are around 9%-10% up largely led by HPPC, when can we see a double-digit growth and what could be the magnitude of this growth with these new launches and over what timeframe?

**Ketan Sablok:**

So, most of the CAPEX revenues are going to come up by the end of FY25. We will see some things coming up in the last quarter of the next year, and then the entire

ramp-up will happen in the year FY26. So, we see some of the initiatives that Edward sir talked about are going to come up mostly in the last quarter of next year and then the following year.

**Ankur Periwal:** On the product approval cycle, how much time should one budget for these products?

**Ketan Sablok:** I think most of the approval processes will happen through the year because lot of piloting work for some of these specific molecules, which we are setting up in the CAPEX, we will do it through the year before the plants come up. So, it's not a very long approval process. We should be ready with the approval prior to the plants getting capitalized.

**Moderator:** The next question is from the line of Jainam Ghelani from Svan Investments. Please go ahead.

**Jainam Ghelani:** Basically, I just have two or three questions. So, mainly we had guided earlier that we would be growing by 10%-12% in FY24 but based on the results, do we think we can surpass that and achieve 20%-25% by any chance?

**Ketan Sablok:** I think we will still stick to the guidance that we have given.

**Jainam Ghelani:** Sir, how much are we spending on the CAPEX at Dahej?

**Ketan Sablok:** Total spend is about 130 crore in the CAPEX at Unitop and about 50 crore at Rossari.

**Jainam Ghelani:** Sir, are we planning any acquisitions in the Textiles segment or Animal Health Nutrition segment?

**Ketan Sablok:** Nothing as of now on the table that we would like to discuss.

**Moderator:** The next question is from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

**Sanjesh Jain:** I have a few questions. First is on the HPPC side. The growth looks phenomenally good at 31% and I believe there was a price decline. So, can you help us understand what was the volume growth for the Company and HPPC? Another small request. Can you give a little more detail in terms of helping us understand which segment is driving this growth, how much is Agri, how much is Performance chemicals, what is the growth in the Buzil-Rossari? I think these are all the various segments we have within the HPPC. Can you help us understand what has been the growth in each of these industries and what exactly is driving such a strong growth?

**Ketan Sablok:** Yes, the HPPC growth overall I think most of it is all volume-driven. Y-o-Y if you see our volumes have significantly grown by almost 30%-35%+. So, the major growth is coming from the Speciality surfactants, Non-Agro surfactants that we manufacture. Second, again, on the Phenoxy Series products, we have seen phenomenal uptick in these entire series, so both in domestic and majorly in the export market, we have been able to ramp up these products quite significantly. The other areas of growth have been the Performance Additive business, which again though it is a small base, but it is seeing a fantastic growth in the overall product basket of ours and of course, as you rightly said the other is the Institutional Chemicals. So, Institutional Chemicals has also seen almost doubling of revenues compared to the last year's same quarter. So, these four business segments within HPPC have seen the growth driving this to 31% growth that we are seeing, and as I said, most of it is all volume-driven growth.

- Sanjesh Jain:** But within these, which are the segments which are growing above average of HPPC, what is growing faster. I can understand there is a low base as far as the Performance Additives is concerned, but from an absolute growth perspective, which segment is driving a higher incremental revenue for us?
- Ketan Sablok:** If you see it in terms of percentage, I think our Institutional Chemicals business has grown the fastest, followed by the Surfactants non-Agro Specialty Surfactants have really picked up a lot. I think that was evident even in the last quarter, when, we were almost peaked in our capacities. That's what's going to drive the growth and we are seeing that growth coming from these.
- Edward Menezes:** Sanjesh, ji, chemistry is Ethoxylate, which has grown very, very well. So, that is why the expansion is both at Tristar and Unitop. Practically, we are using 100% capacity in ethoxylation.
- Sanjesh Jain:** So, when we say Speciality surfactants or Non-Agro surfactants, what exactly the product are we talking, is this the anti-depository are we talking about?
- Sunil Chari:** Surfactants is going to Home care, Personal care, so they could be different kind of surfactants which are like alcohol surfactants, castor oil surfactants and there would be phenol surfactants.
- Sanjesh Jain:** What is the application are we talking here, is it Home and Personal care are we talking here?
- Sunil Chari:** Yes, the Home Personal Care coatings, inks, agro, paints. So, all these are the areas where they have grown.
- Sanjesh Jain:** Sir, can you help us understand more the Speciality surfactants? In HPPC category, it is the private label where probably we were using a lot of surfactants and then I can understand paints, where we were trying to expand in the performance. Apart from this, where exactly the surfactants, still the key area because I think rest of the application was largely driven by polymer, right?
- Sunil Chari:** There are a lot of customers in private label who are not our customers and have become our customers now. So, these are the various industries which Ethoxylates, our teams have been able to cross sell and get more volumes for the Ethoxylates. If you remember during the IPO, Ethoxylation was supposed to be put up in Rossari and then we got the acquisition done and then we did not put up and we were already using a lot of Ethoxylates in-house so which we are all consuming now. Exports also did quite well. Exports now are nearly 23%, which is the highest ever in our history. And this is in spite of finished goods prices going down because of raw material pricing. And export, again, one segment in the US market was food processing, surfactants for food processing we did well, but also, I think home care and agro would be top.
- Sanjesh Jain:** No, I'm still not able to get what exactly is Speciality Surfactants and what is driving that growth, but I will take that offline with you sir. Second, is can you help us what was the growth in this quarter for Unitop and Tristar?
- Ketan Sablok:** So, this quarter Unitop Y-o-Y was almost 25% growth. Tristar was about 5% growth Y-o-Y.
- Sanjesh Jain:** But we said that Ethanol is doing well, because of the pricing decline, the growth is lower in Tristar?

**Ketan Sablok:** Yes, the volumes have gone up, but there are pricing pressures, and, of course, as I said, there is a capacity constraint also. Last quarter, we have completely utilized capacity, now also the capacities are completely utilized, so there is a little bit of stagnation in terms of growth. Some of the products we are now shifting into Unitop facilities to manufacture, that is why Unitop is seeing almost 20%-25% kind of growth while Tristar being a smaller Ethoxylation capacity it is almost full now.

**Sanjesh Jain:** So, what is the capacity utilization for us in Ethoxylation, are we completely run out of the capacity in ethoxylation?

**Ketan Sablok:** Yes, this quarter and the last quarter we have almost used our utilization, last quarter, we were 90%+ utilization, this quarter we are at about 85%+ utilization.

**Sunil Chari:** Also, in Tristar, Phenol is the key raw material for Phenoxyethanol other than Ethylene oxide. Phenol prices have come to an all-time low. So, value may decline but volume is doing well.

**Sanjesh Jain:** So, when is our next Ethoxylation facility going to be commissioned, else we would be capped in terms of growth because of its Etholoxylates not having the capacity? When is our Ethoxylation plant expected to be commissioned?

**Sunil Chari:** We are going into the stages. So, first I think in the next five months we should have the first ramp up happening now. We are also adding the distillation capacity for Tristar. So, that also should take 4-5 months.

**Sanjesh Jain:** So, the next Ethoxylation capacity is coming in 5 months and how much is that capacity?

**Sunil Chari:** 20,000 tons.

**Sanjesh Jain:** What is the current capacity for Ethoxylation?

**Sunil Chari:** 36,000 tons.

**Sanjesh Jain:** So, we will be almost expanding close to probably more than 50%.

**Sunil Chari:** Yes.

**Sanjesh Jain:** What will be our capacity utilization at Dahej?

**Ketan Sablok:** Dahej, currently on the Ethoxylation side at Unitop we have completely utilized. In our facility, we would be about 55%-60% utilization because some of the formulation capacity still have headrooms to work on.

**Sunil Chari:** I want to add here, in October, we were the highest Ethylene Oxide consumer for Reliance in India, which is a proud month for us.

**Sanjesh Jain:** I thought the Rossari last quarter itself, we were at about 55-60 and this quarter, it seems that we have grown volume significantly. The utilization sequentially volumes have not grown so much. Is that the right understanding?

**Ketan Sablok:** Yes, as I said, the growth that has come from Specialty surfactants, Phenoxy series. So, in these cases the capacities are more utilized at the Unitop facility and at Tristar.



- Sunil Chari:** Growth also has come from the Institutional hygiene, Cleaning and Disinfection side. This is Buzil-Rossari business, which is growing at a very, very good speed too.
- Sanjesh Jain:** Sorry sir, I have a request to Ketan sir as well. We would appreciate if you can give a little bit more detail on the HPPC side on say Performance chemicals, Agrochemical, Speciality surfactants, that will really help us understand the business better because for us now to visualize this HPPC growth has become slightly more complicated because there are so many businesses within the HPPC, right. For us to really appreciate that performance, I would really request you to relook at the disclosure and if we can get a little bit more granularity in HPPC, I think we would really appreciate that.
- Ketan Sablok:** We actually want the businesses to reach a certain size and then probably we would be able to give a little more granular details, but point well taken, and we will look into it.
- Moderator:** The next question is from the line of Aditya Chheda from InCred Asset Management. Please go ahead.
- Aditya Chheda:** My first question is on the gross margin. We have improved sequentially. Do you think there is an element of positive surprise which is still possible on gross margins going ahead?
- Ketan Sablok:** So, I think this quarter we should be similar in terms of the gross margin. We should be able to maintain this 30% gross margin.
- Aditya Chheda:** Next question was on growth excluding of CAPEX. So, you have highlighted that over the next 5 months and then there will be CAPEX which will come up in a phased manner, but growth ex-of CAPEX you mentioned the plant is operating at 60% utilization. So, would you like to sort of reiterate, what sort of growth number you are anticipating for the next financial year on the top line?
- Ketan Sablok:** Next financial year we said that we should do a mid-teen kind of growth, we are aiming at 15% kind of growth on the top line.
- Aditya Chheda:** For your CAPEX, you mentioned that you will take some debt. So, can you share some guidance on what kind of debt and interest cost you are looking for going forward, what will be the mix of debt and internal accruals within the number you shared for CAPEX?
- Ketan Sablok:** We are still working with the bank, but we will do a debt, should be about 75:25, that is the kind of mix we are looking at for debt.
- Moderator:** We have the next question from the line of Archit Joshi from B&K Securities. Please go ahead.
- Archit Joshi:** Sir, a bit inquisitive on some of the newer projects or newer product launches but not just that you were speaking of earlier. Again, a part of disclosures, maybe even qualitatively, could you categorically kind of mention what is the kind of potential of those industries we are targeting and maybe biosurfactants or the Silicones that you spoke of or the water treatment chemical initiatives that you have taken, and is there a potential synergies from existing customers, what is the profiling on that front. What is the kind of value addition we can do? So, some qualitative information so that we can understand a bit better on the growth journey that we are beckoning upon. So, that would be really helpful.

**Edward Menezes:**

So, like I narrated some of these products that we are planning to introduce, some are at pilot stage, and some are already introduced kind of products. So, just to give you an example of the Biosurfactants which you mentioned, Biosurfactants market potential is in different industries. At the current moment, we are targeting the Agro business and also, we are targeting our own Textiles business because in Textiles there is a big need from the ESG point of view for the carbon footprint as well as the biodegradability. So, at the current moment in the Biosurfactants, we stand at about 3 tons per month, and we plan to expand it at least 10 times. So, that is the plan and that's the CAPEX that we are planning to introduce to utilise.

If I look at the Silicon surfactants, primarily being focused on the Agro market at the current moment and we are tripling that capacity. So, we feel that there is a good potential more than 1,000 tons per annum potential in the Silicon surfactants market for Agro. So, we aim to take a share from that market, and in addition, we are already ready with products for the other industries. In Silicon surfactants you just change the molecular weight, or you change the Ethoxylation and you get products for different industries. So, those industries are Cosmetics, they are Textiles, they will go in Coating, etc., Interestingly, also CAPB and CDA are two big products that we are aiming at where the quality of the product is very important for the Home and Personal Care industry, especially the color of the product and the smell of the product. So, our R&Ds have done a great job and we have cracked that issue and I think this product can also give us 1,000 tons+ sales in this year itself.

The other Esters that I'm talking about are the Sorbitan Esters, these we were actually buying from outside and they were used for captive consumption in our Agro-industry. Now that we successfully manufacture this at Rossari, we will go for 10 times increase in these Esters, which we will stop buying from outside and start producing in-house. Similarly, Ester Quartz, they are called Softeners which go into commercial laundry as well as mainly into retail laundry which is a large product for us and it's a great candidate for export. So, this product also, we have targeted many countries with Ester Quartz as a Softener in retail products.

So, likewise, there are number of projects, one of them is Phenoxy Propanol. So, at the present moment we do large quantities of Phenoxy Ethanol, and we have started seeding the market with Phenoxy Propanol because we have the Propoxylation facility at Unitop and now we have already put up the Propoxylation facility at Tristar. So, this product is the next-generation Antimicrobial, which is used in Personal Care. So, that product will also go in a big way in the future.

So, I mean, these are some of the examples. Another big example could be the PEG powders. You know PEG powders that is Polyethylene Glycol powders. We will be targeting these products for the Pharma industry. There is a high CAPEX that we planned for that and maybe six months down the line we will be ready with this product PEG powder. The PEG we already manufacture both in liquid as well as in flake form, but now in powder form, this will be the first time that we will attempt it and it requires some special machinery for the same. So, I hope that answers in short, qualitatively exactly what we are trying to do.

**Archit Joshi:**

Another question that I had while you were speaking of Ethoxylation as a chemistry and a kind of significance that it holds for us, I just wanted to understand the number of products that you manufacture. What is the extent of value addition we do given that Ethylene Oxide is something that we buy close to between a \$1-\$1.5 per Kg? Because we are a host to multiple products towards multiple industries. As an application area, I do understand that this treatment basically makes other chemicals a bit lesser in terms of their harshness. But, if in the value chain what exactly do we do from Ethylene Oxide on \$1-\$1.5 Kg of raw material, what is the extent to which

we have our offerings in terms of our product profile, if you can explain a bit from the chemistry angle also and a bit more on the commercial aspect also?

**Edward Menezes:**

So, as you know that Ethylene Oxide is one of the components of Ethoxylate. The other is hydrophobe which could be various different alcohols or fatty acids, etc., Now, the most common Ethylene Oxide surfactants are made from alcohols, and they are actually from very commodity alcohols like Lauryl alcohol or tridecyl alcohol. So, that is what most people do. But when we use these products in formulations, then we use special alcohols. We don't use the same commodity alcohols there. And that actually adds at least 20%-30% in value. To give you an example, instead of Lauryl alcohol, you do an Ethoxylation with secondary alcohol or you do Ethoxylation with guerbet alcohol. So, there are different types of brands alcohols, different types of secondary alcohols, as well as other alcohols which I cannot discuss here. That is one part of it. And the other part of it, because Unitop has the facility for both Ethoxylation and Propoxylation, then we make some special products where the Hydrophobic ethoxylated as well as propoxylated. And when you do Ethoxylation and Propoxylation then the properties of the surfactants are enhanced tremendously, and the value addition is also excellent.

Apart from doing only Ethoxylation and Propoxylation, we do Phosphate Esters after Ethoxylation is produced. Again, that adds 20%-30% to the value. Then we do Sulfonation, we make the product capped Ethoxylates, we also have EO/PO block copolymer. So, we could have an EO/PO co block copolymer, or we could have an EO/PO/EO block copolymer. So, these are all the special surfactants that are produced here which go as adjuvants in agro, in textiles, in paper, in coating as well as in cosmetics, etc., So, that's where the value addition comes from. The run-of-the-mill products Ethoxylates most Ethoxylaters make, but all these different kinds of additions are what we are doing. One of the latest ones is, as I said, Silicone surfactant which very few people do, because the reaction is quite a tough reaction, and it contains Hydrosilylation also, which is also a very controlled kind of reaction.

So, after we do the Silicone surfactant, we also do at the present moment, we do Silicon block. But we can now produce Silicon epoxies because we have the EO/PO facility with us. So, there are various things that we are working on, various things we have already introduced into the market, and various things that we are using in-house for agro as well as textiles. So, it's not that we just make the simple Ethoxylates and sell. It took a year or two before we could use the facility properly, and now we are poised to do a proper value addition and that's where we are seeing the growth coming from.

**Archit Joshi:**

Just to sum it up. With the run-of-the-mill kind of Ethoxylates that you spoke of, even if I sort of discard, not discard just for the sake of calculation, we can add close to 30% odd of value, so, if you're buying, let's say, Ethylene Oxide at \$1.5, maybe we can sell the final product at close to \$2, maybe \$2.2.

**Edward Menezes:**

Absolutely.

**Moderator:**

The next question is from the line of Ranvir Singh from Nuvama. Please go ahead.

**Ranvir Singh:**

On the margin side, for the subsequent quarter, we are likely to maintain gross margin. Any comment on EBITDA margin and in the opening remarks you mentioned that profitability will improve. So, I wanted to understand what is the sustainable level of EBITDA margin and where actually this improvement will come from?

**Ketan Sablok:**

Q4 we should be at similar levels in terms of the EBITDA margin what we have reported in the Q3. Going forward, I think we should see EBITDA margins to be anywhere between 13.67%-14.12%, so around that range. The growth as I said in

the revenue will be about mid-teens. We expect the absolute EBITDA to also grow by around the same number as the top line.

**Ranvir Singh:** Secondly, we have been talking about new vertical of chemistry. Silicone maybe is one, but can you give more about the new vertical what we are talking about considering the next 2-3 years down the line?

**Ketan Sablok:** I don't think we've spoken on any new verticals. These are the 4 chemistries that we work on. I think we will stick to those, and within those 4 chemistries, we may keep adding new products and new molecules, but our core chemistry and the 4 areas which is ingrained in our understanding, we will be sticking to that.

**Ranvir Singh:** So, this is with 4 verticals the new products will be introduced, is it? On CAPEX side, 50 crore CAPEX, which was Rossari, that is fully spent now?

**Ketan Sablok:** No, none of the CAPEX has been fully spent, all of them are work-in progress. They will come on stream in a phased manner over this year.

**Ranvir Singh:** So, how much has been spent so far on Rossari?

**Ketan Sablok:** We just started, we announced in the last quarter, just the initial project work has started, some advances have been made. So, it's not very significant, to currently talk about. We'll have the major spend now happening in this quarter and Q1.

**Ranvir Singh:** What kind of asset turn we are looking both at Unitop and Rossari for a new CAPEX?

**Ketan Sablok:** Asset turn will be in line with our current, depending on the molecule, but average will be around 4-5.

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

**Rohit Nagraj:** First question is on the exports front. So, you mentioned that exports are about 23%. I hope it's for the first nine months. If you can just give us what could be the breakup of the exports in terms of HPPC, TSC and AHN? And over the next maybe 3-4 years, how do we look at the exports opportunity from say 23% to maybe 30%, 35%, 40% and which are the segments which will drive these exports?

**Ketan Sablok:** You talked about the breakup of exports. I think it's quite evenly spread amongst all the three verticals, but it's about 23%-24% in HPPC, Textiles is about 16%-17% and AHN is also about 20%. So, that's how it is in the nine months. Off its own turnover. So, that is how the average comes to about 23%.

**Rohit Nagraj:** How do we look at the overall exports in terms of maybe 3-5 years come 23% and which all segments that will drive this growth?

**Sunil Chari:** We believe that the export turnover should grow by a higher percentage than the domestic turnover. If we are talking about the total turnover of 10%-12%, then export should grow at 12%-14% and domestic should grow at 10%, that is what is our forecast.

**Rohit Nagraj:** Second question is in terms of any write offs that we have taken during the last 9 months. The reason for asking the question is that on TSC front, we have multiple numbers of SKUs even in HPPC and since the demand has been lackluster, there could be expiry for those products which are more than 2-2.5 years. So, any write-

offs that we have taken during the first 9 months, and any write offs that we may expect in this quarter or in near future?

**Sunil Chari:** There is no write-off with respect to expiry of goods. Even in textiles, our volumes have been intact. The raw material prices have fallen and finished goods prices have fallen. We do not have a slackening of demand in textiles compared to previous quarters. We remain steady and we emphasize again there is no write-off on expiry. This is not the case normally in specialty chemicals, it may be in pharma.

**Moderator:** The next question is from the line of Ajay Surya from Niveshaay. Please go ahead.

**Ajay Surya:** Sir, we have struggled with our Textiles division's performance. So, can you just throw some light on to what has been the challenges that we are facing, the imports that are rising or is it the domestic competition that has the peers, maybe you can just throw some light on that, is just the demand or the imports or the domestic competition?

**Sunil Chari:** In Textile chemicals, we don't see any big imports coming into India. The demand is not so strong. What had happened is in COVID, there was a big demand because American consumers were given extra money by the government and the focus was on hygiene and hence there was lot of disposables taking place every month and they were buying a lot of towels and bed sheets and linens. Now, that has slackened off. Because of supply chain in the year 21-22, there was huge overstocking, and this overstocking is now gradually coming online. We see some demand slackening and that is why the outlook is not very, very bullish. But our aggression maintains our volumes, and exports we feel could grow, especially in Bangladesh and other areas.

**Ajay Surya:** So, sir, you mean to say that in the Textile chemicals, imports is not a major portion, is that correct?

**Sunil Chari:** Yes, I reiterate, there is no big Textile chemicals imports coming in.

**Ajay Surya:** My next question is again on Textile chemicals. So, sir, if I look at the textile chemicals value chain between pretreatment, dyeing or even the finishing chemicals. Sir, where is Rossari dominantly present, is it more on the pretreatment side or is it on the finishing chemicals side? And if you can just also provide information on what sort of realization and margin difference do we see across each of them like pretreatment be anywhere between 10%-12% kind of margin or like even better or in the finishing chemicals, what sort of margins do we gather from the market?

**Sunil Chari:** Traditionally, for us, finishing has been the strongest area, because we are backward integrated into Silicone raw materials because we manufacture the Silicone blocks ourselves, we have traditionally focused there. But now with the coming of Unitop, where we manufacture Ethoxylates, this year has been the focus to grow also the pretreatment and the dyeing segment. We do not calculate margin segment wise, but we feel the same gross margins would be there across all the sub-segments in Textiles as well.

**Ajay Surya:** Are we expanding on the Textiles chemicals front and how is the UK FDA going to benefit the overall Textiles chemicals market?

**Edward Menezes:** See, in the Textiles market, like in the opening question, I replied that we are refocusing on these few areas. One of them is Spin finishes. This Spin finishes are the products which go into the textiles before it is spun into a yarn or before it is spun into a fabric or woven into a fabric. Similarly, we have taken up development of lubricants, both for yarn as well as threads. When I mean lubricants means these

are Silicone plus wax lubricants. These are special products which require high value equipment. We have earmarked some CAPEX for this equipment this year, pilot batches have been successful, and I think in the next 3-4 months, this product line should be launched in the country. Apart from this, we've also introduced the full coating range for technical textiles. So, in technical textiles, require a lot of different kinds of Acrylic coating, soft coating, medium hard coating or hard coating for various applications in technical textiles, geotextiles, etc., This coating range with our expertise in acrylic chemistry, we've launched this product range.

One new idea that we are trying to get into the textiles is water-less dyeing. That means using less water for dyeing. Looking at the ESG and the environment, we have been trying to focus on this concept. And finally, as I said, RENEWA, that is for renewal energy. We are focusing on a processing sequence or a processing method to process a towel or terry towel specifically, with a completely green chemistry, that means from the pretreatment, which will not be surfactant, but it will be with Enzymes which we call as Bioscouring Desizing, then we will be using Sequestrants which are a Biosequestrant. Apart from that, we will be using biosurfactants for wetting and scouring in all these operations. The softener will be based on a biocarbon which is greater than 25% as well as with very low cyclic, I mean D4 and D5, so Dimethylsiloxane, and we're also going to use vegetable oil softeners for this process. So, very strong focus on textiles and the Ester Quartz that we launched, that is not from animal origin, it is from vegetable origin, and this can be a large product for Rossari not only in India, in the retail market, but also worldwide. We have got very good success in some countries, and we are pushing hard with the Ester Quartz which is vegetable-based.

- Moderator:** The next question is from the line of Parth Mehta from Vallum Capital. Please go ahead.
- Parth Mehta:** What would be our total utilization, all capacities included?
- Ketan Sablok:** All capacity is utilized. As we said, our overall Ethoxylation capacities are completely utilized now.
- Parth Mehta:** In terms of the tonnage what would be your capacity of Ethoxylation?
- Ketan Sablok:** 36,000 tons.
- Parth Mehta:** I wanted to know on total capacity of 3,52,000, what will be our utilization or if you can also help us with the volume numbers, either of it will be fine?
- Ketan Sablok:** So, on the overall, our capacity utilization, as I said is about 55% odd, but capacity consists of formulation capacity, the Ethoxylation capacity. So, the ethoxylation capacities are fully utilized. Formulation capacities generally will always be in the range of 60%-70% kind of utilization, they will never go beyond that and then there are some reaction capacities also which are there.
- Parth Mehta:** Right now, on total basis, we will be around 50%-60%. And what would be the peak utilization that we can do on a total basis?
- Ketan Sablok:** As I said, Ethoxylation, we had fully utilized, formulation, we can go up to 60%-70%. So, if you take an average, our max utilization will come to about 65%-70% at a peak level.
- Parth Mehta:** You are almost near to peak?

**Ketan Sablok:** Yes.

**Moderator:** Ladies and gentlemen, that was the last question. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

**Edward Menezes:** Thank you, everyone. I hope we have been able to answer all your questions satisfactorily. Should you need any further clarifications or would like to know more about our Company, please feel free to contact our team or CDR India. Thank you once again for taking the time to join us on this call and have a great day.

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