Date: November 6, 2023

To,
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai,
Maharashtra – 400 001.
Scrip Code: 541167

To,
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1, G Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai – 400 051.
Symbol: YASHO

Dear Sir/Madam,

Subject: Earnings Call Transcript

Dear Sir/ Madam,

Further to our intimation on October 25, 2023, intimating of the earnings call to be hosted by the Company on November 1, 2023, please find transcript of the said earning call for your reference and records.

The transcript of the earning call is also made available on the Company's website i.e. www.yashoindustries.com

You are requested to take the above information on record.

Thanking You,

Yours faithfully,

For Yasho Industries Limited

Parag Vinod Jhaveri

Digitally signed by Parag Vinod Jhaveri
Date: 2023.11.06 15:21:22 +05'30'

Parag Vinod Jhaveri
Managing Director and CEO
DIN: 01257685

Encl: as above

"Yasho Industries Limited Q2 and H1 FY24 Earnings Conference Call"

November 01, 2023

MANAGEMENT:	**MR. MR. PARAG JHAVERI – MANAGING DIRECTOR AND CEO, YASHO INDUSTRIES LIMITED** **MR. YAYESH JHAVERI – WHOLE TIME DIRECTOR, YASHO INDUSTRIES LIMITED** **MR. DEEPAK L. KAKU – CFO, YASHO INDUSTRIES LIMITED**
MODERATOR:	**MR. BHAVYA SHAH – ORIENT CAPITAL**

Moderator: Ladies and gentlemen. Good day and welcome to the Q2 and H1 FY24 Earnings Conference Call of Yasho Industries Limited organized by Orient Capital.

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 this conference, please signal the operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

I will now hand the conference over to Mr. Bhavya Shah from Orient Capital. Thank you and over to you, sir.

Bhavya Shah: Good afternoon, everyone. Thanks for connecting to Yasho Industries Q2 and H1 F24 Business Concall.

Today we have with us the management, Mr. Parag Jhaveri – Managing Director and CEO, Mr. Yayesh Jhaveri – Whole Time Director and Mr. Deepak L. Kaku – CFO.

Before we proceed with the call, I would like to give a small disclaimer that the conference call may contain some forward-looking statements, which are based on the belief, opinion and expectation of the company as on date. A detailed disclaimer has been given in the company's investor presentation. I hope everyone had a chance to go through it which was uploaded on Stock Exchange yesterday.

I would now like to hand over the call to the Management. Over to you.

Parag Jhaveri: Good afternoon, friends. On behalf of Yasho Industries Limited, I would like to extend a warm welcome to all of you who have joined us for this season concall. We appreciate your time and interest in our Company's performance. I hope that everyone had an opportunity to go through the "Financial Results and Investor Presentation" which have been uploaded on Stock Exchange.

As we delve into the "Financial and Operational Performance" of the preceding 6 months. It's crucial to highlight that our steadfast dedication remains firmly centered on delivering maximum value to our stakeholders.

In the first half of FY24, we find ourselves navigating through a global economic landscape marked by challenging macroeconomic conditions, high inventory cost and significant price fluctuations. While Yasho's volume has managed to remain steady, we have experienced a 21% decrease in our sales value due to a fall in selling price.

However, our focused effort on enhancing the product mix and implementing dynamic pricing strategy have allowed us to navigate this turbulent time effectively. We have strategically positioned ourselves to ensure a more resilient performance in the forthcoming quarters. With the goal of safeguarding the interests of our valued stakeholders, also we expect from Q4 the scenario will improve and we will be able to capitalize for the same.

Coming on to operational performance:

Yasho Industries operate within the two core categories. In the first category, which includes the consumer chemicals like food, feed, aroma chemicals or perfume chemicals contribute about 70% of the revenue. While the second category encompass industrial chemicals such as rubber, lubricant, polyurethane, epoxy resins, which account for substantial 83% of our total revenue.

Demonstrating resellers, even in the face of subdued demand for the key products across various geographical locations. Furthermore, our exports have encountered a year-on-year decline from 69% to 62% of our total sales primarily attributed to the ongoing geopolitical situation and slowdown in Europe market in particular.

Turning our attention to capital expenditure initiative:

The Greenfield project at Pakhajan design to more than double our capacity is proceeding according to plan and is expected to commence production in early FY25. We are scheduled to conduct a Trial-1 post-Diwali. This project holds a pivotal role in our growth strategy, and we hold strong confidence in its potential to create substantial value for our stakeholders.

In addition to this, we are incorporated a new, wholly owned subsidiary in United States, making a significant step in our expansion and growth strategy. This new subsidiary is poised to play a crucial role in our business operations in the United States. Despite facing short-term challenges, our long-term strategy remains steadfastly unchanged. We can earn during focus on expanding manufacturing capacities, diversifying our product portfolio and extending our market reach.

In conclusion:

We have optimism for the future trajectory of our business and our enthusiasm about the prospect of Yasho Industries Limited. Our commitment to creating lasting value for our stakeholders in conjunction with the prudent financial management and strategic initiative will be pivotal in sustaining our growth in the forthcoming years.

So, that's it from my side. We are opening the floor for question answer. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Manan Shah from Honeybee Investment Advisors. Please go ahead.

Manan Shah: You mentioned about price correction in our products. So, across our five categories that we have, so which category has seen the price drops if you can talk a little bit about that?

Parag Jhaveri: That's mainly to the consumer care product and some of the product category into the specific range.

Manan Shah: So, the lubricant, additives and the rubber chemicals have not seen any pricing correction?

Parag Jhaveri: Not significant. There is a slight price correction, but not significant as compared to the consumer parents, some of the product from specialty.

Manan Shah: And the high-cost inventory also pertains to those segments only, right, not to the lubricant and the rubber chemicals?

Parag Jhaveri: Can you give the contribution in the industrial side out of the three categories, rubber, lubricants and Speciality, what is the revenue contribution of these individual categories?

Parag Jhaveri: I think we don't want to give that insight of thing, but the major contribution comes from rubber and lubricant segment, at least, in a first half. I can say that.

Manan Shah: So, we used to give this bifurcation I believe till FY22 where I think last when we had disclosed lubricants was contributing roughly 15% of the revenue. So, has this improved as on date or it continues to be at those levels?

Parag Jhaveri: It has improved substantially.

Manan Shah: So, this improvement has, I mean, we haven't. So, the capacity is that we have so there has been any improvement in the capacities or the capacities were fungible which led to this improvement?

Parag Jhaveri: Well, last year we had debottlenecking and some addition our capacity is increased to 12,500 metric tons and we are confident to achieve at least 90% utilization in this year despite this current challenges. So, we have been able to capture more market share or able to add lot of our new customers on our active customer base. So, that is helping us to grow the segment.

Manan Shah: And my last question was so we've given about the product A, B, C, & D, which we plan to foray into post the capacity expansion. So, these are not existing products, these are totally new products apart from product D where we are having around 35 crores sales?

Parag Jhaveri: Yes. So, those are new products and we have identified a number of customers who is interested in this, but they all will come on board once we start the production.

Manan Shah: And this will be sold under our brand YALUB or are these the contract manufacturing sort of arrangements?

Parag Jhaveri: There is nothing contract manufacturing. It's all we are(10:34mins) so direct B2B sales.

Moderator: Thank you. The next question is from the line of Aman Thadani from Solidarity investment managers. Please go ahead.

Aman Thadani: Sir, my first question is as we understand that the current performance is impacted due to lower realizations and high-cost inventory line in books. So, assuming that we are not sitting on high-cost inventory, what would be the revenue per quarter that we would do at the optimum capacity utilizations and what's the normalized peak gross profit and EBITDA profit and absolute terms that we would do then?

Parag Jhaveri: Peak revenue what we expect is in the range of about 700 crores to 750 crores from Vapi operations with the capacity of a 12,500 metric ton maximum what we can achieve from Vapi. The Pakhajan will start contributing to the revenue post(11:48mins) 25 means for somewhere in Q1 25 we should start getting the revenue coming out from the Pakhajan part of it and that revenue we expect in the range of about 500 crores to 600 crores depending on the prices at that time.

Aman Thadani: And sir on the profitability from the Vapi operations like on 700 crores or 750 crores, what's the absence, what's the absolute gross profit and EBITDA profit that we can do since the margin is a bit meaningless to look at due to the fluctuation in raw materials, so I just wanted to know that?

Parag Jhaveri: Before this till last year, we were having a gross margin is about 38% to 40% gross margin. Now the gross margin has dropped to about 33%, 34%. We hope that in a normalized year, we should be back to that 38% to 40% margin from Vapi and EBITDA of about 18%, 19%.

Aman Thadani: Sir my second question is what is the quantum of high-cost inventory that we are carrying and how long will these inventories last for before we come to normalize margins?

Parag Jhaveri: Well, what we had our major inventory have been utilized high cost except one or two product which may we are still carrying, but besides that everything is normalized now. Yes, I can say that as of today.

Aman Thadani: So, can we assume that from Q3 onwards we will be back to 38% to 40% gross margins and around 18% EBITDA margins?

Parag Jhaveri: The answer is no because there is a still challenges in the market, still there is a subdued demand in FY'22 and FY'23, there was more of sellers' market now it's become buyers' market. So, to hold on the business we have to give some discount. What we lost is about a 2%

EBITDA margin compared to last year that was mainly due to the giving partially due to the high-cost inventory and partially due to the discount what we need to offer in the market to sell your product. For us, the more priority is to run the plant at optimum capacity rather than sitting on inventory or not to sell the product.

Aman Thadani: And sir my next question is sir, that we have got some software commitments from customer for the phase 1 capacity at Pakhajan, but the Vapi facility has been operating at 75% capacity utilization approximately. So, my question is why aren't these customers able to fill up the Vapi capacity?

Parag Jhaveri: Well, Vapi capacity as of today run about 85% of capacity. As I said, the volume has not impacted at all. Volume impacted only in the case of consumer care and one or two product probably into the Specialty segment. The rest of those segment we have grown, volume has been grown there and the question for capacities when this big new customer comes on board, if you(15:13mins) change the location of the product,you need to revalidate altogether. So, they are not in hurry, so let's come with the plan. So, they don't need to revalidate it twice. It's an expensive affair. Exercise one has to do that.

Aman Thadani: My last question is the basis of the current environment how are we looking at the ramp up in our phase one capacities?

Parag Jhaveri: We have already said that before in FY'25 we are going to cover up around 50% of our utilization and that is going to happen gradually. So, we may appoint the first quarter 15% to 30%, I don't know, (16:30mins) everything depends on how quickly the customer gives approval, audit the facility and we start the ramping up, but as an overall here we are expecting about 50% utilization in a first year, that is FY25.

Moderator: Thank you. The next question is from the line of Gunit Singh from Counter Cyclical PMS. Please go ahead.

Gunit Singh: So, can you give a brief overview of the kind of products that will be produced from the new capacity? Are they completely new products or is it something that we already are into?

Parag Jhaveri: There are two new products, rest of all products what we are pursuing today in Vapi that will be the capacity expanding there.

Gunit Singh: And I mean, what kind of revenues are we expecting from this new plant in FY25 what kind of revenues and what kind of margins can we expect?

Parag Jhaveri: Well, we expected it to utilize about 50% and we do expect some little higher better profitability on in terms of EBITDA margins from a new facility. So, currently we are running at 17%, 18%. It should cost 20% if all goes well.

Gunit Singh: And sir considering that the high-cost inventory has been utilized and what kind of margins do we expect for H2 FY24? I mean, can we go back to 17%18%?

Parag Jhaveri: We are already at 17% margin. So, we dropped by about two point, and I cannot be assured that it will reach back to the 19 again, but definitely we'll work hard close to achieve that number. Looking at the current situation, we will be able to improvise marginally from 17% what we had in this quarter.

Moderator: Thank you. We have the next question from the line of Vinay Mehra, an Investor. Please go ahead.

Vinay Mehra: So, my first question is with regards to the product mix. So, what are we looking at this new facility at Pakhajan and also when would the trial run would start at this facility?

Parag Jhaveri: I have always said that the post Diwali, the trial run will start, the products are coming from the industrial segment.

Vinay Mehra: And my next question would be with regards to, I mean, could you throw some light on why we incorporated a new subsidiary in United States?

Parag Jhaveri: Well, to get the more customers who are not willing to import directly and if we go direct to the customers, we have assurance of the long-term business what we are seeing from our Europe transaction and to reach out to the more end users rather than depend on the distributors who can sell the product under their brand name. So, customers are not even aware it's a product that comes from home. So, it's always better as a long-term goal whether you sell directly, you also have a definitely little higher margin than what you are selling to your distributor. So, it will be a two-pronged strategy to reach out to the more customer base and to increase the margins.

Moderator: Thank you. The next question is from the line of Anupam Aggarwal from Lucky investment managers. Please go ahead.

Anupam Aggarwal: Sir my first question is on your balance sheet. Our debt has increased massively from 275-300 to 475 crores. What do you think peak debt will be going forward this year, next year and what is the debt plans going forward?

Parag Jhaveri: Well, we have anticipated peak debt of over 500 CR that's the peak debt we anticipated, and we did discuss that in our previous calls also. So, that's the peak debt what we anticipate, and our repayment will start of this in FY26.

Anupam Aggarwal: Repayment will be at the tune of 100, 200 crores or lesser than that?

Parag Jhaveri: SORRY.

Anupam Aggarwal: Repayment will be to the tune of 50 crores, 80 crores.

Parag Jhaveri: Only 12% of our total debt, so total new debt is 270 crores of that only 7% will be repaid.

Anupam Aggarwal: So, second question, our mix has improved like you mentioned in the presentation as well more towards the industrial segment, which is a higher margin business, but on the reported terms our margins has fallen on gross margin and EBITDA margin that does not really add up despite our mix improving to a better margin, so if you can just maybe give some more color there?

Parag Jhaveri: I have always said repeatedly that the consumer doesn't give enough margin, that is one of the reasons. The second thing for the lower margin was the high-cost whole inventory, that is inventory credit cost from 23. Two has impacted and so that was the major reason for the drop in margin.

Anupam Aggarwal: So, the 200 bps drop in margin, how much would that attribute to high-cost inventory?

Parag Jhaveri: About 30% to 35%.

Moderator: Thank you. The next question is from the line of Manjeet Buaria from Solidarity Investment Managers. Please go ahead.

Manjeet Buaria: Sir, you mentioned a while back that what has happened right now is it's become a buyers' market versus a seller market earlier. So, I wanted to understand what has changed? Has the demand gone down or has excess supply come into the system?

Parag Jhaveri: Demand has come down to some extent in certain categories.

Manjeet Buaria: So, in terms of competition the number of competitors haven't increased, it's just the demand is lower, so the existing competition is pricing lower, is that the right way to understand this?

Parag Jhaveri: Yes.

Manjeet Buaria: And sir, this is observed in all your segments or any specific segment?

Parag Jhaveri: I did say that it is observed into the consumer category and one or the two products into the specialty category.

Manjeet Buaria: Sir, I am a bit confused. I'm thinking back to a previous question, so if it's not really visible in our industrial side which is higher margin products and the mix of those products has gone up because demand there is more stable, demand has not gone down then why are our gross margins actually still compressing, is it purely the raw material thing or am I missing?

Parag Jhaveri: It is a purely a raw material thing high-cost inventory number one. Number two, also the consumer care as margin has further reduced.

Moderator: Sir, we will move to the next question, which is from the line of Manan Shah from MoneyBee Investment Advisors.

Manan Shah: My question was regarding your earlier comment where you mentioned that the Vapi facility which has a 12,500 metric ton capacity can generate a revenue of around 700 crores to 750 crores while the Pakhajan facility which is 17,500 metrics ton capacity can generate around 500 crores to 600 crores of revenue. So, I mean would that infers that the realizations per ton for the upcoming facility is on the lower side than the existing per ton realization because since it's a higher capacity however the revenue that it can generate is on the lower side than the existing setup?

Parag Jhaveri: Well, products are different from what you're going to produce in Pakhajan compared to Vapi number one. Pakhajan has a more voluminous product kind of category of bulk volume. While Vapi is more niche, which is above volume product, low volume relatively high price compared to the Pakhajan. So, that's why both are different. Number two we work on a percentage rather than a per ton category. So, we look at about 38% to 42% gross margin or somewhere 30% to 50% gross margin, average margin cost was about 40%. So, that is where we how we place ourselves depend on the volume and the segment where we work, we have a certain benchmark internal. So, on that margin only, we work on the business. You cannot coordinate between Pakhajan and Vapi with the tonnage.

Manan Shah: And my second question was about these new products that we mentioned. We've mentioned our target revenue, which we aim to achieve over the next few years for these products. So, what percent of the market for these products are we trying to capture when we say that we'll achieve say 3,000 crores sort of revenue for product A and B 500 crores. So, what percent of the market are we targeting and what rate is the market for these products growing and what is the competitive landscape for these products?

Parag Jhaveri: I don’t know Manan why you're confusing yourself when you say the market potential. We didn't say that we will achieve that said. When we talk about product ABC, we talk about the market potential. We never talk about the Yasho can reach that.

Manan Shah: So, we've mentioned that the market potential for product A&B is say 3000 crores for C is 2,000 crores and D is around 500 crores. So, what part of I mean how much can we capture out of this market from these products?

Parag Jhaveri: Well, I would never like to cross more than 20%, 25% market share. That saying that one should be much happier with that. Otherwise, there are a lot of big players who can come and hurt you badly. So, generally I never aspired to grow beyond that kind of a segment and now it is in a global position with the supplies and disturbance people has learned that you can't rely on one supplier. You need to have multiple supply chains to ensure that any disturbance happens can be taken care.

Manan Shah: So, what is the competitive landscape for these products, are there two, three suppliers only currently in the market or are there more and what rate are these products growing at?

Parag Jhaveri: We have 150 products. I cannot give you the competitive supply chain of each and every product line.

Manan Shah: I'm talking about these four products which we are…

Parag Jhaveri: Obviously there is competition, but the market is also growing at the rate of 3% to 5% as a demand point of view and that is helping us to grow the market. Number two the Make in India is considerably helping us to grow the business. So, one cannot actually quantify we are what we are aiming is also 500 crores of that total revenue of 5,500 crores about the total revenue in phase 1 is not more than 500 crores to 600 crores so of that, that means we are only targeting 10% of the business.

Moderator: Thank you. The next question is from the line of Ranjit Zaveri an Individual Investor. Please go ahead.

Ranjit Zaveri: Sir, could you provide an update on the demand trends in our key end user industries across Europe and the USA and also, I'm particularly interested in understanding how the demand is shaping up over there?

Parag Jhaveri: Well, as long as the demand in Europe is concerned is still under the question mark. We have seen some spark in inquiries and some orders for delivering only 24 not this year. So, that shows that somewhere the pipeline is getting empty, and the people are willing to take some stock. While in USA the demand is you can use the word very good for all the segment and they are reasonably doing good as we know the U.S market is growing very well. So, U.S is the robust demand, but Europe is there to challenge. To compensate Europe, we have expanded our footprint into the Asian market and the Middle East market and also try to expand into the Latin American market.

Moderator: Thank you. As we have no further questions, I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Parag Jhaveri: Thank you everyone. I would like to thank everyone for taking time out and joining on the call today. I hope we have been able to respond to your queries adequately. We look forward to your continued support as we navigate the road ahead together. Wishing you and your loved ones are joyful and prosper Diwali in advance. Thank you.

Moderator: Thank you. On behalf of Yasho Industries Limited, that concludes this. Thank you all for joining us. You may now disconnect your lines.