



“Black Rose Industries Limited FY2022 Earnings Webinar”

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FY22 Financial Results Webinar

- **Host:**
- Good morning, ladies and gentlemen and thank you for attending this virtual meeting. It is my pleasure and privilege to welcome you on behalf of Black Rose Industries Limited and SKP Securities to this FY22 financial results webinar. We have with us Mr. Anup Jatia, Executive Director and Mr. Ambarish Daga, Joint CFO and Investor Relations Officer. A reminder, this meeting is being recorded for compliance reasons and during the discussion there may be certain forward looking statements which must be viewed in conjunction with the risk the company faces. We'll have the opening remarks from Mr. Jatia followed by Q&A session. Over to you Anup Ji.
- **Mr. Anup Jatia:**
- Thank you Naveen Ji. Welcome everybody to the annual webinar for Black Rose for FY22. I hope everybody's been doing fine. I believe COVID is more or less now behind most of us, so I hope things are getting back to normal for everybody. So, today we have a presentation again presented by Mr. Daga. He's our Joint CFO and Investment Relations Officer. So, I'm gonna ask Mr. Daga to take it from here. Thank you.
- **Mr. Ambarish Daga:**
- Thank you Anuj ji and a very warm welcome to everyone. I am just starting the presentation now. I hope the screen is visible, so allow me to start.
- **Host:**
- Yes Ambarish it's visible, please go ahead.
- **Mr. Ambarish Daga:**
- We will just start with a small disclaimer as Navin ji already mentioned. During the course of this presentation there might be certain forward looking statements which are based on our current expectation and they carry their risk along with the statement. Just to give a brief idea about the business we are into, so we have two divisions; the chemical distribution and the chemical manufacturing. The chemical distribution business is basically where we have a wide -- we import and distribute a wide range of specialty and performance chemicals from leading chemical companies who are our principles. They are mainly based out of Japan. We also have certain principles from Germany and Thailand.
- The next segment, the chemical manufacturing business is where we started our Acrylamide liquid plant in 2013 with an initial capacity of 10,000 metrics tons. The current installed capacity for this plant is 32,000 metric tons, which includes 20,000 for merchant sales and the balance 12,000 for our in-house captive convention.

- **Host:**
- Ambarish can you be a bit louder, audience is not able to listen to you properly, can you be a bit louder please.
- **Mr. Ambarish Daga:**
- Sure, I will, I will do that. Is it fine now?
- **Host:**
- Better.
- **Mr. Ambarish Daga:**
- The next product is the downstream Polyacrylamide liquid where we have an installed capacity of 40,000 metric tons per annum. This is also established at the same Jhagadia unit of ours and it caters to the ceramic tile industry in Morbi. During the course of the previous quarter, we also started commenced our commercial operations for the N-Methylol Acrylamide, which is the new addition to our portfolio. This plant has an installed capacity of 2,000 metric tons per annum and currently we are already having small scale supplies and trials are already underway in the larger clients. Further, the next two products in line of development is Acrylamide Solid plant with installed capacity of 3,600 metric tons per annum. This plant is fully ready and we are just awaiting some government clearances, which will as soon as that is attained, we will start the commercial production for this.
- The final product in this portfolio currently is the Polyacrylamide Solid. We will be setting up a 10,000 metric tons per annum plant for that and currently we are focused with our R&D efforts in this product. We also have 100% subsidiary in Japan, which is B.R. Chemical's. It's a local chemical trading company and caters to supply of chemicals in Japan and elsewhere. Now moving on to the financials, we will first look at the profit and loss statement for both the standalone and the consolidated. This gives an annual comparison between the FY22 and FY21. We had very good growth of 45% in total revenue from operations during the previous year despite all the challenges. On a consolidated level, we clock just short of 500 crores for the year and we had a healthy PAT of 16% even though the margins were slightly lower, but that will be explained during the course of the next slides.
- Moving on to the balance sheet for the standalone and consolidated. We see that we generated a total of about ₹9 crores in the standalone, which were primarily used to service our ongoing projects which the financing for which was entirely met by our internal approvals and also to retire certain financial obligations and that has resulted in the company being a totally zero long term debt company which is well reflected in our total debt equity ratio which is 0.10. The return on equity and the capital employed are also pretty healthy for the company.

- Moving on to the revenue and EBITDA for the previous year. We see that the company recorded highest ever annual revenue and also the EBITDA in our history with a 45% growth in the top line. The additional revenue of company was primarily driven by acrylonitrile, meta cresol, and ethalonamine in the distribution segment. Whereas in the manufacturing the PAM liquid provided the impetus to the company's growth. We already have a large substantial percentage of the domestic market for Acrylamide liquids and further growth in business was expected from the exports, but it was slightly subdued due to the high freight cost. The sales and profitability for the fourth quarter was impacted by the sudden turn of events across the world. The war in Europe as well as the pandemic induced lockdown in China affected the overall sales during the fourth quarter.
- Now also we have in this a slide, we have provided the breakup between the chemical distribution and the chemical manufacturing business and we see that both businesses have very healthy EBITDA. In the distribution we have in an EBITDA percentage of about 12% and in manufacturing it's about 22%. Quickly moving on to the revenue and geographical mix, we see that currently the company is constantly getting about 2/3 of its revenue from the distribution business and the balance from manufacturing and we expect this balance to now turn more towards the manufacturing as new products get started during the course of this year and we aim to have a much more balanced portfolio for our manufacture and distribution mix. In terms of exports, the exports grew slightly by about 2% compared to the domestic sales and going forward once the freight rates gets reduced, we expected percentage to be even higher.
- Now moving on to the details regarding the distribution business. When we look at the financials the total overall revenue has jumped by about 48% from the previous year. Again, this was as mentioned earlier driven by products like acrylonitrile, isophthalic acid, ethalonamine. The addition of two new products hexamine and neopentyl glycol also added to this additional revenue. However, there was a little bit of a reduction in volumes -- in this sales volume of resources mainly because of the reduced demand as well as the oversupply in China, which led to the contraction of the market. The top five products for the company contributed about 80% to the revenue and 67% to the profits of the company.
- Moving on to the financial related to manufacturing. The overall revenue increased by 40% -- over 40%. There was significant jump in the sales of Polyacrylamide liquid as the company gained new market share and we were able to penetrate into new customer. On the strength of our product and its performance, the company's brand has been very well established now and we have become a strong alternative to the already established competitors. The manufacturing business as I mentioned earlier, the growth code have been much higher had it not been for credit cost because that made access to certain markets not very feasible to us. Also in the fourth quarter, the higher carry forward raw material cost of a acrylonitrile, which we will be seeing the trend in the next slide lead to reduced margin for us.

- The next slide regarding the Acrylonitrile and the Acrylamide price trend, we see the year started with Acrylonitrile at close to historic highs. It had gone up to about \$3,200 during the March of FY21. We started the FY22 at nearly those levels and steadily came down. We were however able to increase our price realization on the strength of our product and market penetration and we maintained a good spread throughout even when the prices were stable and they were falling.
- Now moving on to the next slide, I would request a Mr. Jatia to take you through the outlook for the current period.
- **Mr. Anup Jatia:**
- Okay. So regarding the outlook for FY23, we expect basically the distribution business to continue to remain strong. There is of course the markets have more and more understood the value of having reliable supply chains especially considering all the various logistics issues that people are facing right now and we feel that is one of the areas where our company is very -- has an advantage. We expect growth in products like Meta Cresol, isophthalic acid, resorcinol this year, ethanolamine of course and also in the Polyacrylamide which we currently import and supply. We have also in fact formed a dedicated team for the sales of Polyacrylamide in order to be prepared for our own production whenever that in FY24 when we start our own production of PAM solid, so be ready for the sales at that time. Of course we will continue also to have new products added into our distribution portfolio. We have a lot of support from our principles and these principles continue to provide us with new items, new products to sell in the Indian market and this is what we are expecting further growth to come from.
- Regarding the Acrylamide liquid, currently I would say that the domestic market is slightly subdued. One of the reasons is due to the general slowdowns that we see in the ceramic tile industry, another reason is the dumping of a lot of cheap Acrylamide powder currently from China because of the local Chinese lockdowns. We expect this to reverse very soon especially probably by the end of this month or early in June. Once the Chinese lockdowns will be lifted as we've seen in other markets as well whenever these prolonged lockdowns are lifted, we normally see a sudden jump in demand and we're expecting that to happen in China as well. In India, overall we see that FY23, there should be a good demand growth considering the growth that is happening currently in the real estate sector. Acrylamide is used to manufacture construction chemicals, it's used to manufacture of course you know in the tile manufacturing process, and also it is a very important ingredient in paint emulsions.
- So all of these areas are areas where we feel there is a good growth to be expected in India this year. Of course fluctuation in raw material prices is going to be a continuous affair. even last year we have seen raw materials go from \$3,200 at the very start of the year, down once to almost \$1,700 and then again up to \$2,000-\$2100 levels, and then again down to \$1800-\$1,900 level. So, this is a part in parcel of this business. Our procurement patterns and our procurement policies basically

ensure that we are comparative at all levels of raw material and we will continue to be how to say robust as far as our operations are concerned in the raw material procurement. We will also of course keep pushing our business in the export markets as Ambarish mentioned earlier growth in Acrylamide business will mainly come from the export side. The domestic market is already well serviced by us, so the growth will come only from the export sites and we're hoping and we're also seeing right now already the freight rates have started to come down a little bit, and as a freight rates reduce, we expect our volumes to also grow especially to markets where local producers of Acrylamide are already present. Markets where there are no local producers of Acrylamide are not affected much by the freight costs because they are anyway dependent upon imports, but there are other markets where Acrylamide is produced and that's where we tend to be unviable against the local protection because of high freight cost.

- Also we have applied now for REACH registration. As many of you will know REACH registration is a requirement for selling products into the European market. We have seen currently due to the war in Ukraine, the gas prices, energy costs in the European area have increased significantly. We are receiving a lot of inquiries from Europe to supply Acrylamide, but because we don't have the REACH registration, we are unable to do so right now. So this is another area where we are now pushing forward so that we can obtain these registrations quickly.
- On the PAM liquid side, we are looking at increasing our market in 2020 -- starting from June 22. As I mentioned a little bit earlier, there is currently a slow down as you can -- as you may want to call a slowdown in the ceramic tile sector mainly due to insufficient gas supplies to the sector and also due to the increased cost of gas. We expect some of these things to start normalizing by June and that in turn will help improve the financial conditions of lot of these tile manufacturers. We want to push our product at a time when they are more financially healthy at their end and that is why we are currently maintaining our sales in the market, but we've not been pushing aggressively which we expect to start doing again from June.
- Based on our execution and based on our feedback from the market, we expect that we can grow our current volumes by 2X if not by 3X during this year and we are continuing to improve our products, we're continuing to improve our service to make the change over for customers from their existing suppliers to our product more seamless. On the NMA side, we have started supplies of small quantities right now with the local market since last quarter. The larger customers we are awaiting their product approvals since you know they have a longer stage -- longer process for approval. So far we have received only positive feedback, we're expecting these approvals to come in very soon and based on just the local market requirements, we expect that we should be able to achieve around 600 tons of sales in this financial year. Regarding Acrylamide powder, we are expecting the approvals very shortly. The file is currently at the last stage of approval and hopefully within this week or next week, we should be able to hear some feedback on this.

- We in fact already have orders received from potential clients and we are waiting for these approvals, so that we can start producing and start shipping out product to these customers immediately. This in fact will be going forward a key product for the company. We have seen in the last few months, the enormous requirements coming from different parts of the world for Acrylamide powder made in a -- made outside of China and now due to the lockdowns which will happen in China, the -- how to say -- the requirement for a non-Chinese source has increased tremendously. So, we are just awaiting the approvals, in fact our REACH registration that we have taken also covers the Acrylamide powder as well as Acrylamide liquid. So, once these approvals are through, we're also to supply in Europe as well.
- On the polycarboxylic acid, this is currently in the R&D phase. This is a product which is used together with these binders – ceramic binders that we produce and supply into the ceramic tile industry. So, our expectation is that this will help us to expand our market reach and also will help reduce the dependence of our clients on our competitors and move more of their dependents onto our products. Regarding Polyacrylamide solid, in March this year we have appointed a new head of technology, it's a new position that we created and we have had Head of Technology with good experience and vast experience in the polymer field. We have also now in the process of inducting a R&D/technical advisor from Japan who is very well versed -- very well versed with this technology and with this segment, and he is expected to join our organization by the end of this month. This will definitely fast track and boost the development of our PAM process and as I mentioned earlier we've also created a new PAM sales team, which once this plant is ready will be already in place in order to start pushing the product into the market as soon as possible.
- Another area which I wanted to share with all of you is that we have decided to going forward to be a more and more R&D focused organization. We are now in the process of looking for land to set up a new world class R&D center somewhere in the outskirts of Mumbai. This lab will focus on product development as well as process development and application development. The area that we are most keenly looking at is the green chemistries especially when we talk about production of products which are traditionally made from Petro chemicals to be made instead from bio-renewable sources such as bio-ethanols or glycerols and other materials which are renewable in nature. So this is a focus area for us. We are already discussing with overseas technology companies as a certain startups as well as we're already discussing with certain universities and research institutes for taking forward some of their work especially regarding process development on some of these tech catalysts and other things that they have developed. Besides this of course our -- one of our key strengths of our company is the relationships that we have with various principles both from the distribution space and from the manufacturing space.
- We are in active discussions with these principles to discuss the possibilities and the feasibilities of introducing some of their existing technologies and also some of the new technologies for setting up new and additional production facilities in India. So,

this is another area that we are actively currently working on. In the past webinars, I've received many questions regarding you know capacities and CapEx and things like this, so we decided to create a chart just to help everybody understand some of the status of where we are right now. So, as you can see, we have put it into six different categories Acrylamide liquid, Polyacrylamide liquid, NMA, Acrylamide Solid, Polycarboxylic acid, and PAM Solid. So this chart will show you the various capacities that we have or we are installing. The CapEx which has been incurred or needs to be incurred and the different technologies as well as the further possibilities, the further capacities that we can add at our resistance site for the same products. The last column talks about the available capacity for growth. Now, this basically, what this means is basically the unallocated capacities or the capacities which we have for new business development, which are available with us. So, this is a kind of a chart, maybe this will help everybody understand a little bit more about our activities. Thank you very much and I would now like to receive any questions that anybody has.

- **Host:**
- Thank you Anup Ji. Thank you Ambarish Ji. Anyone who wishes to ask a question please raise your hand and we will unmute you to take your question. We just hang on for a couple of minutes for some questions to line up. Okay, the first question is from Ankit Babil. Ankit, please go ahead.
- **Mr. Ankit Babil:**
- Yeah. Am I audible?
- **Host:**
- Yes you are Ankit.
- **Mr. Ankit Babil:**
- Hello, hello
- **Host:**
- Ankit you are audible, please go ahead.
- **Mr. Ankit Babil:**
- Hello, am I audible?
- **Host:**
- Yes Ankit you are audible.
- **Mr. Ankit Babil:**

- You people are mute sir.
- **Host:**
- Anup ji you are on mute right now.
- **Mr. Ankit Babil:**
- I'm not able to hear sir.
- **Host:**
- Ha, now you are unmute.
- **Mr. Anup Jatia:**
- Yeah we're waiting, we are -- we want to hear you. We will answer after we hear you.
- **Host:**
- Ankit please go ahead with your question.
- **Mr. Ankit Babil:**
- I am not able to hear you.
- **Host:**
- Yeah, yeah, please go ahead.
- **Mr. Ankit Babil:**
- Hello.
- **Host:**
- Ankit please go ahead, we can hear you.
- **Mr. Ankit Babil:**
- Sir, I'm not able to hear you.
- Host:
- One second, I'll just send a text to Ankit.
- **Mr. Ankit Babil:**
- Hello Naveen.

- **Host:**
- Okay we have a question from Aman Vij. Aman please go ahead.
- **Mr. Aman Vij:**
- Hello, yeah. Good afternoon, Sir. Am I audible?
- **Host:**
- Yes, Aman please go ahead.
- **Mr. Aman Vij:**
- Yeah, please, so Sir my first question is on the manufacturing revenue. So, if you can talk about what kind of manufacturing revenue are we targeting for the next year FY23, that is the first question and if you can also talk about what was the export contribution of manufacturing revenue for FY22?
- **Mr. Aman Vij:**
- Hello.
- **Mr. Anup Jatia:**
- Okay, yeah. Thank you Aman. So, regarding the manufacturing revenue that we are targeting for FY23, the current figure that I have from my sales team is about 170 to 180 crores is the current target that our sales team has given me for FY23. Now second question regarding the export ratio within the sales of the manufacturing division of FY22, this is something I will ask Ambarish to answer.
- **Mr. Ambarish Daga:**
- So, thank you Aman for your question. We have done about 35% of export sales for the FY22. So, out of a total sale of about 106 crores right. So, about 30% -- 35%.
- **Mr. Aman:**
- And target for FY23, export sale as a percentage of manufacturing revenue?
- **Mr. Anup Jatia:**
- In FY 23 manufacturing revenue, we have not broken it up that way right now but we do like to yes, this growth, the figure that I have given you about 170-180 crores includes sales for both exports and domestic. I do not have the breakup in front of me right now, so I will not be able to answer that question currently.
- **Mr. Aman:**

- Ok sir. My next question is on the acrylamide liquid side. You have talked about this freight cost being a big issue. So if you can talk about at what freight cost does it become viable to export to a country which already has acrylamide players and which are these countries, if you can talk about the same. As well as, what is the opportunity to export in terms of tonnes? Is it like 1000 tonnes, 2000 tonnes or is it much bigger also?
- **Mr. Anup Jatia:**
- Ok, so the market which we normally talk about when we are talking about the exports not being feasible is the US market. The US market is a very large consumer of acrylamide but they also have a lot of local production. So currently the acrylamide used in America, liquid acrylamide at least is fully domestically sourced. They also use acrylamide powders and acrylamide powders as I mentioned earlier is only made in China currently. So that is a fully imported product. When it comes to acrylamide powder, the freight costs do not make a difference because they are anyway importing it from China. They can very well import it from India as well. There is no issue there. But when it comes to liquid, naturally their local charges, their local freight are also very high in the US but still the freights from India to the US is almost 14000-15000 dollars for one container and maybe the product itself is 25000 dollars for one container and the freight itself is 15000 dollars. So it doesn't become viable for them. So I cannot tell you a fixed amount, if it becomes this, it will become cheaper but we are expecting that if the freights are around 40pc cheaper, we should be good to go. And the volumes we expect to sell in the US could be anywhere around 3000-4000 tonnes a year.
- **Mr. Aman:**
- And you are not including the acrylamide powder sale? This is only the acrylamide liquid that we are talking about of 3000-4000 tonnes.
- **Mr. Anup Jatia:**
- Yes, that's right. The acrylamide powder will go, regardless of the freight.
- **Mr. Aman:**
- Sure sir. My next question is on the PAM liquid side. If you can talk about any number of customers you have as well as any big customers which we have still not broken through and what kind of utilization levels that we are targeting for PAM liquid for FY 23?
- **Mr. Anup Jatia:**
- Ok. I don't have number of customer information with me right now. The large customers that you are talking about, so you see, we are basically targeting our sales in a different fashion right now. We are not necessarily going after the large customers. As I mentioned earlier in one of my webinars, the morbi market is consisting of hundreds of companies which manufacture ceramic tiles and each of

these companies will have other sister concerns there. So even though there may not be a name that you know like a Kajaria or something like that, they are quite large in their consumption themselves because they work mostly on the export markets or they work as sub-contractors or contract manufacturers for some of these larger brands. So the names are not very important when we sell the material. What we are looking at is, selling to companies which have good payment records, selling to companies which have good QC system, selling to companies which have a decent management. These are the areas which we focus on when we are choosing our clients also. We are also selective when we sell products. We do receive inquiries from various other companies but we choose not to do business with many of them considering their track record of payments, considering their reputation in the market. Lot of these things are there. Some of the big players also don't necessarily have a very great reputation when it comes to making payments on time. So our selection of clients is not based on their size or whether their product is a well-known brand. That is not our way of choosing clients. What was your 3rd question?

- **Mr. Aman:**

- What kind of utilization are we targeting for this?

- **Mr. Anup Jatia:**

- We have a lot of capacity for the PAM liquid and we are targeting in this current financial year to come up to around 60pc of that capacity utilization in FY23.

- **Mr. Aman:**

- I am so sorry, what was it for FY22 for the full year?

- **Mr. Anup Jatia:**

- For the full year, I don't have the number with me right now but I would think that it would probably be around close to 30pc....30-40pc. Maybe 30pc, yes.

- **Mr. Aman:**

- Sure sir.

- **Host:**

- Aman, can we take your questions once the others have had their opportunity?

- **Mr. Aman:**

- Sure sir.

- **Host:**

- I will get back, thank you. The next question is from Ankit Bagil. Ankit, please go ahead.

- **Mr. Ankit Bagil:**
- Am I audible now?
- **Host:**
- Yes, you are. Please....
- **Mr. Ankit Bagil:**
- Sorry for the inconvenience. Sir, first of all thanks for giving the revenue and EBITA breakup for manufacturing and I hope you will continue this on a quarterly basis. Thanks for that. Sir, my 1st question is in continuation of what has been asked in the last quarter. This acrylamide powder has a revenue potential of 85 crores and NMA which has a revenue of 35 crores. So you people have added capacities of around 120 crores potentials from these 2 products. How much ramp-up we expect from products in FY23. You did mention about NMA at 600 tonnes, I presume would be around 10 crores. What could be the revenue potential from the acrylamide powder in FY 23 and what are the EBITA margin in this?
- **Mr. Anup Jatia:**
- I cannot share EBITA margins for each product because that is obviously not something that I would like my customers to know. So I cannot provide you product wise EBITA margins for any particular product. At the last webinar, you had requested that we start providing a breakup of distribution and manufacturing profitability and we have done that as I promised in the last webinar but I cannot now further break that up into product wise EBITA margins, that's just not going to happen. So I am sorry for that. But regarding the powdered acrylamide, we are currently being very conservative but we have the potential as you said of 85 crores. In our projections for next year, we are trying to keep that conservative and we are considering a lower number for now, which is maybe around 30-40 crores and on the NMA, currently we said that let us focus first on the domestic market where we have this 600 tonnes of visible market which is currently undergoing approvals. So we have considered it to be 10cr. So the breakup that I gave you of 180 cr., you can consider that let's say 10cr. is approximately for NMA and PAM solids would be probably around, from what I see here, PAM solids would be.....sorry acrylamide solids we have actually only considered in here around 20cr. But my personal expectation is that the acrylamide solid would be higher.
- **Mr. Ankit Bagil:**
- I am sorry, I didn't get that 480cr. number. What was that?
- **Mr. Anup Jatia:**
- 180cr. 180cr. is the manufacturing revenue expected in 23.
- **Mr. Ankit Bagil:**

- Ok, actually my other question was into that but you have already answered it. I was asking that, excluding these 2 products, your existing manufacturing revenue was 106cr. , 28.3pc kind of margin. Where do you see this revenue ramping up in this year? But you said that 180 would be the including of all.

- **Mr. Anup Jatia:**
- Your voice is not very clear but we are targeting the manufacturing revenue at, what I got from my sales team is 180cr. The NMA is around 10cr. out of that and the acrylamide solid is around 20cr. , what they have given is 20cr., which I expect to be more than 20cr. and the balance is 150cr. So that comes to 180cr.

- **Mr. Ankit Bagil:**
- That's helpful sir. Lastly sir, growth and profitability, what profitability you have given, what growth you are looking at in the distribution business which gives around 224cr. of revenue?

- **Mr. Anup Jatia:**
- So we are looking at around 10-20pc growth in the distribution business.

- **Mr. Ankit Bagil:**
- Ok. I will come back in the queue sir. Thank you.

- **Host:**
- Thank you Ankit. The next question is from Nag Brahma GB. Please go ahead.

- **Mr. Nag Brahma GB:**
- Good morning!! Can you hear me?

- **Host:**
- Yes, you are audible. Please go ahead.

- **Mr. Nag Brahma GB:**
- Good morning gentlemen!! Thanks for the opportunity and congratulations on the good set of numbers. Sir, few questions. One, you have given the capacity utilization for PAM liquid. How much was it for acrylamide liquid in FY22?

- **Mr. Anup Jatia:**
- Ok. So in FY22, the capacity utilization for PAM.....sorry acrylamide liquid was around 50pc.

- **Mr. Nag Brahma GB:**
- And how much you are targeting it in FY 23, sir?
- **Mr. Anup Jatia:**
- So we are expecting...it all actually depends on the freight situation and like I said, we are already covering the domestic market as well as we can with a very high market share. So the growth will really come from the export side but what we are considering right now is around 60-70pc.
- **Mr. Nag Brahma GB:**
- My 2nd question is regarding the acrylamide solid. You mentioned that we are waiting for some government approval. What is this? Is this the pollution approval you are talking? Is this environmental approval or is this any other government departmental approval?
- **Mr. Anup Jatia:**
- Ya, it's just the pollution control department approval. Since it is a new product to be added in our current set up. We have our licenses for acrylamide liquid, so this is the acrylamide powder. So just change from liquid to powder.
- **Mr. Nag Brahma GB:**
- Sir, you just gave the target of 30-40cr. of this product sale in FY 23. I am a little bit confused in the sense, we are coming up with only 3600 metrical capacity and there is a huge demand you have mentioned that is there in US and there is no other manufacturer outside China, all that. And also you have given in the investor presentation that there are already orders in hand also. So with all this in background, this 30-40cr., means it's approximately 50pc capacity utilization only. Why are you so conservative?
- **Mr. Anup Jatia:**
- Just, it's always better to be conservative and not let down the investors like you. So we just want to be little conservative at times. But your calculations and your understanding is very correct. Yes, we have chosen to be conservative but yes, like I said, these are the figures that I have from my sales team. I am expecting much more than what I have said.
- **Mr. Nag Brahma GB:**
- Ok, fair enough. That's good to hear then. Sir, then you have mentioned in the presentation that you are applying for 20KT capacity for EC clearance. That is, we already have additional 3600 from the EC. Right? Approval is already there for additional 3600?
- **Mr. Anup Jatia:**

- No, so I cannot get into the details of the permissions, how we have taken it right now. I don't have the details with me. We have basically a current plant manufacturing of acrylamide and various other products. So we have applied for a certain, I believe it's on the 50pc capacity increase. There is some certain section under which you can apply for product addition. So it is being done in that sector. The EC is there for more than 3600 tonnes but the plant that we have set up is for 3600, that we are setting up is for 3600 metric tonnes. So it's not restricted by the EC. But when we want to setup, when we want to make more acrylamide powder, then it will go beyond our overall existing EC that we have so that is why we are considering to file for a separate EC for the total volume. It's complicated. I won't be able to.....
- **Mr. Nag Brahma GB:**
- I agree. Ok, I will rephrase my question. What I want to know is, in case if the demands pick up and you are able to run let's say 100pc capacity utilization by year end, what I want to know is, can you add another 3600 metric tonne capacity without any delay? That was the intention of the question.
- **Mr. Anup Jatia:**
- Yes, I can.
- **Mr. Nag Brahma GB:**
- You can. Ok, very nice.
- **Mr. Anup Jatia:**
- 3600 tonnes is not a capacity which is restricted by the EC. It is only a capacity which we have chosen to setup initially in the plant. The capacity we can do for the acrylamide solid is more than 3600 tonnes. It is only our plant capacity, not the EC capacity.
- **Mr. Nag Brahma GB:**
- Agree, agree. So in case if the demand picks up, so you can add another 3600 or whatever the capacity based on the demand at a short notice, that's what I want to know.
- **Mr. Anup Jatia:**
- Within our overall EC, whatever is the total maximum possible, we can set it up, yes.
- **Mr. Nag Brahma GB:**
- Ok. I know that you don't give the margins but the margins for this product should be north of 25pc. Is that the correct assessment?
- **Mr. Anup Jatia:**

- I will not comment anything on product wise margins. The reasons we are not sharing all these times the EBITA margin separately for manufacturing and distribution was because earlier we were only manufacturing acrylamide. The moment I put that number, everybody knows, my customers know, everybody knows what is my margin on that product. So I do not share any individual product margins with anybody. So I cannot answer this question.
- **Mr. Nag Brahma GB:**
- No problem sir. My last question is about the Bali Acrylamide Solid Plant, you are adding a lot of R& D staff and making all that. I think you have also mentioned that you would require minimum 6 months for the pilot plant trials and all and thereafter, if everything goes well, you will go for the construction of the plant. My only question is, what are the chances of getting success in these pilot plants?
- **Mr. Anup Jatia:**
- The chance of success is very high. We are not worried about not having success in this development. That is really not our major concern as of now. Our concern is only to make sure that the process that we finally choose and the process that we finally implement is efficient and competitive in the long run. That is our no.1 criteria for the technology selection and for our R&D working. Whether we can successfully produce it or not, of course we have already successfully produced it in our lab, many many many times. So the production itself is not the concern. Our concern is like I said, is to make sure the best technology and the most competitive technology be available for us.
- **Mr. Nag Brahma GB:**
- Sir, just a follow-up of this.
- **Host:**
- Mr. Brahma, we have to cut in here because there is a long list of participants. So please join the queue.
- **Mr. Nag Brahma GB:**
- Oh!! Sorry sorry. Ok sir. All the best.
- **Host:**
- Friends, I would request you to limit yourself to only 2 questions because there are a lot of participants waiting in queue. Next question is from Pranay Jain. Pranay, please go ahead.
- **Mr. Pranay Jain:**
- Thank you. Hope you all can hear me.
- **Host:**

- Yes, you are audible Pranay.
- **Mr. Pranay Jain:**
- Great!! Congratulations on a strong FY22 despite the challenges that you have seen. Just 2 simple questions. One, given the freight logistic challenges are tapering slightly, wanted to understand, Q1 and Q2, how do you believe this scenario is shipped for industry and you?
- **Mr. Anup Jatia:**
- See, a lot of people are facing difficulties in freight logistics on their procurement side as well as their sale side. Let me be clear that, on the procurement side, we are not facing any difficulties with freight or logistics except that some of our distribution business about the products that we want to sell are received later than our expected dates. So on the logistic side the....on our procurement side, that is the only place where we suffer sometimes. We don't get the volumes that we require at times. On the export side, the freight problem is really only restricting our growth. It is not restricting any of our existing business but mainly it is only restricting our growth. As the freight will start to streamline which we see now, it is starting to slowly come down, we expect our growth be decent.
- **Mr. Pranay Jain:**
- Understood. So given the earlier comment you made on 180 cr. revenue expected from the manufacturing and maybe the 15pc on the distribution side, the ball mark number comes to about 450cr. for FY23. Extending that run rate, can we look forward to let's say, 580 to 600cr. topline in FY24 and also over the next 2 years, what would be your EBITA margin aim, given we are on stream plus you all are expanding your export markets. So just wanted to understand what is the revenue and margin guidance for these 2yrs. and capex that you would be incurring in the next 12-24 months?
- **Mr. Anup Jatia:**
- I think that was a lot of questions all combined into one. If you could split that into individual questions, it will be easier. I think you asked like 6 questions in that one question.
- **Mr. Pranay Jain:**
- Just 3 parts, I will reiterate. Revenue for FY24 along with EBITA margin for 23-24 that you all are aiming. That's one.
- **Mr. Anup Jatia:**
- We have not worked out any such numbers as on today. So for me to share a number, just off the cuff would not be right. Maybe in the next quarter webinar, I will come prepared with a number to be shared with you.

- **Mr. Pranay Jain:**
- So at least indicatively 20pc kind of CAGR growth can be anticipated for 2yrs.?
- **Mr. Anup Jatia:**
- I wouldn't comment because I have not given it a thought that I should have given to answer your question.

- **Mr. Pranay Jain:**
- Ok. And the blended EBITA margin? Is any commentary on that possible? What range you would be aiming?
- **Mr. Anup Jatia:**
- I would expect to maintain a certain level but again like I said, when I have not given it a thought and sat down with the numbers, I wouldn't be comfortable to share something with you without doing my homework.
- **Mr. Pranay Jain:**
- In FY22, are you considering an improvement of let's say 150-200bps, is something on that side possible?
- **Mr. Anup Jatia:**
- You see, the business that we do, we don't target certain margins. The way the business is done is that, you focus on cost under control and maximising your revenues, maximising your profits wherever its possible. So we don't sit down the number and say, "I need to have this margin otherwise I won't sell my product". It doesn't really work like that. So the EBITA margins are the results of the work that we put in. It's not the goal of the work that we put in. So if you say, "What is my targeted EBITA margin?" I think I cannot answer that question because that's not how we work.
- **Mr. Pranay Jain:**
- Ok. And the last bit was on capex plan for this and next year.
- **Mr. Anup Jatia:**
- Ya, the capex plan, the capex chart has been shared in the presentation. As you can see, there is some capex pending.....can you show that screen again? Just give me a second please. So if you can see in the capex which is pending to be made. It is some capex pending to be made for the acrylamide solid. There is some capex pending to be made for the polycarboxylic acid. Then there is more or less the entire capex to be made on PAM solid. So the chart here will really tell you, will answer your

questions. But the PAM solid capex is what is expected to be done in this year and next year.

- **Mr. Pranay Jain:**
- So the quantum of capex which is getting operationalized, let's say in the 6 months or 12 months, can you just give us an idea on that?
- **Mr. Anup Jatia:**
- These are already operationalized. Whatever capex is being spent, it is already operationalized except for the acrylamide solid which has slightly capex pending at the approvals to come through. But then of course the carboxylic acid, that is again the area where, which we mentioned already that it's in the R&D stage. So that capex will be done very shortly. But that's just a crore. That's a significant capex. The PAM solid is the capex is which is to be done, we will start later this year.
- **Mr. Pranay Jain:**
- Ok. Thank you gentlemen. Wish you all the very best.
- **Host:**
- Thank you Pranay. We have Rohit Sinha from Sunidhi Securities. A reminder, please restrict yourself to just 2 questions. Thank you. Rohit, please go ahead.
- **Mr. Rohit:**
- Am I audible?
- **Host:**
- Yes, you are.
- **Mr. Rohit:**
- Thank you for taking my question. So just 2 questions – first of all, how has been the technology for this acrylamide has been sourced for us? I mean these are in house developed or we are sourcing it from outside?
- **Mr. Anup Jatia:**
- Which product are you talking about?
- **Mr. Rohit:**
- Acrylamide.....I mean the main product that we are right now manufacturing and possibly for others also if you can share.
- **Mr. Anup Jatia:**

- Ya, so see, all of this is already covered in the webinar presentation that was provided by Mr. Daga. Just for all the investors who are there on the call, what we try to do is, based on the previous webinars and the questions that we received in the previous webinars, we actively try to understand those questions and we try to answer those questions in our presentation directly so that these questions don't come over and over again. So this is already covered very much in the webinar presentation that has been already presented by Mr. Ambarish Daga. So I will answer it again in any case but the acrylamide liquid is a technology that we have from Mitsui Chemicals of Japan and all the other products that we have are processes that are developed in house.

- **Mr. Rohit:**

- Ok, thank you. Just for suggestions, I don't find this presentation available on BSE or on the company's website. If we can share this presentation with the community then that would be helpful.

- **Mr. Anup Jatia:**

- The presentation was given today, about some time ago during this call. So it will be published right after this call is over. It will be put up on BSE website and it will also be available on our corporate website.

- **Mr. Rohit:**

- Ok. 2nd question is – just wanted to understand how our contacts are being met with the customers for all these products? How the pricing of the products are being done? And are we on the per kg realization factor or we focus on EBITA per turn for all the products?

- **Mr. Anup Jatia:**

- So that all depends from product to product and also depends on customer to customer. On our distribution business also, we have certain customers where we work on formula-based pricing, which is related to either some raw material index or something like that. On the acrylamide business, also we have certain clients where the pricing is based on a raw material index, international index, plus certain spreads and certain costs. So, it really depends from product to product and from customer to customer.

- **Mr. Rohit:**

- Okay. So in that case, how do we see these realisations in a rising price trend or a downside price trend?

- **Mr. Anup Jatia:**

- So, if it is formula-based, then in a rising market, if this quarter the prices are... if the raw material prices are going up this quarter, we are able to then increase the prices in the next quarter. It's usually done with a one quarter lag. So, there's always going to be some lag in the price changes.
- **Mr. Rohit:**
- Okay. So all these raw material prices are normally past?
- **Mr. Anup Jatia:**
- Yes yes, absolutely.
- **Mr. Rohit:**
- Okay sir, that's it from my side. Thank you.
- **Host:**
- Thank you Rohit. We have Anurag Patil with the next set of questions. Anurag, please go ahead. Anurag, please unmute yourself and go ahead.
- **Mr. Anurag Patil:**
- Yeah. Sir, given the recent volatility in the raw material prices, how is the current quarter panning out in terms of outlook on the margin side? I'm not looking for a number, but just a broad direction.
- **Mr. Anup Jatia:**
- Okay. So again, the raw material scenario is very volatile. When we talk about acrylamide, the main raw material that is used to make acrylamide is a raw material called acrylonitrile. Now acrylonitrile prices have been going up and down very frequently. What we tried to do is, we do a procurement at all the different price levels to ensure that we have a decent average basket of our raw material pricing. So, there will be certain quarters where there may be carry forward stocks from a previous quarter where the raw material cost was higher, which will get affected into the profitability for that quarter, and there would be quarters where just the opposite also happens. So, looking at quarterly numbers always becomes a little bit tricky because you may have certain overhangs from the previous quarter which affect the profitability in that quarter. So, it's something that needs to be seen more on a longer term basis, because these raw materials are not made in India, they all have to be imported. Acrylonitrile, the product that I will book in January, according to the January pricing will reach me only at the end of March, which means I will use it only at the end of April. So, there is like an entire quarter's lag which takes place between the procurement decision and the actual consumption of that raw material. So, there's always going to be a little bit of a lag throughout the year. So, you will see certain quarters with a higher profit also because of that and also certain quarters with a lower profit also because of that.

- **Mr. Anurag Patil:**
- Okay. And sir, can you please share the current acrylamide prices?
- **Mr. Anup Jatia:**
- Yes. So currently acrylamide is being sold at anywhere between Rs. 95 to Rs. 105 a kilo on the acrylamide liquid side.
- **Mr. Anurag Patil:**
- Okay sir. That's it from my side. Thank you very much.
- **Mr. Anup Jatia:**
- Thank you.
- **Host:**
- Thank you Anurag. We have Vignesh Iyer with his questions. Vignesh, please go ahead. Vignesh, please unmute yourself and go ahead.
- **Mr. Vignesh Iyer:**
- Am I audible now?
- **Host:**
- Yes you are. Please go ahead.
- **Mr. Vignesh Iyer:**
- Hello? Hello?
- **Host:**
- Vignesh, can you hear me? I guess there's some issue with his line. We'll just take the next question. Vignesh, can you hear us?
- **Mr. Anup Jatia:**
- I think we can move on to the next one.
- **Host:**
- Yeah. Aman, please go ahead with your questions, but request you to just limit them to 1 or 2.
- **Mr. Aman:**
- Sure sir. My next question is on the competitive scenario. What we have heard from the industry that there has been a change in management on the biggest player in the industry, and they are becoming little aggressive. If you can talk about the same,

what you are seeing at the ground in both competition in acrylamide and as well as in PAM liquid?

- **Mr. Anup Jatia:**
- Sorry, there was lot of noise. Did you ask about the change in the competitor or something?
- **Mr. Aman:**
- I was talking about change in management on the competitor side. And, if you have keen of that change? Is there more competition in any of our products like acrylamide or PAM liquid? Or, maybe there is change in the working capital terms that the competitor does, so we need to also do that. If we can talk about any changes you have felt on the ground...?

- **Mr. Anup Jatia:**
- So, there definitely has been a change in the management, that happened maybe around 6 months ago. The management of our competitor has changed. Because of that, whether we have seen more competition, I would not think so. In fact, I think the new management is more pragmatic and the new management is more aware of costs. Whereas, perhaps the previous management was somehow cost averse and perhaps sometimes we would wonder why they would be selling products at certain prices. But, I think, the new management is actually helping to level the playing field rather than disrupting the playing field. No, we have not faced any adverse impact due to the change in the management.
- **Mr. Aman:**
- My next question is on the new hiring side. If you can talk about how many people have we hired till now? And, what is our target team for the PAM division, say for FY23 and maybe FY24? What do you have in mind?
- **Mr. Anup Jatia:**
- You're talking about the sales team for PAM liquid?
- **Mr. Aman:**
- Yes yes, PAM division sales team as well as the technical team which you are also setting up. So basically, that division will be your focus area. Just wanted to understand your thoughts – how do you see that team scaling up? What is the number now? What are we targeting in the next 2 years?
- **Mr. Anup Jatia:**

- Okay. So the PAM liquid is what I believe we're talking about here. So, in PAM liquid, we have not made any major changes in terms of infrastructure, because we have sufficient infrastructure already in place, especially in Morbi to handle any level of growth. In terms of the manpower, yes, we are in the process of hiring more people. I believe we have already hired a new person recently. So yes, manpower hiring is something which is going on. Like I said in one of my earlier slides, these last 2-3 months we have decided to not be very aggressive in that market, because this is a time when many of the customers are actually looking to find new suppliers. And many times, these customers are looking to find a new supplier only because they do not want to pay their existing suppliers due to their financial constraints. So, we do not want to encourage that kind of activity where we come into the market and we start supplying a product to Company A. And then Company A decides that since now he's got a new credit line with us, he doesn't need to pay his previous supplier and he can delay that payment even further. So, we don't like to be treated that way, and we also would not like our competitors also to be treated that way. And so, we don't encourage such type of customer acquisition or such type of customer changing to us. So the last 3-4 months, especially when the financial conditions in Morbi have been quite tight, we have in fact restrained ourselves from that customer addition in these circumstances. But going forward, we are expecting the financial situations to start improving in Morbi from June onwards. So once that situation is better, we will aggressively start client acquisition, customer acquisition again.
- **Mr. Aman:**
- What is our team size...
- **Host:**
- Aman, there are few who haven't had a chance yet to ask questions. If you don't mind, please.
- **Mr. Aman:**
- This was the question I had already asked, I'm just getting the clarification. I'll get back in queue.
- **Host:**
- Yeah yeah, please.
- **Mr. Anup Jatia:**
- We have around 6 people there. I've answered your question I believe.
- **Mr. Aman:**
- Sure sir. I'll get back in queue.
- **Host:**

- Thank you Aman. The next question is from Vishal Jaju. Vishal, please unmute yourself and go ahead.
- **Mr. Vishal:**
- Hello team, am I audible?
- **Host:**
- Yes, please go ahead.
- **Mr. Vishal:**
- So, this is just sort of a strategic question. Currently we have done a lot of capex. For the next 1-2 years we are all set for the capex of PAM liquid and all. I just want to ask two questions. What is the expected capacity utilisation we are planning for PAM liquid? Till what timeframe are we expecting PAM liquid to be at its complete utilisation? And if for FY24 we are expecting it to be completely utilised, then my other question is, what will be our next growth driver for the company as most of our products will be under optimum capacity utilisation? So, what will be our next growth driver which the company is planning?
- **Mr. Anup Jatia:**
- So, if you look at this chart, I think it answers most of your questions over here. The growth that will come is shown in the last column. The capex has already been done for these 3 products, and this is available capacity for growth. So, we expect that we can still grow our acrylamide business by 30% of that capacity. Polyacrylamide we are currently utilising, let's say, around 40%. So, we have another 60% available for growth. That 60% will not necessarily get used up immediately, it will take its time. Again, with the enemy, the same thing. We have 70% available for growth. And then if you see the other 3 products, these are all the products which are going to still come in during FY23, FY24, FY25. So, these are all the additional growth areas which are there. Plus if you see, we have also added a column which says further possibility. This means, these are the additional capacities we can add at our existing site for the same products. So even if, let's say we are PAM solid exhausts 10,000 ton capacity, we have a possibility to set up another 10,000 ton plant at the same site. Similarly with acrylamide solid, we have a possibility to still set up another 20,000 ton plant at the same site. So this, I believe, answers most of your questions in this chart.
- **Mr. Vishal:**
- Okay. So, for the next 2-3 years, we will be looking for our current products only. And, are we planning for any product addition after 3-4 years? Will we be planning for any product additions? And, are we taking any R&D steps right now or after a year or so?
- **Mr. Anup Jatia:**

- Again, all these questions have been answered, but I'll answer it again for you. If you look at this sheet over here, this has already been explained earlier. If you look at the last point, we are working with principals currently to study the feasibility of introducing both existing and new technologies for setting up production facilities in India. So, we are definitely still looking and continuously looking at new products, new technologies. We're setting up an entire R&D centre for this. This is an active part of our business development. The products which are there on the next sheet, which is this part, this is only our acrylamide related business. Acrylamide, Polyacrylamide, N-Methylol Acrylamide, Acrylamide Solid, Polycarboxylate Acid, Polyacrylamide Solid, these are all acrylamide chemistries. So, this is our acrylamide chemistry business. We are not restricting our growth to just acrylamide chemistries, as we mentioned in the sheet which Ambarish just showed you. We are not restricting our business focus on just acrylamide chemistries, we are very actively looking at new chemistries, bio-renewable chemistries and all these areas.

- **Mr. Vishal:**
- That's great. That's it from my side. If you could just highlight about our working capital cycle in the manufacturing business, how is it impacting currently due to volatility of raw material prices in the export market as well? So, if you can just give a glimpse on the working capital cycles on the manufacturing side?

- **Mr. Anup Jatia:**
- Yeah, so normally the products, even the raw materials that we buy, normally we buy it on a 90 day credit basis. Whenever we buy the raw materials from our overseas principals, we have to maintain certain levels of stock because the raw materials are not available... manufactured in India and they are very volatile. So, there are situations which have happened in the past where there is no raw material available in the Indian market at all. Luckily, we have never had to face that problem because we've always maintained reasonable and sufficient levels of stock. That is one of our key focus areas always. And on the sales side, generally, the acrylamide sales is done on a 60 days basis. The Polyacrylamide liquid sales is generally done on a 90 days basis. So, this is the general cycle that we have for our sales and our procurement.

- **Mr. Vishal:**
- Okay. That's it from my side. Thank you.

- **Host:**
- Thank you Vishal. We'll have the last question from Vignesh Iyer, although there are couple of others who already had a chance. Friends, request you to forward your

questions to us and we'll take it up with the management and revert to you. Vignesh, please go ahead.

- **Mr. Vignesh Iyer:**
- Am I audible now?
- **Host:**
- Yes Vignesh you're audible. Please go ahead.
- **Mr. Vignesh Iyer:**
- I missed the earlier data you shared. I have the rough data. You said for FY23, you're expecting manufacturing revenue of 170-180 crores, right?
- **Mr. Anup Jatia:**
- That's right.
- **Mr. Vignesh Iyer:**
- So I wanted to know if it includes the potential revenue from acrylamide powder?
- **Mr. Anup Jatia:**
- Yes it does.
- **Mr. Vignesh Iyer:**
- Okay. And your current revenue for FY22, considering 1/3rd of your business comes from manufacturing is 160 crores, right?
- **Mr. Anup Jatia:**
- No, 106 crores. We have shared that screen. We'll just show you that screen again just for your reference. Just give us a second. So, from this quarter we have started segregating the revenues and the EBITDAs for each division.
- **Mr. Vignesh Iyer:**
- Okay. Just two more questions. This 8-10% EBITDA you're expecting is solely from manufacturing or across? As in, manufacturing + your other business?
- **Mr. Anup Jatia:**
- Which 8-10% EBITDA?
- **Mr. Vignesh Iyer:**
- Some data was shared earlier. You said that you expect 8-10% EBITDA for FY23.
- **Mr. Anup Jatia:**

- That's for the distribution business, if you see. That is for the distribution business.
- **Mr. Vignesh Iyer:**
- Okay, only for the distribution business. That's all from my side. Thank you.
- **Host:**
- Anup ji, can we take a couple of more questions or should we ask them to forward them to us?
- **Mr. Anup Jatia:**
- I'm okay till 12.30.
- **Host:**
- Okay, excellent! Pranay, please go ahead. Pranay Jain?
- **Mr. Pranay Jain:**
- My questions are answered.
- **Host:**
- Excellent, okay. Ankit Babil, do you have a question?
- **Mr. Ankit Babil:**
- Yeah. Am I audible?
- **Host:**
- Yeah, please go ahead.
- **Mr. Ankit Babil:**
- Sir, just a clarification on that capex slide. The last column mentions available of growth of 60%, 70%. This available growth is in revenue terms or is it the capacity addition which can work? For e.g. This Polyacrylamide liquid, which you have 40,000 tons capacity, and in the last column it is written 60%. 60% means 40,000 can go up by 60%, or do you feel that the revenue potential from the current level, the capacity utilisation which currently it is running at, there is a potential for 60% growth in the revenue? Just a clarity.
- **Mr. Anup Jatia:**
- What it means is that 60% of the 40,000 is an available capacity for growth, which is basically unallocated growth, you can say.
- **Mr. Ankit Babil:**
- Revenue growth?

- **Mr. Anup Jatia:**
- No no, volume growth. It is based on capacity, so this is all in terms of metric tons per annum. This slide has nothing to do with revenue. This slide is only related to the capacities and the volume capacities.
- **Mr. Ankit Babil:**
- So, against Polyacrylamide liquid, you have an existing capacity of 40,000. Once this gets fully utilised, you have a potential to add further 40,000, right? This is the first understanding which I get. When in the same premises or nearby you can go up to 80,000. I'm still not getting this 60%?
- **Mr. Ambarish Data:**
- Ankit, this 60% is basically the untapped growth potential of the existing capacity. So, you need to ignore the 40,000 which is the further possibility.
- **Mr. Ankit Babil:**
- That's what sir. Just because it is underutilised, it means that with increased utilisation, your volume growth can be up by 60% from existing FY22 as the base.
- **Mr. Anup Jatia:**
- Yeah. I would not use the word 'underutilised'. When we set up the capacities... if you look at the costs, to set up a 40,000 ton plant, the cost is 4 crores. I could have set up a plant of 20,000 tons instead, and I would have said that my capacity utilisation is 80%. So, we have... if you see, this is the available capacity we have to further grow the business. That is the way... we don't look at it as underutilisation, we look at it in a positive way rather than looking at it in a negative terminology. You have to always look at the capacities along with the capex that is being incurred to it. So, if I had set up a Polyacrylamide liquid plant of 20,000 tons, that would have also cost me probably 3 crores or 2 crores. But for an additional capacity... to make it 40,000 tons, we have only spent 4 crores. And because of that expenditure we have already incurred, we have a growth potential of 60% beyond this 40% that we are having. That means, 24,000 tons of volume growth is still possible with our existing capacity of 40,000 tons. This is what it means.
- **Mr. Ankit Babil:**
- Just by debottlenecking you mean... at a 40,000 capacity, you can take manufacture at 64,000 volume.
- **Mr. Anup Jatia:**
- No, that is not what it means Ankit.
- **Mr. Ankit Babil:**

- Okay, no worries sir. I'll take it offline. There's a slight confusion here. I'll discuss with Ambarish sir regarding this.
- **Mr. Anup Jatia:**
- Yes please.
- **Mr. Ankit Babil:**
- Thank you.
- **Host:**
- Friends, anyone with a question, request you to just raise your hand so we can take it up. We have a question from Imran Khan. Imran, please unmute yourself and go ahead.
- **Mr. Imran Khan:**
- Hi. Thanks for the opportunity and good afternoon to everyone. I hope I'm audible?
- **Host:**
- Yes you are audible. Please go ahead.
- **Mr. Imran Khan:**
- Anup ji, just two questions. One is on the revenue side. We have delivered about 380 crores of non-manufacturing revenue and about 106 crores of manufacturing revenue. You said, our distribution business will grow by about 10-15% and the manufacturing business will be around 170-180. Is it fair to assume that you're indirectly saying we will reach about 600 crores topline next year? Is that fair to assume?
- **Mr. Anup Jatia:**
- I think you're looking at the consolidated numbers, is it?
- **Mr. Imran Khan:**
- Yes.
- **Mr. Anup Jatia:**
- Okay. Yeah, from the consolidated numbers, yes, the assumption that you're having would be reasonable, yes.
- **Mr. Imran Khan:**
- Okay, thank you. The other one is on the margins. Sir, if we exclude the last quarter i.e. Q4 and we only look at Q1, Q2 and Q3 combined, can you share the margins separately for both the businesses?

- **Mr. Anup Jatia:**
- Yeah, we should be able to. I don't have it here ready with me, but we should be able to share that with you.
- **Mr. Imran Khan:**
- Okay. Thank you. That's it from my side.
- **Host:**
- Thank you Imran. We have time for a last question from Anupam Agarwal. Anupam, please go ahead.
- **Mr. Anupam Agarwal:**
- Hi, am I audible sir?
- **Host:**
- Yes you are.
- **Mr. Anupam Agarwal:**
- My question is again on the capex. I just wanted to understand the new capex that is still to come. Can you provide the timelines for commissioning those plants please? If you could just highlight on a quarter basis, by which quarter the PAM solid will commence?
- **Mr. Anup Jatia:**
- Yeah. So, we are expecting the PAM solid to commence during FY 24.
- **Mr. Anupam Agarwal:**
- Is it late FY24 or...
- **Mr. Anup Jatia:**
- Yeah, I would say 2nd half of FY24.
- **Mr. Anupam Agarwal:**
- Okay, thank you. And sir, just a clarification on a previous participant's question. 600 crore revenue you mentioned in FY24 on a consolidated level?
- **Mr. Anup Jatia:**
- The one that Mr. Imran Khan just mentioned?
- **Mr. Anupam Agarwal:**
- Yes.

- **Mr. Anup Jatia:**
- Yeah, that is FY23.
- **Mr. Anupam Agarwal:**
- So FY23 consolidated level 600 crores.
- **Mr. Anup Jatia:**
- Yeah, that is the calculation that he had shared, considering the consolidated numbers.
- **Mr. Anupam Agarwal:**
- Understood. That's all from my side, thank you so much.
- **Host:**
- Thank you Anupam. Probably just one last... Nagabrahma, please go ahead.
- **Mr. Nagabrahma:**
- Am I audible?
- **Host:**
- Yes you are.
- **Mr. Nagabrahma:**
- Okay. Sir, just a follow up. You said for the Polyacrylamide solid, the capex would be completed by H2 of next financial year. Is my understanding correct?
- **Mr. Anup Jatia:**
- Yes. FY24, yeah.
- **Mr. Nagabrahma:**
- So, that means the commercial or the sales revenues will start accruing from FY25?
- **Mr. Anup Jatia:**
- Yes.
- **Mr. Nagabrahma:**
- Regarding Polycarboxylate, there are two questions. One, you have mentioned that the trials would be over by Q1 of this financial year. So the first question is, how much time would it take to put up the capacity? That's one. And, in that 5,000 metric tons, how much revenue can we expect?

- **Mr. Anup Jatia:**
- Okay. So, if you see the capex chart, the capex chart shows investment of less than 1 crore required. What this basically means is that, we can use our existing facilities to manufacture the product. So, there is not really much of a capex. The capex would be more related to capitalisation of the R&D, for example, on the technology that we create. So, it will be more related to that aspect. Physical investments will be very limited. And, the expected... from the 5,000 ton... of course, whether we will make 5,000 tons immediately or how much time it will take for us to make 5,000 tons is a separate point. But, the product itself is around Rs. 40 a kilo.
- **Mr. Nagabrahma:**
- Okay. So, I'll have to multiply that into...
- **Mr. Anup Jatia:**
- It works out to 20 crores, approximately.
- **Mr. Nagabrahma:**
- Okay, fair enough. Thank you sir, those are all my questions. Thank you very much and wish you all the best.
- **Mr. Anup Jatia:**
- Yes, thank you.
- **Host:**
- Thank you, friends. As I mentioned in the chat, request you to forward your questions to us and we'll take it up with the... On behalf of all of us at SKP Securities, thank you very much Anup ji and Ambarish ji for your time to answer the questions from the investors, and we look forward to hosting you again in the next quarter. Thank you and have a wonderful day.
- **Mr. Anup Jatia:**
- Thank you, thank you everyone. Have a great day! Bye.
- **END OF TRANSCRIPT**