



January 27, 2022

To,

General Manager,
Listing Department,
BSE Limited,
P.J. Towers, Dalal Street,
Mumbai – 400 001
Company code: 533333

The Manager,
Listing & Compliance Department
The National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra East, Mumbai - 400051
Company code: FCL

Dear Sir/Madam,

Subject: - Transcript of Concall with Investors and Analyst held 19th January, 2022.

We enclose the transcript of Concall with Investors and Analyst which was held on 19th January, 2022.

Kindly take this in your records.

Thanking You.

Yours faithfully,

FOR FINEOTEX CHEMICAL LIMITED


Sanjay Tibrewala
Executive Director
DIN: 00218525



Encl: Transcript of Concall



FINEOTEX CHEMICAL LIMITED

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Fineotex Chemical Limited

Earnings Conference Call
Q3 FY2022

January 19, 2022

Management:

Sanjay Tibrewala	CFO and Executive Director
Arindam Choudhuri	CEO
Aarti Jhunjhunwala	Executive Director
Ketan Amlani	Financial Controller
Bharat Mody	Strategic Advisors, Investor Relations

Moderator: Ladies and gentlemen good day and welcome to the Fineotex Chemicals Ltd Q3FY22 Earnings Conference Call hosted by Edelweiss Financial.

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

I would now like to hand the conference over to Mr. Rohan Gupta from Edelweiss Financial. Thank you for an overview, sir.

Rohan Gupta: Good morning, ladies, and gentlemen. On behalf of Edelweiss, I welcome all the participants who have logged in for the conference call of Fineotex Chemicals to discuss their Q3FY22 results and financials.

From the Management side we have Ms. Aarti Jhunhunwala – Executive Director. Mr. Sanjay Tibrewala – Executive Director and also Mr. Arindam Choudhuri – CEO. They are going to represent the Company today.

Good morning, ladies, and gentlemen from the Management. I will first request Mr. Sanjay Tibrewala to take over from here and give us a brief about the Company's results, also introduce your entire team. And then we can open the floor for open the floor for Q&A session. Over to you Mr. Tibrewala. Thank you. Please go ahead.

Sanjay Tibrewala: A very good morning, ladies and gentlemen. I take the pleasure of welcoming you all to the Quarter 3 FY2022 Earnings Conference Call Fineotex Chemical Limited. So, today we have the Management of Fineotex Mr. Arindam Choudhuri – CEO, Mr. Aarti Jhunhunwala – Executive Director, CA Ketan Amlani – Financial Controller, Mr. Bharat Mody - Strategic Advisor, Investor Relations.

I will like Ms. Aarti to take it from here and add her comments and introduce her points to the team.

Aarti Junjhunwala: A very good morning to everyone. Hope you all are keeping well and staying safe. It is my pleasure to welcome you all to the Q3 FY22 Earnings Conference Call of Fineotex Chemical Limited. And I hope you all had the chance to look at the financial statements and the earnings presentations which are uploaded on the Exchanges and our website.

I would like to give you an overview of our current state of business and the strategic outlook for the quarters ahead. Fineotex is a leading specialty performance chemical producer with a

market leading position in international textile industry. And we are a technical solution provider as well. We are focusing on increasing the Company's current market share. We are at the frontline of environment friendly practices and sustainability is at the heart of our business. We continue to strive for efficiency in operations and maintenance through the adoption of best practices. We believe that adhering to the high standards of ESG is critical to our long-term success and is the foundation for delivering commitment to our shareholders. I would like to hand over to Arindam to provide an overview of our operations.

Arindam Choudhuri: Hi everybody, a very good morning. So, as you are already aware that Fineotex Chemicals Limited is a well-diversified Company with its portfolio spread across various products in the chemical industry. Apart from being a specialty chemical manufacturer, we also provide high end technical solution to our esteemed customer and that is a key business model at this moment.

This service will further strengthen up with our leadership position in the industry and build the customer confidence because in industrial marketing our key product portfolio play an important role for the customer relationship build up. So, our geographical presence in key international textile hub is a testimony for our reputé. We would like to build on the strength and foray into new, untapped market also. Ms. Aarti with her team for the export marketing are invading new territory and adding more customers day-by-day.

We will bank on our existing and new relationship in both domestic and foreign market by leveraging both the companies Fineotex and BioTex strength products. And during the past two quarters we have entered into the strategic partnership with HealthGuard Australia for their anti-microbial, anti-mosquito and antiviral range. Also, we have Eurodye-CTC Belgium for their key products for wool, nylon and synthetic fibre and the specialty chemicals which are made pure R&D, and also our R&D strategic tie-up Sasmira Institute for the future development of chemistries. These partnerships have been harmonized and proven beneficial to all the stakeholders. And we continue to explore such opportunities in future also.

And you all are aware that our new facility in Ambernath near New Mumbai has started its operation in November just after Diwali. And the standards of sustainability at the plant supports our portfolio expansion and capacity utilization also for the future endeavour. Given the following highlights related to the specialty chemical industry we see a bright future for FCL. And we are already encouraging and expecting a rise in demand from end user industries such as food processing, personal care and home care is driven development of the different segments of Indian specialty chemical market.

Similarly, the domestic chemical sector small and medium enterprises are expected to showcase substantial revenue growth in Financial Year 22 owing to his improvement in

domestic demand and higher utilization due to the high prices of chemicals. So, the Government of India is considering launching production-based incentive PLI scheme in the chemical sector to boost the domestic manufacturing and export. And we are looking for that scheme also. And we continue to strive towards building the Company into a global brand from the Indian perspective and making Fineotex synonymous with the quality and the sustainability with our all kind of our all-round technological service from great technical team members.

And now I will hand over the call to Sanjay to take you through the financial performance of the Company. Over to you Sanjay.

Sanjay Tibrewala:

So, we are very happy to announce emphatic corporate results for Q3 FY22. It reinforces our firm belief in the future of the industry and in specific Fineotex. We have continued the growth trend of Quarter 2 FY22 in the current quarter as well. The outcome is much beyond our expectation and will hearten our stakeholders as well in the future coming quarters and years on.

On the fundamentals, our operations and financial performance for the Quarter 3, our operational revenue has rose up to Rs. 1,051 million, which is up by almost 80% YoY basis and Rs. 2,468 million up by 72% YoY basis in the nine months, Financial Year 22. Similarly, the EBITDA has a jump of Rs. 251 millions, which is up by 84% YoY basis in Quarter 3 and Rs. 497 million which is up by 80% on YoY basis in the nine months Financial Year 22. The EBITDA margins is at 24% which has expanded by 53 basis points compared to the Quarter 3 last year and 20% expanding 83 basis points in the nine months Financial Year 22. The PAT stood at Rs. 191 million, which is up by 42% YoY basis. The margin stood at 18% in the Quarter 3 Financial Year 22 and Rs. 399 million which is up by 22.4% YoY basis. And margin stood at 16% in nine months Financial Year 22.

Our prime focus will be to expand our product portfolio and thus increase our wallet share and have a more diversified product range offering more and more solutions to the textile companies. The resounding performance will set a new benchmark for ourselves and moulding us to scan new opportunities as well. Besides we also endeavour to initiate new measures to take internally to optimize various other operation areas. During our run into future, we hope to continue to meet expectations of the stakeholders.

With this, we close the opening remarks and we open the call for interactive question and answer session. Over to you Rohan.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question-and-answer session. The first question is from the line of Satish Kumar an individual investor. Please go ahead.

Satish Kumar: My first question, do we have any revenue targets for FY25?

Satish Tibrewala: As we have been seeing that in the last quarter, Quarter 2 we have 74% growth in the turnover and in this quarter we have 81% already. So, that is the kind of demand which has come in the textile market and that's the way we have positioned our product mix, the kind of opportunities are very exciting. So, we look forward to have similar kinds of growth rates in the coming quarters and years on. So, that is what we could express to you right now on this note.

Satish Kumar: Any main reason for our recent growth is it due to China-Plus-One strategy of customers or some other reasons like Xinxiang ban, recently US ban.

Sanjay Tibrewala: So, there are many multiple factors actually, one is yes, our predominant major business is into textile chemicals and the textile is definitely having very good traction due to the China-Plus-One factor in their businesses. As such, the Government is also taking a lot of initiatives to grow the textile and garment markets. By and large in India, most of the textile companies have been doing well and will continue, this trend is going to continue. And as we are depending on textiles mainly so, our business line is also going, to the customers demand is going up.

And as such even for the textile chemicals, if we consider the entire world right now, India is the only alternative to China as such broadly at least for the specialty chemicals, where we are into. Apart from that intrinsically, there has been a lot of modifications and growth pointers, I can say, due to which we have been having these good quarters, which is number one, our product mix has been quite revamped in the sense, we have started focusing more on sustainable solutions.

See, as such Fineotex is not only a producer of specialty performance chemicals, but there is a very important part there providing technical solutions. Textiles in and out, day in day out, they have a lot of technical problems about whatever subject it is ongoing, and what they require is right time solution. So, our technical team is giving them the best services and we brought a lot of solutions to them.

As such, also the most important challenge for any textile Company today is sustainability, reduction in energy consumption, water consumption, reducing the ETP load, reducing the number of inputs in their textiles. So, broadly, we have been very successful, and we have the

right products from BioTex. And that's the way we have been focusing upon in the last almost a year now, in the sustainability solutions. This has led to a great change in our product offerings.

What we have also started working upon is we have been more focused on the finishing side of the textiles. Now, finishing is the place where textiles have a great value about and there is a big demand for technical textiles also. In the past, due to this COVID there has been a big change in the customer preferences, the consumers when they go and buy a garment textile, they are demanding a lot of performance, chemicals performance, technical textiles like anti-microbials, water repellent, dust repellent, perspiration observers. So, all these products all these textiles have to be treated all these effects come only from chemicals not from the machines or mechanically. So, that has also increased our size of the market as such.

So, broadly yes, the product lines have altered, we are focused more on sustainability and providing more solutions. Now with these solutions, there is a lot of you can say value offered to the customers and that also helps us to increase our EBITDA margins. So, we have been stirring our product lines to a different level all ready and now, we are seeing some initial successes in the last two three quarters. And I think the time is, in future is also going to be a lot more supportive for the companies and the kind of product mix we are having now.

Satish Kumar: So, our standalone revenues Rs. 78 crores and PAT is Rs. 16 crores approximately, but when we see consolidated, we have Rs. 27 crores more than standalone but only Rs. 2 crores PAT compared to standalone. So, overall standard on margin is 20%, consolidated is only 7% it seems. So, any reason for the lesser margins for consolidated?

Sanjay Tibrewala: So, how we look at it is, let's say from the operating EBITDA the standalone Quarter 3 EBITDA is let's say Rs. 21.39 crores whereas the operating EBITDA from the consolidated point of view is Rs. 25 crores it is on the basis of the foreign subsidiary which we have where the Fineotex is holding 72% stake and that is the reason because while you are accounting it, we can proportionately calculate and compute only 72% of the profits into the main Company. So, that is the reason about it.

Moderator: Thank you. The next question is from the line of Nikhil Rungta from Nippon India Mutual Fund. Please go ahead.

Nikhil Rungta: Just a couple of questions from my side. For the quarter, we have crossed the revenue of Rs. 100 crores mark, compared to Rs. 58 odd crores last year in the same quarter. So, what amount do you think is sustainable on a quarterly basis? I mean, if I exclude the targeted acquisition, which we are planning. So, on a sustainable basis, what kind of revenues we should look at?

Sanjay Tibrewala: Yes, this has been the first quarter where Fineotex could achieve the Rs. 100 crores plus sales consolidated levels. And as I already spoke, some brief about the kind of direction we are heading towards to. I think this is definitely going to be out par in the coming quarters in the coming years, there is no doubts about it. And let's talk about, there has been increase in our volumes of almost 65% broadly and the overlay has gone up by 80% turnover, the top-line. So, broadly speaking, we have increased a lot much of wallet share, a lot much of the geographies. And I am very much optimistic that this is going to not only sustain we are going to out par in the coming quarters and coming years, there is no doubt about it.

Even the new Ambarnath plant, which has just been commissioned and ramping up, we have just initiated action there. And I would like to mention on this note that the expansion and commissioning of the Ambarnath plant has come at such a nice timing, I can say, because we acquired it in end of 2020 that is the time we had acquired it and then after there has been a big traction growth in the textiles. And our major businesses into textiles and that is the best place because the textile people are day in day out they need technical solutions and our cost our product line right from pre-treatment to finishing the 25 different functional chemicals we offer is only 3% cost to the textile Company. So, as such every product is costing only 0.15% broadly which makes our products insignificant from the price point of view for the customers. More important is what kind of benefits they can give us and the kind of benefits our products are giving them is right from sustainability, reducing water reducing energy way on.

So, broadly I can say the time of this Ambarnath plant is such important aspect and transition for the Company and this is going to shape the future for the Company very much. And yes, coming back to your question. Yes, we will be expecting much better growth rates and much better targets and numbers in the coming quarters and coming couple of years.

Nikhil Rungta: Just to continue with this question further, I mean in the current CAPEX which we have already incurred, what type of revenue potential can we reach up to?

Sanjay Tibrewala: Yes as such broadly as we are into the specialty, technical performance chemical production as well as technical solution providing. So, broadly and historically also, averagely, we have asset turnover ratio of around 7 to 8. And the kind of realization prices which are also shaping up and the we are doing all sorts of reactions, we do polymerization, we do esterification, we do sulfonation and other formulations as well. So, broadly speaking, we can always expect much better asset turnover, and that should be around eight times minimum, that's the ball mark number we have. Let me tell you the more solutions we provide the asset turnover ratio will go up more, because then we are not talking about, and in textiles let me mention, we are into the products which are highly technical and highly important and value adding to the customer. So, the pricing, the EBITDA margins is something which the customers are not, we

are giving a lot of value to them in our product lines. So, going forward, yes, minimum eight times should be the asset turnover from the Ambarnath unit.

Nikhil Rungta:

Last question from my side. This quarter, we have also witnessed a significant spike in EBITDA margin to 23.9%. Historically, we were in the range of say 18% to 22%. So, what type of EBITDA margin do you think is sustainable? I mean, do you think we will move back to 18% to 22% odd level, or you think this 23.9% is sustainable?

Sanjay Tibrewala:

Well, we are very confident that this is sustainable. That is no doubt about it. And let me also mention to you why that was 18% in the past, see in textile, what happens it's a very different market, it's a long gestation period. It's not a product or area where we can suddenly get the orders for. It takes a couple of quarters, or maybe four or five quarters sometimes to initiate the businesses as well. So, while we were always optimistic, and we were always expecting the EBITDA margins to go up, which we have seen in the last quarter and also before that, in spite of the big raw material price highs, we have been able to pass on the price increases to some extent and have a better EBITDA margin, which is I think, one of the off cases in the specialty chemical sector.

And the 18% down was also because that time, we had done a lot of seed sowing, like we had a lot of expenses, a lot of new recruitments a lot of certifications. Our Company has spent so much on the certifications on the plant audits, on the approval of Green Screen Certificate, Beehive Certificate, Blue Sign, ECO PASSPORT, which we have recently got from the German Institute which is Hohenstein. So, these are the most important documentation and certification, which is like an investment. So, all these are as such revenue expenses, and also that has been debited plus like I said, providing technical solutions require a big team for Technical Marketing also. So, right now, our technical team members have you know, in the last two years, it has gone up by almost 70%.

So, these are the costs due to which the EBITDA margins were showing as 18%. And now once everything is laid, now the businesses are coming up, we all are very, definitely sure that this is going to be minimum at this level. This is the broad expectation which we are looking at from the outlook point of view.

Nikhil Rungta:

One question on the CAPEX side, what CAPEX are you expecting say in FY23 and FY24 including any expansion plans?

Sanjay Tibrewala:

Actually, when we planned for the CAPEX in 2020, we were expecting that the Ambarnath facility where we have just almost doubled our capacities, which is almost getting through from the, setting up the production as such. And already we have started commercial production from November to some extent. So, we were always hoping that it will take up

two to three years for us to have the entire production capacity utilized. However, as the last year, we have seen a tremendous growth in the textiles and the kind of demand and the opportunities we are getting from textiles and other areas we envisage that this capacity will definitely be utilized to optimum level this year itself.

So, already in fact, we are already envisaging what is the CAPEX, how do we plan it up in the future as well. And already things are ongoing. And we will be having the requirements for CAPEX and there will be investment on those lines also. So, broadly we can expect that the Ambarnath capacity should be well utilized to the optimum level in this financial year definitely or maybe in this calendar year also, from the April month onwards, Financial Year 23. So, we also envisage more CAPEX on that point.

And similar kind of asset turnover ratios can be expected always see, because, you know, we are also providing technical solution, this is the most important part, when we are offering textile solutions, the solution itself means the user needs the value, it's not about the pricing or our EBITDA margins, which affects them. It's not a commodity business. This is also very important, which I would like to mention here. When we offer our product, it's not a COA driven business, it's not a product like acetic acid, glacial acetic acid where all the products of GNFC Gujarat Narmada or Taiwan or China will be same. When we give our product, it is only the solution what matters to the customer. They just want to make sure that whether the fastness, or the value, or the finish, or whatever aspect of that customer is, it's met or not, that's all. They are not bothered about how much is the purity. How much is the activity or something like that.

So, broadly, in our space, it's like the salt of the food. Generally, the salt is never changed by anyone because it's not too price driven at the same time; nobody would like to change the salt of the food because it can lead to many taste changes. This is just an analogy I am giving. Similar in the textiles, people do not change the chemicals. And as such, we have never lost any customer and order, because it's a very high-end sticky market, and the kind of opportunities and the wallet shares and the kind of response we are getting from our customers, we are definitely sure the kind of EBITDA margins way forward will be quite interesting enough.

Moderator: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Now you did mention this 70% kind of a growth that you feel can continue for next two years. Do you think it's kind of a little optimistic number because currently 70% we are seeing on a lower base of FY21? But now with Rs. 100 crores kind of revenue run rate a 70% growth over that.

Sanjay Tibrewala: Well, Mr. Deepak, I would like to also take you to the quarter-on-quarter growth of Quarter 2 versus Quarter 3, where the revenues has increased by 34%. And, the operating EBITDA has gone up by 70% or 69.5% broadly. Also this is the time as we all are understanding what all supply disruption has happened in the international market, the shortage of the containers, the shortage of the raw materials, shortage of not only chemicals, I think broadly it is on almost all the industries. However, we have been able to have these kinds of EBITDA margins increase even in the Quarter 2, even in the Quarter 3, in the same situation where we are. So, I think, our team has done a very decent job. And we have quite outstanding from the normal industrial trend of the specialty chemicals, where a lot of margins have shrunk, due to the cost inputs and things like that.

So, broadly, what we would like to mention is there are a lot of interesting opportunities, which we have just recently got, and we are just tapping it more and more, I think it should not be a great challenge to keep having this quarter-on-quarter growth. However, we are all in the COVID world still now so, if there is anything related to COVID or anything external, which can change the pattern of the consumer's demand or something, then it's an external part. But broadly speaking, yes, we have been envisaging this kind of growth even four quarters back when we had this lot of technical investments in manpower, in product line, in certifications. So, we were always hopeful and last year also we could see the textile companies like most of the textile companies are doing so very well, I mean not only for India market but overseas also. So, I think as and when we progress ahead, you will be able to see similar kind of growth lines, I think.

Deepak Poddar: And in terms of margins also like because of this new plant and even a better product mix that you have been talking about. So, this 24% margin is the bare minimum. So, what is the upside potential on that in terms of when you are able to fully utilize your Ambarnath plant, so how do you see the upside on this 24% kind of a margin?

Sanjay Tibrewala: I would also like to mention while this plant was getting commissioned, there were a lot of cost levied which are revenue expenditures, because generally it takes a quarter or two to have the right team, the increase in the team members, and while the sales don't start for that increased capacity. So, as such, it's already on the books and today after the all the investments in technical, manpower, in marketing, in product lines, in terms of new production team increase. And then I said that we are also having some CAPEX plans going forward. So, broadly as per what we have been expecting, we can expect at least this kind of level in the EBITDA margins, which we have just seen in the Quarter 3.

Deepak Poddar: And what the depreciation because of this new plant, what is the depreciation that is going to come in P&L?

- Sanjay Tibrewala:** Well, we are a light asset-based Company broadly because we are into providing technical solutions and producing specific performance chemicals as such, the asset turnover ratios are expected at eight times. So, broadly it should not be too much on the depreciation part. So, basically, you can correlate the EBITDA and the operating PAT margins also accordingly. It should not be too much on that end.
- Moderator:** Thank you. The next question is from the line of Smita from Credent Capital. Please go ahead.
- Smita:** One thing I would like to know is that how much benefit did you get from this China-Plus-One impact? And what if it reverses, will it have any impact on your books? Or is it domestic sales more and exports of less? So, can you just break that up for me?
- Sanjay Tibrewala:** Well, I would like to mention here we are directly like we are offering our product lines to the textile companies and the textile companies are the one which will be benefiting which are benefiting from China-Plus-One factor. Now, having said that, there is also important to mention the kind of product mix which we have changed, the kind of technical solution products we have been focusing upon. And also, important the kind of tie ups we have with Eurodye, with HealthGuard, Australia and so these are the product lines, which have also shaping up, ramping up very well.
- So, it's not exactly China-Plus-One on which we and as such directly we are not depending on China-Plus-One. See China is into product lines which are more commodity driven, if you talk about acetic acid, if you talk about you know acrylic acid, if you talk about AOS or anything like that. So, basically these are the product lines which China is mainly into. We are into specialized, tailor-made performance chemicals. Now when we talk about performance chemicals and tailor-made China doesn't like these product lines and nobody works on China for those solution driven businesses. They work on more bulkier things which are more capacity driven or more CAPEX driven businesses that's the way China generally looks at those things.
- So, as such, even if you notice in the last 10 years of our listing, we have always had a good EBITDA margin and quite a good set of numbers overall. So, it is not exactly China-Plus-One which is helping us, it's also because the kind of differentiation in the product mix which we have, technical solutions. So, broadly that is what is affecting us.
- Smita:** And I would like to know as you said that because of this textile play shaping up, how much did you think or how much can you say that it has impacted your market share or how much market share has been improved upon that?

Sanjay Tibrewala: Well, yes, the market share is increasing. And more importantly, the addressable markets are increasing. Like I said in today's conference there has been a change in the customer's preferences. Now, when we are going to buy a garment or a cloth, we are always expecting something more towards it, we are expecting anti-microbial, we are expecting water repellent, we are expecting dust repellent, we are expecting, let's say perspiration absorbing, moisture management like they say. So, then the trend has changed a lot. And the wallet share which we are seeking up, is also changing quite substantially.

So, broadly, yes, we have been increasing the market share percentage also. And we are looking forward to increase in the market share, also the market size is also increasing day in day out. So, this has really helped us the kind of product mix which we are into.

And also, very much important what we have been doing, say let's say our chemical cost is one part of the story or the cost for the textiles and there is a utility. Now there is a cost of labour, cost of time, cost of temperature, cost of energy, cost of ETP management. Now, what would we have been doing, we have converted the cost of utility into the chemical cost for the customer and while saving it. So, for example, if the chemical costs for a customer is coming let's say Rs. 2 a kilo for the net. We have increased the cost maybe Rs. 2.5 per kilo for the customer, but they are willing to pay because somewhere down the line we have replaced another Rs. 2 cost of the utility, in the way of reducing of the water, reducing of the steam, reducing of the ETP loads and labour costs and reduced being on less number of parts.

So, basically in spite of we are demanding more higher price the customer is also willing to pay us. We have so many testimonials about that. I mean of course we cannot have those discussions now on this call, but this is broadly what I would like to mention to you, we are also replacing the utility costs of the customer and translating it into the chemical costs. So, that is also important.

Smita: Just last question from my side, which raw material impacts you more on your costing part?

Sanjay Tibrewala: I would like to mention to all the participants about this, that our top 10 product lines are contributing almost 20% of our business, broadly. And like I mentioned in the earlier part of this conversation that we have the entire solutions from pre-treatment, dyeing, printing, finishing and a lot of many different kinds of reactions which we are also doing. Similarly, the top 10 raw materials would not be contributing more than 20% or 25% of the consumption. So, there is no particular raw material which is directly affecting our, no particular product which is affecting our books overall.

So, we are quite diversified. In fact, our top 10 customers today are contributing to almost 36% of the business. And so we are quite diversified on that lines, even in the product front,

in the customer front. And once your products are diversified, of course your raw materials also diversified because there are different raw materials which we require for different products. So, it's quite diversified way we can talk about.

Smita: So, then we can understand that post your new plant coming up also, the RM cost would remain near around 20% to 25%.

Sanjay Tibrewala: Well, yes, we can expect that as well. What we are doing in the Ambernath facility is that we are having a more advanced versions in which we can make more optimum capacity utilization, the reaction vessels are bigger, much bigger. And that will also help us to reduce the overall expenses and the overall variable expenses also on that. At the same time, the product lines will be the similar and the same one.

See our capacities are fungible, this is also very nice points which I would express to the participants. Our capacities are fungible. So, all the solutions, whatever we are producing, can be produced in the same set of capacities, maybe a little bit here and there is required at some point of time, but 98% of our capacities are fungible, which makes us much better utilization. And that is also one of the reasons why our asset turnovers are much interesting. And that's the way we are looking at it, even for the Ambernath plant.

Moderator: Thank you. The next question is from the line of Sunil Jain from Nirmal Bang. Please go ahead.

Sunil Jain: My question more relates to, you got around 40% of your sales in export markets. So, how you provide solution over there, means what is the process of differentiation between just supplying a chemical and then you are coming up with some solution for technical textile, if you can explain that?

Sanjay Tibrewala: Yes, as such our Quarter 3 export revenue international is almost 43%. And yes, so there is a role played by BioTex also. So, Fineotex own 72% in BioTex, which is a European founded chemical Company in Malaysia, which we had acquired 10 years back after the IPO. In fact, IPO proceeds, 10 years back were used for the acquisition, our first international maiden acquisition of BioTex, way back 10 years back. So, that 28% is Mr. Nova, he is a German guy. And so he has also a lot of technical expertise and his team. So, BioTex also, is having major exports in most of the important textile countries internationally. So, Fineotex export team and BioTex export team, they work in harmony with each other. And let's say for that matter, there is a lot of logistic advantages in Malaysia, broadly, most of the textile countries are very close by to Malaysia which have been also catered by the BioTex's team, and also the European front is catered by the BioTex's team.

Whereas for Fineotex and BioTex combined, we have been if you could also go to our website someday, you can also see the kind of international exhibitions we do. We do not miss any international exhibition, whether it's in Brazil or Spain, whether it's in Pakistan, whether it's in Iran. So, our team from India to visit Iran, Pakistan, Spain, Brazil, you name the country, wherever there is an, we had in Africa, Ethiopia also.

So, we have been working in harmony, there is a lot of technical services, which we provide in the sense, of course, we cannot give day-in, day-out kind of services. But I would like to remind here that the distributors, which we appoint are just not stockists, they have their technical team as well, even in India, even overseas. So, we make sure we select distributors who have the technical team members. We educate their technical team members, and then they also day-in, day-out educate the textile factories and the textile customers and provide the solutions.

Of course, in the last, we have been always visiting our technical team keeps always, in fact, Mr. Arindam ji is also right now overseas, who is on the line the CEO. So, there is a lot of action which we keep taking in the course of business. And of course, in the COVID times the international tech have been quite limited. But yes, we have been travelling internationally and providing the solutions. Online, of course, we can always do that. But on-site, this is the way in which we are doing it. And this has been very successfully proven, in fact our customers appreciate a lot, that even in the COVID times our team is always visiting and travelling, in this current wave, first wave, second wave every time our team has been trying its best and visiting the international customers for providing solutions and having more technical analysis and discussions.

Sunil Jain:

So, you mean to say that the technical solutions are more of a standardized and which you sell it to your customers. Or it is more of a Company specific or product specific, which you develop once the customer requests?

Sanjay Tibrewala:

No, it's both. The reason being, see what happens there are a lot of variables in textile processing. The water is also one of the variables, the kind of machinery, the kind of processes. And when we are dealing with almost all the different countries and every country has their own specific requirements and systems. So, broadly this is not exact recipe which we can give, of course there is something to do that also. But there is always like I said, wherever we are having our distributors we make sure that their technical team is well educated. And our technical team addresses their requirements and teaches them whatever the aspects and whatever broad lines, our product functions to, and how to make it more optimum utilization at the customer's spot. This is broadly the way this function works.

- Moderator:** Thank you. The next question is from the line of Ravi Sundaram from Sundaram Family Trust. Please go ahead.
- Ravi Sundaram:** I just have one question. So, if you see, prior to November, we were at a revenue run rate of something like, let's say Rs. 75 odd crores since Q4 last year. And December, we went up to something like Rs. 105 crores. I think we had, yes, we had contribution from the new Ambernath facility since early November. For Q3 Ambernath facility should have contributed only for roughly two months. So, Q4 should have much higher contribution right from Ambernath facility, that's one. And since we said the capacity has doubled, I mean, with a base capacity during our Q2, we used to do a turnover of something like Rs. 75 crores, so should we expect, let's say when you have optimum capacity utilization, our optimal turnover rate should be something like Rs. 150 crore per quarter.
- Sanjay Tibrewala:** Well, I can start from this point that you are very right in mentioning that the Ambernath plant, the Q4 will be much more, the growth part of it will come from the Ambernath plant for the Quarter 4 that is for sure. In Quarter 3, in fact, it's not only for two months, I can say broadly because once you are just commissioning, there are a lot of teething issues which happens, I mean in the normal course of business in setting up of plants. So, broadly, we also have to build up the volume slowly step-by-step. So, precisely if I can say it has not much contributed in the last quarter, but it has, we can say only 5% to 10% might have been contributed to be more exact on the numbers.
- And yes, the Quarter 4 would be significantly driven by the Ambernath facility. It is one of the worth seeing capacities and the kind of facilities and the kind of technology which we are also using there, it's quite respectable. Way forward, yes the last year financial Quarter 4 had a Rs. 75 odd crores. Way forward, like I said, we are expecting, we have tapped a certain opportunities which is just shaping up and started off. So, we can expect the kind of growth between Quarter 2 and Quarter 3, should be also more or less been expecting in the coming time. So, we are very hopeful about it.
- Moderator:** Thank you. The next question is from the line of Akhil Hazari from Robocapital. Please go ahead.
- Akhil Hazari:** I just want to know regarding the capacity utilization, what is the current capacity utilization, excluding the Ambernath plant?
- Sanjay Tibrewala:** Well, excluding the Ambernath plant, we have almost touched 70% utilization. And so broadly this is what it is right now. However, we are also working on making more utilization, the optimum utilization because we have started working on certain products, which can be, the capacities can be much faster in the SOPs. So, right now, it is 70% broadly. And the Ambernath

plant is just, we have just initiated that. And that has almost doubled the capacity, I mean exactly the same capacity of what we have today almost. So, we have not considered that in this working.

Akhil Hazari: And optimum capacity utilization would be what exactly, like if you could give us a number.

Sanjay Tibrewala: So, for Ambernath it will be much higher. The point here is because we are using much better, bigger sizes of vessels. And the product lines which we are working on in Ambernath will be quite repetitive also, which makes us more room, to make more usage of the time and make similar products more often, to avoid the time, which was used to changeover the product line, because our capacities are fungible. So, there is a lot of time which is utilized in modifying or the cleaning processes and making sure there is no impurity of the previous processes. So, that's the way. So, this is what broadly I can expect that in Ambernath it will be at least 85% broadly. That is what we are envisaging and so that's the point.

Moderator: Thank you. The next question is from the line of Chirag Mehta from Chirag A Mehta & Company. Please go ahead.

Chirag Mehta: I just wanted to know our revenue mix about like -- see in the presentation I have seen there is a revenue mix based on the geographical location. But do we have a revenue mix like a textile, non-textile and then how much is they are getting contributed from BioTex or HealthGuard or something like this. It means, I just wanted to know how do we analyze?

Sanjay Tibrewala: So, totally our core business is offering textile, specialty performance chemicals and solutions. So, that contributes to almost 94% of our businesses right now. And so, this is the broad area, HealthGuard, Eurodye, everything falls under the same picture, under the same basket textile. So, broadly you can always take us as specialty chemical, performance chemicals producer for the textile. So, that is the way you should look at our Company, in my opinion.

Moderator: Thank you. The next question is from the line of Ankit Bansal from SCL Please go ahead.

Ankit Bansal: So, my question is, so with the kind of product line you have, like water repellent, everything, such tremendous products. We are seeing growth only sequentially, not exponentially, like we are expecting with such a product line, you will blow the market with your product, everyone will be gearing up for FCL products, "*hamme dedo, hamme dedo*" like type. I am not seeing that type of growth. What are the reasons?

Sanjay Tibrewala: Ankitji, that is quite a different question. Let me mention it like this. We work with most of the biggest textile corporate customers, and they have a protocol and systems, like I said, all our product lines from pre-treatment, dyeing, finishing, printing, all put together contribute only 3% cost to the customer. At the same time, if anything goes wrong in the product mix,

the fabric will be almost wasted. If there is some pinholes problem there will be holes in the fabric, it has to be thrown away. Similarly, for the silicone stains, if there is some staining on the fabric, it cannot be removed at all, mechanically or chemically. So, that is very important. So, the risk reward ratio for the textile customer is very low so that's the reason it's a very high entry, exit barrier business where we have been there.

At the same time, the customers are looking for a lot of new product lines like the sustainable solutions, reducing the water, reducing the energy consumption, reducing the time for this thing. So, that's our key strengths. And that's what we have been doing. So, broadly, it is very nice and very logical for the textile customer to be very confident and sure and go step-by-step. And that's also one of the reasons why the gestation period is higher. Like I also mentioned in this conversation, in the past two years, our EBITDA margins were always 17% to 18% because that was the time and from that time, we have started hiring more technical people, we have started getting more products certifications, plant audits, plant costs, so these are all revenue expenditure, which we add up. So, broadly, that is the time it takes it's like from the seed to the fruit.

So, now the time has come to the fruit and there was a time when we are sowing the seeds, and that investment was seen in the books. And this is the time where you know the returns are coming, I mean the customers are looking at us and appreciating the quality, the demands are pouring out, more product lines we have done. We have quite revamped our product lines, the marketing approach, the systems with the two new partnerships, which we have this Eurodye and HealthGuard. This has also been very interesting and appreciated by the textile customers.

So, broadly this is the way I would like to mention the textiles always like to be very cautious and here we are, we are right now working with almost all the biggest textile corporate customers, right from Chenab, JCT, Auro Dyeing, Auro Textile, Mahavir Spinning, Deepak, Birla, Winsome, Saluja, Trident, Welspun, Indo Count, Himatsingka, you name it Banswara, Raymonds, Raymonds all the plants Reliance, Reliance entire automotive finishing, especially for the Maruti and other orders which they get for their car upholstery are treated with BioTex Specialty Technical Textiles, for the seat covers, for water repellent, for oil repellents, for providing more antimicrobial finishes and also the silicone finishes.

So, broadly what happens we are present in almost all the substrates and all the substrates what I mean by that, some are yarn customers, some are polyester viscose, some are cotton knits, and some are cotton fabrics. We are having the customers, or we are having the best premium quality customers for each set of the substrate. This is very important, because in our business when we go to suppose a market called Bhilwara, which is suiting market of India.

So, if you talk to Bhilwara, and they are making all polyester viscose and polyester wool, if we talk to them, we are supplying to Welspun, they don't care about it, because Welspun is into towels and sheetings. So, they always like to benchmark whether we are supplying to Raymond, whether we are supplying to Grasim, whether we are supplying to the Raymond's plants and various things.

So, now we are having the best because in textile, it's quite a herd mentality. The herd mentality is also because of making sure that there is no risk of changeover. Like I said, the risk reward ratio for changeover is not too feasible for the customer to do that. And the cost saving is lesser. And so by and large, what I mean to say, we have right now all the customers of every segment. And this is very important for us, because once you have the best customers, for all the segments, it becomes very easy to approach a customer and to give them the confidence that in your substrates, we have this top premium customer using our products. Let's say for Himatsingka, they are using our finishing for their entire sheetings. Indo Counts is using our Fineotex Chemicals over the period of years not only for finishing, but also printing and various other additives which they require.

So, broadly we are into, we have reached a position here in fact, now where we are one of the most important, chosen suppliers for these big, giant companies. So, this is the kind of business in the textile technologies in this way, this is the kind of markets where we are. So, this is what I could mention to you in short that this is, it's very important for the customer to be cautious and use the chemicals. It's not a commodity.

Moderator: Thank you. The next question is from the line of Utkarsh Somaiya, individual investor. Please go ahead.

Utkarsh Somaiya: I just had two questions, one being your current capacity of 79,000 MT. Can you please tell me how much it would cost you to put up a plant of a similar size? Basically, I am trying to understand your replacement value.

Sanjay Tibrewala: So, let me tell you it in a different way for what kind of business we are into, it's not too high a CAPEX driven business, because we are into providing technical solutions, and providing specialty performance chemicals. For this Ambernath plant, we envisaged almost an investment of Rs. 270 million. And that was way back in 2020. And in the last year, there has been quite upside on the cost inputs, steel, iron, cement all the inputs which are required. And there we have been expecting to produce 36,000 tonnes as such.

So, broadly this is the thing but that Rs. 270 million is also, it has to be more touched up because of the cost increase and things like that. So, broadly, this is the point. So, this business is not exactly a capacity driven, it's not a CAPEX driven business, it's a light asset business, also

very important is the kind of approach and the kind of customer profile we have, that's very important in our businesses.

Utkarsh Somaiya: So, when you say 8x asset term, what base should I take of your assets to kind of understand, what kind of revenues the Company can do at full capacity?

Sanjay Tibrewala: See, at the same time, with the 8x benchmark number, which you are talking about, which we also spoke about, there is a quite a big change happening in the price realization also. We have also started offering consumers solutions in a way where instead of using let's say, two kilos, we are giving them a more concentrated version, and which gives them the effect for one kilo itself. So, basically the average realization price per product is also increasing up. So, this is the most conservative number which we just mentioned about the 8x. Going forward I think it will be surely into double digits.

Utkarsh Somaiya: So, what is your minimum like if at 8x, what is the peak revenue you can do, anything more than that is okay, but at 8x asset term, what is your peak revenue you can do?

Sanjay Tibrewala: From this Ambarnath plant, we are very sure, we can easily and the kind of product lines which we are working on, and the kind of product mix we are talking about, the solutions what we are doing about. We are very much confident that we can also touch Rs. 350 crores turnover in this plant itself, which is quite easily achievable, there is no doubt about it.

Utkarsh Somaiya: And this will be in FY23 itself, right.

Sanjay Tibrewala: Well, what happens in our business is, it's yes, as in when we are increasing the customers, the wallet shares, the capacities are being used. And that's the way we can always do it even, yes, that you can expect in this coming year.

Utkarsh Somaiya: Excluding Ambarnath your capacity utilization is 70% right, in Q3.

Sanjay Tibrewala: Yes.

Moderator: Thank you. The next question is from the line of Vivek, an individual investor. Please go ahead.

Vivek: Given what you have said over the course of the call, I think achieving a turnover of say Rs. 600 crores for FY23 should be possible. I mean if we do a 50%, 60% utilization of the Ambarnath facility, do you think we can hit that figure for March '23.

Sanjay Tibrewala: As such, we generally refrain from giving too much forward-looking statements. But looking at the previous trends, I think it's a maths thing, which we can always, it's not difficult to achieve.

- Vivek:** And at peak capacity if I just, I mean, I just did some math. This quarter, we are at an annualized capacity utilization of about 28,000 tonnes. And if we assume on the whole capacity of 72,000 tonnes and if we hit a 70% utilization at peak capacity, I am guessing we can do a turnover of say \$100 million over the next two, three years. I mean, I am talking about when the entire facility is ramped up, the new facility. What is the peak revenue that you think which we can achieve with the current capacities that we have? And that will take two to three years, like I am not talking about FY23.
- Sanjay Tibrewala:** Well, looking at the way we have been progressing the average realization price also going up, a lot of more concentrated products, which we are also offering, in which every, even if with that capacity, we can do more higher turnovers, I think, broadly we should be easily, there is no doubt we should be almost 3x. We can target that as the highest if you talk about the highest peak utilization.
- Vivek:** So, about \$100 million, so say Rs. 750 crores should be possible once we are utilizing the entire facility.
- Sanjay Tibrewala:** If these pointers, which we just mentioned, and I just touched upon, if we keep going on the way and the direction, and the kind of customers welcoming on those aspects are intact, I think that could be considered as the peak utilization thing.
- Moderator:** Thank you. The next question is from the line of Satish Kumar, an individual investor. Please go ahead.
- Satish Kumar:** So, technical solution, is it one-time solution to any customer or we work continuously with the customers? So, we get repeatable order revenue from the technical solutions?
- Sanjay Tibrewala:** As such, all the businesses what we are doing, it's all repeatable way. It is like, I would say Raymond, we started working in 2007 or 2008 and those products we started that time is still ongoing today also. So, basically what happens in not only in technical solutions, but also all the product lines, which we generally offer, it's a very perennial business, sustainable businesses which we get. And so basically, yes, it's a continuous business, it's not one-time business.
- And in fact, textile is broadly day-in, day-out they have a lot of queries and technical problems, either water, they have to match the shade, because every time their substrates are changing the counts of their yarns are changing. So, there are lot many different kinds of oils and the sizing which is coming from different kind of suppliers. So, broadly if you talk and consider, every time they will, and in fact they will be more glued to us, not only for that product, but also for the other product range also.

See, it's also important for us to mention. See this is a very beautiful area where we are, what I mean by that is, supposing we are supplying let's say every customer is a customer for 25 different product lines. If you are supplying them two or three product lines today. And while we are servicing or meeting them for the existing businesses, we are in fact introducing another three four products more. So, while we are doing customer sales services, in fact, we are putting the seeds for the new businesses in the new product lines also. And we look at the customers from a different perspective that the total size of the customer and every customer is a customer for 25 different product lines for us.

So, that is the way, that is the concept and the kind of approach we have with our customers. And we are very much excited and enthusiastic with the kind of response which we are getting from the customers. Going forward our sincere team, passionate team, which we are all, aggressively working ahead.

I think and recently one more aspect before we finish off this conference I would like to mention about. So, the NRC, the Nomination and Remuneration Committee has approved the ESOP scheme for the first time. So, we have ESOP approval already. And almost 92 employees have been granted for the ESOP, which has also been already updated to the stock exchanges. So, this is the first time we are going ahead, taking our team also in the journey of growth and progress for one and all..

Moderator: The next question is from the line of Dipesh Sancheti from Manya Finance. Please go ahead.

Dipesh Sancheti: A special mention about what you said before that now is the time of bearing fruits, I hope the fruits also for the shareholders. Apart from that just had a one question, I mean, most of the participants, I think I had the question about your margins, just wanted to know what are the one-time expenses which has been during this quarter, which will not be repeated. As you mentioned, I think about the certificate charges, and also that some of the expenses of the new plant coming into this quarter. Can you just give maybe a percentage or maybe actual numbers also if you have?

Sanjay Tibrewala: No, I would like to mention to you, firstly coming to the margins topic and then we refer to the first comment which you had. So, regarding the margins and the cost, let me tell you, this is an ongoing process. And let's say we spent x amount to get let's say 100 products approved or 50 products approved then again we will have to spend next year, its annual renewal things and also like the way we are increasing our product mix. Now we have this R&D tie-up with Sasmira Institute also, which is also part of the expenses, I would not call these things are expenses also for accounting purposes expenses. However, this is the biggest investment we are doing and we have been looking forward for.

So, basically also for the CAPEX investments, I mean, as such many revenues and many expenses are classified under revenue from the accounting standards. Coming to that again it can recur. So, basically, this is not just one time of things. However, what difference it will be, I will tell you. The difference here would be the expenses which we have done and the fruits which we have got now, the fruits is itself is quite interesting enough to have some more expenses for these kinds of investments, for the next set of round, for recurring expenses, for CAPEX expenses, which we are already envisaging for the CAPEX, which we are going to also plan for now and also for the kind of product certifications and the factory audits. So, this is a part of the thing, so there is nothing as such critical, which I can say this was there last year, this will not happen this year. So, investments, these are all treated as investments from our point of view.

And coming to you mentioned about the investment, investors, fruits, and things like that. So, let me tell you in the last 10 years of our being listed, there have been a couple of buybacks also in which the promoters have not contributed, and not participated. And the NAV for the investor from our IPO days, still today has almost been 20x. In the last 10 years we have grown almost at a pace of 10-year CAGR of 24%. And we are still debt neutrals, this is also very much important that today also in spite of this 80% growth, and the kind of EBITDA margins and the new CAPEX also, we are debt neutral. This is I think, the most important part which has been missed out as well in our today's communication. So, way forward, we are all quite sincerely working ahead to you know, achieve whatever we have been looking forward for.

Moderator: Thank you. The next question is from the line of Ayush Agarwal from Mittal Analytics. Please go ahead.

Ayush Agarwal: So, first question is that, if you look at our standalone numbers, we were around Rs. 130 crores in FY21. And given our current run rate, we would end at somewhere around RS. 250 crores for the whole year of FY22. So, that's almost doubling of revenue and with the Ambernath facility, you are mentioning that we can do additional Rs. 200 crores of revenue. So, first question on this is that where is this additional demand coming from or like the Rs. 200 crore that we envisage to do in FY23 from Ambernath, like who would be filling that capacity, like who would be supplying to our current customers? Are we replacing someone? Are we getting more demand? So, what is really happening on the ground that we see such huge growth in the last two years? That is one and one other bookkeeping question is that how are we doing on the receivables front?

Sanjay Tibrewala: Let me tell you how the industry is moving ahead. There are many factors, there is not a single factor, which can be the only reason for the growth. We have to look at it in totality. So, everything whatever we have discussed, let's say the textile companies are benefiting from

China-Plus-One, yes, definitely. So, their consumption is going up (1). (2) Are we replacing people to some extent, yes, we are replacing the European multinational companies. If you can also see in the last Quarter 2, Quarter 3, there has been so many, force majeure from most of the chemical, specialty chemical worldwide, like say for Momentive, from Dow, to Archroma, these are the biggest giants. And they had the force majeure. What it means basically, they were not well planned, and not so about the planning, it's about, you have your own plan of your supply chain, the costing, and the way you pass on the increase of the cost to the customers, that's the way the business is run, typically.

So, basically, we have not only outperformed them for sure, by far. But also, we have increased our wallet share, that is one. Also, our product mix have changed. There is a lot of sustainable demands, which has gone dramatically up in the textile markets. And as I said, most of the utility costs we are converting into the chemical cost also. So, the market is also growing up. At the same time, our technical team and technical solution providing, this is the key area where we have quite captured upon. See it's more about a product which is irreplaceable. So, that is the place where we are looking at. And that's the position we already have been getting in the last two quarters and way forward, this will be our key area to hold strong position in the market on that front.

And coming to your bookkeeping, that is you mentioned about the receivables. So, broadly if you are talking about March '21 or September '21, what was happening is you know in textiles broadly the receivables that generally averaged out 90 days that is the way it works, also because sometimes we also have a lot of stockists, and we have to keep our codes with our different areas in India, like you know, there are so many different textile cities. And textiles are quite laid back in that, and that way it works. So, broadly, if we annualize our Quarter 3 turnover, and we see the debtors as of December, so we have done a better way. In fact, our receivable number of days has gone down to almost 75 or 70, broadly. So, this is what we can expect that in future we are working on more and more cash flows and making sure that the return on the investments is going higher than before.

Moderator: Thank you. Next question is from the line of Sunil Jain from Nirmal Bang. Please go ahead.

Sunil Jain: My question again come back to, is there new products or new solutions which you had introduced in last six month, which are contributing heavily to your revenue.

Sanjay Tibrewala: Well, I can say it's not only in the last six months, which has been introduced. There was a lot of attempts and efforts being done in the last couple of years. And sustainability was the key area for BioTex and technical textiles for so long. However, the textile market, what more aware about the sustainability just during 2020 and 2021, especially. So, by and large, we were, let's say the early movers in that till now, the European multinationals do not have those

kinds of product lines also in which, we are helping them to save the energies and things like that.

So, broadly yes, there has been a lot have change in the product mix in the last two quarters, three quarters actually. And that has helped definitely to gain more market attention. At the same time, the kind of wallet share we have been taking, the kind of results we have been giving and performance and the value additions that is also well appreciated. It's also again, not a single factor I can say, it's a compounded efforts and compounded reasons for getting and achieving where we are today.

Sunil Jain: See, before COVID you were doing revenue of around Rs. 30 crores plus minus per quarter, in standalone result. And in recent past, you are seeing some extraordinary growth. So, I was just trying to correlate growth with what has happened differently.

Sanjay Tibrewala: So, these are other answers, which are, these are the factors which are the reasons which has created, you know, we see this kind of growth. And way forward, I think that should be, much that would be the conservative level where we are today so this is the way it's going ahead.

Moderator: The next question is from the line of Yash Mehta from Sam. Please go ahead.

Yash Mehta: One question I have is, in terms of our competition, who would be our top three competitors in general and let's say, the Indian markets and exports, because you said that you are gaining share. So, who is it that you are displacing?

And the number two question is that if we have grown 34% quarter-on-quarter, the volume growth that I tried to work out is coming to somewhere around 16% to 18%. So, will the remaining let's say half be contributed by price largely and mix, that's it from my side. Thank you.

Sanjay Tibrewala: I will take the second question first. Yes, what you mentioned correctly, there has been average price realization, it's going up, that is one. But that is not only the price which we have increased or something like that, it is because the kind of product mix is changed quite a lot. And also like I mentioned that we have started giving more purer product. See there was a big jump in the freight prices as we all understand, \$800, \$1,000 containers suddenly became \$13,000 from any part of the world to U.S. or other areas. So, then we also started offering more concentrated product in, which in less dosage that can give the same kind of performance. So, that was the reason why this, it was a mixed reason that product mix as well as price increase to some extent. Now again the price increase which we have passed on, it also shows that the kind of value we are providing to the customer is much important for them, and that is the reason they are providing us that kind of a price increase also.

And now coming to your competitor topic, see basically we are majorly in the European areas, European competitors and co-producers which are let's say Huntsman, Archroma, CHT, Rudolph. In the domestic sector, there are a couple of names which are directly there. One is Pidilite is there in some areas, Atul is there in one area, Rossari is there which is almost 90% same product line where we are today. And so also there is a Resil and other companies. Also as such Rudolph also has a tie-up with Atul in India. So, broadly these are the Company names. And we are well positioned against them. And so basically we are also getting a lot of market share from these European companies as well.

Yash Mehta: And that's because they are not adding capacity, effectively. So, you are taking the incremental share away from them, from a very --

Sanjay Tibrewala: No see, again I would like to mention, there is no single factor which has led to, see it's a combination of product mix, it's a combination of increase of the customers capacity, it's combination of getting the wallet share also, it's also a combination of the customer preferences, which has changed, and lots of new finishes have started evolving in the market, like perspiration, wicking, moisture management, dust repellent, antimicrobial. Now when we go to buy a t-shirt or something in the mall, we are first looking at the kind of technical performance of it. It's not only the feel or the texture, it's also quite value addition you know what all, and these things cannot be treated mechanically, all are chemically treated. So, that leaves us quite a big room. And we have been always looking at these areas. We have been early movers in this business. And that is the kind of, I can say that is also what we have capitalized upon.

Moderator: Thank you very much. Ladies and gentlemen, due to paucity of time we take this as the last question for today. I would now like to hand the conference over to Mr. Rohan Gupta for closing comments. Over to you sir.

Rohan Gupta: Thank you, Janice. Thanks to the team of Fineotex. Before we just wind up a couple of questions are from my side, I know it has already extended a lot of time. First is on, do we have any strategy in place on our non-textile chemical business. We have tried to get into hygiene related product baskets and some of the oil refinery products. So, do we have any strategy in place like that over the next two to three years that what kind of product basket or revenues from these non-textile business, we are looking at an overall revenues.

Sanjay Tibrewala: Basically, for so many decades our core business is supplying specialty chemicals to the textile companies that's our main area and that still contributes to the major area. Now, there is certain kind of polymers which is also classified in the cleaning and detergent raw materials so detergent raw materials and polymers, is something which is very interesting also for us. And those there are two areas in that, actually there are three, but I will talk about the two

areas. One is supplying raw materials to the detergent Company that is one. And second is applying and making product lines for the institution. Institution cleaning is something which Diversey is in to mainly. And so we also have that as a small segment, in which we are also having our set of corporate customers or hotels and hospitalities where we are also producing small packing of 5 liters packing, and for which our plants are already FDA certified. And those are the product line which we are offering to the various institutes and corporations.

So, by and large, we have our R&D people from Diversey and the marketing team from Diversey also for those product lines. And that small packing thing is not our main core area. So, it's a bit of marginal product also, it's giving good margins as such, but it's a very total different area in marketing we are more into the B2B. So, we are more optimistic and bullish about the B2B business, especially the raw materials for detergent companies, which is like polymers, water, you know improving the water quality for the detergent companies and supplying them certain important additives, cleaning and hygiene products to the detergent companies who make their own detergents. So, these are certain areas which we are already working upon aggressively. And we are looking at good amount of expectation from that area also.

For Oil & Gas Specialty, it is not important as such for us right now. See these are all fungible product lines and also keep in mind, this chemistry, let's say polymer the same polymer goes in textiles, the same polymer goes in detergents, the same polymer will go in the oil & gas also. So, basically, we are not experimenting in a way of going into Oil & Gas just for the sake of it. We are looking at it in a different way. Either we add more product lines, and we give our platform like HealthGuard, Eurodye has come to us, we give them a platform and our platform cost is fixed, in which when we add their product lines to our textile factories and customers, they are happier because they get a single stop solution. This is very important. We are like a single stop solution for the textile customers. If they need antimicrobial finishes, we have HealthGuard. If they need the supernatural wool, specialized chemicals because Eurodye let me tell you the Eurodye plant is a Unilever plant in Belgium. Also, they acquired two years back the business of Stephenson in the UK, which is one of the leader once upon a time in the wool working chemical specialties. So, basically immediately with us that product will also come in our platform, and with the same kind of cost, the same kind of technical manpower, technical providing. So, basically it becomes like almost a single stop departmental store and solution, where you have everything, and the customers just call you and tell you, please help me with this, also please help me with that also.

So, we love to either focus on the customer point of view, if there are any product line goes to the textile, we wish to add it or in case these products which we are already producing, or the textiles from the chemistry point of view, if this can be used for detergents, oil, and gas,

well, it's doable, it's easy, there is no incremental cost for that business. And hence this is very attractive for us to expand and diversify the same chemistry for different product lines.

So, these are the two approaches we have, either the customer approach or the product chemistry approach which can go in different businesses. So, Rohanji this was the important question which you asked, and I could express it in this way.

Rohan Gupta:

Second question is on our margin, and we see that the raw material cost has gone up significantly across the chemicals, and especially some of the inputs are even seeing shortage also which are coming from China. But despite that challenging environment, and even the rising logistics cost, you have improved the margins. So, just wanted to understand that did we have a sufficient raw material inventory of the low cost that has helped this margin? Or are we seeing the rising raw material prices in input costs and how you are managing the challenge going forward?

Sanjay Tibrewala:

See I will tell you where we are. We are buying the commodity raw materials and producing specialty chemicals. Now, the rise in the pricing was a phenomenon of Quarter 2, in which most of the specialty chemicals might have plunged in the EBITDA margins and the gross margins, however, we could increase our sales by 65% broadly, and still increase our EBITDA by 183 basis points, and the gross margins by 127 basis points in the Quarter 2.

Now, the Quarter 3 is already softened down to that extent. (1) To be more precise, we didn't have too much of a raw material inventory, from that point of answering that low cost so that's why we could do it, it's not working like that. (2) We in spite of the jump in the pricing, which happened in Quarter 2, not only because of chemicals, because of the price of the freight containers, shortages, everything, we could still do the good growth. Quarter 3 was having a follower of the Quarter 2 actually, I could say. And also we have done a good increase of 600 basis point almost in the operating EBITDA margins. So, going forward, we have already digested those increments, and this is where we are after digesting all the kinds of positioning it as such.

And now also let me tell you, when the raw metal prices, commodity prices, or chemical prices of China or wherever it is, when they subside or go down, it doesn't reduce our margins, it helps us in fact, because what happens in textiles, it's not a daily contract or daily, we have to quote the prices, price is almost fixed, until and unless we come up with an increase. So, that is the way it works. It's not that if raw material prices are down then we also have to sit and revise the prices, it doesn't work like that.

So, generally what happens, whenever there is a tide like this, so whenever there is an increase, we do come up with the customers for newer products or better purity products or

increase of the price and we try to adjust our EBITDA margins there. And when it falls down the cost of the products, automatically, the EBITDA margins become more interesting for us. So, this is the kind of, we always look at it.

Rohan Gupta: Thank you very much to entire Fineotex team, for giving us your valuable time. Before we close the call, would you like to make any closing remarks?

Sanjay Tibrewala: Thank you so much participants for hearing us for almost an hour and a half. And so please get in touch with our Investor Relations team or our Investor Relations Company and this way, so we will be open to answer all your queries and we will try to provide maximum information whatever we could for your relevant questions which have been left out in today's conference call. So, thank you.

Rohan Gupta: So, on behalf of Edelweiss, I also thank all the participants who have logged in for the conference call of Fineotex. And once again, a special thanks to the Management and entire team. Thank you very much.

Moderator: Thank you. On behalf of Edelweiss Financial, we conclude today's conference. Thank you all for joining. You may now disconnect your lines.

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Note: This transcript has been edited to improve readability

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