



“Finotex Chemicals Limited Q1 FY 2017
Earnings Conference Call”

August 16, 2016



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Moderator: Ladies and gentlemen, good day and welcome Fineotex Chemical Limited Q1 FY 2017 Earnings Conference Call hosted by Systematix Share & Stocks Limited. As a reminder, all participants' 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 "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ankit Gor from Systematix Share & Stocks Limited. Thank you and over to you Sir!

Ankit Gor: Thank you Janet. Good afternoon everyone. On behalf of Systematix Share, I welcome all of the participants to Fineotex Q1 FY2017 Results Conference Call. I thank management for giving us this opportunity to host this call. From the management side we have Mr. Sanjay Tibrewala – Executive Director of Fineotex Chemical Limited. I now handover call to Mr. Sanjay. Over to you Sir!

Sanjay Tibrewala: Good afternoon to all of you. Thanks for joining in for the Q1 2017 earnings conference call. Thanks to Systematix for hosting this. I like to start with giving some background about the company first and then we can give you some highlights of the quarter performance.

Fineotex Group established in 1979 by Mr. Surendra Tibrewala. The group manufactures specialty chemicals especially for the textile industry. Our products are spread over the all the processes of textiles right from pre-treatment, dyeing, printing and finishing, which includes products for cotton, polyester, acrylic, nickel yarn, lycra, polyester blend all the subsidies whichever in the textile field.

We have our manufacturing facilities in Navi Mumbai and Malaysia with the combined production capacity of 22000 tonnes a year. We have a global presence across 33 countries and also cater to well known clients in India and overseas also through Fineotex and Biotex both. Biotex is our Malaysian company. Our industries have a very entry barrier industry and the clients are very sticky because these are products what we make for the textile industries are not so substantially important in terms of value, the end user. I would like to mention that we are a zero debt company with a consistent dividend paying record, the higher return ratios ROE and ROCE.

I would like to bring you to the financial highlights now. I am quite sure that you might have seen the results, which we have posted last week. Like to briefly update you on the same. I am overall quite satisfied with the overall quarterly performance considering the quarter one is generally a slow business, slow in our business actually and however we have continued to keep doing our growth momentum.

On a standalone basis our income has gone up by almost 10% Y-on-Y basis. EBITDA for the year is also 11% higher from the last year. EBITDA margins continue to remain healthy and improved to 27% in quarter one increasing by 24 basis points as compared to the quarter one last



year. Net profit in the quarter one in the standalone is 3.3 Crores, which was earlier 3 Crores which was resulting the EPS of 0.30 paisa for the current quarter as compared to 0.25 paisa in the last year first quarter.

At a consolidated level our total income has gone up by 17% for the quarter. It has gone up by 12.5%. EBITDA margins stood at 24% in this quarter. The net profit has increased by 22% Y-on-Y basis which was resulted in our overall earnings per share of around 0.4 in quarter one this financial year as compare to the last year year-on-year basis 32 paisa. This growth in our financial is a clear reflection of well-executed business strategy. We have been constantly focusing on higher margin product and the results of the same can be seen from a healthy EBITDA margin.

On our future strategy is on operations front we will keep continuing to innovate and provide more value added services and product to the customers. We are consistently focusing on enhancing our market share across existing clients and also penetrating into new clients and new products with existing clients. We have also ventured into various new geographies like Iran markets, Pakistan markets and we are also having up a good exhibition show next week and in Bangladesh. We are extremely excited about the growth prospects and looking forward for your support. Thank you and we will open the conference for the question and answer session now.

Moderator: Thank you. We will now begin with the question and answer session. We take the first question from the line of Yash Bhatt from Alchemy Securities. Please go ahead.

Yash Bhatt: Good afternoon and congratulations on a good set of numbers. My only question with respect to this business now is what are the growth possibilities in your business in terms of are your main growth loss is going come out of spreading to or increasing your exports to other countries over a day from volume growth in Indian textile industry if you can throw a bit of light on that that would be helpful?

Sanjay Tibrewala: Basically the growth is happening at all fronts even in the domestic market as well as the export market but happens in our businesses like we produce a large number of products across all the processes which are applicable for the textile businesses as well as we are divided into various product categories like polyester, polyester cotton other things. The growth is in fact coming up from the existing customers we are increasing more and more products with them because every customers will require at least 20 or 30 products to process the textile right from the pre-treatment, dyeing, printing, finishing as well as untapped customers are also large number of it which we were not able to focus upon that is also our focus now. So we have been increasing our businesses both ways by increasing the wallet shares from the existing customers as well as adding more clientele as well as tapping new geographies, which we were not earlier, much into.

Yash Bhatt: All right and who are your competitors essentially. Is it an oligopolistic market or it a crowded market.



- Sanjay Tibrewala:** No basically this is a very I mean I am talking about the organized market which is our main competition over there is it Clariant which is now Archroma all European multinational companies.
- Yash Bhatt:** Clariant, Archroma right.
- Sanjay Tibrewala:** Yes Archroma then is BASF, which was also part of Archroma now and there is CHT, which is also a German company, Fulcrum also a German company, Stahl, a German company, Huntsman. So these are the basic biggest players of the industry and they have been controlling these textile chemical markets extremely.
- Yash Bhatt:** What percentage of organized unorganized are you looking at over here; how much share is with the unorganized market?
- Sanjay Tibrewala:** Basically the organized market is our main focus area only that is the place where they require certifications, they need higher quality products like let us say Vardhman, Nahar, Deepak, Birla, Winsome, Grasim, Reliance, Arvind our main customer portfolio which we are catering to as well as these competitors are also working in that segment only. So basically that is our main area, which is our customer focus.
- Yash Bhatt:** So you would not be focusing on getting any unorganized segment as well.
- Sanjay Tibrewala:** No not all.
- Yash Bhatt:** These were just a couple of questions I have. Thank you.
- Moderator:** Thank you. We take the next question from the line of Shreyans Mehta from Aditya Birla Insurance. Please go ahead.
- Shreyans Mehta:** Good afternoon Sir. Many congratulations on a good set of numbers. Sir could you give some sense on the capacity utilization or volume numbers?
- Sanjay Tibrewala:** The capacity utilization is generally we are quite operating at percentage between 50% and 55% utilization. It has been our way of working since lot many years. We keep expanding our capacities a year-on-year basis. What happens in our industry is like because our products are spread out in so many different chemistry like phosphonation, sulphonation, polymerization of different monomers and every product in our industry has different production timing. It can make a like a batch can be of two hours it can be 12 hours, it can be 24 hours. So we love to work at 50% to 55% production capacity utilization. So in case we get large number of orders for the product, which takes higher production time, we can still execute those orders and take into our account. So this is the reason also why we are happy to work at 50% to 55% production utilization.



Shreyans Mehta: Secondly any guidance for this fiscal year; guidance in terms of sales, volume numbers or profitability?

Sanjay Tibrewala: Typically we always like in the last five years also we were able to do a CAGR of around 28%, 29%. Our main focus is generally to keep the profitability growing at 20% to 25% year-on-year basis that is the main let us say guideline, which we always target. At the same time the topline also will be keep increasing from 15% to 20% as well as we are focusing on lot many innovative products which has better value additions and it is also need of the textile let us say for products which are more high hope for the textile industry at the moment the biggest challenge is the effluent treatment so we have lot many products for the effluent treatment where we are focusing upon now for the marketing but these products as and when we keep growing our business share in those products the profitability will keep increasing and typically that is our targets like 20% to 25% profit increase year-on-year basis.

Shreyans Mehta: Just the thing on effluent treatment do you have any market share in terms of numbers if you could?

Sanjay Tibrewala: No it is impossible to predict the effluent treatment market share. The point it is something, which has come up in the last two years so what happens in typically in effluent treatment it does not exactly go for effluent treatment plants. What happens is let us say we have some products in which the water the washing need not be taken for three washes. It can the performance will come in one wash so you save the water, you save the time, save the energy, save the utility present products we have which typically like say the cotton is processed 110 degrees we have certain products which makes the cotton which gives the same result at 75 degrees. So you save energy, you save time. So it also helps you if you are saving water there will be less effluent in the EP plants so it is not exactly we can measure the ETP market share or anything like that but the point is that we are focusing on those kinds of needs of the textile industry in which we can help them to reduce their water consumption, the water pollution, the energy cost and things like that.

Shreyans Mehta: One last question in terms of realization have they improved Q-on-Q and year-on-year.

Sanjay Tibrewala: You mean the total sales.

Shreyans Mehta: Yes.

Sanjay Tibrewala: We have grown up by 17%.

Shreyans Mehta: In terms of realizations.

Sanjay Tibrewala: You mean the total income right.

Shreyans Mehta: Yes.



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- Sanjay Tibrewala:** I think the realization per tonne.
- Shreyans Mehta:** Yes per tonne.
- Sanjay Tibrewala:** That is I need to recheck because we about that but I think it should be more or less the same may be little much more because it also becomes it is like a product mix. We have products let us say from Rs.40 till Rs.800 a kilo. It is like you have everything in your portfolio. It also depends on the requirement of that season of that month and that customer which you get in. I do not think it is a right barometer to compare actually because we are spread on so many number of products going for so many different applications. The pricing are such a big differentiation like let us say from Rs.40 to Rs.800 the big range. So I do not have this realization per tonne here but I do not think it would be quite important to depend on that number anyway we can always look into and give that details to you.
- Shreyans Mehta:** That is it from my side. Thank you and all the best.
- Moderator:** Thank you. We take the next question from the line of Rahul Khandelwal from Systematix Shares & Stock Limited. Please go ahead.
- Rahul Khandelwal:** I just wanted to know what you do from the Malaysian facility like what markets do you cater from the Malaysia facility?
- Sanjay Tibrewala:** Malaysia typically has a great geographical advantage and has lot of trade agreements with its most of the textile countries let us say Indonesia which is very close neighboring countries to Malaysia, Thailand, Indonesia, Vietnam, China and so on and so forth. We produce a lot of specialty chemicals and Malaysia is having business in Brazil, in Germany, in Bangladesh, in Pakistan and also these neighboring areas and most of the countries also have a good FTA agreements with Malaysia so it makes even more better for the business to for the importers to import from Malaysia that sense. Also the cost of the working it is a very low cost country in terms of fuel cost and other things. So we produce a lot of water treatment, water repellent product, water frame retardants, and textile finishing agents, lot of finishing chemicals for specialty chemicals products for the textile industry in Malaysia.
- Rahul Khandelwal:** It is said in investor presentation that you bought land in Mahape Khopoli. So is there any plan for future expansion and how much would that be?
- Sanjay Tibrewala:** Yes we have bought the pieces of land at and Khopoli and Ambarnath also additional Ambarnath right now we have this capex plan but it is not a big plan because in our industry as you might have noticed in our fixed assets also it is not a very capital intensive based business where we have to deploy a lot of funds for the new projects and things like that. So at the moment right now this coming one or two quarters there is nothing much on the capex point of view but we have a plan that by the year end of 2017 we should be initiating another unit at additional Ambarnath. So those things will be always met from the internal accruals itself. That would not



be a big budget also. It should be below I mean in our businesses it can happen in staggering basis. It is all batch wise processes. It would be everything how the expenditures and deployment of capex should be in one go and then only the production can initiate by those businesses.

Rahul Khandelwal: Just one last question it says you are planning to enter into new industries non-textile application. So any update on that as per where are we planning to go into.

Sanjay Tibrewala: Where are you referring about it from?

Rahul Khandelwal: Sir from the future strategy slide it says that you are looking to penetrate specialty chemicals for non-textile application.

Sanjay Tibrewala: We already have fertilizer chemicals also which we have been doing. We have additives also. So time as and when we will get an opportunity to look after those products also those industries you are taking into account those growth perspectives also. Everything is to we are very much focused on the textile raw materials.

Rahul Khandelwal: But where else can you products be used?

Sanjay Tibrewala: We supply to RCF, Deepak, Zuari, these are the fertilizer companies where our products used as additives. We also make additives like Fevicol we call Finobond. So those are also the markets where we can always look into I mean in case whenever we look at more geographies we can always have those product markets also over there.

Rahul Khandelwal: Thank you very much.

Moderator: Thank you. We will take the next question from the line of Yash Bhatt from Alchemy Securities. Please go ahead.

Yash Bhatt: Just coming back to question regarding market share in terms of your domestic as well as international sales at least in terms of domestic in the organized segment how much market share would Fineotex have?

Sanjay Tibrewala: We can talk about something which is 7%, 6% around.

Yash Bhatt: 6% so much of these so around 90% to 95% is actually held by these other global multinationals.

Sanjay Tibrewala: Yes, I think the point is, this textile business textile customers are very sticky natured customers and they do not tend to change fast. So the lot of energy and times is spent on initialization the business with them. Right now we are very successful with them because we have ensured almost all the top textile customers let us say I mean there is hardly anyone who is left out in this market whom we are not tapped yet Chenab, JCT, Aradigm, Nahar, Deepak, Birla, Saluja, T.C., Premier, Himatsingka, GHCL, Arvind, Raymond, Gasvoda, Sintex, Sangam, Jayashree I mean we are almost in all the big names. Now what happens in this industry is every customer will



give you one or two products in the initial levels and then they will see you over a period years and then initiate more and more products. Every customer needs around 20 to 25 products we produce. Going forward I think if we keep doing the most important difficult part is already over to start the business with them later on it becomes quite simple because they know you, they know your services then they see a performance of the products and your pricing and your policy. Later on it becomes quite easy so initiating for increasing more product business with them. So that the path where we are now. So what we are look at it is something, which is much easier to grow henceforth than what we have experienced in the past.

Yash Bhatt: Also in terms of a per unit cost basis for your customers how much would specialty chemicals that you have consist of in terms of a per unit cost on a percentage basis?

Sanjay Tibrewala: For the customer.

Yash Bhatt: Yes.

Sanjay Tibrewala: It is around 3% of the value.

Yash Bhatt: 3% of the value meaning including your profit margins.

Sanjay Tibrewala: No, no I am saying our product is only 3% of the cost to the customers.

Yash Bhatt: Total cost of customers.

Sanjay Tibrewala: The total cost. Now this 3% is to be bifurcate divided by 20 products actually.

Yash Bhatt: That is why I asked in totality because there might be a lot of.

Sanjay Tibrewala: That is one of the reason because it is 3% there it is not only the price which can attract them and when it is not so substantial so it is not the need for them. It is always on the back foot for them it is not the main focus to focus and change the chemical. That is why it is a very sticky kind of business. We do not know also when we lost any customer that is the way it is a very stick high entry barrier business very sticky customers.

Yash Bhatt: When you do you expect this turnaround not turnaround a wrong word but when you actually see an increasing engagement with the customers as you said the tough part of acquiring the customers done but then going forward you would be getting more business from them because the relationship is established. So when do we see that higher share of Fineotex with respect to specialty chemicals because of this increased engagement with the customers?

Sanjay Tibrewala: I mean if you notice our last 10 years record you will see in the last six years things have really started picking up and consistently it is picking up and it is going to I mean I do not know I mean I am very sure that almost all the five, six years whatever we have been listed for by now everything has been positive by 28% or 30% round about CAGR. So I can also say that the effect



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of the same is already seen in our books that will continue to gradually keep growing and we will keep having our growth path going on. It is very difficult to answer your question in a very objective way actually because we cannot estimate how the whether it will be 2017 or 2018 or this year or whatever. So what I can assure you is what we have been done is the reflection of the trust what the customer have in us.

Yash Bhatt: Also in respect to if I am not mistaken you have had quite a few investments into equity as well as mutual funds. I guess according to your 2015 annual report because 2016 is not available on the sites yet. So can you kind of elaborate on why are these investments done.

Sanjay Tibrewala: Basically the idea is like we have a lot of debt funds in which the money has been pathway you get a better returns than the fixed deposits if you put in bank.

Yash Bhatt: There is some quite a bit in equity as well?

Sanjay Tibrewala: I mean at the same time I do not know about exactly how do I answer this but I can also tell you the equities points which you might have seen is also the A class balance funds or something like that, which has a overall I mean it is a very it is like a liquid money only over there but the same time it has it will not have the income tax and also it is better to be invested in the debt funds and the balance funds rather than the and the liquid plus also we are I mean it is I think if you see the numbers I think it is balanced. It is also having that liquid plus balance bonds, equity bonds also.

Yash Bhatt: But there is quite a bit of equity investments as well it comes around to a total of?

Sanjay Tibrewala: Probably coming but we are I mean it is better way of getting some more benefits for more return for the company and those companies which you are referring about may be all the biggest corporate companies probably the NSE 30 or something like that but anyway we can also get through in the bifurcation of it and give you more details as and when you want about it and you are talking of something which is 2015 March I think so. So I think by the time you will get the new annual report and see the latest figures also in that.

Yash Bhatt: I do not have that with me right now but these investments are done as on March 31 2015 I mean these are new investments that were done quite a bit of them around 2 Crores were added additionally. So I just wanted to know if it is not going to be there this year that we have to see once the report comes.

Sanjay Tibrewala: Yes we will arrange organize to send the reports to you once it is finalized.

Yash Bhatt: That is it from my side. Thank you.

Moderator: Thank you. We take the next question from the line of Rahul Jain from IIFL. Please go ahead.

Rahul Jain: Good afternoon. I just wanted to ask two quick things, the first one is like your focus has been on textile chemical right?



- Sanjay Tibrewala:** Right.
- Rahul Jain:** So it is like do you target to increase your focus to other segments, which will increase the share of other segments to the total revenue?
- Sanjay Tibrewala:** Basically we are very, very strong in textile chemicals and it is a very interesting business actually the reason being because every customer has to use all the 25 product functions like pre-treatment, dyeing, printing and finishing and when we are meeting any customer our team they are meeting we are also not only servicing for the existing business, but we are talking something new and textile is a very innovative trendy industry where there is always a demand for something new, like a demand for cost reduction also at times, there is a demand for and there is a lot of changes happening in the machinery end also so it is a very interesting industry where we are very strong and it has very limited corporate competitors it is quite not focused on this business let's say all the competitors of ours Clariant, BASF, Huntsman, Woolcra, Woodolf, they are not much focused as because this is not their main business, they are mainly into health care's and pharmaceuticals and construction chemical and other things. So we being this being our main focus area and predominant area as well as it becomes more interesting and the value addition here is much higher than the any other industry we rather prefer to strict to our focus in the textile chemistry part.
- Rahul Jain:** So no change in the share of these segments?
- Sanjay Tibrewala:** No, that also grows on its own but our focus is on textile chemical because that is the place where the real profit margins lies and there is still a lot of things which we have to there is a lot of big opportunities which we still have to tap in the textile chemicals industry so we are very much geared on and keep fund dealing to do what have been doing.
- Rahul Jain:** Sir so my second question is like any new market you testing internationally currently.
- Sanjay Tibrewala:** Well internationally in the last one quarter or we started with Iran and people who are there and things have worked out very successfully at the same time people have been traveling to Pakistan this is also an coming area for us and even Bangladesh for that matter, Bangladesh already our good country where we are already working since many years, but more and more we are getting more aggressive next week and we have an exhibition also out there, that we all are participating so we are very much active in being three countries that at the movement these are the countries where the textile business lies.
- Rahul Jain:** Any other continent like?
- Sanjay Tibrewala:** Yes, sure time and again everything keeps happening but for pounding of some name these are the main areas where we have been because if you notice the Iran sanctions already out and things are going to be much better in Iran, Bangladesh is already leading in the textile in the garment market so most important country in the world now to be there especially for our textile



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chemicals, the profit margins in Bangladesh is much, much higher, the payment systems are much the corporate companies are really huge now so these are the main areas where we have been trying to focus up on at the same time yes, we have been getting our business from various countries and keep on adding a lot many countries.

Rahul Jain: Sir your domestic revenue share hence how can east is a bit lower than the other two areas of the market so do you like need to expand in this south and east zone do you have any target?

Sanjay Tibrewala: I would like to tell you what is the most of the Indian textile corporates are either in the west or the North let's say Chenab, JCT, Aradigm, Malwa, also let us say Tirdent, Birla, Saluja everyone is in North, West may you come to Reliance, the Bezwada's, Intex, Sangam, Arvind, Raymond, for that matter Welspun, outside there are not many there are not many companies were to act to but yes the Tirupur market is there where we are getting more stronger now east, west as such there are not many companies but we still do business at Jaishree and we have our distribution into working. In India we have around 70 distributors most of the textile bonds. So broadly if you notice that India the major textile market itself is the North and west and Tirupur in that and the Tirupur was also having its own issues seven, eight years back now that is very normal for last two years so we are also having our agents there we are increasing our businesses there continuously that is our distribution of the sales.

Rahul Jain: Thank you Sir. That is it from me.

Moderator: Thank you. We take the next question from the line of Rasha Hadia from Green EDGE Fund Services. Please go ahead.

Rasha Hadia: Congrats Sir for good set of numbers. In the last call you have mentioned that probably this time you would be able to share which are the top four, or five raw materials that the company uses I understand that we are into a lot of products but if, it would be helpful if you could share which are the top four, five raw materials that we use?

Sanjay Tibrewala: If I have to name few of them it is acrylic acid, DCDA we call it Dicyandiamide, Maleic Anhydride, but if you want an exact details I have to because like you know that we are getting we have around 400 products and along to 50 raw materials so it is not easy for us to any raw material I don't think that we have even 5% more purchases.

Rasha Hadia: So would it be safe to assume that a chunk of your raw materials are crude derivatives?

Sanjay Tibrewala: Not exactly because it is not the case like that and even if the case the price it does not move as per the crude oil prices because it also depends on the supply and demand position. Let us say a few months back when crude was on the rock bottom price of \$25 a barrel the price of some of the raw materials, which is silicon oil, was on the highest historical increase. So although the crude was at the lowest, silicon oil was at the highest historic prices but it need not even if it is dependent there is no parity between the prices, because it will depend on the supply and demand



in case the world suppliers of that has a maintenance issue or something has been locked down or something like that automatically the prices go up, but to name if you want some of the details I can give you it is lot of Sufactants, it is Melamine, it is Castor Oil basis, it is Butyl Acrylate things like that, I think I already named almost eight, or nine to you but it is the more we can always address send the detailed thing to you.

Rasha Hadia: Sure, and from what I understand that the margins are higher in the Indian business versus the subsidiary so is it because the competition is very high or broad and that is your Malaysian subsidiary has lower margins or what exactly is the reason India has higher margin?

Sanjay Tibrewala: The point is also because when you are talking globally we have to work with the global prices and the global scenario and demand and supply thing like that when we are talking of the Indian market the competition in India is far more lesser compared to the global like in all the businesses probably when you are talking for global situation there can be other players also from the other industries. Another geographies another thing is because in India we also do some direct consumer marketing also we supply to Raymond directly so we are servicing them directly and once we are servicing them directly and supplying them directly the margins are comparatively higher but at the same time if you notice the prices the per kilo prices of the worth of the subsidiary out there is that those are expensive product so even if it is the lower margins the profit per kilo is almost equal or maybe higher than the per kilo profit of the Indian domestic businesses.

Rasha Hadia: Which are the major competitor countries in this space textile specialty chemical?

Sanjay Tibrewala: Broadly if we consider it is mainly European companies who have their plants for setups in various geographies they may be in Thailand also would also is in Indonesia also but their policies and the guidelines which they have to adhere to from Europe does not make it so competitive for them to be competitive in those geographies that is the rule like most of the raw materials and most of the products are come from Europe now the goods are coming from Europe there is a lead time, there is an inventory cost, there is the cost of freight and other things so this also makes it quite difficult for them to do the good performance. At the same time most of these European companies already are diversified into various different industries like healthcare, personal care, pharmas and construction chemicals. So textile is not their main focus area.

Rasha Hadia: Our domestic business has grown at a much faster pace compared to biotech so when exactly can we see some sort of revenue growth a good uptick coming in from the subsidiary business and currently if you could also share that what would be the capacity utilizations at our subsidiary?

Sanjay Tibrewala: The capacity utilization at the subsidiary is also almost similar that is 50% to 55%. That is the normal thing, which is working at both the sides. Now when will the subsidiary actually the point is also that there is a lot of changes happened in the international currency market in the last one year from Malaysia or Brazil or any African countries and things like that so even in spite of that



there has been some changes in the revenue yield because the currency changes and dips have also taken place that is why you may not be able to exactly see the overall growth in the subsidiaries in terms of the turnover but yes the growth will increase there we are expecting a lot many orders from big plants the new ones which we have recently tapped I think in the coming quarters also there should be a good pickup in the sales and the subsidiary as well as the domestic business.

Rasha Hadia: So Sir you expect the domestic business to grow at a much faster pace versus the subsidiary?

Sanjay Tibrewala: Comparatively yes we can call it because there is a lot of things what happens in textile is typically what we sow today we reap it after one year or may be more so what we have been doing in the last two years which we are anticipating that is going to sow it return in the domestic market for sure in a good thing, more and more I can just tell you our targets is like 20% to 25% growth for you and I am quite sure that we will be able to meet these targets every year.

Rasha Hadia: Over the years over the last five six years if I see the share of our domestic revenues has been increasing so do we see that on an uptrend or do we see the export share also increasing?

Sanjay Tibrewala: Increase is expected from both the ends from domestic also and exports also what happened in the domestic market because more easy to cater because we have our people everywhere when we talk about internationally sometimes there is Egypt has its own now Turkey has its own issue so it is quite dependable thing which we have to think but at the same time what we have targeted is Iran, Pakistan and Bangladesh for this rent here also I think these are very promising places where we already started seeing good results now and things are going to be good for us even in the domestic and the exports as well as the subsidy portfolio.

Rasha Hadia: Sir also with the previous participant's question regarding capacity utilization you mentioned that we are operating somewhere around at 53%, 55% utilization levels and we are keeping the capacities idle so to say because we want to keep them idle for in case of we get bigger orders or something like that so in a sense if are we in a situation wherein we have orders but we do not want to execute them because we are waiting for bigger orders or how is it?

Sanjay Tibrewala: It does not work like that we do not have to wait for getting bigger orders so we do not execute the small orders the point is also that even now we have products which have a longer products in cycle as 12 hours, 14 hours or something more than that so keeping a balance of the things which for a cycle of a two hours production or 12 hours or 14 hours the ideal level where optimized level what we find then we are comfortable working at least around 53 to 55 but having said this if you notice that the investment there is not a big capital investment required for increasing the production capacities at the same time we have already acquiring neighbouring plant also at the same time we have acquired land at additional Ambarnath and Khopoli so more and more basis we have already put in the land capex is already done if whenever we have to do the initialization of the new plant, we have to go for the building and the plant which also the plant and machinery will not be deployed at the same time everything it can be in a staggering



basis so that sort of important thing as well as our cash flows our bank balances are also in a good shape that we need not have any does any impact on the bank balance also to a great extent even if then we go with this new commission.

Rasha Hadia:

Sir this time around 17% sales growth so that is from what I understand it is more or less all volume driven because like you mentioned probably price increase in realizations or price hikes would form a very small part so this increase in volume you mentioned that we are present almost in all big Indian textile names so that come from essentially increase in the wallet share from existing clients and again if you could give some bit of more color on how typically what is the timeframe that it takes that once you have penetrated your new clients then would it how many years or within what timeframe do they give you more business or if you could just give some qualitative color on that I understand it is quite subjective?

Sanjay Tibrewala:

Yes, it is very subjective but I will try to explain something to you in next five minutes, it is something like these are the products pre-treatment dyeing, printing, and finishing these are the four basic processes which every textile company has to do. In pretreatment there are various kinds of products and functions let us say wetting, de-mineralizing, bleaching, production side killers and things like that and every product functions will have many grades of products. Now what happens if we have to sell one of our chemical in one of the processes to one of the customers they have to make sure our product is compactable with the others products what they are using. It is like a mix so to check the compatibility to check whether it will perform and how does it work and it will take a the gestation period is long enough it is almost six months or eight months just to see give a trial check and apart from that because this is not an important thing for them like I said it is 3% of the total chemical cost is only 3% for the consumer and that is also divided into 20 products so ultimately it is not so important for the consumer to change it until they are facing trouble. The textile industry is more of a trouble shooting businesses. We rather enter on places where they have a trouble already they may be facing a problem wetting, or foaming they have some new machines and they are not able to optimize their SEPs there so these are the entry points where we have to tap on to sell our products. Now what happens also let us say yarn customer what happens in Chenab, in Chenab what will happen if you want to sell a product in a yarn division the problems of your product will not be understood by after mix the yarn, the problem will be understood after making this entire fabric means it has to go for the weaving, it will go for the making the cloth and finally they will come to know if anything is wrong in the yarn so they are very, very skeptical to change the products until, unless they trust you they trust the brand and they are seeing the performance so that is also one of the reason why it takes time to grow in textiles but also the good part is because once you start anything if they are very sticky they don't change easily until, unless something is not going the right way so what we do is I am just giving an example I do not know whether this answers you question but I will just brief you in Chenab textile we offer one product in the yarn division for the fiber division actually and we told them we took almost eight months to explain them the pros and cons then they allowed us to take a small trial, to allow to take a small trial is also a big achievement actually in the textile business, so they allowed us to take a small trial then they allow us the big trial so on and so forth suddenly they give you a trial order then they see over a



period of moth how does it perform, how is the fabric made at customers end things like that then they evaluate the overall benefits of it and then the products starts. Now what we do is once we start with Chenab textile, let us say Chenab is the biggest brand in the fiber market then we will go to Wilson textiles and we say look we are selling this product to Chenab and we had, because Wilson is also it is in the same segment of fiber and they regard Chenab as your main role company and the most active in this fiber market then we go to Wilson then we started with the Birla Textile, we started with United Textile and one-by-one, because Chenab had purchased it they were very happy to use it because once Chenab is using it they always it goes without saying that a product is performing well, it has been done all the system checks and they are also satisfied and nothing will go wrong, but to get a first customer it is always a very tedious thing. Let us say Raymond, Raymond is the ultimate company for all the Bhilwara companies even, Sangam, Banswara, Sintex everybody looks on Raymond that the ultimate goal in the pioneer one in that industry so if you are selling something to Raymond we show the finishes to the other customers, we show the purchase orders that this is what we have been doing, and allow us to take a trial so that makes it very simple for us to penetrate in the other markets. So this is the way the industry moves on, that is one of the reasons why it is not so easy to just get the orders basis on the prices or something like this it is a relationship which you have to build, it is the trust which they have to have in your company and then only this can be carried forward to the other products also. So that is the way I do not know whether I could explain you but this is something which I wanted to tell you about how the industry works.

- Rasha Hadia:** That was helpful. Thank you. I will get back in the queue if I have more questions
- Moderator:** Thank you. We will take the next question from the line of Aveek Mitra from Aveeksat Equity. Please go ahead.
- Aveek Mitra:** Good afternoon. I just wanted to understand a bit about the competition you said that you are catering to 6% of the total market so I assume the market is quite large for you take a just to make an understanding what is the rate of growth of the overall market vis-à-vis your growth?
- Sanjay Tibrewala:** The average if you go by what that numbers what we got to know some textiles and other things I think the average growth in textiles around 6% but time and again these things also depends on the trends, what kind of products are used well it is more for polyester or more for Denim and again it is more of digital printing or rotary printing or active printing so there are lot of functions which are involved apart from the number which I am talking 6% it also has to depend on lot many other things, so this is basically the growth rate of the textile industry at this about 6%.
- Aveek Mitra:** The other thing is that the differentiation which comes from suppose a person is going to a Clariant or a BASF or Huntsman are you providing the same set of productions or maybe you are providing only a portion of the offerings which they do?
- Sanjay Tibrewala:** Well basically it is let's say there is function call as wetting agent now Clariant will have this own wetting agent it will have its own performance, which has its own firming profile own



observant and at the same time all the companies like Huntsman or those will also have their own product range so will we, it is nothing that it is only one part of it everything is we are catering to in fact I think that we have now more products than what they have in that range in most of the ranges because most of the companies are not BASF and Acroma they have used a number of products also in the last six years, because from the Europe they got a guidelines to reduce the number of products they stop the Nylon product at all they say because it is only 3% of the world market so we will not focused on Nylon so they have to work on the European guidelines what they get and they are there is a difference in the strategy what they have and what we have.

Aveek Mitra: So in that case can I assume that we can grow at a much faster rate because these did not have focus areas so then we also come out of this business or something like that?

Sanjay Tibrewala: In fact they have already in the last ten years like Clariant was sold to Acroma, Adithya was sold to Croda, Lantec was sold to Tenatex, BASF is sold to Acroma, Iba is sold to Huntsman, Cognis is sold to Pulkra most of them have changed hands and this is not their main business also, also because once upon a time the margins were like 400% which is now 30%, 40% which they don't like about that is also one of the things which they are not keen about to work on whereas they have a great they have already diversified into personal care and healthcares that our margins are much, much higher than what is there in the textile chemical so and basically because this is our main business more and main core area so we are more focused on it we are more customer oriented in that matter that is the difference of the basic strategy also they have 70 agents all over India we are giving them good profits and commissions also to make them are aggressive in the marketing.

Aveek Mitra: My last question will be that are there any kind of companies like yours who are there in other parts of the world where the textile and like say Egypt or somewhere basically in this high that the \$30, \$40 million company?

Sanjay Tibrewala: Yes for sure, there will be like Asco is there in Israel, they have in Vietnam there will be many, many such were there.

Amit Mitra: Can you share these names again?

Sanjay Tibrewala: Asco is there, then there is Quimica in Italy, Texchem in UK, I mean there may be numerous, numerous **(Inaudible) 51.14** in Brazil

Amit Mitra: There are a lot of local players also who are actually competing with these people.

Sanjay Tibrewala: Yes.

Amit Mitra: Thank you.

Moderator: Thank you. That was the last question I now hand the conference over to the management for their closing comments. Over to you Sir!



Finotex Chemicals Limited
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Sanjay Tibrewala:

Thank you very much for joining in and we always here in case of any more questions you may be contact our IR. Thank you Systematix to you too. Thank you so much.

Moderator:

Thank you. On behalf of Systematix Shares and Stock Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.