Fineotex Chemical Limited

Earnings Conference Call
Q2 FY2022

November 2, 2021

Management:
Sanjay Tibrewala - CFO and Executive Director
Arindam Choudhuri - CEO
Aarti Jhunjhunwala - Executive Director

Moderator:
Sidharth Agrawal – Haitong Securities

Moderator: Good afternoon. On behalf of Haitong Securities, I would like to welcome to management of Fineotex Chemical for the Q2, FY22 Results Call.

From the management side we have Ms. Aarti Jhunjhunwala; Mr. Arindam Choudhuri; Mr. Sanjay Tibrewala

Now I would like to hand over the call to Mrs. Aarti Jhunjhunwala for her opening remarks. Over to you ma'am.

Aarti Jhunjhunwala: Hello, am I audible?

Moderator: Yes.

Aarti Jhunjhunwala: Yes. A very good afternoon to everyone. And I hope that you all are keeping well and stay safe. I take the pleasure of welcoming you all to the Q2 FY22 earnings conference call of Fineotex Chemical Limited. I hope you all had a chance to look at the financial statements and earnings presentation uploaded on the exchanges and our website.

I would like to begin by giving you an overview of our business and the strategic outlook going forward. Fineotex is a leading specialty chemicals producer with a market leading position in the international textile industry. Our focus is to increase the company's opportunity size by expanding our portfolio not only in textiles, but also into the homecare hygiene and drilling specialty chemical segments.

We are in the process of initiating the production at our new Ambernath plant in Mumbai. State-of-the-art technological updates have been implemented in the plant. Trials of the machinery fittings and final evaluations are currently being done. We are delighted to inform that we will be beginning production at this unit -- state-of-the-art automated unit which complies with the highest standards of sustainability on the auspicious occasion of Labh Pacham, which is on Tuesday, November 9. The plant will cater to our portfolio expansion and increase our utilization among existing and new product offerings.

I would now like to hand over the call to Arindam to provide an overview of the recent collaboration and the achievements of the company. Over to you.

Arindam Choudhuri: Thank you, Aarti. Our Company is diversified across key international textile hubs at this moment and our aim is to grow our market share and the wallet share and strengthen our existing business relationship with the existing customer and to find a new customer base by leveraging Fineotex and our counterpart Biotex spend both Indian and international soil.

At this moment, we still continue to form a better partnership with the new companies to enhance our offering in the textile value space and to increase our product range, service and also the portfolio enhancing with a new product feature in the existing

channel of marketing new product line to solve our existing customer base to increase our wallet share.

And at this moment, you're all aware that in quarter 1 we got a strategic partnership or a joint venture with Australian-based company called HealthGuard for the anti-microbial, anti-viral, anti-mosquito product range, which are the special and niche market category. And we got to the global marketing channel partnership from the company, also for our R&D establishment, we got a strategic partnership with Sasmira and our new lab is going to start research and development and for betterment of technological operation in Sasmira, and it will start from of 22 of November of this month.

In this quarter we also entered a strategic partnership with a Belgium-based company which was a legal company and which is based from 1878 in the textile chemicals. And the company name is Eurodye-CTC. We have a strategic partnership for India at this moment to commercialize a specialty chemicals for the Indian market and the Sri Lankan market.

With this exclusive tie up, we can say that in Indian region, our company Fineotex-Biotex will add new products portfolio in the specialized segment of extended dyeing pre-treatment. And our counterpart Eurodye-CTC is very strong with their product range in so many decades, particularly for cotton, synthetic wool, fiber, fabric, yarn.

So we are continuing adding some product range, which adds existing customer value and also we grabbed the readymade business of those company, our Eurodye-CTC in Indian customer space. So straightaway we get some new business because they are already having some business in India. Also we try to enlarge the existing business with this product range with our R&D Center of Sasmira. So this is our main objective for this product. With this exclusive collaboration, we calculate the efficient production system and distribution of all kinds of chemicals utilized Eurodye-CTC is having in that entity for the textile market of India and Sri Lanka at this moment. In future we are looking forward to expand the market with other multiple textile oriented countries. Till now we are only considering India and Sri Lanka.

All these products produced in Belgium are ecologically sustainable, very good with all kinds of sustainable chemistry which is made from our global brands that we are in touch. This company being a European company, they have all round certification, which is the demand of the global top buying houses like BlueSign certification, GOTS certification, which is a large measure of certification and will immediately utilize all those product range in our existing customer space.

And we hope this partnership will move farther and stronger in day-by-day. We are also at Finoetex, this quarter we have earned the prestigious certification of ECO PASSPORT by OEKO-TEX which is a German company, which already do all kinds of audits for our plants and our product line has been tested by the company and is giving the highest standards of sustainability in the green wetting. And with that certification, we are penetrating our product in the European value chain partners of European in supply chain with the made in green level.

We are proud to announce that Hohenstein is an independent and a neutral renowned testing system globally. With this new certification which we are getting near about 100 odd products, we can spread our product line across all 69 countries which are already present. Signifies the organization approach towards sustainability and our integrity towards the manufacturing of the environment friendly chemicals. So this is our main goal and we try to manufacture all the chemicals as per the fashionable norms of the global standards. We've continued to strive towards building the company into a global brand and marketing brand with Fineotex-Biotex quality and sustainability.

I'll hand over the stage to Sanjay to take through the financial performance of the company. Over to you, Sanjay.

Sanjay Tibrewala: Thank you, Arindam. Thank you very much, everyone for joining in. Continuing -- I'll take you around the financial performance of this quarter 2.

Continuing with the trend of the previous quarters, we have continued to deliver a healthy performance. This quarter was also having some challenges from the second lockdown. However, we have been able to have a very healthy gross margins, EBITDA margins and the businesses which we are going is also on -- because of the wallet shares and the kinds of customers and the kind of new certification and sustainability which we have in place now.

Coming over to the operating and the financial numbers for the quarter 2 and a half year ended figures. So the revenues stood at INR 785 million which is up by 43.4% year-on-year basis in quarter 2 financial '22 and INR 1,418 million, up by 67% on year-on-year basis in the H1 financial '22. The high margin specialty chemical orders from business segments have helped us to strengthen our growth and keep the momentum ahead.

The EBITDA numbers stood at INR 148 million which is up by 48.5% year-on-year basis in quarter 2 financial '22 and INR 246 million which is up by 75% year-on-year basis, H1 financial '22. EBITDA margins were good enough. It expanded by 66 basis points in spite of the challenges which we all are facing in the industry because of the shortages and the transport, freight costs, et cetera which are going up. We have EBITDA margins of 18.8% in quarter 2 and it was 17.4% for the H1 entire year, which is up by 83 basis points.

We are focusing on expanding our product portfolio as Arindam ji, already discussed about certain new developments which we had recently international tie ups and the way we are getting the wallet shares and having more diversified range of products, which are more marginable also and more sustainable. The PAT of the company was INR 111 million which is 1% up year-on-year. The margin stood at 14.2% in quarter 2 financial year '22 and INR 208 million. This is up by 8.4% year-on-year basis. The margin also stood at 14.7% in half year financial year '22.

So with this, we close the opening remarks and we will keep the call open for interactive question-and-answers. So please take it up Mr. Sidharth.

Moderator: Thank you sir, for a wonderful introduction. Now, we will open the floor for questions.

Chetan: Hello Sanjay ji. Chetan here from Haitong. Can you hear me?

Sanjay Tibrewala Yes, you're audible Chetan ji.

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Chetan: So a question on Eurodye. Sir, I would like to understand like, once this is fully ramped up gradually, you start launching products in that strategic tie up, what kind of impact do you see on the EBITDA level margins? I understand it's going to be accretive, but if you would give some range in terms of how the margins will move currently?

Sanjay Tibrewala See, I would like to mention to you, Eurodye-CTC is a very big brand of Europe. And two years before they bought Stephenson UK business for the wool specialty chemicals. Now wool is such an important substrate in our business chain and the chemical used for that has a very high margin. So already Eurodye-CTC has well known customers in India like Raymond, Donears, Jayshree. And I think Arindam ji can give you some more ideas on the names of the customers. And these are way ahead than our normal EBITDA margins.

At the same time, we have been also working with them for technology transfers, in which we will produce certain specialty products of theirs under their license in India and distribute it to the Indian customers and pan-India, pan-Asia also wherever we can work out the business opportunities.

So going forward as you have always seen in Fineotex, we are high end specialty solution provider. So, solution is something which is quite difficult to replace. We are not in a business where we are selling product based on a POA business or something.

The customers like the kind of performance chemicals which we have. And the total cost of pre-treatment dyeing, printing, finishing, which has 25 different functional chemicals contribute only 3% cost to the user. Support for product costs as it is 0.15%. So that's the reason why our products are quite sticky and very high entry and exit barrier businesses.

Now getting Eurodye on board directly means a lot to us and means a lot to our customers in India also. The EBITDA number is what we are already having in Fineotex, which is around 18.5% to 20% more or less. In fact Arindam ji can throw more light on that. It will be enhanced as such more. So this is what I would like to mention to you.

At the same time, I would also like to mention our top-10 customers contribute only 30% of our sales right now. Last quarter it was 33%, today top-10 customers are contributing only 30% and top-10 products are contributing only 20% of our sales. So as such what we are working on is more diversification in the customers, more diversification in the product line. And with Eurodye onboard with us for the Indian markets and way forward, I'm very sure the EBITDA margins will be going much ahead.

Arindam ji would you like to add something on that note?

Arindam Choudhuri Basically we are competing with Eurodye product ranges with all multinational, all German and the European based and American companies we will give a tight fight. And

in that case, all organizational products, which are imported and sold in Indian market already with a high premium margin. So we are categorically entering in a cluster where Fineotex or Biotex product line are missing in that segment. And these are all value addition with a high profit margin scope.

So I'm 100% sure with this product mix we will definitely build a new era where we can start with at least a top-down 30% margin for this kind of product.

Chetan: Sure. And one more question with respect to now we have commissioned the new facility also. So you do think for next say couple of years, we will have to further invest into new capacity? Or - now the CapEx is behind us and now we'll get that kind of the operating margin?

Sanjay Tibrewala: Actually, when we started commissioning this plant, almost three quarters back, we were assuming that we will be able to digest the capacity of this in a period of three years or two years. But the way the kind of tailwind and the drive which has come towards the kind of customers or geographies which has opened towards this, it's beyond imagination actually to be more precise.

So I think we will start looking for further capacities once this capacity starts off. So I think by January, we should be looking at certain more CapEx plans, which we'll be taking for 2023. So that all we will have to keep on the cards now. Because the kind of -- we are very optimistic of the current trend also. Even the October month was almost unbelievable for us. So things going forward, and this quarter is also looking extremely healthy going forward.

So I'm very sure that we will reach a point that we will need some more CapEx going forward on that.

Chetan: Sure. Great, Sanjay ji. So we wish you all the best. And I'll come back in queue.

Sanjay Tibrewala Thank you so much.

Ankit: So, Sanjay?

Sanjay Tibrewala Yes, we can hear you Ankit ji.

Ankit: Congratulations for your numbers

Sanjay Tibrewala Thank you, Ankit ji. Thank you.

Ankit: Sir, I want to ask the same question that I asked in the last concall. Sir what's your point of view on Aquastrike? What's the new development on that?

Sanjay Tibrewala: Well, yes. What is happening is due to the COVID situation which is ongoing, still ongoing in Europe and in Far East and all these states, the WHO has kept all the other vector borne diseases topics on the sidelines. And so already this is -- we are all in the queue. It will take some more time to shape up. As and when it is shaping up, we will update the investors about the same. And also we have been trying to get into the Indian government and the system, the Health Ministry and all which I have already expressed about. So again, the same situation is such that we need the WHO approvals in place. At the same time. I think, this quarter, there should be some more developments because it looks like everything is totally being controlled now. So let's hope that, in this quarter, we'll be able to come back to you.

Ankit: Sir, how much time are you expecting? One year, two year?

Sanjay Tibrewala Actually these things are not in anybody's control. When we are talking about WHO or the Health Ministry or something, it's not a private organization or something, which is the need of hour also. In fact, this is not the need of the hour and all of these organizations are totally occupied in the COVID-19 situations. Because the secondary wave has happened is already there is some talks going on in Europe about something more coming up. So I would not be able to give you an exact number or exact timeline on that. And even if I tell you something, it's beyond our control or something like that.

However, as you can see our core business which has been textile specialty chemicals, we have been focusing greatly on that lines and the cleaning hygiene and specialty, oil and gas chemicals also which is picking up. So these are three remain our core businesses till now.

Ankit: Okay, thank you.

Sanjay Tibrewala Thank you so much, Ankit ji.

Anirudh: Sanjay ji, Anirudh here.

Sanjay Tibrewala Yes, Anirudh ji.

Anirudh: I wanted to know what segment led the growth in this quarter and this half year? Which segment contributed to the growth?

Sanjay Tibrewala Yeah. As it is textile is our 90% plus predominantly. That's the industry where we are focused upon. And this is the most specialties of our core business and we are too strong in that. We have the entire range of solutions from pre-treatment dyeing printing finishing across all substrates, whether it's cotton, wool, polyester, nylon, towels, everything. So that is the place and textile is already booming. It is going to move more. We are quite surprised by the expansion activities going on at the customer spot also.

So I think this trend will prevail more. And also as everyone is looking for China plus one the entire world is looking at another manufacturing hub in the world other than China and India's only next solution to it.

So, that is also helping us for the -- the effect is coming to us also for that. So it's predominantly textile which has been doing perfectly well.

Anirudh: So that's seen jump in profitability but cash flows we have seen subdued. Why is it so?

Sanjay Tibrewala Okay. So in our businesses generally what is happening is that two parts. One is the inventory level, one is the debtors level. Now as we increase our sales, there is a credit attached to it. Textiles as you know is a sort of slightly laid-back business. However, the companies like Raymond, Vardhaman, Wellspun, Arvind these are the biggest companies of India. They are the face of Indian textiles actually.

And they always have a practice to pay 90 to 120 days more or less. The inventory levels have gone up. Because as you are all aware about the supply chain disruption which has happened due to the container shortages, the pricing due to the container shortage, the supply chain, which has disrupted. So we have taken a strategic view on that. And deliberately we have increased our inventory levels to make sure that we will be able to also cater to the demand which we are getting right now.

Right now, the demand what we have in hand is unbelievable. I mean, it looks like given the Diwali days there we will be keeping our plants on. So, this is the way it's quite an unbelievable situation happening in textile right now. And we need to be well equipped with the raw materials. We cannot be depending on the containers to arrive, because every industry is facing a shortage of inputs more or less.

So this is a strategic call which we have done to invest. And also as you know, we have a sufficient cash on books. So everything is from internal accruals, even the expansion, the CapEx, the working capital everything is being done by internal accruals itself. So it makes a lot of interest for us to have these kinds of inventories with us.

Anirudh: There is a line item on the balance sheet says asset held for sale. Could you show some...?

Sanjay Tibrewala So, there is a non-operating property which is there in the books. So, that's the reason we have mentioned on that.

Anirudh: What is it related to?

Sanjay Tibrewala It is a land parcel which we have in Wada. So it is on that basis.

Anirudh: And you have done some CapEx of INR 4.18 crores as seen in the cash flow from investing activities, purchase of property, plant equipment. So is it completely related to property or plant and equipment or combination?

Sanjay Tibrewala No, exactly. So the Ambernath plants as you might have gone through more details in the previous quarters. So the plant is INR27 crores of the investment out of which we have already cleared more than INR21 crores more or less in the land, the building, the registrations and land building activities, part and machineries. So yeah, that's part of it.

Anirudh: Okay. Thank you.

Sanjay Tibrewala Thank you so much.

Satish: Hi sir. It's Satish. First of all congratulations for the performance. And my question is related to cleaning and hygienic segment. How we are doing on that segment, sir?

Sanjay Tibrewala Thank you, Satish ji for your question. The point is, we just started a couple of quarters back in this. Our plants are FDA pharma certified to make the disinfectant. You need to have a FDA pharma certification. And that we already have recruited almost 15 technical marketing people and now we have more than 30 distributors over all over India pan-India. We are targeting institutional sales.

Right now the product line which we have is hand washes, floor cleaners, hard surface cleaners, toilet bowl cleaners, dishwashers, sanitizers and glass cleaners. So these are the various kinds -- I mean some more also like 41 products. You can find it on the Fineotex site and the product line is there, the 41 product.

So what our topic is about we would like to work with institutions where packing sizes 5-liters -- 5 Kgs. So this is the business where we have just doubled our number of distributors. It's sticking up in its own way. Earlier in the last quarter also, as you see the hotels were not working, restaurants were not totally open. Theaters, Cineplex,

multiplexes, malls all were not so open. So this quarter onwards, things are looking much better, things are getting well. We've already cracked a couple of accounts like Leela Hotels, and quite a few restaurant chains have started using our products.

So way forward, we are very much excited with it. We just added more distributors. In this quarter we have added more than 15 distributors more or less pan-India. And this journey is continuing. We are quite happy because the gross margins in this business is extremely good. And it's one of the places which takes the time to develop your own brand. But it's going very nice. We are quite optimistic on that division also.

Satish: Okay. So, currently we are doing in east and west region, I think. So, any plans to expand to south region?

Sanjay Tibrewala Yes. Absolutely. From October mid we have started working with distributors in South. Our teams in north India and South India are in place now. So I think this month onwards, we will see a good number of more distributors in south India as well as the North India.

Satish: Okay, one final thing -- final suggestion not related to finance. Related to our website, you can take it as a personal comment also. I think we can still -- we can improve our website.

Sanjay Tibrewala On Monday, you will get a new website. It's already in the process. So we will send you the update about it.

Satish: Thank you.

Unidentified Analyst: Hi, sir. So my question is related to the receivable side, where in the last year we had around INR 21 crores of receivables. And this quarter we are clocking close to INR 100 crores. So can you just share your thoughts on the receivable side and -- as well as the inventories? Thank you.

Sanjay Tibrewala So like inventories, I've just explained to you, it's strategic call. And we need to have those kinds of inventory levels because the kind of business, the product lines and the kind of growth you're looking at. As you'll see, we have grown almost 75% in this one year. And I'm very sure this next half is going to be much, much better than the first half. I mean, there will be quite dramatic changes further on. That's the kind of business we're expecting.

Ultimately, we need raw materials, ultimately, the more the sales, the more the debtors. So this is what happens in our businesses. If you also notice in March ending financial year March 21, what had happened is the entire sales of the year was lower and the main business has picked up in Feb and March month. So in that quarter and that period also

the debtors were higher, because the sales were lower in the entire year and the debtors are higher because just in March and Feb, we had a very good business that time.

And then again we had this April, May, June slack. I now say slack but it was not so as good as what we were expecting due to the second wave. So going forward, we are working on it, we are working with distributors also so that we can have better debtors to sales ratios. And we will have our better operating cash flows. That's there for sure. But stock is something which will need to keep having that much in place.

Unidentified Analyst: Okay, thank you, sir. All the best.

Sanjay Tibrewala Thank you very much.

Aditya Chidambaram: Hello.

Sanjay Tibrewala Yes.

Aditya Chidambaram: Am I audible?

Sanjay Tibrewala Yes, Mr. Aditya.

Aditya Chidambaram: So I have -- this is Aditya Chidambaram from Incred AMC. So I have two questions for you. One is what are our key raw materials and where do we source them from? And second, historically, we have seen for the domestic textile companies, debtor is always on the higher side. Basically the trend is from 60 days to 90 days and towards 120 days. So will be in the position to adjust our payable days accordingly from where we source or it's easy to trend we will have to live it. Or if we are adjusting anything on the margin side to finance costs which we incur for the working capital.

Sanjay Tibrewala I like to mention to you right now, we are quite cash rich company as such. And so you said whether we will be able to have those kinds of trade payables. See, we can surely have it, because the kind of reputation Fineotex enjoys in the market and the kind of credibility is very high.

However, it is still making sense for us to have a better pricing and paying off the creditors on much earlier advance basis based on the cash discount. So, I think that is also a strategic call again. And yes, always, we can have more credits for the payables. But however, we have the strategy in place, so that we keep getting our raw materials and preferences from others in comparison to the other market competitors.

So I think that's also a strategic call. Yes, we can always adjust it. So we never had those kinds of interest to delay the payments of the creditors or to have a better terms with the creditors. Because for us, it is always important to have more profitability.

Aditya Chidambaram: Thank you. And on the buyer side, will we be able to take an increase in margin to account for the higher finance costs on higher debtors. So is there a trend which has been seen over the last a few quarters or last 12 to 18 months where we've seen higher debt basically debtor?

Sanjay Tibrewala Yeah. So, as you can also noticed, our gross margins have increased, our EBITDA margins have increased. We have passed on certain price increases to some extent to the customers. So that is indirectly adjusted always in the business. And right now, the interest -- we can have a very good line of credit from the banks, which we will eventually require for organic growth. And those will also be at a very low interest levels.

So as such, this is already factored in the pricing, which we have with our customers.

Aditya Chidambaram: Okay, thank you. That's it for me.

Sanjay Tibrewala Thank you, Aditya ji.

Unidentified Analyst: Any other questions? Hello, Sanjay ji. Can I ask the question?

Sanjay Tibrewala Yes, please.

Unidentified Analyst: Yeah. Sir, can you just share some more details about your Ambernath CapEx plant at full utilization, how big it can generate in terms of revenue? And typically in your business, what are the assets trends you look at? And in terms of working capital, with your recent demand tailwinds, would you be in a position to probably bring down your working capital? If you can just share your opinions on that?

Sanjay Tibrewala Yeah. So the asset turnover ratio in our specialty chemical businesses generally should be finite, that's what we have been doing in the -- if you can analyze our financials as such. Even here the target is around the investments in Ambernath will be around INR 27 crores that is what is the approximate number we have. And we can easily look at INR 150 crores of turnover in this investment.

So, I'm very sure at least 5 times will be the asset turnover ratio. And definitely due to this kind of increase in the demand the kind of product line what we are offering, the kind of solutions we are offering in this tailwind situation, we are in a position of demanding the payments much earlier that's what we have been starting to doing also.

And yes, definitely we can reduce our debtor cycle and the terms can be much better and keeping an account of that we don't even lose the business also and we maintain the businesses and keep growing the growth rate. So that is always -- that's on our cards. We are working on it towards aggressively. This quarter onwards, we will see quite an improvement in the debtors to sales ratio.

Unidentified Analyst: So any benchmark would you like to give us to track over the next year or so? Where do you see it will stabilize?

Sanjay Tibrewala Look, I'd like to mention this quarter is going to be quite exciting. Already one third of the quarter has passed and we are extremely excited with the opportunities. Right now, for us the kind of opportunities from the customers from the kinds of packages we are getting the packages, which has very high EBITDA margins also. So, right now, we are aggressively working towards it.

And I think you will have certain debtors to sales ratio which we have seen in the past also. This quarter was little bit exceptional also at the same time, because we had a good business in September month. So going forward, I cannot give you an exact percentage on that, but generally our working debtors to sales has been 90 days, 90 to 100 days that has been our average for the last overall. So, I think we should try to bring it to that level.

Unidentified Analyst: Okay, thank you.

Sanjay Tibrewala Thank you.

Moderator: Any other questions?

Aditya Chidambaram: Hello, sir. Can I ask?

Sanjay Tibrewala Sure.

Aditya Chidambaram: Yeah. So I did not get the answer on where do you source your RM from?

Sanjay Tibrewala Yeah, sorry. Sorry for that. So, yes. So, as such we are quite diversified in the product line, like I said above. And our top 10 raw materials contribute only 20% -- 22% of our total purchases. The top 10 raw materials would be let's say, dye side, diamine ethoxylation, surfactants and the DCDA dye side diamine AEEA, acrylamide. So, these are the basic raw materials which we are having. Then there is sorbitols, there is sodium glucokinase and various other raw materials. Stearic acid for that matter. Stearic acid is also one of our important raw materials, which is used to produce softness.

So for this products we have both the domestic source and the imported sources. In domestic indigenous we have Godrej who have their plants well established, Adani Wilmar. And imported also there is a big supply from Malaysia and Indonesia. So these are basic raw material which we are having mainly. Acrylic acids, maleic anhydride.

Aditya Chidambaram: So domestic would be what percentage of our sourcing?

Sanjay Tibrewala There are two kinds of the percentage which I can tell you. There are certain products which are imported, but they are being stocked in Bhiwandi or Kandla and under their agents of the foreign companies. So as such that also arrive to us at let's say 48 hours, something like that. So as such broadly 60% of our products are made in India, and 40% are overseas.

However, we have both the opportunities always because there is definitely an Indian supplier for the same product. And there is an overseas company also who have just stocked in Kandla or Bhiwandi. So you can always choose from all.

See basically the business where we are on to when we are purchasing our products, we are buying the commodities. Let's say we are buying formic acid example. Now formic acid whether it is from Luxi, or whether it's from GNFC the quality is same. So we can always choose between both of them. Both are locally available in India, one must be in Kandla one has been Bhiwandi, one must be in Gujarat.

So that kind of preference we have that we can always choose from which supplier we would like our raw materials. So we can always have a better pricing war between our raw material companies.

Aditya Chidambaram: And just to clarify this. Top 10 raw metal vendors account for 22% of sourcing?

Sanjay Tibrewala No, the top 10 products, raw materials.

Aditya Chidambaram: And any vendor concentration or something like that?

Sanjay Tibrewala Not really, no. Like GNFC, it will be only for the formic acid for example. If it is Adani Vilmar or Godrej, it will be for the stearic acids. So it is generally the raw materials are divided on the basis of the vendors.

Aditya Chidambaram: And working capital, this should remain at the current level for now?

Sanjay Tibrewala It should be better than before. Right now, what we have been -- because we were always sceptical about the kind of supply disruption which is happening across the industry. So we have stocked a lot number one. Number two, for the debtors, we will be having much better data cycle like we will try to bring it to 95 to 100 days. That's what we will endeavour for this year this quarter.

Aditya Chidambaram: Thank you.

Moderator: Any questions? [Operator Instructions].

Satish: Yeah, this is Satish. One follow up question on raw material. So rising crude oil price will have any impact on our margins?

Sanjay Tibrewala So basically, yes. The impact has already come a couple of quarters that. You are not able to see this kind of impact because of 2-3 important facts which we would like to express to you. Number one, the product mix. Right now, the kind of product mix which we are offering has more sustainable solutions in which we are releasing the water of the consumers. I mean water consumption of the consumers, energy savings, time savings. At the same time, these are more value addition products for us. And that's our main focus area.

Arindam ji can also tell you about more about the kind of finishing packages and solutions when the soft finishing which we have given. So the impact of the price of the raw material has already come on the books. However, to some extent we are passing on to the customers. At the same time, we always have a lot of customization in our product lines. And due to which -- due to our big product basket, we can always choose and select some products, which have more margins and that is what we are offering to the consumers.

That's also one of the ways. I think many investors and many people have pointed out in the last few days, that our gross margins and EBITDA margins are increased. Whereas in the industry, everybody's gross margins and EBITDA margins in the chemical industry has diminished a lot in this last quarter.

So, that's what is happening with us that we could also pass on some rise to the consumers. At the same time, because we are quite customized in our businesses. And

these are solution products and the sustainable products, which Arindam ji is focusing more has definitely having more better EBITDA margins.

Arindam ji if you would like to share some comments on that?

Arindam Choudhuri Specifically, in last quarter and the previous quarter, we are working on having a better product mix with the profitable product line and try to reshuffle our production capacity with the more profitable product range manufacturing rather than concentrating on the commodity and the voluminous product.

So, our main threshold is right now to concentrate exactly how our joint venture companies will add some better margin in our portfolio with a better niche products apart from their volume product which we are already working.

And apart from that when the raw materials we are working with a number of alternate raw materials also. And we are a solution provider and it is like a medicine. So we look after all our customer like as a textile doctor and whatever exactly they have a problem we try to resolve it. And there are multiple ways of resolving data multiple chemicals. So if we found that manufacturing chemical called B is more profitable and we have more better solution than a chemical which we used to produce at A.

Any point of time, we remove the A and instead producing B, because our production capacity and our whole infrastructure are very much fungible. And with the research institute, which are tied up with Sasmira we are looking on the beta product portfolio line which are selling point of view, we can reduce some load in our existing day-to-day infrastructure and we can produce better. And we can get more value from our existing range.

So, it is a totally mixed concept we are deploying in our existing marketing and production strategy. I hope the next two quarters we will get a better figures considering the whole prospect.

Satish: Thank you, sir.

Bansal: Hello?

Sanjay Tibrewala Yes, Mr. Bansal.

Bansal: Sir, one follow up question. Sir any sales coming from exports like from Indonesia, Malaysia, where you have got the approval?

Sanjay Tibrewala Yes, we already have some sales. The sales are a little bit in Malaysia and also little bit in Vietnam. But those are too less to be discuss about. But these are ongoing things. See

actually I like to mention on that note, what is the cost of what is the life cycle most of the lifecycle controller which is we put on the rivers lakes, which is falling under the government and administration. It doesn't come under private.

So the kind of business right now we have is some housekeeping company. And some of the countries they have these residential buildings where they are giving contracts and they have no cleaners. So, they have, one of the raw materials or one of the chemical with which they are treating is a phosphite. But then it becomes a very, very small part of the business. And private companies are not going to look at such kinds of solutions, because for them mosquito is not the cleaning point, it is basically the responsibility of the government of the administration to come into picture and work on it.

So this business, the kind of growth or the kind of jump, what we can ever get is only with the government intervention, which has its own procedures, protocols systems. This is the way it works.

Bansal: In that context, don't you think India is the best suited market for you? Like you are seeing the dengue cases, it's been growing in thousands in north part of India.

Sanjay Tibrewala So you are exactly right. This is this is the irony of the situation. The biggest market for such products is the developing countries or the underdeveloped countries. And the government in these countries are generally quite slower as compared to Singapore, where the government is fast. But there are no cases of mosquito.

So basically, this is the irony where it has to work. And for the last one and a half years, it's beyond even expecting any kind of movement from the government of any ministry or organizations of anything to work on this subject.

Bansal: Okay. Hoping for the best.

Sanjay Tibrewala Sure, sir. Thank you so much for that.

Moderator: Any other questions? [Operator Instructions]. Yeah, I guess that was the last question. So on behalf of Haitong Securities, I would like to thank the management of Fineotex Chemical for another insightful session on the company and its growth prospects. And also to my colleagues, Chintan and Dipesh and all the participants of today's call.

Trust me, it was indeed a huge learning experience for us today. And we are going back more convinced on our company. Thanks a lot. Once again happy Dhanteras and greetings for Deepavali to all of you. Thank you.

Sanjay Tibrewala: Thank you very much, Haitong team, wishing you all very happy Diwali and Dhanteras today. And thanks to all of you for spending your time and joining us and hearing out

more of the Fineotex and the next step what we are planning for. Looking forward to see you again for the quarter 3 results. Thank you very much.

Moderator: Thank you everybody.

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