Apcotex Industries Limited
Earnings Conference Call
October 29, 2021

Moderator: Ladies and gentlemen, Good day and welcome to the Q2 and FY22 Earnings Conference Call of Apcotex Industries Limited. 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 telephone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Anuj Sonpal – CEO of Valorem Advisors. Thank you and over to you, Sir.

Anuj Sonpal: Thank you. Good evening everyone and a very warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the investor relations for Apcotex Industries Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings conference call for the second quarter of financial year 2022.

Before we begin, I would like to mention a short cautionary statement. Some of the statements made in today's earnings conference call maybe forward looking in nature. Such forward looking statements are subject to risks and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management's belief as well as assumptions made by and information currently available to management. Audience are cautioned not to place any undue reliance on these forward-looking statements in making any investment decision.

The purpose of today's earnings conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review. Let me now introduce you to the management of Apcotex Industries Limited participating with us in today's call. We have with us Mr. Abhiraj Choksey – Managing Director, Mr. Anand V Kumashi. – Company Secretary and Mr. Sachin J. Karwa – Chief Financial Officer. Without any further delay I request Mr. Sachin J. Karwa to give his opening remarks. Thank you and over to you, Sir.

Sachin J. Karwa: Thank you Anuj. Good evening and welcome everyone to this earning conference call for the second quarter and half year of financial year 22. Along with me in today's earning call I have our Managing Director – Mr. Abhiraj Choksey and Mr. Anand V Kumashi. – Company Secretary. I hope you had an opportunity to review the financial statement and earning presentation which has been circulated and uploaded on the website and the stock exchanges. To brief you on the financial performance for the second quarter of financial year 22 we had a strong growth on all financial parameters. The revenue from operations grew by about 88.2% on a year-to-year basis for Rs. 243.4 crore. The operating EBITDA stood at Rs. 31.4 crore with EBITDA margin reported at 12.9% which is a decrease of 141 basis point year-on-year. The net profit stood at Rs. 22.2 crore and PAT margin stood at 9.12% which is an increase of 15 basis point. For the half year of FY22 the revenue from operations stood at Rs. 428.6 crore which is an increase of 127% year-on-year with operating EBITDA of Rs. 60.7 crore which is a growth of more than 300% year-on-year and EBITDA margin of 14.16% which is an increase of 665 basis point. The net profit stood at Rs. 44.1 crore and PAT margin stood at 10.29% which is an increase of 765 basis point. From the numbers you can make out that during this quarter we have been able to achieve the highest quarterly revenues due to strong volumes and increase in realizations. We have also registered highest quarterly export sales of Rs. 49 crore contributing to 20% of the overall revenue. Our absolute EBITDA has been highest ever, but EBITDA margin was lower than Q1 due to increase in shipping rates of both import and exports, disruption in certain raw materials and also an increase in the cost of manufacturing for some products to the significant increase in coal and gas prices. In terms of volume 2 we have achieved the highest ever quarterly sales volume including an exports. On CAPEX front major debottlenecking project were completed between July and October of 21 to allow additional 10% to 15% growth and Brownfield expansion project at Taloja and Valia have commenced. Investment in these two projects expected to be Rs. 180 to 190 crore over the next four quarter. Also, escalation in CAPEX cost is expected on account of commodity price increase. On the NBR anti-dumping an appeal has been filed in **CESTAT** for both. With this, I would like to open the call for question-and-answer session. Thank you.

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 Ankit Kanodia from Smart Sync Services. Please go ahead.

Ankit Kanodia: First question is related to the EBITDA margin so last time we discussed as to 14% to 16% is something which we believe that we will be able to continue and so as you mentioned in our opening remarks and also in our presentation that it has come down mostly due to this shipping rates and other raw material cost, so is it possible or can we how much lag can we expect this can be passed on to our customers or will we take the hit in the upcoming quarters as well?

Abhiraj Choksey: One thing that was not mentioned in the opening remarks compared to Q2 of last year for example or even Q4 or Q1 previous two quarters the cost of raw materials and therefore also our prices of our goods finished goods have increased dramatically. So, the denominator for example if the revenue was only 200 crores against 243 crores you would have seen a EBITDA margin of 15%,16% again so sometimes in our business depending on the value of what is happening with the raw materials EBITDA margin is just one of the factors. The other factors are also EBITDA per ton and then of course return on capital and so we focus more on EBITDA per ton because sometimes with oil and downstream petrochemical being so volatile just one year ago this same oil price was half now it is $85. So, similarly some of our raw materials have also really skyrocketed. So, this has not impacted our kind of business the denominator changes a lot. We are quite happy with the EBITDA margin yes there have been definitely some pressure on it because of the shipping rates and energy prices we have also had a onetime disruption issue in Q2 where one of our raw materials was suddenly not available and then we had to pick up from the local spot buying market at a much higher price etcetera, but that is a onetime issue. So, having said that I think we are quite happy and yes EBITDA margin as a percentage may fall, but I think if you would just be the two-third of the growth in revenue has been because of overall prices realizable value is going up, one-third is because of volume. So, we are quite actually satisfied with the numbers.

Ankit Kanodia: So as we discussed last time also so EBITDA per ton metric we would be at the similar level like last quarter?

Abhiraj Choksey: Yes absolutely a little bit lower I would say than last quarter because of these shipping and energy prices and that is a lesson frankly we have learned. So far the pass through has been on raw material front because you know all these cost have not been significant factors for us, but now obviously given the learning from the last quarter the next time we negotiate some of our contracts we will try and build that in as well which was not done. So, to answer your second question yes we will be able to pass this along, but this may take 3 months to 6 months to pass along with some customers, with some customers we would be able to do at almost immediately.

Ankit Kanodia: And sir in terms of Apco build as far as last quarter we have covered Maharashtra, Gujarat and Goa, so have covered any other state now or we are still?

Abhiraj Choksey: Now we are adding Madhya Pradesh and within Gujarat and within Maharashtra also we have added further resources and move to other market in smaller towns in rural area.

Ankit Kanodia: So, is it fair to assume in FY23 could be some significant up in the revenue contribution in terms of Apco Build?

Abhiraj Choksey: FY22 itself again it will still remain a smaller part of Apcotex because overall the company is growing also reasonably well, but in fact this year itself we are expecting more than a 100% growth for that particular Apco Build set of product.

Ankit Kanodia: Sir one last question if I may so directionally how do we see our business in terms of the demand, how are we position as per the capacity and how do we see the competitive scenario specifically in terms of export market because now export is recovering a larger portion of our revenue so it is almost about 20% for last two quarters?

Abhiraj Choksey: So, the demand remain strong all our customers are reporting strong growth and the requirements that they are indicating for the next quarter also are quite strong whether it is in

India or outside. As far as competition is concerned look nothing major has changed the same competition that we had and of course there are lot of things we have done internally as well we have improved market share by adding more customers within India, we have added more customers outside India, few new applications all that has resulted in reasonably good volume growth as well, few internal factors and a few external factors. So, we remain quite optimistic for the next 3 to 6 months.

Ankit Kanodia: So, what would be the biggest trick you would be watching right now when everything looks really good at the moment?

Abhiraj Choksey: Look overall everyone has been talking about a heated economy, heated markets what is happening in China. I think from a macro perspective that seems to be from what we are all reading a big risk that we all have to watch for and company have to sort of tighten their belts and expect this coming at some point maybe inflation, but that is why as a company we are quite conservative we ensure that we have enough cash on the books, we are not overly leveraged etcetera. The other thing operationally of course shipping raw material from China, all these remained challenges and I think that will continue the way it looks for the next 6 months at least and of course we have taken some mitigation measures to try and circumvent this for example easy thing to do is increase inventories in India of course that will involve higher working capital in inventories, but that is something that I think all companies will have to do. The second is develop venders outside of China, develop local venders if possible wherever possible in some cases if not possible overnight, but we are working with some companies to see within a year or two Indian companies can develop certain raw materials that are today not available in India. So, we are doing a lot of things for the long term.

Ankit Kanodia: One last thing in related to cash flow from operations we will see compare it with last year it has gone down significantly because of higher inventory and debtors, is it a one off thing or you see this is extending?

Abhiraj Choksey: Higher inventory and debtors is certainly played a part in this. I do not know if it will be one off, but if the growth continues to some extent the cash would be used for working capital for inventory and debtors yes, but yes to answer your question the steep increase in prices has resulted in this sudden need for extra working capital which was not anticipated.

Moderator: Thank you. The next question is from the line of Manav Vijay from Deep Financial. Please go ahead.

Manav Vijay: Sir, couple of questions from my side first of all in last call it was mentioned that you guys are running actually almost at a chock-a-block capacity, so this 60 crores of addition that you have done in this quarter-on-quarter basis, so are you saying that one-third of this has come from the volume growth and two-third has come from the pricing?

Abhiraj Choksey: No I was comparing from Q2 of last year to Q2 of this year it was not quarter-on-quarter comparison if you compare quarter-on-quarter I would say I mean I have to go back and check on the numbers, but yes there has been volume growth to the extent of about.

Manav Vijay: Debottlenecking is there so there in quarter 2 come in H2?

Abhiraj Choksey: No we had debottlenecking Quarter 2 also helped. So, we have four or five projects going on for debottlenecking all of which got completed between July and October literally October meaning later last week. So, some of the projects were completed in early July which started immediately we started sort of utilizing those but I would say large chunk of it I think over the next one year starting from November we would see at least 80 crores to 90 crores I would say additional volume because of these debottlenecking projects that we have done starting from November onwards, but that started somewhat kicking in between July, August, September and even now October. So, for the next one year we can still expect the 10% to 15% growth from the current volumes.

Manav Vijay: That means and whatever prices that you have of the raw material so as of now it seems that those prices are still sustaining so in this so I would say in H2 so can we assume that actually Quarter 2 becomes a good base to work on plus whatever growth that you will have from your debottlenecking?

Abhiraj Choksey: In terms of volumes yes in terms of value hard to predict Manav frankly prices are have gone up substantially over the last let us say 12 months, but for example if prices come down then you could see our revenue coming down although volumes may go up. So, we expect volumes to keep going up.

Manav Vijay: My next question is actually on the CAPEX side so now you have increased this CAPEX amount from I believe from 140 to 145 crores around now 180 crores to 190 crores, so last time you had mentioned that apart from the expansion that you will have in Taloja and Valia in Valia you will have a second round of expansion where you can increase the capacity by almost 50% by investing very small sum of money. So, that phase still remains the way it was. So, this is only because of the increase in raw material prices and everything this cost has gone up?

Abhiraj Choksey: And not raw material you mean like steel and cement and so on.

Manav Vijay: Correct.

Abhiraj Choksey: The most part when we announce or the early costing we had done was back in January, February and by the time we got our environmental permission to move in June to actually build the plant which we have started build in Valia already you know prices had sort of changed dramatically for steel, cement and other commodities used in construction. So, therefore this 150 crore that we had planned for earlier has gone to about 180 to 190 crores.

Manav Vijay: And the revenue projection from this or 500 crores put together from both the projects Valia and Taloja that number remains deviated as of now?

Abhiraj Choksey: Yeah I mean currently that again that number was decision of few months ago if you use the current prices you know that number goes to 600 plus crores because that is because overall the price of our material or our finished goods have also gone up.

Manav Vijay: My next question would be so now since you have only working on this CAPEX plan, so have you been also able to let us say fixed as to how much amount we would be putting in from the internal accrual and how much you would be taking debt because why I am asking this question is that you are already sitting on close to 110 crores of cash plus in next 12 months by the time you will finish this project I would believe that you will generate close to 100 to 110 close the additional cash, so how much debt you intend to take for this expansion?

Abhiraj Choksey: So, I think you know overall this 180 crores to 190 crores is for these two projects in addition to that we will have some more CAPEX coming up regular maintenance CAPEX plus we are also investing in a zero liquid discharge plant in Valia. So, all that put together would be somewhere between 220 to 230 crores over the next 12 to 15 months and so we are planning to take our half as debt and the rest from internal accruals. It will depend so we have got a term loan sanction we may not utilize everything in case the cash inflow is quite strong. So, we have a flexible sort of term loans arrangement that we have made.

Manav Vijay: Now you were also sitting on a decent amount of I would say investments both in terms of MF, equity and debt and also direct equity, have you booked any profits on those investments in last 6 months considering the way markets are moving?

Abhiraj Choksey: Yes a few have been booked I do not have the exact numbers with me, but I would say a large amount still remain unrealized out of as you said about 100 crores of investments that we have in our books I do not know exactly, but at least 25%, 30% would be unrealized I am not sure exactly.

Manav Vijay: My last question would be on actually on this NBR now considering all these factors that are out there in terms of raw material prices than the supply side issues than the logistics I believe you had mentioned in last quarter that the NBR was not positive at the EBITDA level how was the situation in this quarter?

Abhiraj Choksey: So, the NBR situation has improved of course compared to let us say two years ago when we filed the anti-dumping cases, but it still remains a concern because there are times when prices or margins are very low and times when margins are little better, but overall let us say we have done a lot of things in the last year or two to reduce our cost, improved efficiency is done some more work on it and as of now we are quite comfortable with the NBR business, but I do not want to talk too much about it because it is still in we have filed an appeal and it is in the courts. So if you do not mind I do not want to reveal too much right now on this concall.

Manav Vijay: My last question would actually be on this only so the appeal that you have filed so what generally the success rates I would say at this CE-SAT because like the case in case of supreme when you file a review petition the success rate is almost zero, so if you can share?

Abhiraj Choksey: This is not a review petition this is not at all a review petition because the anti-dumping duties were actually levied on both cases for us. One against Korea and one against few other countries. It was not notified but by another ministry of the government and we are just asking for fair representation not just only up by the way there are dozen other companies that have filed the same CE-STAT appeal so we are working together to do this. This is kind of unprecedented so it is never been done before so I do not have a question specific number that what is the probability I do not know I know it is not I do not think it will be zero otherwise so many companies would not sort of filed the appeal.

Moderator: Thank you. The next question is from the line of Rupesh Sathia from Intelsons Capital**.** Please go ahead.

Rupesh Sathia: My question to you now is when I look at the business structurally now you are able to export now 30% you are giving us very good outlook that growth is very strong it is in demand wherein dumping that in December it is basically in three quarters you know we are able to compete margins have held up pretty well and maybe throw more color on this business transformation, how sustainable it is and will our competitive position continue to improve going forward I mean our chosen products maybe there are some products where we cannot between our chosen product, our competitive position will keep improving, so can you just give some color?

Abhiraj Choksey: One of the few things in the last year or two that happened is besides of course increasing volumes and working on a better product and customer mix we have also made our plants extremely flexible luckily the company has now 7 or 8 good legs to stand on different industries of course 80% are in India so we are still very much India focus, but over the next two to three years we expect geographic diversify also to kick in and may be 35% to 40% of our sales would be export at that point. So, we feel quite confident that going forward as well given with our growth and as we are growing and in the chemical business what does happen is every ton or every Kg that you sell more the percentage growth in bottom line is disproportionately higher in the percentage growth in top line. So, we expect that to continue since we are expanding in the same facilities our fixed cost are of course much better controlled and we want to do that keep growing in the same markets wherein we are today we have added the gloves industry recently and we are looking at a few other products, but that would come in after couple of years so we will see so we feel quite confident.

Rupesh Sathia: So few follow ups I mean in terms of specifically competitiveness can you give more color that we have done some R&D, processes, we have figured out some way to one plan really to the full we have found some product where we can get 5%, 10% more realization than the rest of the markets, how has our competitiveness let me give you some examples?

Abhiraj Choksey: So as I said one of the things we have done is made our asset more flexible earlier what used to happen is that we had certain reactors for certain products and so for example only supplying to the paper industry, only supplying to the tire industry. Now in case let us say one industry is not going through a great period four or five months. We are able to very quickly and that is the competitive advantage I do not think many companies around the world can do that is very quickly utilize the same asset to make something else and in addition to that of course there are lot of things we have done on the R&D side as well whether it is reduction of cost, improving products to have certain products that are approved at certain customers where no other competitors approved in. So, that is an ongoing challenge and that is an ongoing thing that we do, but of course we do not reveal a lot of that because we believe that is a proprietary sort of competitive advantage and we do not want to talk too much about that.

Rupesh Sathia: And sir this 35% to 40% export aspiration so this would be higher margin business than domestic or it will be similar or lower do you have sense on that?

Abhiraj Choksey: Well we hope it would be little higher margin business it is for the medical glove industry which as you know even pre COVID was growing in double digit. There are only five or six suppliers around the world for this nitrile latex product and we have developed it over the last few years and we are selling reasonably large quantities from our current plant and the plant in Valia is largely catered for nitrile latex. The expansion in Taloja that we are doing is a multipurpose latex plant which we can make both nitrile and other products as well our current latex product. So, we do expect that obviously the margins as of today are at least good and we hope that would continue into next year even if the COVID is largely behind us.

Rupesh Sathia: And with some of the export expected growth do you see some of the volumes getting converted or some of the growth coming from committed volume contrast to the committed margins from a customer do you see how our relation that with customer getting stronger to that kind of level overall next three to five years?

Abhiraj Choksey: That would be endeavor of course with some of the large customers. We are already doing that with some customers in India and one or two customers abroad as well in fact more than handful of customers abroad as well and we would at least want even a new plant at least 50%, 60% of our sales to be exactly what you mentioned contract sale with pass through sort of pricing and reasonably good fixed margins.

Rupesh Sathia: And sir one data keeping question can you give volume for Q1-Q2 total if you can split them also?

Abhiraj Choksey: I am sorry it is a policy we do not give volume number.

Rupesh Sathia: Then capacity utilization what utilization we have had?

Abhiraj Choksey: So, capacity utilization we are in almost at least till Q2 we are at almost full capacity utilization both in Taloja and Valia.

Rupesh Sathia: This is with debottleneck capacity or without debottleneck capacity?

Abhiraj Choksey: As I said the debottlenecking capacity has come on slowly, slowly over the last four months, so some of it will actually hit in Q3 onwards I would say all the debottlenecking projects are now complete as of October 20th or so. So, yes even with the debottlenecking projects whatever we could do we are running at close to 100% capacity utilization. There are still some products where we are not completely able to make the plant absolutely flexible. So, I would say you know 95%, 97% capacity utilization is what you are working at.

Rupesh Sathia: So, that in the Brownfield CAPEX comes online on stream a product mix and maybe some more debottlenecking these are the two offline growth?

Abhiraj Choksey: Yes for the next one year we expect the Brownfield projects to be on stream by with sort of a year from today.

Rupesh Sathia: Then the last question for this Brownfield CAPEX do you see any risk that could delay in significant part here and there is probably fine,?

Abhiraj Choksey: Unless like something like a very strong third wave or something happens and supplies from our venders is delayed that would be the only reason otherwise we have already gone in placed all our sort of long lead item order we have started construction in Valia and in fact done a pretty good job in the last two, three months. Taloja construction is likely to start in Diwali in about 10 to 15 days. So, we do not see any reason for sort of major disruption now by COVID or something that comes out of.

Rupesh Sathia: And then any new products you are working or they will come in next two, three years?

Abhiraj Choksey: See right now we are of course internally working on many products, but next two years I would say the growth engine is both these expansion projects that we are doing for nitrile latex as well as for our current product and after that we will wait and see how the NBR business plays out over the next 6 months, 8 months and take a call on doubling our NBR capacity. So, our work is quite cut out for the next two years. After that there are some opportunities and we are looking at some internal products that we are working on which would provide the next sort of phase of growth for Apcotex. In addition of course we are always with our current product range there is always new application with each product range just to give you an example we are in construction where supply for water proofing now suddenly there is a demand for products in technical textiles in geo textiles. Now it is a related field within construction because they are used for construction project, but within that it is a different application. So, that kind of R&D always happening for new sub applications within the broad industry of let us say construction or carpet or textile or paper.

Moderator: Thank you. The next question is from line of Nikhil from Perpetual Investments Advisors. Please go ahead.

Nikhil: So, my first question is a follow up on your earlier comment on focus on EBITDA per ton, so while I understand that this you may be doing this to maintain stability and higher visibility for your profitability and if this work in a rising product price scenario, how do you manage this on the contrary?

Abhiraj Choksey: Exactly the same the focus on EBITDA per ton and if even if let us say instead of 243 crores if our revenues had been 100 crore we would still aim for the similar EBITDA per ton. So, you would not see the EBITDA number inching it would be still be around 30 crores EBITDA and then you would of course ask me why my margins are 30% and so that can happen from time-to-time and going forward for example oil prices falls drastically then that could happen. Just to complete my thought this percentage margin is just 1 perimeter that we should look at. To me and to our business the more important parameter is EBITDA per ton or gross contribution per ton and of course finally return on capital which is the most important thing is eventually. We have to balance all these things out not to mention competition. We would love to increase prices, but we have to do it strategically and after giving it a lot of thought.

Nikhil: So, I was actually asking from that point where the declining pricing scenario it is more or less related to the supply demand environment being more on the side of supply, so I sort of ask that maybe the EBITDA per ton declines in that scenario?

Abhiraj Choksey: Maybe marginally, but overall as I said we try and peg a number that we want for EBITDA per ton and to achieve the right return for our shareholders and on the assets that we have and then we of course try and keep a watch on the EBITDA percentage margin of course, but more importantly EBITDA per ton.

Nikhil: So, also related on Apco Build let us say five years down the line do you see this division contributing significantly to the business?

Abhiraj Choksey: I hope so of course it will depend on how big Apcotex as a whole and how big we can grow it, but in terms of growth of course it is still a small part of our business, but I do hope that it will become a significant part that is why we are working on it, we have a separate team completely separate from Apcotex that is working on this product and we are focusing on our strengths we are not trying to compete with some of the large construction chemical players, we know what our strengths are, strengths are in polymers, we have built our brand around polymers and water proofing and we will continue to do that going forward.

Nikhil: Can you sort of give a guidance on may be how much percentage of the business do you see coming on this side again I know that it is very difficult to say that?

Abhiraj Choksey: Of course our endeavor is we would not if we cannot get it to about 10%, 15% that ideally you would love to do that and that is what we are working towards, but it will take some time.

Nikhil: So, the two large Brownfield project that you are working on now do they commercialize at the same time or does the Taloja project happen earlier than Valia?

Abhiraj Choksey: We expect the Valia project to happen a little earlier than Taloja. The Taloja we have not started construction yet. We will start construction this month in the month of November, but it will be in Q2 of next year both will come on stream by Q2 of next year.

Nikhil: So, can we expect on the profitability front at least the business to be continuing at the same rate at least I have given the current volumes?

Abhiraj Choksey: Sorry just to clarify Q2 of next financial year not Q2 of next calendar year so I am talking about the sort of August, September time period. Yes profitability as I have said in our business there are times when sudden crash happens and there is a quarter-on-quarter that is bad so there will be some kind of volatility quarter-on-quarter, but if you look at a longer period one year or two years and so on given all that we have done over the last one year, given that now in over four quarters we have sustainable margins, sustainable EBITDA which have been of course much better than the previous two years and we believe that will continue and hopefully even do better than that.

Nikhil: And just one last question again it comes to the first question that I asked so we never get advantage of the rising or declining pricing environment in the raw material if we are always focused on targeting a particular EBITDA per ton?

Abhiraj Choksey: Sometimes, but as I said we are focused on targeting a particular EBITDA per ton sometimes you can take advantage of that. So, there will be some quarters when you have a little higher EBITDA per ton than your targets and some quarters in a declining sort of price strength you may have a lower EBITDA per ton. Therefore, you have to look at the average over a period of a few quarters that could happen.

Nikhil: One last question sorry to add this so you acquired Omnova let us say in 2016 again the product line range sort of value added than your existing product portfolio and how you are nitrile latex which again is value added, so can we expect the next two products in the next couple of years which you are already working on be much more value added?

Abhiraj Choksey: As a strategy obviously we do not want to go down a path where there are a lot of players we look at things that are hard to do and we want to do them extremely well if not the best in class in the world at least have a really high quality product which is in the top two or three. The second is it has to be less competition intensity. So, we would not get into a lower value add product range which anyone can make. So, just give you an example for example NBR only we are manufacturers in India. Nitrile latex we are the only manufacturers in India, all our other products Styrene-butadiene latex, Vinyl Pyridine Latex we have maybe one competitor in India and even from a global point of view all these products have very few players worldwide and since a lot of them except NBR of course 50% water it is more of a regional business around this part of the world. So, we continue to look for products like this and develop products like this that is what we are focusing on in our R&D as well.

Moderator: Thank you. The next question is from the line of Karan from AMSEC. Please go ahead.

Karan: Sir just wanted to understand how is our revenue mix shaping up so a year back we were at 50-50 from latex and from synthetic rubber, so is it changed drastically or how do you guide in for next two years?

Abhiraj Choksey: So, latex is a little bit more now than earlier because most of our growth there has been growth in rubber as well, but a larger part of our growth in the last year has been in latex a debottlenecking exercise taken has been on the latex side and of course with the new investments that are coming up in both plants are also latex investments. So, obviously latex will come a larger part of the portfolio for some time, but then again when we double our NBR business that percentage will change. So, over the next two years we expect latex to be a higher percentage of our business maybe even as high as 70%, 75% and then once we double NBR that may come down that sort of jump depending on our expansion plan.

Karan: Sir now it is quite obvious that we are awaiting some CAPEX on the NBR, so is purely to do with the anti-dumping duty or something else if I may say?

Abhiraj Choksey: No, it is nothing to do with anti-dumping duty because we do believe that to be competitive our plants size is quite small for NBR compared to global standard and by doubling it we would become an average sized plant not even the largest and we are committed to doubling our NBR capacity it was just a question of how many projects you wanted to take on at the same time and since we already have two projects at both our plant we thought we would sort of a be a little bit conservative and prudent and take one step at a time, but we are committed to increasing our NBR capacity as well.

Karan: So, any concrete plan will be shared in the upcoming call?

Abhiraj Choksey: Not in the upcoming call, but perhaps sometime in 2022 maybe in about 6 months or so 6 to 9 months we will share some plan. Plans are ready frankly we are ready with it we have the technology, we have the entire costing done, we will have to redo the costing depending on the CAPEX cost at that time, but we remain committed we do believe in the long term, it is a good business it is not as high as both the business let us say nitrile latex or SB latex to some of the products we are in, but some of the reason is EV impact etcetera, but we remain committed and we are going to do it at some point or the other we will take a final call of course in 6 to 9 months.

Karan: And just also recently we have acquired a smaller company with a 8% market share in NBR, is it integrated fully now and how do you plan to make it sizable in terms of profitability wise?

Abhiraj Choksey: May be you are mistaken we acquired the company five years ago which included the NBR business.

Karan: No recently 8% market share in the market last quarter you mentioned we have acquired a small company in the domestic market?

Abhiraj Choksey: No acquisition in the last quarter sorry of some misunderstanding.

Karan: Someone is going to shutdown each NBR operation in the domestic market and we are eying to like takeover?

Abhiraj Choksey: Not in the domestic market there is some announcement that one of our global competitors has made that they may not be in the NBR business from next year that I did not announce it I do not know maybe not at least in this call. So that may result in obviously one less competitor in the Indian market and NBR are largely domestic play we are not exporting currently.

Moderator: Thank you. The next question is from the line of Ankit Kanodia from Smart Sync Services. Please go ahead.

Ankit Kanodia: Sir, my question is related to when we look at the export market can we name a few competitors some fordable competitors with whom we are competing at the moment?

Abhiraj Choksey: Yeah look in the export market we have different products and for each product we have different competitor. I mean you can Google these things.

Ankit Kanodia: Top two, three competitors?

Abhiraj Choksey: I would prefer not to name competitors you can easily Google it this is easily on the web you can Google the top SB latex manufacturers in the world or in Europe and Asia and then for nitrile latex it is the same thing there is not very many so we can easily be able to find the name.

Ankit Kanodia: So, if my understanding is correct our competitiveness would largely be based on our low cost compared to them right?

Abhiraj Choksey: Not really of course costing has a big part to it, but competitiveness is also having the right product for the right customers that is one of the things we have done much better than our competitors is actually finding customized products for our customers. Number two providing the right technical service and the right service which a lot of our competitors do not do especially in the Indian market and of course no question about it and having the cost that is extremely competitive I think as we grow our overall cost per ton keeps becoming lower because the fixed cost in this kind of business do not grow as fast as long as we are able to grow faster than the fixed cost per ton keeps going down.

Ankit Kanodia: Sir can you give some ballpark figure as to what is the differential between the cost your cost and your foreign competitors cost any ballpark difference numbers?

Abhiraj Choksey: We do benchmark from time-to-time, but as I said again our business is not one it is not one product we have four or five different product ranges for each of them we compete with somebody different so it is hard for me to give you one number.

Ankit Kanodia: And sir can you just elaborate a more on the technical services which you provide apart from the product what kind of services?

Abhiraj Choksey: Yeah so for example we are basically taking monomers manufacturing polymers and then going to so for example customer was who was into auto component I am just giving an example we are supplying our polymer to him and also going and making sure that it is runs well and it is running their factory at the lowest possible cost because the other raw material that go in as well. So, we have developed separate teams for each of our industry segments whether it is rubber, whether it is gloves, whether it is paper, construction and we really understand the application well and how best to do it in their environments that is the kind of technical service that we provide and I think customers appreciate that we have a very high level of customer engagement on the technical front otherwise we are just talking about pricing and highly commoditized.

Ankit Kanodia: So these services are at the time of sale or also after sales?

Abhiraj Choksey: At the time of sale of course we have to because to get approval we have to be there, but even after that our technical service whenever they have a problem troubleshooting we have a full-fledged technical services lab, different lab setup for all of these applications, a lot of our customers do not have the equipment we do especially some of the smaller ones because they sent in their samples for us to test here in our lab and then we give them feedback on how to improve their product for their customers so that is what I mean by technical service.

Moderator: Thank you. The next question is from the line of Amit Chordia from World Foods Llp. Please go ahead.

Amit Chordia: I wanted to ask you the investment that we have on 110 crores, 120 crores with us why do not we use them as buyback of our own shares?

Abhiraj Choksey: Well for couple of reasons one is that we were holding on to these investments for two reasons. One is of course this CAPEX cycle that is come out that happens every two, three years. Second reason is that inorganic growth opportunities we are looking for so to have some kind of war chest however small or big is always good and then third is you know in our kind of business we are in a quite a volatile raw material sort of business and having a little cash on the books always help and we have seen in the past I mean as late as last year as COVID hit us of course that is for all companies I would say many companies, but having the little cash in the books is the kind of financial prudence that we have always followed. So, these are the three reasons why we have kept cash in the books I do not think it is a significant amount of cash I mean of course it seems like 100 crores is a significant amount of cash, but in terms of if you see for the CAPEX that we are doing and potential acquisitions that we could have at least having some amount to put down is good.

Amit Chordia: Any potential acquisition in organic we are looking at right now or in pipeline?

Abhiraj Choksey: Look we are always exploring we would only do it if it makes strategic sense. Having said that even if we were I would not be at liberty to sort of reveal any things by working on till it is concrete.

Moderator: Thank you. Ladies and gentlemen this was the last question for today. I now hand the conference over to the management for their closing comments. Over to you, sir.

Abhiraj Choksey: I would like to thank everyone for participating and coming in again would like to wish everyone a very Happy Diwali and Happy New Year of course a safe New Year let us hope that COVID is sort of on towards the end and we do not have any third and fourth wave over the next year. So, everyone please stay safe and look forward to interacting with all of you in Q3. Thank you.

Moderator: Thank you very much members of the management. Ladies and gentlemen on behalf of Apcotex Industries Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.