Apcotex Industries Limited
Earnings Conference Call
April 28, 2022

Moderator: Ladies and gentlemen, Good Day and welcome to the Q4 and FY22 Conference Call for 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 "*" followed by "0"on your touchtone phone. Please note that this conference is being recorded. At this time, I would like to hand over the conference to Mr. Anuj Sonpal – CEO of Valorem Advisors. Thank you and over to you, Sir.

Anuj Sonpal: Warm welcome to you all. 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 conference call for the fourth quarter and financial year ended 2022. Before we begin, let me 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 that could cause actual results to differ from those anticipated. Such statements are based on management belief as well as assumptions made by an information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. 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. Now let me introduce you to the management participating with us in today's earnings call. We have with us Mr. Abhiraj Choksey – Managing Director, Mr. Sachin Karwa – Chief Financial Officer and Mr. Anand Kumashi – Company Secretary. Now without any further delay I request Mr. Sachin Karwa to give his opening remarks. Thank you and over to you, Sir.

Sachin Karwa: Thank you Anuj. Good afternoon and welcome everyone to this earnings conference call for the fourth quarter and full year of financial year 2022. Along with me in today's earnings call I have our Managing Director Mr. Abhiraj Choksey and Mr. Anand Kumashi the Company Secretary. I hope you had an opportunity to reveal the financial statements and earnings presentation which has been circulated and uploaded on the website under stock exchanges. So brief you on the financial performance for the fourth quarter of financial year 2022 we had strong growth on year-on-year basis and also on quarter-on-quarter basis. The company has reached historical high in Q4 FY22 across all the financial parameters. In Q4 FY22 the revenue from operations grew by about 48.5% on year-on-year basis to around 278 crore. The EBITDA grew by 51% on year-on-year basis to around 45 crore with EBITDA margin reported at 16.32%. Net profit grew by 37% on year-on-year basis to Rs. 31 crores and PAT margins reported 11.14%. For the financial year ended 2022 the revenue from operations grew by 77% on year-on-year basis to around 957 crore while EBITDA grew more than 100% to around 140 crores with EBITDA margin of 14.61%. And the net profit also grew by 100% to Rs. 99 crore with PAT margin of 10.33%. The growth in fourth quarter and for the year was driven by strong volume across all the industries, geographies product group and also increase in realization. Exportation contribution grew to 21% of the overall revenue on the CAPEX side the work on new expansion project is running on segment and is expected to be completed in Q3 of FY23. Lastly, the company has recommended a final dividend of Rs. 3 for equity share making total dividend for FY22 to Rs. 5 for equity share. With this, I would like to open the call for question and answer session. Thank you.

Moderator: Thank you. We have the first question from the line of Mr. Ankit Kanodia from Smart Sync Services. Please go ahead.

Ankit Kanodia: I think four years ago in Q4 FY2018 one of the participants asked you about growth rates vision of the company so I just like to share the monsoon side at that point of time, but our first target is 1,000 crores turnover I said our vision is not so much in numbers that we want to be a 5,000 crores company and 10,000 crore company our vision is more towards where we want to be and wherever we are and aggressively grow in technologies that we understand. Now unlike some other market share growth is 40% to 50% a year and you can think of panning till five years it is not the case in current product ranges that we are in. So, it is four years and we are now close to 1,000 crores so just your views as to how would you rate your performance given there was a year of pandemic in between and if I would like to repeat the same question today what would be your thoughts in the next few years in terms of how we are today compared to the past if you can give some color?

Abhiraj Choksey: So we feel pretty happy and where we are today obviously there have been challenges I think 2019-2020 was a difficult year for us and of course 2021 started off very difficult with the lockdown in India, but post that I would say from Q2 of FY21 almost 6 quarters, 7 quarters in a row we have taken a lot of steps we have learned a lot through COVID, we have made our plants flexible, we had a huge thrust on us. Sales and marketing lot of customers both in India and abroad that we were looking to get approvals from, a lot of that has come through and obviously you are seeing that in the results we are running at 100% capacity utilization right now even the debottlenecking projects that we took up in this financial year early in the financial year are fully utilized now. So, we feel very happy where we are of course post COVID there was a lot of uncertainty and we were also vary of the risk of the uncertainty, but we took some bold calls in the last year and half and that has paid off so we feel happy. Going forward that just a products that we have I think there is potential to grow this business to over the next five years to maybe two and half times the current revenue. Again I just want to quickly mention and I mention this many, many times that look revenue is a number that of course feels good when you reach a 1,000 crore 1,500 crores tomorrow 2,000 crores, but we focus more on our volumes because in our kind of business given their huge volatility their oil prices and therefore the downstream petrochemicals which are our main raw materials so revenue can vary. So, for example, if oil falls to half then you could see a dip in revenue, but what we are more interested in is focusing on our EBITDA margins on our contribution margins and of course per ton margins as well more than anything. So, I hope that kind of answers your question.

Ankit Kanodia: In terms of EBITDA margin or EBITDA per ton as you understand EBITDA per ton is a much better figure for us. I think it would be fair to say that we attained all-time high in that number?

Abhiraj Choksey: Yes, we would be overall at a pretty high number yes.

Ankit Kanodia: Any ballpark as in 10%, 20% below would you like to quantify that again?

Abhiraj Choksey: I would say that our EBITDA per ton for the financial year is up by good double-digit margin probably around 50% for the year and for the quarter is up by also between 20% and 25%.

Ankit Kanodia: That would be compared to the last year which was a pandemic year if we compare it with the 2018 or 2019 pre pandemic period, would we close to all time high?

Abhiraj Choksey: Yeah for sure yes we would be higher compared to 18-19 as well.

Ankit Kanodia: One last question before I move back to the queue in terms of ApcoBuild I think last time we mentioned about Maharashtra, Gujarat, Madhya Pradesh, and Goa was the latest state we entered, have we added any more states or we are still focusing on these?

Abhiraj Choksey: No mainly these four states right now.

Ankit Kanodia: In terms of volumes of ApcoBuild in this quarter, would you like to give any growth rate?

Abhiraj Choksey: I would say for the year for ApcoBuild we are in terms of volume higher by more than a 100% I think 120%, 130% so we feel it is still a small part of a business and we do not give out numbers separately for ApcoBuild, but as and when it becomes we feel it is a reasonable portion we will talk about it more, but as of now we are very happy with the development in sort of construction chemical B2C as well.

Moderator: Thank you. The next question is from the line of Farokh Pandole from Avestha Fund Management. Please go ahead.

Farokh Pandole: I had questions my first question you mentioned to the earlier sort of call you mentioned focusing on margins rather than on revenues and I just wanted to get some sense of in light of their oil prices are what has happened with oil prices over the last year, do you feel like the full-year margin is a more sustainable margin with the expansion etcetera, is the current quarter margin something that we should be aspiring to so some color basically on the sustainability of margins going forward and my second set of questions was on the CAPEX both for the gloves latex capacity and I noted that we have extended our sort of commissioning dates further another three months. We are now talking about December of this year so there has been a push back of few quarters over time and also if your answer to me in the last quarter on the NDR project if there is any change in the last three months to make you sort of evaluate that project any differently from the discom you gave us in the last quarter?

Abhiraj Choksey: So I will take it one by one the easy one is CAPEX so frankly we had not delayed really I had said that it would be around towards the end of the second quarters so just to be conservative we are just saying Q3 because while today there are no delays, but you all know the situation with the supply chain and availability of lot of materials not only raw materials for our products, but even capital goods there has been a huge demand for capital goods. So, in case there is a delay it would not be on account of anything sort of we have not internally it is on really on account of any delays that the suppliers there may be a delay of a month or so, but certainly not a quarter. So, we are saying in Q3, but we are hopeful that one project would be even of Q2 and the second project would be in Tanoja would be early Q3. So, I think we are just being conservative given what is happening in the world today therefore we mentioned Q3.

Farokh Pandole: So we will see some revenue in Q2 and there may be more revenue in Q3 and then so on and so forth going forward?

Abhiraj Choksey: I had always mentioned that end of Q2 would be the commissioning is what I recall at least and for one of our projects yes that would start kicking in from Q3, but obviously it will not be overnight a 100% it would build up over we hope 6 months or it could take a little longer because some of the re-approval cycles from a new plant even for existing customers they would want to test it out for a two, three months before completely moving whole hog. So that does take time and so you would see some of it in Q3 and then from Q4 of course both the plants will be completely ready and then it will depend on how quickly we are able to ramp up and complete the re approvals cycles with a lot of customer and yeah you will have to add new customers as well unfortunately there are customers that are asking us for materials, but we are not able to go through the approval cycle because we just do not have material to give them even few tons we do not have today. So, the demand cycle is quite strong and so we are focusing on the current customers that we have been working with for the last year or two strategically at least we see that is important. So, yes that is on the CAPEX front as far as margins will be sustainable look I have always said there could be a quarter or two where suddenly if there is a crash then we could be stuck with some high cost raw material with a crash on oil prices and subsequent petrochemical, but on average we have over the last few years borrowing maybe one year in the middle we have consistently grown on our EBITDA margins percentage wise and certainty on the EBITDA per ton and that will be our endeavor. Yes there have been tailwinds in the last 6 months, 8 months that I must admit for example there has really been no crash let us say the last I would say 6 quarters so that is obviously had crossed. The last quarter for example we did have some inventory gains due to the war suddenly oil spike, all our petrochemical prices, the raw material spike, but we had some good buying that we had done in December and January and February and so on. So, obviously that to some extent I would say may be about 10%, 12% of our profits were due to that factor as well, but we are quite confident that with the set of customers we have built as long as the macro picture and the macro environment is strong we feel pretty confident of sustaining these margins in the long term again I just clarify there could be one or two quarters the margins will fall, but our endeavor is to stay between these 13% and 17% margin numbers. The last question on NBR we are waiting on the final environmental clearance for NBR project which should come through we are expecting this quarter by the end of this quarter after which we need to take a call. We feel bullish as I said, but we have not taken a final call there is no major update. Our focus is just to get these two projects of the ground this in the next 6 months and hopefully as and when we take a call I will let you know, but it is certainty as part of our strategic plan it is on the cards and one more thing that has changed I just want to mention is the commodity prices and CAPEX cost have significantly increase in the last three to four months as you can imagine. So, we would have to reevaluate the IRR of the project and actually take a call because we are very conscious of allocating the right amount of capital and we do not want to do it in the cycle which is at the peak and we may so we were not sure we may choose to it I do not know that is a smart thing or not because things can go up further I am not sure, but we will re-evaluate the IRR once we get the environmental approvals see what the commodity prices are then when I say commodity I mean steel, cement all the commodities are required for CAPEX and then take a call.

Farokh Pandole: And how much money have we spent on the gloves capacity that we are planning for the third quarter?

Abhiraj Choksey: So just to clarify we are doing two projects one in Walia, one in Taloja the one in Walia is completely for gloves there will be some flexibility that we will try and build in, but the one in Taloja is a multipurpose latex plant and at this stage we are not sure depending on again the margins we can use it for our styrene butadiene latex products that go into carpet construction paper and so on or uses for nitrile latex for gloves so I just want to clarify that.

Farokh Pandole: I think you were talking about 150 crore if I am not mistaken and so how much of that has already been spent and how much is balanced?

Abhiraj Choksey: So the cash outflow up to March 31st out of our total project size is about 190 odd crores between both plants and we are investing in a zero liquid discharge plant in Walia as well so everything put together out of which we would have spent about 40%, but that is cash outflow all this will be obviously commissioned I mean with balance sheet only when we commission the projects.

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

Farokh Pandole: Sir just wanted to have some understanding with respect to our conduct mix and between two broader categories latex and rubber?

Abhiraj Choksey: It remains about the same which I had mentioned last time around I would say around 55% to 60% is latex maybe 56%, 57% the rest is all the rubber product which are solid polymers, the liquid polymers or latex is about 56%, 57%.

Farokh Pandole: And like you mentioned that we are already running at full utilization even on the debottlenecking exercise so how are we preparing for the volume growth for the medium-to-medium term?

Abhiraj Choksey: For the short term we are unfortunately it is a good problem to have, but we do not have capacity and the new capacity will all start coming on stream from Q3 onwards.

Farokh Pandole: So we were working on some incremental CAPEX for latex as well so are we on with the plan?

Abhiraj Choksey: I do not know what you mean by incremental CAPEX that was done last year meaning in the middle of 2021 we finished that was small debottlenecking projects to the extent of 10 crores, 15 crores investment which we already completed in that is already on stream and fully utilized. Now we do not have any incremental plan it will be our two big projects which are coming on stream between both our plants for latex.

Moderator: Thank you. We have the next question of Satish Kumar from MB Investments. Please go ahead.

Satish Kumar: Sir I have few questions the first one is the Walia the XNB latex which you are doing I think you have plans to do in two phases phase 1 and 2 just wanted to know the environmental approval on what you had EC approval, is it for both the phases we have got?

Abhiraj Choksey: Yes we will have the full approval by the end of this quarter so for both stages we will have it at the end of this quarter.

Satish Kumar: For the phase 2 we do not have as of now?

Abhiraj Choksey: The phase 2 decision we have not taken, but something we will take next year anyway once we have utilized the first phase or close to utilizing the first phase so we have enough time.

Satish Kumar: And this NBR you are sounding it may take more time that is right?

Abhiraj Choksey: I mean the decision while we are waiting for the environmental clearance and then after that we will take a decision as I said as I was explaining to the one of the previous callers that it will depend at that time when was the CAPEX.

Satish Kumar: I was saying when are you expecting the EC approval for NBR?

Abhiraj Choksey: Same this quarter altogether.

Satish Kumar: On a quarter-to-quarter basis the sales have gone up by 11%, is it possible to give us in terms of volume and value growth?

Abhiraj Choksey: I mean while we do not give exact volume numbers I would say yes 11% of the value growth out of which I would say 7% out of 11% is volume the remaining 4% is because of the price increases or raw material increases which led to price…..

Satish Kumar: Now that you are saying that we are already running at optimum capacity without anymore increase in the raw material prices so this 270 crores to 280 crores of run rate per quarter is what we can expect during the first half of the current financial year?

Abhiraj Choksey: That is correct of course as again to qualify depends on oil and downstream petrochemical prices for whatever reason the oil falls thenrevenue can fall also.

Satish Kumar: But if you can throw some light on how it has behaved during this last one month?

Abhiraj Choksey: It is gone up further it will consistently go up since I would say February. Now I think there are some talks of some respite, but I would say last three months, four months in a row mainly due to the war for of course COVID obviously the bull run on goods and some other products and then the war Ukraine caused the sudden spike in all prices which resulted in all petrochemicals I think going up substantially.

Satish Kumar: Since you said war so this war in Ukraine is having any impact for the company in terms of let us say the sales, the raw material availability or freight rates container anything it has affected other than increased in the crude prices?

Abhiraj Choksey: Two things one is directly we do not have much business in Russia or Ukraine we do have small business, but it is a very small percentage. So yes certainly that has been temporarily affecting we do not buy any raw material from Russia and Ukraine so that really no impact to us, but overall like everyone else I think the whole world is facing this issue because of the China COVID situation and the war in Ukraine and Russian a lot of containers of stock shipping rates are going up and up and up further up more than the rates availability and issues. I would say in terms of risk and really our focus these days has been managing the supply chain and ensuring because the large chunk of our raw materials are imported. So, ensuring that all our imports come on time and of course a lot of delays are there already, but we have increased our inventory cycles developed vendors in different areas were anticipated. So far we have not faced any major raw material shortage issues, but it remains a very high risk for the next one year and as far as exports as well one we are responsible to ensure the raw material reach our export customers on time and that is also been a challenge that remains the same going forward and I think it will remain a risk for the next 6 months at least.

Satish Kumar: So what I want to know because of all these challenges you mentioned going ahead are we in a position to protect our margins?

Abhiraj Choksey: We feel pretty confident that we can we have developed a set of products, set of customers there are now quite sticky and as I said look there could be a certain situation where for one quarter or few months where there is certain drop in prices and we are stuck with some high cost raw material inventory because we have no choice, but to stock up on imported raw material. So, that could happen but in the long term I think as a business we have from strength-to-strength, we have grown our volumes, we have grown our customer base, we have grown our geographic base within customers we have increased market share overall we have increased market share we have gone into new industries and steels that we are not in so we have done a lot of work over the last three, four years. So, we feel pretty confident in the long run that these kinds of margins between as I have always said between 13% and 17% are sustainable and we focus on EBITDA per ton. So, I think the bottom line numbers is what we focus on and I think we feel confident that it is sustainable in the long run. Again to repeat for the first time quarter-on-quarter we could have hit I am not sure.

Moderator: Thank you. We have the next question from the line of Nikhil from Opportune Investments Advisors. Please go ahead.

Nikhil: I have a few questions on the broader industry spectrum so firstly on the Ukraine Russia war since there is a lot of sympathetic rubber production capacity in Russia, do we see any permanent opportunity or anything out of this or do they get right through China and other country?

Abhiraj Choksey: Hard to say I do not think anything is permanent in the world so I think at some point the war will end and Russia will come back on stream, but sure right now because of all these brands on Russian materials from Europe, America also on the supply side a lot of raw materials that Russia was importing there have been challenges with that I think in the next 3 to 6 months sure not a synthetic rubber that is coming out of Russia seems to be affected I do not know how long that will last as you know oil from Russia is slowing oil and gas is slowing is fairly smoothly from what I understand into Europe and other parts of the world maybe in the few months all other materials, but as I said I mean that could be some sort of advantage, but that is fine I mean we do not really focus on that. Our business is not dependent on what happens in Russia.

Nikhil: So, on the latex side also Synthomer has their facilities in Europe I think it is probably due to high cost base and do you see any change in industry structure even on the latex side?

Abhiraj Choksey: All I can say is demand has been very strong for us whether that is the reason I do not know it could be partly, but I think if were to venture a guess it is really I would say whether or not that event happened or not I would say what we have done and the way we have sort of grown in customer in India and abroad since we are talking about Europe I think that would have happened anyway. Structurally right now for various reason margins are very strong, demand is very strong. I am not sure what will happen you know what is happening in the micro environment, inflation going up that likely all economic reports are saying slightly to that effect overall consumption and therefore demand of goods in the next 6 months to 1 year that will affect us, that will affect the world is all companies you know.

Nikhil: I was just trying to irrespective of the plans setting down we would have delivered the same number so that is assuring?

Abhiraj Choksey: I think so and if you see the last 6 quarters, 7 quarters I mean we have delivered quarter-on-quarter no matter what is happening in the world whether there was a second wave in India, no matter what is happening in China, no matter what is happening due to the war all these brands of Russian, European we have sort of kept our heads down and focused on our business and show there are some tailwinds as I mentioned right now for sure whether they last or not we are quite confident that we are quite happy with where the business is.

Nikhil: I have a few more questions and put it quickly with any update on the case in CESTAT and as part of the acquisition at Walia, do we also get access to technology for other products?

Abhiraj Choksey: The appeal process is on in CESTAT and there are not only us, but many other companies may be 50 companies, 60 other companies that were affected by the same ruling in various different industries from pharma to chemicals to steels. So, I think that will take some time in India in the whole legal process and as far as technology is concerned certainly when we acquired the company while it was a adjacent technology to us and we understood that well there were certainly some nuances of the technology and some new things which we learned which now we can take for and use it for newer product and we are working on it with our $&D team..

Nikhil: Hoping to clear about that probably in coming quarters from you?

Abhiraj Choksey: Yeah I think frankly our hands are full with our current project in the current context, but yes hopefully in the next few quarters when we make some progress we will keep you posted.

Moderator: Thank you. We have the next question from the line of Alisha Mahawla from Envision Capital. Please go ahead.

Alisha Mahawla: While you did mention slightly earlier in the call that the EBITDA per ton has gone up substantially if we see from a YoY perspective, is it possible to quantify what is the increase on Q-on-Q basis?

Abhiraj Choksey: Q3 you are working for or Q4?

Alisha Mahawla: Q4 over Q3 I am not sure if I have that number ready with me Sachin if you are on the call and I am not sure if you have the number sorry you are not in the same location so maybe my finance team can come up with a percentage Q4 over Q3 if you have the number if you do not immediately then we can get back to Alisha?

Abhiraj Choksey: Approximately 20%.

Abhiraj Choksey: No she is not asking Q4 of last year she is asking Q4 over Q3 I do not think is it 20%?

Abhiraj Choksey: Yeah.

Alisha Mahawla: If I may take this question further what is driving this improvement in EBITDA per ton in a particular product that is doing exceptionally well for us because if this is the kind of growth we are seeing on QonQ I think it will be great for us also to understand where is it coming from?

Abhiraj Choksey: Look partly it is coming from overall strong demand it has been at 100% capacity utilization for the next last couple of quarters. We were able to pass along the price increase and do a little bit better you are able to renegotiate some of our contract you have mentioned you have also tailwinds in the sense I mentioned some amount of it would be because of some amount of stock profit that we would have had from buying raw materials at a good rate back in December, Jan, Feb and then of course we saw Feb, March it is partly a couple of reasons, but I am sorry I am just asking Sachin this question again Sachin 21% is Q4 over Q4 and EBITDA per ton increase I do not think Q4 over Q3 would be that much anyway if you are saying so it must be true.

Abhiraj Choksey: Q3 it is higher it is 25% I just missed it.

Abhiraj Choksey: Broadly it is improved I would say, but these are the reasons why.

Alisha Mahawla: Again with respect to what you are saying even if crude does correct the EBITDA per ton that we are currently enjoying which is 50% higher YoY or 30% higher QonQ the absolute EBITDA per ton you are confident of maintaining?

Abhiraj Choksey: Under the current context yes, but as I said the macro pictures at least for the next one or two quarters things looks quite strong, but with inflation in the macro picture turning I do not know what would happen, but as I said our endeavor would be to always improve on EBITDA per ton and as we grow in our kind of business the fixed cost are lower so sometimes even with contribution per ton may drop when I say contribution, gross contribution per ton the EBITDA per ton mix will go up. So, yes that would be an endeavor to keep improving on that.

Alisha Mahawla: With respect to the gross margin I think about 38% is this number a sustainable number because it is on the higher and if you compare to the previous quarter I just wanted to understand this or is this a benefit of some low cost inventory that we were carrying?

Abhiraj Choksey: There is certainly benefit of low cost inventory. Is it sustainable I am not sure it has been one of the highest numbers I am not sure, but as I said EBITDA per ton and EBITDA percentage we will try and keep up at this 14% to 17% hopefully we would not drop in the 14, but only 13% to 17% and increase is further.

Moderator: Thank you. We have the next question is from the line of Kamlesh Kotak from AMSEC. Please go ahead.

Kamlesh Kotak: I have two point just to have your thoughts one is I do not know whether you spell it out or I missed it how much of the growth is volume and value for this quarter out of 48% growth that we reach sir?

Abhiraj Choksey: About half is because of volume so about 24%, 25%.

Kamlesh Kotak: Secondly if I have to just dissect the strong growth that we have seen in the revenue as an extension of that are we gaining market share from the players domestically or is it that the imports are getting prohibitive because of the global supply chain dislocation, what is driving the strong growth, is it either of the two factor?

Abhiraj Choksey: I think it is both external and internal as you said certainly imports have become harder for everyone and everyone prefer local supply as far as the India market is concerned which is almost 80% of our total turnover. We have certainly benefitted from imports being more expensive due to higher shifting rate, higher detention charges and so on, availability is also an issue in many cases. So, we are certainly benefitted so that is the external factors. On the internal side we have done so much work over the last 5 years, 6 years since we acquire on OMNOVA Solutions India. In our Walia plant as well as in our older business in Taloja and so we have grown market share across the board and at this point I am fairly confident that across all the product categories that we have almost all we are number one in India or a joint number one let me put it this way where market share is very close to somebody else. So, we are quite confident and if you compare this about five, six years ago I would say you are number one in the few categories, but a strong number two in most categories. So, I think we have grown market share here in India and we have obviously 200 plus crore of our sales this year is from export which if you compared to few years ago has been a phenomenal growth multiple what we were, at that time only 30 crores, 40 crores maximum would been our exports at that time.

Kamlesh Kotak: Second point sir I just want your understanding on the Apcobuild though it is a small business, but how are we strategize entire any vision statement in terms of the restriction ramp up, geography expansion and how our products face price vis-a-vis the competition how the growth rates if you can just gain some more color on that?

Abhiraj Choksey: Our main focus has been in ApcoBuild has to focus on our strength of the product that we manufacture for the B2B customer. So, obviously since you are backward integrated we do have some advantage there, distribution scale up is really the challenge in the sort of B2C space where ApcoBuild and we just want to ensure we do slowly profitably and of course we have added some products and we are outsourcing and adding to our product portfolio, but we want to ensure that what we deliver to the customers is at a price point and the quality that not available in the market anywhere. So we are focused on the few products and as of now we are still learning and growing in the western part of India.

Kamlesh Kotak: Any growth directionally you are looking at in terms of the percentage growth or how you are finding the scale up?

Abhiraj Choksey: Look we have grown at more than a 100% I think 120% to 230% in this in the last financial year and the way we are adding I think that growth should be sustainable even for the next financial year and of course as a value goes up obviously the percentage may start dropping, but we feel pretty confident that the business model that we have being backward integrated and focusing on few products and few specific niche applications around waterproofing I think we should feel confident that over the next few years we will grow our geographically a lot of scope to grow.

Moderator: Thank you. We have the next question is from the line of Anubhav Sahoo from MC Research. Please go ahead.

Anubhav Sahoo: First of all a bit of a clarity on the CAPEX project as much as I could understand I think there are two projects which you are looking for accomplishing the Q3 one is 3,000 tons capacity for NBR plant at Walia and the second one let us say latex plant capacity increase by around 20% in Taloja?

Abhiraj Choksey: In terms of total tonnage, it is 50,000 tons at Walia and about 10,000 tons at Taloja as of now.

Anubhav Sahoo: And the one for which we are waiting for ECs is the NBR project?

Abhiraj Choksey: Yes.

Anubhav Sahoo: As far as your latex capacity is concerned your latest presentation it is a 65,000 tons so is it the result of debottlenecking you are discussing for last year?

Abhiraj Choksey: Yes we have increases from 55,000 to 65,000.

Anubahv Sahoo: Another question was on the sourcing of our imported raw material I think for us you can Styrene & Acrylonitrile, is there any change in sourcing these two materials because of the macro challenges the way it is happening in the European side or the China side and which are our key sourcing partner in the country if you would like to mention about Styrene…

Abhiraj Choksey: I think styrene most of it comes from within Southeast Asia and Middle East so it does not come from very far and we have not seen a major challenge for importing raw materials from these areas. The chromium nitrile fortunately is not I mean compared to the rest of India we are still a small importer while there has been challenges delays coming in our requirement is not significant compared to the rest of India maybe less than 3%, 4% of the total indian imports cost which goes into several different applications like ABS, acrylic fiber and so on. So, NBR and nitrile latex only 30% is Acrylonitrile, 70% is Butadiene. So, that while there has been a challenge because of quantities are not very high we have been okay so far, but you are right of course overall we are we spent a lot of time these days much more than we are in the past looking at all our supply chain and making sure raw materials arrive on time and we have enough so that the production does not hassle.

Anubahv Sahoo: Probably it also extends the spike in networking capital probably you are ensuring that your royalty remains?

Abhiraj Choksey: Yeah I mean look it is a combination of all raw material going up obviously that causes networking capital to go up, inventories are higher then what it would have generally kept, debtors are higher because the prices are higher. So as a combination of all reasons overall networking capital has gone up.

Moderator: Thank you. We have the next question from the line of Tej Kumar Pandya who is a shareholder. Please go ahead.

Tej Kumar Pandya: You see my question is that it is trade receivables or in 2021 it was 104 crores and in 21-22 it is 161 crores. As for my understanding these trade recoverable are an important fact as far as controlling cost is concerned. If you are able to reduce these trade recoverable you will be able to as earlier outstanding and your payment for the low chip you have taken that will be further reduced. The capital cost would be reduced shortly.

Management: The trade receivable have gone up by you said about little less than 60%, but if you see our total revenue has gone up also by 70% for the year I think that is just fine exact number 77%. So, if you see in percentage terms actually we have done better in terms of reducing our trade receivables in terms of percentage terms because revenue has gone up by 77% the trade receivables have gone up by may be around 60% Sachin you have the exact numbers trade receivable does increase in terms of percentage. It is about 60% on that. So while we understand and we have tried a little bit to reduce the credit period that we give to our customers unfortunately we are also in the competitive market and lot of the imports that come in give large number of days of LT credit so we are forced to walk along with the market as of now hopefully that will change a little bit going forward, but we understand the issue and we review it regularly.

Moderator: Thank you. We have the next question from the line of Deepak Shah from Shah Financial Services. Please go ahead.

Deepak Shah: It is just a small drawing that we have been paying the tax by way of taxation to the tune of 33 crores on a quarterly base of about 11 crores plus you have a dividend payout of 25 crores counting your last dividend what we have declared Rs. 3 per share 3 plus 2 5. So, if I count that is a 25 crores we are paying to the ex-checker 30 crores plus 25 crores by way of dividend and that dividend become taxable to the majority of the investor, so can we not address these issue as every third company is going for buyback of shares or reduction of capital, so can we again not relocate the change because that has nothing to do with their efficiency of the business?

Abhiraj Choksey: Deepak you have asked this question multiple times over multiple concall while we are saying every third company I would like to defer with you it is not every third party.

Deepak Shah: Of our categories?

Abhiraj Choksey: Yes a few companies are doing it, but in our case as I have mentioned before as well, but there is a cost doing this buyback and if the buyback is not successful it is an illiquid stock as you know it is not as bigger companies as some of the other liquid company that you have referred to in the past and therefore we did not see any point of doing a buyback if we are only able to get about half a percent or 1% then it is not a successful buyback. So, you are right we can do it, but there is a cost to it and it give little bit of sense in the current context. Firstly we discuss it every 6 months and we see if it makes sense as of now in the current context it does not make sense and we would not be doing it.

Deepak Shah: But at the same time if I have to draw your attention the promoters also can participate their performance of equity will not go down it is in lieu of dividend?

Abhiraj Choksey: As the promoter participate and nobody else participate then what happens.

Deepak Shah: There are still 80% work because it is a wonderful thing to enjoy because the price will be always higher than the market price will be little higher than the market price say 3 months, 4 months, 6 months. So, it will be very crucial.

Abhiraj Choksey: You are a well wisher and you have been a shareholder for a very long time and we appreciate it, but let us agree to discuss because every year for the last five years I think we have had the same discussion on conversion, we have discussed with many bankers, thanks to your suggestion and we have advised by many people not to do it for practical reasons. For all if something changes we are not close to it f something changes we will do it at the right time, but this is not the time for the company to do it and we are very happy as a company to pay to the exchequer what is rightfully the prices. I know you may not agree with that but that is our philosophy and that is what we have been given.

Moderator: Thank you. That was the last question I now hand it over to Mr. Sachin Karwa for the closing comments.

Management: thank you very much, thank you again it has been a very eventful year strong year for the company and would like to thank all the shareholders, analyst and everyone else who is on the call, investors thank you so much for your support. We appreciate it, we will continue to strive hard and work hard to keep improving the company performance and growing from strength to strength and of course there will be some good times and some bad times and once again we appreciate your support, we look forward to starting the new financial year and we hope to continue this momentum going forward. Thank you very much.

Moderator: Thank you. On behalf of Valorem Advisors that concludes this conference. Thank you for joining us and you may now disconnect your lines.