

9th May 2025

To, The Manager - Listing Department, The National Stock Exchange of India Ltd, Exchange Plaza, 5th floor, Plot no. C/1, "G" Block, Bandra-Kurla Complex, Mumbai- 400051 Symbol: APCOTEXIND	To, Manager-Department of Corporate Services BSE Limited Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001 Security Code: 523694
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Dear Sir/ Madam,

Sub: Transcript of Earnings Conference Call held on 8th May 2025

In furtherance to our letter dated 8th May 2025, informing the exchanges regarding the audio recording of the Earnings Conference Call in respect of Financial Results of the Company for the quarter and year ended on 31st March 2025, we wish to inform you that the transcript of the said Earnings Conference Call has been hosted on the website of the Company and is available at:

<https://apcotex.com/investor-quarterly-report>

Kindly take the same on record.

Thanking you,

For Apcotex Industries Limited

Drigesh Mittal
Head – Company Secretary & Legal

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Apcotex Industries Limited
Q4 FY 2025 Earnings Conference Call
May 08, 2025

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY '25 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 touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Nupur Jainkunia from Valorem Advisors. Thank you and over to you, ma'am.

Nupur Jainkunia: Thank you. Good afternoon, everyone. And a warm welcome to you all. My name is Nupur Jainkunia from Valorem Advisors. We represent the Investor Relations of Apcotex Industries Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings call for the 4th Quarter and the Financial Year 2025.

Before we begin, a cautionary statement. Some of the statements made in today's conference call may be 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 beliefs as well as assumptions made by and 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.

Now, I would like to introduce you to the management participating with us in today's earnings call and hand it over to the management for their opening remarks. We have with us Mr. Abhiraj Choksey, Vice Chairman and Managing Director; and Mr. Sachin Karwa, Chief Financial Officer of the company.

Without any further delay, I request Mr. Sachin Karwa to start with his opening remarks. Thank you and over to you, sir.

Sachin Karwa: Thank you, Nupur. Good afternoon, everyone. It is a pleasure to welcome you all to the earnings conference call for the 4th Quarter of Financial Year 2025. I hope you had an

opportunity to review the financial statements and earnings presentations which have been circulated and uploaded on the website and the stock exchanges.

Let me provide you with a brief overview of the financial performance for the 4th Quarter and Financial Year 31st March, 2025.

The operating income for Q4 stood at Rs. 349 crores, reflecting a year-on-year growth of 12.5%. This performance was supported by highest-ever quarterly volume and export volume, which grew by 15% and 22%, respectively, on a year-on-year basis. EBITDA came at Rs. 39 crores, marking a robust 23% growth, primarily driven by higher volumes and improved capacity utilization. Consequently, the EBITDA margin improved to 11%, up from 10% in Q4 FY '24, and significantly higher than 7.63% in Q3 of FY '25. Profit after tax stood at Rs. 17 crores, an increase of 10% on year-on-year, and a strong 44.8% growth on a sequential basis. The PAT margin for the quarter stood at 4.81%. This performance highlights a positive trend in profitability, supported by operational efficiencies and improved capacity utilization.

Now coming to the financial performance for the year ended 31st March 2025:

The revenue from operations increased by 24% on a year-on-year basis to Rs. 1,392 crores. The company achieved strong operational revenue growth. This growth was driven by a 16% rise in overall volume and a 24% increase in export volumes, further supported by enhanced product mix and better price realization. EBITDA margin was at Rs. 125 crores, which increased by 9.5% on a year-on-year basis. EBITDA margin stood at 9% percent. The profit after tax stood at Rs. 54 crores with a PAT margin of 3.89%. Cash profit for the year has increased by 10.3 crores to Rs. 95.6 crores.

With this, I open the floor for question-and-answer session. Thank you.

Moderator: Thank you, sir. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question comes from the line of Dikshant Gupta from Geojit PMS. Please go ahead.

Dikshant Gupta: Good afternoon. So my first question would be, can you provide a mix of the revenue from various segments like latex and rubber?

Abhiraj Choksey: Overall for the year, I think, yes, good afternoon, Mr. Gupta. Overall for the year, I think we are at about two-thirds, a little over two-thirds is the latex segment. Obviously, a large chunk of the growth over the last couple of years has come from the latex segment since the investments were there. So it's about two-thirds latex and one-third rubber approximately.

Dikshant Gupta: Okay. And going forward, will you be focusing on expanding the latex segment more or the rubber segment more?

Abhiraj Choksey: I think we are making a plan to expand both. In the rubber segment specifically for NBR, nitrile butadiene rubber, so as I have mentioned before that we are sort of waiting on the anti-dumping investigation final conclusions before taking a call and going ahead with it. So that project is ready and we are quite hopeful that we would be able to expand there, and the latex segment of course we would be expanding.

Dikshant Gupta: And what is the capacity utilization and how much capacity are you planning to add every year?

Abhiraj Choksey: So for last year, in the NBR side, we were almost 100%, I would say about 95%, 96% capacity utilization, close to 100%. And on the latex side, for the new nitrile latex project which we are at about 75% plus now, I am talking about monthly run rate. For the year as a whole we were lower of course, but Q4 we were at about 75%, 80%, between 75% and 80%. And so there we probably have another year or two flat, but there margins is an issue. And as far as the other latex business is concerned, which most of those latexes are manufactured in a Taloja plant, there we are at about 80%, 82% capacity utilization. So there again in the next year and a half we suspect we will need more capacity.

Dikshant Gupta: Okay. And my next question would be, as the crude oil prices are falling, will it be beneficial to you and will it improve the margins further?

Abhiraj Choksey: See, historically we have seen, in the short term it's not so beneficial because when prices fall so sharply, we are left with some inventory push, finished goods and raw material. And that's going to be the challenge really this quarter in Q1, because as you have seen that compared to March end to now crude oil has really fallen around. I think Brent crude is almost \$60, a little over that, but around that, versus it was over \$80 perhaps a couple of months ago. In the long term, of course, I think we all prefer lower oil prices, it does help. But we are not concerned more about the margins.

Dikshant Gupta: Okay, okay. And my final question would be, like has your customer base diversified or is it dependent on one or two customers?

Abhiraj Choksey: No, not at all. We have a very diversified customer base. In fact, I do not think we have any one customer with more than 2%, 3% total sale.

Dikshant Gupta: Okay. Okay. Thank you so much. And all the best.

Moderator: Thank you. The next question comes from the line of Aditya Khetan from SMIFS Institutional Equities. Please go ahead.

Aditya Khetan: Yes. Thank you, sir, for the opportunity. Sir, with the lowering of crude prices, sir, earlier we have seen a trend that whenever crude price goes down, we always book some inventory

losses. In this quarter, sir, like there has been some benefits on inventory despite crude oil prices declining. How should we look at this, sir?

Abhiraj Choksey: Q4 was a little strained, actually the prices went up between December and February, and then came down sharply in March. So overall you are right, there has been a slight benefit for the quarter. But the sharp decline was in March, March-April. So, I do not know whether that answers your question, but yes there was a slight benefit this time. Generally we see in quarter there's a general sort of increase and then decrease, but we did not have a clear trend this time. But we did not benefit.

Aditya Khetan: Got it, got it. Okay. And sir, this sequential dip in top line, I believe sir our volumes from nitrile latex is improving, so ideally the price reduction should have happened in the base business which is why our top line has declined.

Abhiraj Choksey: That's right, because volumes sequentially are up. Just one second, we will give you the data. But volumes sequentially are, I think, up by 9%.

Aditya Khetan: Okay. So the decline is largely deep in the realizations in the base business?

Abhiraj Choksey: Yes, that's right.

Aditya Khetan: Okay. Sir just one last question on to the nitrile latex, earlier sir we had given a guidance that we would be touching around Rs. 600 crores of revenue. Is that guidance still intact?

Abhiraj Choksey: Yes, I think that Rs. 600 crores, from what I recall, was at 80,000 tons, at 50,000 tons we would be closer to sort of Rs. 400 crores, Rs. 450 crores. So what's the investment done so far, we have left a small investment for later, which you would only do if the margins improve.

Aditya Khetan: So right now the nitrile latex business, we expect to be about somewhere between Rs. 400 crores and Rs. 450 crores, depending on the price of the latex. And sir, what would be the top line contribution in FY '25 from the nitrile latex?

Moderator: I am sorry to interrupt, Aditya. Those were your two questions. If you have anymore, please fall back in the queue.

Abhiraj Choksey: Maybe we can let him complete. But yes, I would request, just to give everyone a chance, I am sorry, Aditya, but just to give everyone a chance. However, since you started the question, why don't you complete it and we will close that.

Aditya Khetan: Sure, sir. Sir, I was asking on FY '25, so what would be the contribution from the nitrile latex?

Abhiraj Choksey: In terms of revenue?

Aditya Khetan: Yes, sir.

Abhiraj Choksey: It's about 14% or so, 14%, 15%.

Aditya Khetan: Okay, thank you.

Abhiraj Choksey: Thank you.

Moderator: The next question comes from the line of Rudraksh Raheja from iThought PMS. Please go ahead.

Rudraksh Raheja: Yes. Thanks for the opportunity. First question is, sir, could you help us understand what led to this major expansion in gross margins for Q4 of FY '25? And can we assume that we have bottomed out and recovery should start from here onwards?

Abhiraj Choksey: Yes, there were a couple of reasons. One is, overall, we saw improvement in nitrile latex margins, which were very low. The second was, in general in Q4 we did see slight improvement in margins across the board as well. And one of the reasons was there was some Jan and Feb prices went up and we were able to do some great buying, so there certainly has been some benefit to that as well. So, a combination of two, three reasons. And the fourth reason is also volume going up, as volume goes up, margins overall go up as well, EBITDA margins. So these are the three, four reasons.

Obviously, there's been one big change which is, compared to Q4 and Q1. So, coming to your second part of your questions whether that has bottomed out or not. So I think, look, that was our hope, but given the US tariffs and the uncertainty around that issue, what we are seeing in the market is a lot of uncertainty from some of our businesses that are more US-focused. So, for example, we do not have much exposure to the US, but indirectly some of our customers have exposure to the US, they export to the US. So obviously they are affected in these uncertain times.

Obviously the duties, except for China, the duties worldwide is now 10% into the US. But given the uncertainty, that could change again in July, right, after 90 days. So, I think there is a lot of uncertainty, so there is, in Q1 at least, in Q2 perhaps this US situation may create a lot of uncertainty in the world and for some of our customers. Directly, so far, at least in Q1, we haven't seen our business affected too much, but the outlook is the best what I can use is uncertain.

Rudraksh Raheja: Got it, sir. And sir, on the CAPEX front, if the current trajectory continues, we will run out of capacity, as you have acknowledged as well.

Abhiraj Choksey: Yes.

Rudraksh Raheja: Can you share more details on the CAPEX?

Abhiraj Choksey: Yes, we will run out of. So we expect that, again, as I said, we will wait and watch. Of course, we are making multiple plans for further expansion of our current product range, which is NBR, butadiene latexes, styrene acrylic latexes, and nitrile latex we will not be expanding immediately, we will probably wait a year or two depending on how the margins play out. The plans are on, and we expect we will be okay till perhaps the middle of next financial year. So, we should have enough capacity.

Rudraksh Raheja: Got it, sir. I will come back in the queue.

Abhiraj Choksey: We will be sort of informing our investors about our CAPEX plans once they are firmed up and approved by the Board.

Rudraksh Raheja: Understood.

Abhiraj Choksey: Okay. Thank you.

Moderator: The next question comes from the line of Sani Vishe from Axis Securities. Please go ahead.

Sani Vishe: Yes. Thank you. Good afternoon, sir. So coming on to the answer that you gave to the earlier participants, so margin increments are driven by multiple factors. And besides volume, I think the most of the factors are excellent. So, are we saying that our margins will keep varying depending on external factors? Or is there something that you are doing to improve the margins on a steady basis?

Abhiraj Choksey: So one is of course we are growing volumes, that will obviously, as you said, expand margins. There are a few other plans as well to kind of reduce cost, which are ongoing. But however, yes, the external factors, especially in the nitrile latex business which has pulled down the margin overall for the year and for the quarter as well, although there's been an improvement in Q4, there is the external factor. There are external factors right now and over time the other external, I do not know if I call it an external factor, but the whole industry added a lot of capacity just post-COVID. Now, in the last two years, there's not been any major capacity expansion in any of the latex businesses.

So, when the capacity utilization sort of goes to a healthier level, like we for example are 80%, 82% capacity, generally 80%, 85% capacity utilization and above, things start improving in terms of margins. So I do not know if you would call it an external factor, but that's more of an industry dynamic. And so if you see our four years result, we had two years where our EBITDA margins were 15%, 16%, and then the last two years where the EBITDA margins have been obviously lower, maybe closer to 10%, 11%. Yes, so I would say that industry dynamics are also changing now going forward. The whole post-COVID boom, during-post COVID boom a lot of

capacities were created in Asia, so that kind of slowly is sort of petering out, right, that excess capacity.

Sani Vishe: Okay. So that that's what I was trying to understand. So things have improved, I mean, it's not just that the 25% or something like that, but I think we can expect relatively better margins compared to the gifts that we had.

Abhiraj Choksey: Sorry, I did not understand. I am sorry, it's not very clear.

Sani Vishe: Okay. Sir I was trying to say that, that's what I was trying to understand, that it's just not just the crude prices, but I think in general things have improved and we can be hopeful of more stable margin levels, right?

Abhiraj Choksey: Absolutely. And honestly, the crude prices for us, unlike maybe FMCG companies that are using crude as a base, or FMCG is wrong word, but any company where -- Okay, let me put it this way. I do not think crude prices in the long term affect us too much, whether they are up or down. We obviously prefer them lower than higher. But in general, it's about the margin between our raw material prices and the finished goods prices. So being a B2B company, we have to move quickly and reduce and increase prices as the raw material prices go up and down. So it is the delta that we focus on.

Sani Vishe: And lastly, if possible, will you share now or later the realizations, average realization for the whole year?

Abhiraj Choksey: What do you mean by that?

Sani Vishe: Realization per KG for latex.

Abhiraj Choksey: We cannot say that Mr. Vishe

Sani Vishe: Okay. Fair enough, sir. Thank you.

Moderator: Thank you. The next question comes from the line of Jaspreet Walia from Clockwise Capital. Please go ahead.

Jaspreet Walia: Sir, thanks for taking my question. Sir, can you just give us a general performance update on various segments of the business for FY '25, specifically if you could talk about volume and margin trends in the SP latex business, NBR, HSR and nitrile latex? And any underlying trends which grow growth or margins in FY '25 and your prognosis for next year in all the different segments?

Abhiraj Choksey: Okay. So as I mentioned earlier, we had about two-thirds, let's say two-thirds is latex and one-third is the rubber segment. Let's start with the easy one, the HSR segment, the margins are

sort of steady, volumes are actually somewhat declined in the year compared to last year, so it's only about 5% of our total business now. It's not a growing business. In fact, it's a de-growing business. So we are sort of continuing with the business without investing any funds. So that's a little flavor on high styrene rubber.

In terms of nitrile rubber, we are at 100%, almost close to 100% capacity level for FY '25. And we will be the same for FY '26, no new capacity is going to be added. Margins, we are dependent a little bit on international prices and of course now this anti-dumping that we have filed. So there also margins in Q4 were better, overall they were steady for the year.

On the latex side, as far as the paper carpet construction for the year, it was definitely more challenging in the previous couple of years. Again, as I mentioned capacity being added. On top of that, some of our exports were affected, especially in the carpet industry to Turkey, to Egypt because of all the war issues in Israel-Gaza issue. So because of all these issues, carpet was affected. However, overall for the year we have seen, as you can see, we are still push through growth. Overall we had a 16% growth in volumes, 24% growth in value terms for the year.

Jaspreet Walia: 16% growth in volume is including nitrile latex as well?

Abhiraj Choksey: Yes, absolutely, including nitrile latex.

Jaspreet Walia: Sir, can you give us numbers for only for the SP latex business? How is that business?

Abhiraj Choksey: We do not give, for each segment we do not give growth numbers. I am just trying to give you a flavor. Unfortunately, I am not able to give those numbers for sort of obvious reasons because we have different competition for different latexes and we just do not want to talk about them individually.

Jaspreet Walia: Got it.

Abhiraj Choksey: But overall, of course, NB latex also, I can talk about overall for the non-nitrile latex segment has also grown. We will pull out the growth numbers in a second, but I hope that gives you a little bit of a flavor. In terms of margins, as I said, it has been challenging for paper and carpet for sure compared to the previous year. Construction has been steady. Overall, we have seen cash profit grow from Rs. 85 crores to about Rs. 96 crores, so 13%, 14%.

Jaspreet Walia: And sir, your prognosis for next year for SP latex business?

Abhiraj Choksey: Yes, 12% growth in cash profit. And he's asking about non-nitrile latex, if you have that available. We do not really give prognosis or a guidance for the following year. But yes, for SB Latex, we are quite bullish, we have a very strong market share, we are number one in that segment in India, we are growing well in exports. So as long as the India growth story continues and we are able to continue to grow in export, there also we expect growth. Obviously, it will

not be like nitrile latex, because in nitrile latex we just started a couple of years ago, but we expect good growth there as well.

Jaspreet Walia: Got it, sir.

Abhiraj Choksey: So even in the non-nitrile latex segments we have grown at about 8% to 10%.

Jaspreet Walia: Volumes?

Abhiraj Choksey: Volumes, yes. And it will be probably a little bit more.

Jaspreet Walia: Sir, in the nitrile latex business, you were of the view --

Moderator: Sorry to interrupt, Jaspreet, you are done with your two questions. Would you please call back in the queue if you have any more?

Jaspreet Walia: Sure. Okay.

Moderator: Thank you. The next question comes from the line of Raman KV from Sequent Investments. Please go ahead.

Raman Kerti: Sir, I just have two questions, one with respect to the guidance for the coming year. So, what sort of volume growth are we expecting in terms of the latex and rubber segment? And secondly, are we expecting any further price margin improvement driven by the declining crude oil prices?

Abhiraj Choksey: As a policy we do not give guidance. But as I have mentioned, in the rubber segment we do not expect growth because we do not have capacity this year. So, we will try and improve our margins in the rubber segment if possible. On the latex segment, of course, we expect growth, we have runway so we will push. Again, we do not give specific guidance in terms of growth for specific segments or even as a company as a whole.

Raman Kerti: Sir, with respect to the rubber segment, so are we adding capacity in this year?

Abhiraj Choksey: We will be deciding in the next three to four months, I suspect.

Raman Kerti: Okay. And sir, other thing is, I want to understand, see, this quarter we had the operating margin has improved from 8% to 11% on a quarter-on-quarter basis and you said it was because of better price realization. At the same time you said the inventory is high, basically when the crude price was higher, so when will the impact of low crude price be impacting on the company level?

Abhiraj Choksey: See, as I said, again, I am repeating that lower crude prices do not necessarily mean it's great for the company. Lower crude prices, once they are steady, if it remains steady, it does help of course from a working capital angle, also from a pricing angle it helps a little bit. But while they are falling, as we have seen in the last couple of months, it's actually a little bit not great for the company because we are forced to sort of reduce finished goods prices very quickly and we may be stuck with some higher cost raw materials or finished goods. So, of course, we try and manage it as best as best we can, but what we have seen historically, we are sort of sometimes quarter or so can be affected with these kinds of sharp movements.

And not just crude, it's more than crude. The raw materials we specifically buy which are petrochemicals which are downstream crude. So even if crude goes down by 20%, does not necessarily mean that our materials will go down by 20%. In fact, some raw materials have gone down by 10%, 15%, some have gone down by 25%, 30%. So I hope that answers your question.

Raman Kerti: Yes, sir. Only one last question, it's on the part of price realization, what is the realization per ton with respect to latex and rubber for FY '25?

Abhiraj Choksey: Again, we do not give sort of per KG numbers, as I told the previous caller as well.

Raman Kerti: Alright, thank you.

Moderator: Thank you. The next question comes from the line of TK Pandya, an individual investors. Please go ahead.

TK Pandya: Good afternoon. Thank you for taking my questions. First thing I would like to know that Apcotex had acquired 26% of shares from Opera Vayu Narmada, and this company is a special purpose vehicle and has no business operations. What prompted you to take this line of going in for wind power generation? Because wind power generation production is very erratic and shutdowns are very frequent. You have a power purchase agreement and has your power purchase agreement safeguarded yourself from any of these vagaries of wind energy production?

Abhiraj Choksey: Yes. Thank you for your question. So this is specifically for the Gujarat plant or Gujarat facility where we are investing in a hybrid power project, it's not only wind. And whatever power is generated, we get a credit in the consumption of our Gujarat plant. So it's a Gujarat Government scheme to promote renewable energy. And obviously, the payback and the savings from this project is quite lucrative, and that's the reason. And above over and above that, more than the savings and the commercial aspect of it, from an ESG perspective, we will be sort of moving at least 60% to 70% of our current consumption, 65% to 70% of our current power consumption in our Gujarat plant to renewable energy, and therefore reducing our green house gas emissions.

TK Pandya: The cost of green energy, wind power or whatever you are saying, as compared to the conventional cost of power from conventional sources, how much is the difference? How much profit or how much is savings we are able to make?

Abhiraj Choksey: It is a significant difference, Mr. Pandya. It will result in reasonably good savings per year for Walia plant. I mean, I do not have the exact numbers with me, but it's a significant saving.

TK Pandya: Do think our investment of Rs. 3.27 crores is worth it, we will not regret it?

Abhiraj Choksey: Yes, definitely.

TK Pandya: Okay. And then the second question is, your current liabilities and non-current liabilities total is about Rs. 184 crores, so where do you utilize these borrowings?

Abhiraj Choksey: So, the current liability are on two fronts. The total borrowing was, one was used for the projects that we invested two years ago, more than Rs. 200 crores were invested in two expansion projects. And the second is gone obviously to fund the working capital. And our total as on March 31st, '25, the total borrowings would be about Rs. 185 crores.

TK Pandya: That is what it is, but Rs. 185 crores is very high as compared to your profit is only around about Rs. 50 crores or so, Rs. 51 crores. The net profit is Rs. 54 crores. So it will take about more than three years to square off these borrowings.

Abhiraj Choksey: Some of it is term loan. So, again, we have debtors as well. Sorry, some of it is working capital loan. So the working capital loan is probably more than half of this. And the term loan is probably a little less than half now. So, in fact, on the contrary, I think our balance sheet is extremely healthy and we also have cash in the books of about Rs. 100 crores that we have kept for future sort of opportunities or immediate opportunities. So, I beg to differ, I think our balance sheet is one of the healthiest that you would see.

TK Pandya: Okay, no discussion on that last. The margins at the end of the financial year, profit margins, earlier you had between 10% and 15%, now in the last quarter it was 4.8%. When do you expect your profit margins to come around 10%?

Abhiraj Choksey: As I mentioned that in the last couple of years there have been some internal challenges and some external challenges, which in the year FY '22 and FY '23 obviously we had better margins compared to the last couple of years. We expect that in the next year or two things should turn around as capacity utilization goes up across the industry. I think things should turn around. Of course, there are certain uncertainties right now with the tariffs from the US, I think that's the main issue right now. And of course, the India-Pakistan situation, I do not want to comment because it's too recent and no one knows how that will play out. But for now the tariffs is the

big issue and how it affects us and the customer, and the economy as a whole. But overall, we obviously expect the margins to improve over time.

TK Pandya: Okay. Thank you so much. Thank you, sir.

Abhiraj Choksey: Thank you, Mr. Pandya.

Moderator: The next question comes from the line of Rohit from iThought PMS. Please go ahead.

Rohit: Good afternoon, sir. Sir, most of the questions have been answered. Just two questions, again. So sir, I think historically we have been talking about, so nitrile latex when we envisioned this project, it was high margin and of course the situations have changed post-COVID. However, I think in general you have spoken about improving your overall margin band from, let's say, around the peak margins that I can see that you have done around 14%, 15% during the good years of COVID. But I think you have talked about the normalized margins being around 14%, 15%, growing on from here of course, say, for these tough periods. So I just wanted to get your comments around that, how confident you are, I am not talking about the immediate quarters.

So I just wanted to understand from you, if I look at the last probably 10 to 12 years of your historical numbers, the highest margin that you have done is during the COVID years. Now, you have been saying that those will be your normalized margin and if you get some good years then probably it could go even higher. So maybe if you can just help us understand what gives you that confidence? I am not talking about the current times, I understand these are tough times when there is over capacity and we are all trying to get the way out of it. But if you can just maybe help us understand, so yes, that's my first question.

Abhiraj Choksey: It's not fair to compare 10, 12 years because the company was very different 10, 12 years ago, we were probably a Rs. 400 crores company, now we are Rs. 1,400 crores company. So one is, we are achieving scale slowly but surely, right. We are going closer and closer to global scale. So for example, our styrene butadiene latex and styrene acrylic latex plants are now with global scale I would say. Obviously, what has happened is because of the post COVID boom between '21 and '23, a lot of capacity was added, that typically does not happen in this industry, it gets added slowly. I think the whole industry was running at full capacity very quickly in that 2022-2023 period. And so quickly a lot of capacity got added, which typically doesn't happen.

So therefore when that normalizes, we expect margins of those products to go back to normal. Nitrile latex, because it's used in medical gloves mostly, even more capacity than normal was added. I mean, more capacity was added in the last two years in nitrile latex than the previous 10, 15 years. So it's really been very unusual period in terms of capacity addition. So as the capacity utilization normalizes, we expect the margins to normalize at about 14%, 15% now. Had it been seven, eight years ago, Apcotex may not have been able to achieve those margins because we were sub-scale. And therefore, the confidence that we can do this. We would have

to of course increase margins for NBR, for all our products as well, and introduce some higher sort of value added products. So, all that helps overall.

So, let me put it this way, even in years that have been very challenging, we have achieved margins of about for the last two years close to around 10%, right? So this is when nitrile latex is pulling our margin down for the company as a whole. So without nitrile latex, we would have had maybe 11%, 12% margins, 2% more, so around let's say 12% margins I am told, and that's a not such a great year. So once capacity, we should go back to 14%, 15%, that's what I feel.

Rohit: Very clear, sir. Thank you. And sir just one more question. So given you mentioned that we will probably run out of capacity probably some time next year, I mean, this financial year, and you are deliberating on capacity expansion. And you said that we are now in many products we are like a player of scale. So given that the margins are not great across the board, given the capacity increases and general realizations being down, would that not impair our margin recovery as a company? Just wanted to get your views.

Abhiraj Choksey: Sorry, I did not understand the question. Why would it impair margin recovery because of?

Rohit: I mean, you putting more capacity, I mean more supply coming because you are a player of a decent scale for all these products now, would it not impact, like in excess supply scenario you are putting more supply is what my question was actually.

Abhiraj Choksey: So I what I am saying is, yes. Look, again, I am just trying to mention what happened two years ago was we came in with a capacity and our competitors came in with capacity. So as a result of which a lot of capacity was added. Now I think it will be sort of normal capacity expansions going forward, it will not be in the sort of post-COVID capacity gold rush as we called it. Now it's going to be sort of more measured capacity increase for what we need, because we do not increase capacity, that's also an issue, right. And obviously, one eye is going to be a return on capital. So whatever additional capacity we do set up, we will want to utilize that capacity also in two to three years and we would want to do it at a cost where our return on capital is quite healthy. As a company, we look at 20% to 25%, we target at least 25% return on capital. As long as we are convinced that there is a high probability of that happening, we will invest.

Rohit: Can I ask you one more question, if it's okay?

Abhiraj Choksey: Sure, go ahead.

Rohit: I think sir you mentioned in the last couple of calls about this tariff issue probably helping you given there would be tariffs on Chinese gloves exports. And given the current situation, there will be largely the tariffs on China stand and other tariffs are not at that rate. So how is the situation now evolving for you guys specifically and your customers essentially, yes?

Abhiraj Choksey: Obviously the difference between last time and this time is that last time it was specifically, I mean, last time when we went in January, it was specifically on Chinese gloves that the US had imposed 50% duty starting Jan 1st. Now, what's changed dramatically was in April, since early April is that tariffs were announced across the board and reverted back, and now obviously only China has more than 100%. I do not even know the number anymore, it keeps changing, but more than 100% tariffs on all products from what I understand. So, as a result of it, of course the Chinese glove industry has been affected. And what we are hearing from our customers is that, for China it's not viable for them to supply to the US, so they are coming to all Europe and Asia and other parts of the world you will see more Chinese gloves hit those markets.

And similarly on the latex as well, because their overall gloves or hands and glove industry has been affected in China, they have excess latex. So that's also coming out of China and we are seeing it in some markets. It's a little early to say because all this started only in March, April, or April rather after April when the tariffs were increased even further. So far, no direct impact on us, but we have to wait and watch. For example, some of our customers who are Sri Lanka, Indonesia, Malaysia, they are not sure what their duties will be when they export into America two months later, right? So there is a lot of uncertainty. People are basically holding off on building big inventories or sending big parcels to the US.

Rohit: Got it, got it. Thank you very much. And all the very best for this coming year.

Abhiraj Choksey: It is uncertain, really do not know how it will play out. So far I can tell you, at least so far this quarter, which is almost half of this quarter is done, our business, our volumes have not been affected, we are still pushing through and it's not okay, looking okay so far. But the outlook is uncertain, so it could change at a short notice, right, depending on what happens.

Rohit: Sure. Thank you, sir. All the very best for this year.

Abhiraj Choksey: Thank you.

Moderator: Thank you. The next question comes from the line of Srushti Hanswara, an individual investor. Please go ahead.

Srushti Hanswara: Yes, thank you sir for the opportunity. My first question is, any updates on APCOBuild?

Abhiraj Choksey: No, actually it has been a little bit of a challenging year this year. I think overall the Indian market that APCOBuild is entirely for the Indian market and more for the sort of western and central region. We have seen growth but slight growth, but we do not, as I said, it's still a small part of our business. So we do not really report on it.

Srushti Hanswara: Okay. What exactly are the triggers for our nitrile latex segment to grow, which could potentially lead to higher margins overall?

Abhiraj Choksey: Sorry, I did not understand the question.

Srushti Hanswara: What exactly are the triggers for our nitrile latex segment to grow, which could potentially lead to higher margins overall?

Abhiraj Choksey: Yes. So, in terms of volumes, we are perfectly on track. Our original thought was that we would reach 100% capacity utilization within two years. I would say, we have a run rate now of about 80%, so we are a little bit short on that. But that is also because the margins have been very low. So we are only focusing on customers where we are getting at least some margins. So there I think we are just waiting for the whole industry to kind of turn, because the capacity utilization in the industry really became very low with so much capacity added, and then post-COVID demand going down as well. So now the demand is back to kind of pre-COVID levels and a little higher, and all the inventories that were there, sort of the gloves inventories have been utilized, the additional gloves produced during those COVID years. But we are seeing a lot of capacity utilization, idle capacity utilization. So when that turns margins will go, that's the main trigger.

Srushti Hanswara: Okay. And what about freight cost updates, are they reduced or --?

Abhiraj Choksey: Sorry, were you talking about freight cost, ocean freight?

Srushti Hanswara: Yes.

Abhiraj Choksey: Ocean freight have been definitely better. They have reduced over time. Some pockets still remain a little higher than what we would like, especially to Middle East and Turkey and so on. Middle East, meaning sorry, Egypt, and we may be able to pass through the Suez Canal, even Europe, those costs remain high because some ships are going around South Africa now. But overall, I would say, freight cost is not so much of an issue now. Except for the markets for carpets mainly, which is Turkey, Egypt, that area, Saudi.

Srushti Hanswara: Okay, thank you, sir.

Moderator: Okay. The next question comes from the line of Hemani Gandhi, an individual investor. Please go ahead.

Hemani Gandhi: Thank you for taking my question. I wanted to ask that currently export contributes 30% to our revenue, but given the current scenario, how do you see that panning out ahead? And what could be the headwind when we could see?

Abhiraj Choksey: In exports?

Hemani Gandhi: Yes, yes, in exports.

Abhiraj Choksey: Okay. So currently we are at about one-third, 32%, 33% of our total turnover is exports. Honestly, for us it's not so much about exports domestic. Obviously, over time since we are very strong in the domestic market for most of our products that we are in, the real big driver for growth is export. So we do expect it to go above 40% over the next couple of years. There is no major headwind, I would say, because we are focusing more on regional export, Southeast Asia, Middle East, MENA, North Africa, these regions are probably two-thirds of our total exports, and the remaining in other parts of the globe. So, headwinds there, it's mainly this overall global capacity addition that happens in nitrile latex and some in other latexes as well, other synthetic latexes. That's the main headwind. Otherwise we do not see much of an issue.

Hemani Gandhi: Okay, okay. Just try another one question, on a broader basis can you provide the industry wise revenue segmentation, we cater to seven industries?

Abhiraj Choksey: So approximately, the rubber we are at about one-third, about 32%, 33% is the rubber industry. Tyres is probably another 10% or so. And then largely we have paper, construction, carpet, textiles, which would be all around 15% each. So 15% paper, 15% construction, 15% carpet and textiles put together. I may be missing one, and nitrile latex of course is another 15%. I mean may not exactly add up to 100% but gives you a little bit of a flavor.

Hemani Gandhi: Okay. Thank you. Is the geopolitical issue term favorable? Would we be able to capitalize it in the short term, like can we do CAPEX within a few months or would it take more than here to do CAPEX and you would be able to have benefits of CAPEX-led growth, like how will it go?

Abhiraj Choksey: So again, I did not perhaps understand your question fully, but correct me if I am wrong, you are asking geopolitical issues, is there any benefit that we can take out of this? Are you specifically asking about that?

Hemani Gandhi: If the current scenario somehow turns favorable, will we be able to capitalize it in the short term?

Abhiraj Choksey: So in the short term, certainly, because from the latex side we have capacity on both nitrile latex and our other synthetic latexes. It's a question for next year. We expect that the capacity will be ready by the time you will really need it. But in case, as you said, there is spurt in demand this year, we get some 25%, 30% growth suddenly. Then yes, we will not be able to capitalize into the volumes, but we will take advantage and try and improve margins in that case. But, honestly, given the current geopolitical environment, I do not think that's going to happen, there is not a lot of stuff that's looking great.

Hemani Gandhi: Okay. Thank you so much.

Abhiraj Choksey: Thank you.

Moderator: Thank you. Thank you. The next question comes from the line of Ankit Kanodia from Zen Nivesh Advisors. Please go ahead.

Ankit Kanodia: Thank you for taking my question and congratulations on decent set of numbers given the external environment. Sir, most of my questions have already been answered, just a couple of them. Number one is, sir in one of those questions you said that you had a difficult year for APCOBuild, can you just throw some more light as to what happened there?

Abhiraj Choksey: Difficulty year in the sense that we have been used to 18%, 20% or maybe more growth earlier. This year the growth is in single digits. I just mean from that point of view it was not such a great year. Because the previous sort of many years, six, seven, eight years we have had good growth. We have just seen the Indian sort of construction chemical space is crowded, the growth hasn't been there. And I think you can see that in the other sort of allied building material segments as well. I think that's not such an issue.

Ankit Kanodia: Got it. But I think we started this somewhere in 2017, even after eight years it forms less than 5% or maybe lower single digit to our revenue, do not you think we are going much lesser than what we would have liked?

Abhiraj Choksey: Yes. I mean, look, obviously we could have done better, we can do better. But as I said, it's more of a downstream play. We have a few of the main raw materials, so we are trying to capture the downstream margins. And we are quite happy with the way things are progressing. Things could have been better, of course, and we would have preferred to be a bigger business than it has. But it's still a profitable business on its own, we run it like a standalone P&L and it's a good small profitable business.

Ankit Kanodia: Got it. My second question sir is slightly longer term, if I have to look at the how we have grown and how we have basically added more products, added more geographies and also reduced the customer concentration risk over the years, what I have generally observed is that your business has achieved scale also, and apparently the EBITDA margins have also increased over the years. Even though in between there have been periods when margins have been very high, and then they are very low. So is my understanding correct when I see that in the last two years in the margin, we are closer to the bottom, right, and the next two, three years from here we should see both margin and asset turn perspective the number should go up? I am not asking for any definite number.

Abhiraj Choksey: Sorry, can you repeat the last part, you said from a margin and what perspective?

Ankit Kanodia: Asset turn. Even your asset turns also sometimes become more than 8, sometimes it comes down to 2, 3, 4, that's a very wild range of asset turns which we see in the business.

Abhiraj Choksey: But see, as I said, what happened in '23-'24 was unusual, because a lot of we added more than Rs. 200 crores of assets literally in quarter, so therefore the asset turns fell. And obviously, as the capacity is used up, the asset turnover goes up again. So whenever I look at ROCE for the company or asset turn, I think I look at it for any company, not just my company, for any company, you cannot look at it as, at least I do not look at it as in one point in time but an average over a period of five, seven years, that gives a better flavor.

And as far as margin is concerned, again the same issue, right, there's a lot of capacity that was added in that FY '23-'24 periods for us and for the industry as a whole, which is the main reason why EBITDA margins are lower. But as a business we are definitely much stronger now in terms of scale, in terms of as you said geography, in terms of industry coverage. So we are not dependent on any one industry, and so therefore the downside is quite well protected. And so earlier our margins were between, I remember many years, I mean, 15, 20 years ago margins would be between 3% and 8%, depending on good years and bad years. Now what we are looking at is 10% and 15% between good years and bad years. So, I think over time that will keep improving as we scale up more and more.

Ankit Kanodia: Thank you so much, sir, that's really helpful. And all the best.

Moderator: Thank you. The next question comes from the line of Rudraksh Raheja from iThought PMS. Please go ahead.

Rudraksh Raheja: Sir, thank you again. Sir, could you tell us about your debt repayment plan, if you have any?

Abhiraj Choksey: We do not have. As I mentioned to the previous caller, we had one long term loan that we had taken for about Rs. 125 crores for the projects that we did. And we are paying it back as per the schedule. Sachin, would you like to give the numbers?

Sachin Karwa: So we have already repaid a year of term loan installment, and in next three years we will close the loan. So it's a four year period in which the loan will get closed.

Abhiraj Choksey: I honestly think it's not a big deal. We have Rs. 100 crores of cash against our term loan which is also currently what, Rs. 95 crores.

Sachin Karwa: Rs. 100 crores.

Abhiraj Choksey: About Rs. 100 crores. So again, the term loan we already have that cash, and the rest of the borrowing is working capital borrowing. And if you see, for a Rs. 1,400 crores company the working capital borrowing is about Rs. 80 crores, which is less than a month of working capital. So, in fact, we have got feedback from some of our board members that we are being too conservative and we should have more debt.

Rudraksh Raheja: Okay, okay. Sir, in terms of the latex product, sometime back when we expanded our capacity, you mentioned that another player in the industry also expanded at the same time, so that's why prices crashed. So specific to that –

Abhiraj Choksey: The margins were affected because everyone was holding on to market share or trying to improve market share, it happens. And it is just that, also do not forget that post-COVID that huge jump in '21 which no one was expecting. In fact, if you remember Calendar Year '20 everyone was so worried about COVID and what would happen to businesses. And suddenly in Calendar Year '21 what we saw was a huge pull from the market as people were sitting at home and ordering goods, so all manufacturing went up. So in '21 and '22 and parts of '23 we were running at 100% capacity utilization. And those two, three years everyone panicked that we did not have enough capacity. And when I say we, I mean, the manufacturing industry as a whole and our industry in latex and these products. And we built more capacity than we perhaps needed to at that time, thinking that it will be used up quickly. But we have been conservative, we have been very good at using it up. And I think we have done a good job overall. So that unusual period has gone away now. I think companies are going to be a lot more measured about adding capacity.

Rudraksh Raheja: Sir, but are margins coming back there? Capacities we have added, that is true.

Abhiraj Choksey: They will, they have to. Because to invest further you need a healthy return on capital, so you need healthy margins, right, otherwise no investment will happen.

Rudraksh Raheja: Got it, sir. Got it.

Abhiraj Choksey: Okay, good. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for the closing remarks.

Abhiraj Choksey: Thank you everyone for joining us on the Q4 and Financial Year '25 conference call. We look forward to seeing you in the new financial year now for the Q1 results in July. Thank you very much for your time.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of Apcotex Industries Limited, that concludes this conference. You may now disconnect your lines.