GANESH BENZOPLAST LIMITED

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August 23, 2024

To

The General Manager, **Department of Corporate Services – Corporate Relations Department,** **BSE Limited,** **Pheeroze Jeejeebhoy Towers,** **Dalal Street, Fort,** **Mumbai – 400 001.** **Scrip ID: 500153**	**The Manager,** **Listing Department** **National Stock Exchange of India Limited** **Exchange Plaza, 5th Floor,** **Plot No. C/1, G-Block, Bandra Kurla Complex,** **Bandra (E), Mumbai – 400051** **Scrip ID: GANESHBE**

Dear Sir,

Sub: Transcript of Conference call held on Wednesday, 21st August, 2024

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of Conference Call held on Wednesday, 21st August, 2024 at 4.00 PM (IST) with the Investors and Analysts.

This transcript of Conference Call is also posted on the website of the Company at www.ganeshbenzoplast.com

Kindly take the same on your record.

Thanking You,
For Ganesh Benzoplast Limited

EKTA DHANDA
Digitally signed by EKTA DHANDA
Date: 2024.08.23 23:38:03 +05'30'

Ekta Dhanda
Company Secretary and Compliance Officer

Encl: As above

"Ganesh Benzoplast Limited Q1 FY '25 Earnings Conference Call"

August 21, 2024

MANAGEMENT: **MR. RISHI PILANI – CHAIRMAN AND MANAGING DIRECTOR – GANESH BENZOPLAST LIMITED**
MR. AMAR KABRA – GENERAL MANAGER, FINANCE AND TAXATION – GANESH BENZOPLAST LIMITED

MODERATOR: **MR. PRIYADARSHI SRIVASTAVA – CAPITALSQUARE FINANCIAL SERVICE**

Moderator: Ladies and gentlemen, good day, and welcome to Ganesh Benzoplast Limited Q1 FY '25 Earnings conference call hosted by CapitalSquare Financial Services. 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 the star then zero on your touchstone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Priyadarshi Srivastava from CapitalSquare Financial Services. Thank you, and over to you, sir.

Priyadarshi Srivastava: Thank you, Steve. Good evening, everyone. On behalf of CapitalSquare, I welcome you all on the Ganesh Benzoplast Q1 FY '25 Earnings Call. Today, we have with us Mr. Rishi Pilani, Chairman and Managing Director, Ganesh Benzoplast; Mr. Amar Kabra, General Manager of Finance and Taxation, Ganesh Benzoplast. Now I pass on this call to the management for their opening remarks, which will be followed by the Q&A. Over to you, sir.

Rishi Pilani: Thank you, Priyadarshi. Good evening, everybody. Thank you so much for joining us for the Q1 FY '25 Conference Call. We will initiate the call by taking you through the business highlights for the period under review and after which, we will open the forum for the question-and-answer. I hand over the call to now Mr. Amar Kabra, our GM Finance and Taxation, to share the quarterly numbers with you.

Amar Kabra: Good evening, everybody. So key highlights of the unaudited financial results for the quarter ended on June 30, 2024 are : during the Q1 of FY '25 on a stand-alone basis, profit after tax is 157 million as against 138 million for Q1 of financial year '24 with an increase of 14% Y-to-Y. And for consolidated basis during the quarter 1 of FY '25, profit after tax is 164 million as against 155 million for Q1 of financial year '24 with an increase of 6% Y-to-Y.

So, with that, I've given the highlight for the results.

Rishi Pilani: Now we can open the forum for any question-answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: Sir, I wanted to understand why our margins are lower than Aegis Logistics in the Liquid Storage Terminal division. And we have guided that we'll have a 5% to 7% kind of realization growth in this segment, but...

Rishi Pilani: Sorry, we can't hear you properly, Madhur.

Madhur Rathi: Yes. Sir, I'm I audible right now?

Rishi Pilani: Can you just speak little loudly?

Madhur Rathi: Yes, sir. Yes, sir. Sir, I wanted to understand in our Liquid Storage Terminal division, sir, our margins are lower than our competitor, Aegis Logistics is just upwards of 70%. But we are in the -- we are lower than that. And secondly, sir, we have guided that there will be a 5% to 7%

kind of a realization currently -- realization growth on this segment, but there seems to be a degrowth. So why is that?

Rishi Pilani: So, see, one thing is that the margins will definitely depend on the product mix and the capacities and a lot of other factors. So as compared to our competitors, we'll have to go through each and every factor. And pure liquid, we are very much, I think, on par with everybody if you take out LPG, then we are on par with most of our competitors. But yes, if there is room for growth, we are always looking for that. And when you're saying that there is a decline in our realization, do you mean on the top line?

Madhur Rathi: Yes, sir. So, if I look at the stand-alone numbers, it's INR36 crores versus INR40 crores Y-o-Y and INR48 crores Q-on-Q.

Amar Kabra: Yes. So, the top line you're seeing is consisting of rental income, your wharfage collection income and your EPC, 1 EPC contract is also going on in the stand-alone basis. So, this quarter, there is a decline in this EPC and wharfage business, but that has not affected our profitability. We have maintained our profitability on rental income, and our EBITDA for the rental income is constant from last 3, 4 years, it's around 50%. So, profit is there.

Madhur Rathi: Sure. But the EPC division was part of a consolidated LST business, right? Or is this a part of a stand-alone...

Amar Kabra: No, there is 1 contract, there is one existing EPC contract, which is continuing parent company itself, which is going to be finished in the next 2, 3 months. And apart from that, there is one another business, wharfage business. Rishi will give the brief about that wharfage business. So...

Rishi Pilani: So basically, there are certain services that we are providing to our customers, like collection of wharfage to be paid to the port and all, which are more or less like a pass-through. So, we collect the wharfage from our customers and we pay it to the port. So those businesses are not having a higher margin per se, that's only like an additional service that we are providing to our customers. So, this year -- by this quarter, because the particular jetty under consideration was in repair for 3 months, they were doing a dredging there.

So that's why we did not collect any wharfage for that one. So that's why you must be seeing the decline in the revenue. As far as revenue goes, we are maintaining that, which is our core business, which is the rental that is maintaining the steady state.

Madhur Rathi: So, sir, for FY '25, what kind of expectations we have for both our divisions -- as for LST division and Chemical division, what kind of top line do we hope to reach?

Rishi Pilani: See, obviously, we always try to get the maximum growth. But like I have always maintained that for LST, since the capacities are always as of now, maxed out, anywhere our expectation is that it will be between 5% to 8%. And even for Chemical that we will try to get closer to 8% to 10%.

Madhur Rathi: The margin since we are operating at full capacity at LST division, shouldn't the margins be better because we can choose the kind of high-margin business that we want to do?

Rishi Pilani: See, again, our margins also depend on the geography that you're working in. So, when I say full capacity, what I mean is that whatever is the available business in that area. For example, Goa, Goa we do not operate at 100% capacity. But whatever market share is available, we are capturing that on a 100% basis.

So, the growth opportunity there is restricted to a very limited point. In JNPT and Cochin also, we are now -- the tank capacities are fully utilized. So, for us to expect that we can get step jumps even by doing changes in products and all is not really tactical beyond the 5% to 7% range.

Madhur Rathi: Sir, so basically, where will growth come from or high growth -- I mean, stage is behind us?

Rishi Pilani: Yes. So, we are working on developing and looking at different ports to set up new time frames. And also, like I mentioned that in JNPT, the work is going on, on the new LPG terminal which is expected to complete somewhere in October of 2026. So that's where then we expect the step jumps to come.

Madhur Rathi: Lastly, sir, I understand there are some new capacities coming from the competition in JNPT to new berths or something like that. So, will that lead to pressure on our realization?

Rishi Pilani: See, always competition can lead to pressure. But currently, the capacities that are coming up in JNPT, none of them are of the same class as us. So, they are not there to handle the A class, B class and the C class products, which are the high revenue margin products.

No capacity as of now is coming up to handle those products, which is where GBL is set up for. And the new berths that are coming in that only helps us because that reduces the waiting time for any vessels, so it makes JNPT the preferred port to come to.

Madhur Rathi: Sir, so basically, until -- for the next 2 years until our new joint venture LPG thing comes on stream, sir, the growth will be like something like single digit only?

Rishi Pilani: Yes, yes, you're right.

Madhur Rathi: And sir, any prospect of improvement of margin in our Chemical division?

Rishi Pilani: Yes. So, for Chemical division, we are working towards, like I said, that there, we are looking at close to a 10% growth on a yearly basis, and we are working towards that, yes.

Madhur Rathi: And sir, margins, sir, 10% growth is approximately, sir, let's say, 210 or thereabout, sir, top line, and what about the margins?

Amar Kabra: Last year, we are making an EBITDA of around 5% to 6% in Chemical division, but our forecast for the coming years is to make EBITDA of around 8% to 9% in Chemical division. And PAT is around 6%.

Moderator: Thank you. The next question is from the line of Alia Shaikh, an individual investor.

Alia Shaikh: My question is about Chemical segment. So, what are the reasons behind underperformance of the Chemical segment? And what strategies are you implementing to address and overcome the losses incurred by the segment?

Rishi Pilani: So, thank you, Alia, for the question. So as of now, we are not incurring losses in Chemical division. So that is -- so -- see, Chemical division is not -- I would not say it is underperforming. If you see year-over-year basis for the last 5 to 7 years, the capacity utilization has steadily gone up without any infusion of fresh working capital into the company. So actually, the company is generating its own profits and increasing its capacity utilization.

So -- and as we have this year, we have implemented the management change to take over, we've gotten a new set of eyes to look at it. We have done some things to change the -- to introduce new products into it and the raw material purchasing has been also modified the system of purchasing to give us benefits of better pricing in raw material purchasing.

So, with all the combination of all of these, we feel that what we are earning as 5% to 6% till now, we should be able to take it closer to 10%.

Alia Shaikh: Okay. And sir, about the challenges, what are your outlook for the fiscal year? And could you highlight the key growth drivers and potential risks that may impact the company's performance?

Rishi Pilani: You mean in the Chemical division, you're talking?

Alia Shaikh: No, no, sir, overall business.

Rishi Pilani: So overall business, see, the key drivers are separate for the two divisions. For the infra division, obviously, we have strategically located tanks, and there is a natural growth in terms of demand which we are trying to optimize by changing the product mixes and see what best we can do in terms of revenue and pricing. So, if you ask me the key drivers for the infra business is obviously the sustained growth in the market, our strategic location and the thing is that now we have the full trust and faith of our customers from the last three decades.

So, we are the preferred terminal wherever we are located. As far as the Chemical goes, the product mix we have is a very niche product mix, like food preservatives, the lube oil additives, where the custom -- and what we are doing is we are also getting new certifications, like FDA and REACH and all we are in the process of that, so that we can maximize the sale of the products to not only within the domestic region, but also export it.

So that -- having the fact that our product is well established and it is largely accepted to all the customers, that's our biggest USP there because we don't have to develop the approval process for our products. The products are approved, we need to finish the procedures for those approvals.

Alia Shaikh: Okay. Sir, 1 more question. Could you please tell us what the new products you are launching in Chemical segments?

Rishi Pilani: See, we are exploring a lot of other products like methyl benzoate and we are also looking at some derivatives of the lube oil additives. What I can do is I can give you some detailed information on that because some of it is proprietary, on a separate one-to-one basis because the products are under development, so I don't want to right now discuss much on that.

Moderator: The next question is from the line of Vaishnavi Saboo from Scientific Investing.

Vaishnavi Saboo: So, I have a couple of questions -- yes. So, I wanted to know like you mentioned that because the jetty was under repair and which impacted the revenue, so what is the frequency of such events happening in a maybe 1-, 2-year basis?

Rishi Pilani: No. This is like probably once-in-like-a-decade event. What happened is JNPT handed over the operations to of the jetty to JM Baxi and as per the handover clause, JNPT had to complete some maintenance, dredging and etc etc, on the jetty, which is like a part of the handover process. So that was completed. Now the jetty is handed over. Do you expect this to happen again?

Vaishnavi Saboo: Okay. So, you recovered the production loss you've made during that time?

Rishi Pilani: We did not incur any production loss. That's a jetty. I mean we just use the other jetties to berth the vessels and like I already explained that the wharfage we were collecting, which was showing up is on top line was just basically a pass-through. So, we were collecting it as a service for our customers and passing it on to the jetty operator. So, if the vessels don't berth, we don't collect the and we just don't pass it on. So, it's not any loss to us in terms of finance.

Vaishnavi Saboo: Okay. So, the next question is what is your capex plan going forward?

Rishi Pilani: So, we all -- we have a capex plan divided amongst 2 or 3 main items: one is obviously the maintenance capex, which is required for all the terminals and that goes on. Secondly is capex into investing for -- building new tanks. So, this, like I said, we are looking at the opportunities for building new tanks. Very shortly, we hope to get the approval to build a few more tanks in JNPT and at that time, we will analyse the capex required for that based on the approval received, but there's no plan to go outside for it.

It can be easily funded through internal resources. And thirdly is the LPG capex, which we are working on, for which we have already secured the -- whatever is the equity contribution that is required from GBL has been already secured by us. So as of now, there is no fresh capex that we are envisaging that we would require in form of debt or equity in GBL to fund any capex.

Moderator: The next question is from the line of Vaishali Parkar from Vihaan Investments.

Vaishali Parkar: So, I wanted to understand here is like when I heard your call, I mean you were talking about some service maintenance going in one jetty. And -- so are we saying that this 41% year-on-year degrowth what we have seen is because of that one particular jetty which is going in the wharfage contribution?

Rishi Pilani: Yes. So, I'll explain to you how it goes is that there are two parts to it: one is the jetty part, and the second is like Amar already explained, that what we are doing is slowly, slowly, we are transferring the entire EPC business into our EPC subsidiary. So, because of that, we are not taking any fresh projects into the EPC until this transfer is getting over.

So that's why whatever billing we were getting from the EPC segment, which is, again, like I've always explained, it's not -- we don't look at it as a profit centre for us, it's more of a strategic centre where we develop ties with our customers and our own internal projects. So that is -- those are the 2 components that make that up.

Vaishali Parkar: Okay. And even after this 41% degrowth, we have maintained a very good gross margins around 50%, 54%, so was it because of some product mix? Or was it a onetime or you expect that this kind of gross margin will continue in the future?

Rishi Pilani: Yes. So -- as Amar already explained, that the margins and the profits that you see are derived primarily from our rental income. They are not -- we are not looking at a wharfage servicing or EP servicing as a profit centre. So even though these 2 businesses may go up and down in terms of revenue for whatever reason, our profitability is derived from the Rental segment, which we are maintaining steady.

Vaishali Parkar: Okay. But even after that, we have seen that huge growth in gross margins. So, was it because of product mix? Or it is was a one-time?

Rishi Pilani: No, so basically what happens is in April month, generally, you tend to revise your pricing of your tankages with your customers. So, part of it is because of that. And some contribution is also due to the product mix.

Vaishali Parkar: Okay. So, we can expect that such kind of margins we can give in future also?

Rishi Pilani: Yes. On a stand-alone basis, Rental will continue to perform...

Vaishali Parkar: Right. And this result also include your 18,000 KL capacity which has already come into the existence. So, there is a 100% capacity utilization there?

Rishi Pilani: Yes, 100%.

Vaishali Parkar: Okay. And 1 more question I would like to squeeze. Like you said that your LPG, you are expecting it by October '26, so could you please help me and understand that what is the total capacity we are building finally? It's 48,000 or 50,000?

Rishi Pilani: We are building 64,000.

Vaishali Parkar: Okay. Fine. And this 64,000 will come in one go by October '26 or it will be in phases?

Rishi Pilani: Yes. One go.

Moderator: The next question is from the line of Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: Sir, I wanted to understand when can we expect the demerger of our Chemical divisions and the Tank division?

Rishi Pilani: See, I have mentioned this in all my previous con calls also that the -- there is a legal issue with this diversification. We are waiting to get the court judgment in this matter. And we are -- unfortunately, the hearings are happening in a space that is not controlled by us in terms of time. So as and when that gets sorted, we will take this up as a first priority.

But in the meanwhile, what we have done is that we are going on increasing the -- working to increase the profitability of the Chemical division also so that even on a consol basis, it should contribute positively to the company.

Madhur Rathi: Sir, also you guided for around 5% to 7% realization growth in the LST division, so should all of it percolate down to the bottom line our EBITDA?

Rishi Pilani: See, mostly, all of it percolates to the bottom line because our costs don't go up in that same proportion.

Madhur Rathi: So, in that case, are we looking at a consolidated EBITDA of around INR150 crores or thereabouts for the year? Because if you see last year, we did INR81 crores in LST division, EBITDA, and if even a 5% growth will come to around something like INR15 crores. And in our Chemical division also, we are expecting around 9% OPM on around INR210 crores of revenue. So that also gives us something similar kind of -- so basically, INR30 crore incremental EBITDA can we expect for FY '25 year-on-year?

Amar Kabra: Last year, we made an EBITDA of INR110 crores consolidated. So obviously, you can take a growth of 7% to 8%. So, of that, it comes to around INR120 crores.

Madhur Rathi: Okay, INR120 crores.

Moderator: The next question is from the line of Udit Gupta, an Individual Investor.

Udit Gupta: Sir, my question what is the current progress on the new tanks that we are proposing, sir, with BW?

Rishi Pilani: So currently, as you know that originally, we had envisaged 48,000-ton terminals, which we then revised to 64,000. So currently, we are in the process of getting all the approvals for that. the firefighting parts -- the firefighting tanks and the firefighting installation, apart from the tank area is already completed. The good part is that one of the most important approvals for this is an approval from an agency called Chief Controller of Explosives, which is PESO, Petroleum and Explosive Safety Organization, so we have received that.

So, all other approvals are actually just a fall-through from that. That is the most critical approval, and that's already secured by us. So having said that, we are now completing the engineering work for the tanks and the foundation so that we can start work in October.

Udit Gupta: And sir, if we start working in October, it's about 2 years from now, the completion?

Rishi Pilani: Yes. Right.

Udit Gupta: And sir, regarding the loans that NBFC issue that we had, sir. Any other progress on that matter, sir?

Rishi Pilani: Yes. So, we are continuously taking all the legal steps to make sure that there is no impact on the company. And so far, we've not seen any impact. You must have seen that actually one of the lenders has dropped all its -- recover money from the company. And we are in discussion with another lender for the same because ultimately, the lenders understand that this has nothing to do with the company. So hopefully, we should continue this trend and one by one, we should be able to close the vendors. If they don't close on their own, then we have to follow the proper terminal and legal steps to get them to close.

Udit Gupta: Right. And sir, regarding the Chemical business, so that we are hoping for a turnaround there, that the measures that we've taken. By then can we see them in the results, sir? Like when will it start showing up?

Amar Kabra: See, from third quarter onwards, we will see a significant growth in Chemical segment also in terms of volume as well as margins from third quarter.

Udit Gupta: And so currently any effect from China, sir, like a lot of talk of dumping from China and stuff like that?

Rishi Pilani: Yes. So, we always keep facing competition. But like I said, that in terms of quality, we are being favoured by our customers. So, we are -- so though China is giving us competition but we have our own customer base, and we are growing that.

Udit Gupta: Right. And sir, regarding the large capex that we're doing, sir, what is the current estimated capex, like we have devised the amount a few times, so what is the current estimated the amount?

Amar Kabra: For LPG capex?

Udit Gupta: Yes, sir, the large LPG.

Amar Kabra: Sorry, are you asking for LPG?

Rishi Pilani: 60,000?

Udit Gupta: Yes, sir. Yes, sir, the 60,000 tons LPG capex.

Amar Kabra: So, it's around INR700 crores -- INR700 crores to INR750 crores, that is the capex required for building that 64,000 capacity of LPG.

Moderator: The next question is from the line of [Amog Daiwatkar 0:31:51] from Ekdant Investments.

Amog Daiwatkar: My question is, the company has achieved a remarkable 50% quarter-on-quarter reduction in total expenditure. EBITDA margins have surged to 28.7% from 20.6% year-on-year. Could you please elaborate on the specific cost saving measures implemented and the impact on the overall financial health of the business.

Amar Kabra: See, there are two segments, mainly I will say, it's, one, Infra division, another is the Chemical division. In infra division, there is a rental business, there is EPC, there is wharfage and other things, rail logistic, so these are the combination of the business in this LST business.

And in Chemical, it's clearly chemical manufacturing. So overall EBITDA you are talking about, that depends on the top line of the company. So, in some quarters, you will see the top line at much higher rate. And in some quarters, there is a drop in top line. So, in current quarter, there is a drop in top line on account of drop in EPC and this wharfage division. Chemical division demand remained intact.

So, you can see there is a June to June, Chemical division has performed steadily. And overall EBITDA, you're talking, yes, you can take INR500 crores revenue and EBITDA of INR100 crores, so 20%, 23%. But we are not counting that as the EBITDA of the company. We are accounting EBITDA on a segment basis.

So, in rental business in LST, we are constantly keeping an EBITDA of around 48% to 52%, between 40% to 52%. For Chemical, it's around 6% to 7%. So, there is a variation in the EBITDA, obviously, on account of the change in the top line.

Amog Daiwatkar: Okay, sir. And sir, one more question. In the previous con call, Goa terminal was supposed to add 2 new 30,000 capacity tanks which were going to start post monsoon. Could you please provide an update on the status of that expansion? Or we're still in pipeline?

Amar Kabra: No, no, no. For Goa, we don't think we have said anything about Goa. We are saying -- always saying 2 LPG tanks at JNPT. Obviously, yes, there is change in capacity. Earlier, we are trying to build it 40,000, now we have changed to 64,000. But it's always at JNPT, not at Goa.

Moderator: The next question is from the line of Vaishnavi Saboo from Scientific Investing.

Vaishnavi Saboo: So, I had a question like with the new capacities coming in with the tanks coming up, so -- do you take orders once they are ready or have you started the process? This could give an assurance that the capacity will be utilized from day 1, or how is that? How do you go about it?

Rishi Pilani: So, see, we already have a certain capacity that is tied up with BW LPG and CPIL. And generally, the orders for such type of LPG tanks start rolling in once they come nearer to completion. But based on our basic demand-supply assessment, we believe that there is a requirement for such a capacity here in JNPT.

Moderator: As there are no further questions from the participants, I would now like to hand the conference over to the management for their closing comments.

Rishi Pilani: Thank you, everybody, for taking your time out for our call. And if there are any other follow-up questions or concerns, we remain available for any question-and-answers.

Amar Kabra: Thank you. Thank you, everyone.

Rishi Pilani: Thank you. Have a good day.

Moderator: On behalf of CapitalSquare Financial Services, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

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