



Date: February 13, 2024

To,
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai,
Maharashtra – 400 001.
Scrip Code: 541167

To,
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1, G Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai – 400 051.
Symbol: YASHO

Dear Sir/Madam,

Subject: Earnings Call Transcript

Dear Sir/ Madam,

Further to our intimation on January 30, 2024, intimating of the earnings call to be hosted by the Company on February 07, 2024, please find transcript of the said earning call for your reference and records.

The transcript of the earning call is also made available on the Company's website i.e. www.yashoindustries.com

You are requested to take the above information on record.

Thanking You,

Yours faithfully,

For Yasho Industries Limited

Parag Vinod Jhaveri
Managing Director and CEO
DIN: 01257685

Encl: as above

YASHO INDUSTRIES LIMITED

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“Yasho Industries Limited
Q3 FY '24 Earnings Conference Call”
February 07, 2024



MANAGEMENT: **MR. PARAG JHAVERI – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER – YASHO INDUSTRIES
LIMITED**
**MR. YAYESH JHAVERI – WHOLE TIME DIRECTOR –
YASHO INDUSTRIES LIMITED**
**MR. DEEPAK KAKU – CHIEF FINANCIAL OFFICER –
YASHO INDUSTRIES LIMITED**

MODERATOR: **MR. BHAVYA SHAH – ORIENT CAPITAL**



Moderator:

Ladies and gentlemen, good day and welcome to the Q3 and Nine Months FY24 Earnings Conference Call of Yasho Industries Limited, organized by Orient Capital. 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 star, then zero on your touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Bhavya Shah from Orient Capital. Thank you, and over to you.

Bhavya Shah:

Good afternoon, everyone. Thanks for connecting to Yasho Industries Q3 and nine months FY24 business con call. Today we have with us from the management, Mr. Parag Jhaveri, Managing Director and CEO, Mr. Yayesh Jhaveri, Whole Time Director, and Mr. Deepak Kaku, CFO.

Before we proceed with the call, I would like to give a small disclaimer that the conference call may contain forward-looking statements which are based on the beliefs, opinion, and expectations of the company as on today. A detailed disclaimer has been given in the company's investor presentation. I hope everyone had a chance to go through it, which was uploaded on Stock Exchange yesterday.

I would like to hand over the call to Mr. Parag Jhaveri. Over to you, sir.

Parag Jhaveri:

Good afternoon, everyone. We extend a warm welcome to Yasho Industries Limited Q3 and nine months results con call. Your valuable time and interest in our company's performance are deeply appreciated. I hope that everyone had an opportunity to go through the financial results and investor presentation which have been uploaded on Stock Exchange.

As we embark on an in-depth into our financial and operational journey over the past nine months, it is paramount to underscore our unwavering commitment to delivering maximum value to our stakeholders. The global economic landscape during nine months FY24 presented formidable challenges including subdued demand for key products, elevated inventory costs, and price fluctuations.

Despite this hurdle, our company has exhibited resilience and adaptability, achieving profitable growth on both a sequential quarter-on-quarter and year-on-year basis. The Q3 FY24 results stand out with a robust EBITDA margin of 19.4% and PAT margins of 10.1%. This success can be attributed to our unwavering focus on customer engagement, strategic product mix, particularly in the industrial segment, and a commitment to operational excellence.

Active working capital management has played a pivotal role in steering this positive trajectory. A noteworthy performance metric is impressive 21% year-on-year increase in volume for the quarter and a 5% increase for the nine months. These figures underscore our conviction that our business is on an upward trajectory and sense of buoyancy is being restored.

Providing a glimpse into our ongoing project, the Pakhajan project in Dahej has commenced trial runs and we are diligently working with relevant authorities to secure the clearance



necessary for commercial production by the scheduled end of March '24, anticipating a boost to our EBITDA margin with the commencement of the Pakhajan facility adds a promising dimension to our future outlook.

Shifting the spotlight to our business highlights, the industrial segment comprising rubber, lubricant and special chemicals have been stalwart contributors, accounting for 87% of total revenue for the quarter and 84% for the nine months. While export contributing 62% reflects the impact of subdued demand in different geographies, our recent incorporation of a whole year subsidy in the United States position us strategically for future opportunities in that market.

However, one needs to keep in mind the challenges due to red Sea crisis which may create elongated shipment transit time due to which there may be some impact on business. In closing, our optimism for the future trajectory of Yasho Industries Limited remains steadfast. Our enthusiasm about the prospect of the company's growth is grounded in our unwavering commitment to creating lasting value for stakeholders.

This commitment coupled with prudent financial management and strategic initiative will be pivotal in sustaining our growth in forthcoming years. Thank you for your attention. We are now open for the floor for questions and answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have a first question from the line of Aman Thadani from Solidarity Investment Managers. Please go ahead.

Aman Thadani: congratulations on a very good volume growth. Sir, my first question is that despite better product mix and higher volumes, there was a dip in absolute gross profits around by 12% if I adjust for other income. So, sir, firstly, why did this happen? And in which segments are we facing challenges?

Parag Jhaveri: Well, okay. For you and other expenses, not the business income, but for us, it's an adjustment of forex policy due to the government rules. It's a part of either sales or the purchase differences. So, there's no standard on any kind of other income in the company. I can assure that part of it. So, we don't see any fall in the absolute margin in terms of the gross margins.

Aman Thadani: So, sir, even if I include other income and if I look at the 21% volume growth, still there wasn't much increase in the gross profits. So, I just wanted to understand that what happened and which are the segments that are struggling over here.

Parag Jhaveri: Well, as I think in the past, we have always said that our consumer care is not contributing to any margins. So that has been reducing part and that is affecting our margins, number one. Number two, when we talk about the margins, we talk on a percentage margins. We don't talk on absolute value terms.

So, in the past, when the raw material price was high, the selling price was high and we used to make more absolute numbers per term. While here, now the selling price has been reduced

because of the purchase prices dropped a lot. And let me give you an example. If I'm selling a INR100 product, my margins are 40%, I make INR40.

Now I'm selling INR80 same product, my margin becomes INR30. So that shows a leap in the margins.

Aman Thadani: Understood, sir. And so, sir, when you talk about that, the Pakhajan plant, let's say, would do INR550 to INR600 crores of top line and the Vapi plant at peak would do INR700 crores of top line. So, is it based on an underlying assumption on the raw material prices?

Parag Jhaveri: Yes. Now, well, that could be a little bit -- downward can happen. So that assumption was done before when the prices were high. So, if you look at the today's things, then the Vapi could do about 650, not 700. And Pakhajan could be in the range of 550 to 600. So, a little bit downward will happen. Can you just repeat Aman your questions, please?

Aman Thadani: So, sir, my question was, since when we earlier guided that Vapi could do INR700 to INR750 crores and that Pakhajan could do INR550 to INR600 crores at optimum capacity utilizations. So, under what raw material prices was that guidance made on?

Parag Jhaveri: See, the Vapi guidance was definitely the biggest thing. So now Vapi we revised to INR650(9.55mins) to INR700 crores as a maximum top line as per the current prices. And Pakhajan could be in the range of 550 somewhere, not up to 600, but 550. That's a slight dip because of the raw material. But I can say that we are -- now starts, experiencing some price correction of raw material. And we are seeing that it is inching upward, but slowly, not at the speed, the way it is dropped.

Aman Thadani: Okay, sir. And so, my second question is, sir, in the last con call you mentioned that the scenario would improve from Q4, FY24 onwards. So, since we're already one month into Q4, are we still facing the challenges that we faced in the first nine months?

Parag Jhaveri: No. We see there is some spark already. Now we have to wait and watch that this does this spark convert into fire or it just fizzle down. So, it's too early to comment on that going forward. But it looks promising.

Aman Thadani: So, my third question was, what was capacity utilization in Q4, FY24 and what is it currently?

Parag Jhaveri: In FY24, capacity was at about 88% to 90%. Right now, we are back at about 85% utilization.

Aman Thadani: And sir my last question is, has the customer already started the validation process from the Pakhajan plant?

Parag Jhaveri: No, not yet. Since our trials have only started, we need to complete the trial and then we need a certain government approval. When the customer is looking at the validation, they look at all the compliance, not only the start of the plant, but they also need to have a required certification. So, we already started working to apply for the certification and we hope that within the next four to eight weeks, we should receive all that in place.

Aman Thadani: Okay. Great, sir. So that was it. I will get back in the queue. Thank you so much.



Moderator: Thank you. We have a next question from the line of Manan Poladia from MKP Securities. Please go ahead.

Manan Poladia: First of all, sir, congratulations on posting a good set of numbers. Sir, my first question is with respect to the Pakhajan plant coming online in Q1 FY25 next year. So, when you say this INR600-INR700 crores is the peak revenue potential, what sort of utilization levels will you be looking at for, say, FY25 and FY26?

Parag Jhaveri: Okay. Let me correct it with number one. Peak utilization revenue could be 550 as per the current prices for Pakhajan plus-minus somewhere. In FY25, we are anticipating as an average 50% utilization, which will happen gradually over a quarter and a quarter. We anticipate to utilize up to 90% in the last quarter of FY25. And FY26 full year should be a full utilization. So that is 90%.

Manan Poladia: Okay. And as far as how we're coming to this utilization number, do we have some sort of soft commitment from our clients or do we have contacts in place or something of that sort? Or are they spot sales?

Parag Jhaveri: Well, we do have somewhere commitment with the customers, soft commitments, people's own keen interest. And on that basis, we are making this assumption. And also, we anticipate that the full approval or the full validation might take three to six months. And that's why we are saying that the slow utilization in the first two quarters and then for quarter onward, we expect a better utilization of the plant.

Manan Poladia: Correct. So, my second question is with regards to a slide in your presentation where you speak about product A, B, C, and the third product that you speak of. And you've written about potential market has INR3,000 crores, INR2,000 crores, etcetera. Could you just give us a glimpse of what these products are specifically and how have you arrived at the potential market size calculation?

Parag Jhaveri: Well, these are the products far from the industrial category. I cannot give you beyond that any much information on that. And this is a number of what we arrive from a market intelligence what we have or what we gather through our customer interaction over a period of last 12 to 24 months.

Manan Poladia: Correct. Right, sir. I understand. Thank you. I'll get back in the queue.

Parag Jhaveri: Thank you.

Moderator: Thank you. The next question is from the line of Manish Gupta from Solidarity. Please go ahead.

Manish Gupta: Thank you for the opportunity, sir. My first question is, if we assume a peak capacity in Vapi of about INR650 crores, is it fair to assume that the peak EBITDA of the Vapi facility would be give or take about INR120 crores? INR120 crores-INR130 crores?

Parag Jhaveri: Yes, somewhere in that range.



- Manish Gupta:** Okay. The next question I had, Parag bhai, was that why is our depreciation reduced in this quarter?
- Parag Jhaveri:** Manish, because we follow the depreciation, there's not much addition during the year for the Vapi. And that's the reason the depreciation assets are now actually getting used, amortized over the period. So that's why the depreciation is reduced now.
- Manish Gupta:** So essentially, you're saying some assets had got fully depreciated.
- Parag Jhaveri:** Correct.
- Manish Gupta:** Okay. My third question is that, now you are guiding for a fairly steep ramp in Pakhajan next year. Have we also tied up for working capital debt that we will need as we ramp up Pakhajan?
- Parag Jhaveri:** I think we have that commitment with our bankers. We don't see a challenge there, Manish Bhai.
- Manish Gupta:** So, we will not need to raise any equity to fill up the Pakhajan plant because that debt is tied up?
- Parag Jhaveri:** No, I don't think so.
- Manish Gupta:** Okay. My next question is that right now, all the expenses on salaries, etcetera in Pakajan, they will all be getting capitalized or are we taking part of those expenses through the P&L at present?
- Parag Jhaveri:** No, everything is capitalized.
- Manish Gupta:** Okay. And the last question I had was that there is a steep reduction in other expenses in this quarter. Is that primarily explained by freight reduction?
- Parag Jhaveri:** Freight, there is some reduction also in the power and fuel accounts also. And number one is the freight, number two is the power and the fuel reduction, number three, some repairing reduction, and fourth, this was last week, in 2024, we have done some job work, now we do everything in-house. So that scaling is there. So, due to the fourth savings week, there is a reduction.
- Manish Gupta:** So, one more question if I may paraphrase.
- Parag Jhaveri:** Allow somebody else. Please Manish bhai, you come in the queue later on. Others will not get an opportunity. Sorry.
- Manish Gupta:** No problem.
- Moderator:** Thank you. The next question is from the line of Manan Shah from Moneybee Investment Advisor. Please go ahead.



- Manan Shah:** Yes, hi. Thanks for the opportunity. So, you mentioned about that the price of the products that you plan to manufacture from Pakhajan have corrected. So, have the raw materials that are used for these products also corrected? I mean, are we confident that we can maintain the 20% plus sort of margins that we plan to achieve over here based on these revised prices?
- Parag Jhaveri:** Absolutely.
- Manan Shah:** Okay. And what has been the primary reason for this correction? I mean, is it a supply led correction in the prices which has led or is there a demand slowdown or it is purely because of the correction in the raw material side?
- Parag Jhaveri:** See, mainly the demand has not, is glutted demand. Everyone knows that certain countries in Asia is not doing good. Demand is subsisting. Even the Europe is still struggling. So, these two continents are not supporting the overall demand and consumption. And second side, there is a production going on. So, someone has to sell the product.
- Manan Shah:** Then do you think that when our capacity also comes online, there could be further correction in the prices in that case?
- Parag Jhaveri:** Prices of what? Raw material or finished goods?
- Manan Shah:** No, no, no. The finished goods?
- Parag Jhaveri:** Finished goods. We are not coming with the capacity of 2 lakh metric tons. We are just coming with the capacity of 20,000 metric tons. So, I don't see that we'll have a global impact of the prices.
- Manan Shah:** But our capacity would be roughly 10% of the market size, right?
- Parag Jhaveri:** No, no. We are not -- I think the current Phase 1 capacity should be less than 2% of the market size.
- Manan Shah:** Okay. So, then you are very confident that our capacity will not result in any sort of disturbance in the pricing of these products?
- Parag Jhaveri:** We are factoring this selling price. We already factored in the discount what we need to offer in the market.
- Manan Shah:** Right. Understood. My next question was on the debt side. Has the debt of the company gone up during the quarter? And if so, if you can quantify by how much?
- Parag Jhaveri:** I think we said that the peak debt will be by March and will be about INR500 crores. That will remain that.
- Manan Shah:** Okay. This will be including the -- I mean, even after working capital requirement for the new plant, our peak debt should be should remain at around INR500 crores only?
- Parag Jhaveri:** Yes.



- Manan Shah:** Okay. Understood. Thanks. I'll get back in the queue.
- Parag Jhaveri:** Thank you.
- Moderator:** Thank you. We have a next question from the line of Harshal Shah, an individual investor. Please go ahead.
- Harshal Shah:** Sir, we are seeing a good volume growth. When do we see a pricing growth in the -- because we have a volume growth, but the revenue is dipping. So, when do we see the diversion in pricing trend for Yasho Industries?
- Parag Jhaveri:** Mr. Harshal, we don't anticipate happening in the next quarter. But it may happen down the line two quarters somewhere where the market will rebound overall, the demand rebound overall in an Asian country and also in the European world. That time we might see some upward price going up. We already seen some price correction. But you cannot say that how quickly that's going to rise and how quickly that's going to have impact on our selling price.
- Harshal Shah:** Okay. Thank you.
- Parag Jhaveri:** Thank you.
- Moderator:** Thank you. We have a next question from the line of Manan Poladia from MKP Securities. Please go ahead.
- Manan Poladia:** Sir, my question is with regards to margin. So, we've seen our operating margins come back to September '22 levels, which was our peak last year. And currently we're back at that. So, I'm just curious, since you said that you track operating margins on a percentage basis, how should we look at operating margins in the next, say, four quarters to eight quarters going forward?
- Parag Jhaveri:** At least for next four quarters to six quarters, or maybe eight quarters, operating margin will improvise a bit, maybe by 2 points or somewhere as a company level, because we will be adding and selling more of an industrial segment, which has a better margin. So, we do expect at the company level, the margin to improvise further.
- Manan Poladia:** So, but when you say 2 -- you mean 200 basis points, like 2%, right?
- Parag Jhaveri:** Yes.
- Manan Poladia:** So just following up to that, sir, in your presentation, you also mentioned that you are doing some debottlenecking, etcetera, with your new capex?
- Parag Jhaveri:** That is all -- no, no. I think that is a small mistake. There's no more debottlenecking happening. Vapi is totally saturated. There's no room. Only the room could be the some of the capacity that will be freed up by moving to the Pakhajan. We will add some different product and that should give us a better markup.
- Manan Poladia:** Okay. And within Pakhajan, are you looking at higher margins than your current going rate? Like more than 20%, 18% or 20%?



- Parag Jhaveri:** Yes, yes, obviously. Then only the company will have the -- then only the consol level, the margin will improve. Margin improvement mainly coming from Pakhajan.
- Manan Poladia:** Okay, okay. So, you are saying that the current plant is the peak test efficiency at 18% and whatever upward mobility will come, will come from the new Pakhajan plant.
- Parag Jhaveri:** Yes, yes.
- Manan Poladia:** Correct. Understood sir. Thank you.
- Parag Jhaveri:** Thank you.
- Moderator:** Thank you. The next question is from the line of Anil Thakkar from Jalansh Advisors. Please go ahead.
- Anil Thakkar:** Good afternoon to you. Just wanted to know what is the current debt level and what part of the total debt, what part is attributable to the Pakhajan facility which is in our WIP?
- Parag Jhaveri:** Out of INR500 crores debt, INR270 crores towards the Pakhajan and just for the INR200 crores and INR300 crores -- another INR30 crores is for the VAPI and INR200 crores for the working capital.
- Anil Thakkar:** Okay, so INR300 crores plus INR270 crores and another INR200 crores, right?
- Parag Jhaveri:** Yes.
- Anil Thakkar:** Okay.
- Parag Jhaveri:** Thank you.
- Moderator:** Thank you. We have a next question from the line of Darshan Shah, an individual investor. Please go ahead.
- Darshan Shah:** Thank you for the opportunity. I just had a couple of quick questions building upon the previous participants. You had given them an answer on how you are seeing the European market. So, if you can just get a sense, I see 21% increase in volumes in the quarter, but their exports declined. So, primarily, how is the Indian market shaping for you or what is your outlook of the uptake of your products in the Indian market?
- Parag Jhaveri:** Well, Indian market is robust. It's growing at a good speed. I can say that. There is a growth of about 7% to 8% in Indian market in volume terms, more than what we did. As of nine months, we did 5% growth, overall. But Indian market growth was more than the export market. I can say that.
- And we foresee that from Pakhajan also, we will have a good local participation and our volume should increase. When you look at the export down, two things have happened. In FY '24, the export has a component of freight, which is now reduced a lot. So, you see the export



down, but in reality, it's not happening that. Exports down. What you knocked off is more of a freight component, which is always part of the sales number.

Darshan Shah: Okay, sir. And my second question, perhaps my last question would be that we set up a subsidiary in the US for distributing our products. But then, throughout this term inclusively, what we've seen is, the US is still to recover, be it their imports and everything. So, what gives you this confidence when you look at European markets? So, what gives you this confidence to start expanding in the US market going forward?

Parag Jhaveri: Well, that is a major market for Yasho today in an export segment. US is contributing more than 40% revenue in exports. If you look at the 100% pie chart, USA comes in with more than 40%. And here we want to penetrate more with the end user. And if we need to go with the end user, we need to have a stock point in USA like how we have in Europe.

Darshan Shah: Okay, sir. And this will be only for product C or for all of our products? Because I think in the presentation, you also mentioned the end user for product C is USA. So, that is how I could connect?

Parag Jhaveri: It is for entire Yasho portfolio. There is nothing like product A, B, C. It's entire Yasho portfolio, 150 products we are talking about.

Darshan Shah: Okay. Thank you, sir. Thank you.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Parag Jhaveri: I would like to thank everyone for taking time out and joining on the call today. I hope we have been able to respond to your queries adequately. We look forward to your continued support as we navigate the road ahead together. If you have any queries, you may kindly reach out to our investor relations partner, Orient Capital. Thank you so much, ladies and gentlemen, and have a good day.

Moderator: Thank you, sir. On behalf of Yasho Industries Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.