Date: February 20, 2025.

To,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai – 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,

Sub: Earnings Conference Call Transcript for Q3FY25

With reference to the captioned subject matter, please find attached herewith the earnings conference call transcript for Q3FY25 for your reference and records.

The said transcript of the earning conference 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

Rupali Sugriv Verma

Digitally signed by Rupali Sugriv Verma
Date: 2025.02.20 18:39:36 +05'30'

Rupali Verma
(Company Secretary & Compliance Officer)
Membership No. A42923

Encl: a/a

“Yasho Industries Limited

Q3 and 9 Months FY ’25 Earnings Conference Call”

February 12, 2025

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

MODERATOR: **MS. MASOOM RATERIA – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 and 9 Months FY '25 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 a conference call, please signal an operator by pressing star and then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Masoom Rateria from Orient Capital. Thank you, and over to you.

Masoom Rateria: Thank you. Good evening, everyone. Thank you for coming to Yasho Industries Q3 and 9 Months FY '25 Business Call. Today, we have with us from the management, Mr. Parag Jhaveri, the Managing Director and CEO; along with Mr. Deepak Kaku, the CFO.

Before we proceed with the call, I would like to give a small disclaimer that the call may contain certain forward-looking statements, which are based on the business opinions 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 the stock exchange.

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

Parag Jhaveri: Good afternoon, ladies and gentlemen. On behalf of Yasho Industries Limited, I extend a warm welcome to all of you joining us for today's results call. We greatly value your time and interest in our company's performance.

As we discuss our financial and operational performance for the past 9 months, I would like to emphasize our unwavering commitment to maximize value for our stakeholders. Despite the ongoing volatility in market and the slowdown in the global chemical industry, we have skillfully navigated this period of uncertainty.

In the face of these challenges, we successfully maintained our revenue, achieving a total of INR148 crores for the quarter, which represents a 15% year-on-year increase driven by an 8% improvement in sales volume. Our reporting margin have been effectively protected and enhanced through a more efficient product mix, resulting in an EBITDA margin of 18.4% for the quarter.

Our Pakhajan facility is now running smoothly, and we expect the plant to run at more than 50% capacity from March 2025 onwards. We believe that this expansion, coupled with our proven operational resilience will lead to stronger sales and continued success for the company. On a global scale, our subsidiary in the U.S. will serve as a key distribution hub for the American customers, laying the groundwork for future growth and network expansion.

Looking ahead, we understand that chemical prices have stabilized and expect to see consistent pricing for the next few months. We are actively working on increasing the utilization of our new facility. We recently concluded an INR125 crores fundraising through a preferential allotment. Fund will help the company strengthen its balance sheet. The funds are intended to pay off on borrowings, some long-term and for the working capital of the new facility. We also intend to upgrade our R&D facility, which will be done in the next few months.

Talking about financial highlights for Q3 FY '25. Our revenue from operations for the quarter reached INR148 crores, reflecting a 14.7% year-on-year increase, primarily driven by significant volume growth. Notably, export accounted for 66% of our total revenue.

We successfully maintained our margin on account of improved product mix and cost efficiency enabled us to achieve an EBITDA of INR27 crores, resulting in an EBITDA margin of 18.4% for the quarter. Segment-wise, we stood at Industrial Chemical contributing 79% and consumer being 21% of the total revenue.

For the 9 months ended December 2024, our revenue from operations totaled INR486 crores, demonstrating a 15% year-on-year increase. Our EBITDA reached INR83 crores with an EBITDA margin of 16.8%. The PAT stood at INR 1 crore due to increased depreciation and finance costs resulting from the commencement of a new plant at Pakhajan.

In conclusion, we are optimistic about further enhancing our margin as we focus on customer engagement and maintaining stable operations while ensuring steady contribution margin through better cost management and product mix. Our commitment to creating long-term value for our stakeholders, coupled with prudent financial management and strategic initiatives will be instrumental in sustaining our growth in coming years.

So that is from my side. We will now open the floor for question and answer. Thank you very much.

Moderator: Thank you. We have the first question from the line of Anirudh Shetty from Solidarity Advisors.

Anirudh Shetty: Just a few questions from my side. The fundraise that we've done, just to clarify, has been entirely done to pay off debt? Or is there some capex component there as well? And if you could just give the split if there's capex as well?

Parag Jhaveri: From this INR125 crores, INR50 crores, we are repaying the debt and balance we are going to retain with us for the use of future expansion work.

Anirudh Shetty: Okay. And this capex, is it primarily in the industrial chemical segment? Or is there some new opportunity that we are looking to cater to?

Parag Jhaveri: It will be into the industrial segment only, but for the new molecules, and new products.

Anirudh Shetty: Got it. Sir, our consumer chemical business in Q3 FY '25- and 9-month FY '25 has grown very, very strongly. So just wanted to understand what has been driving that growth. And is this sustainable growth? Or do you think that it could reverse in the future?

Parag Jhaveri: No, it will be onetime. We don't expect that to grow this. This is purely that our sales into the industrial segment were a little subdued due to the demand and also the year-end for a lot of customers, MNC is being a December month we were not able to push the sales. That's why the consumer looks to be much higher, but this will not be in reality going forward.

Anirudh Shetty: Got it. Because even in absolute terms, if I just look at the revenue, it has grown quite meaningfully, not as a percentage, but just in absolute rupees crores. So, has that been more like pricing-led growth or volume-led growth? Just want to understand.

Parag Jhaveri: That was volume and pricing both.

Anirudh Shetty: Okay. And just one final question. In this quarter ended, what would our capacity utilization in Pakhajan be?

Parag Jhaveri: Well, in December, we were almost close to 30% utilization, okay. But the sales did not materialize. As I said, that a lot of sales happened in January purely due to the customer's closing.

Moderator: We have the next question from the line of Yash Dedhia from Maximal Capital.

Yash Dedhia: Sir, I wanted to know any other reasons were there for lower industrial chemical volumes uptake and lower capacity utilization. When we predicted in Q2 that our capacity utilization would be about 35%, 40% for Q3 and 60% for Q4. Now we are lowering that guidance again. So, what is the key reason behind it apart from seasonal impact which has happened due to holiday seasons for U.S. and U.K. players? Apart from that, any other key reason?

Parag Jhaveri: No, I think the major reason for Q3 was customer holding back the supply or accepting the deliveries. So that was one of the reasons. Yes, we are a little bit lagging behind in ramping up production and sales at least by 2 quarters of what we are expecting in month of September that is happening, which is going to happen in March '25. And we can see that, yes, there for 2 quarters purely because of some of the approvals that the customer has been held up and some of the customers' RFQ have been delayed or I won't use delayed, but they are getting due end of or mid '25.

Yash Dedhia: Sorry, customers are getting? I didn't get that part.

Parag Jhaveri: Customer RFQ coming, see customer has major customer runs on a yearly or 2 year contract. And that they should raise the RFQ for the new purchase. So that will be going to come somewhere in July, August.

Yash Dedhia: That was expected to come earlier when?...

Parag Jhaveri: Well, there are a couple of them which have got delayed and a couple where we could not got the bid because we are not fully qualified with them. Now we Got qualified.

Yash Dedhia: Now we are qualified and confident.

Parag Jhaveri: Yes.

Yash Dedhia: Going forward, March should be 50% utilization, and blended Q4 would be around.

Parag Jhaveri: It's about 35% will be 35% to 40%...

Yash Dedhia: 35% to 40%. And in FY '26, by when we expect it would be utilized optimally which we were thinking...

Parag Jhaveri: By the Last quarter of '26.

Yash Dedhia: Last quarter of '26. Okay. This would be the exit run rate, correct?

Parag Jhaveri: By the last quarter, we will be exiting 85% to 90%...

Yash Dedhia: Okay understood, thankyou sir.

Moderator: We have the next question from the line of Manish Gupta from Solidarity.

Manish Gupta: Parag bhai, I have 2 questions. The first one is, can you provide some color on your conversations with customers in light of all this we are hearing about tariff wars? How are your customers in the U.S. thinking about their supply chain sourcing requirements in light of the new administration's desire for higher tariffs? Can you give us some color on how your customers are reacting to that?

Parag Jhaveri: Well, everybody is cautious. I think it's too premature to make a comment. Only one side, we are certain that the 10% tariff, which has come on China will remain. Rest of the tariffs, we are not sure how far that will be, or what the reason is that those tariffs are coming. We are into chemicals.

On the chemical side, we see that there is a tariff coming on a product coming from China. There is not a clarity that certain products which were exempted are part of this or not. We are waiting for that clarification from our customers. But we may see a higher traction going forward in coming weeks. I think this just happened before a few days. So, it's too early to talk about it impact on the business.

Manish Gupta: Specifically, Parag Bhai, if, for example, there are higher tariffs on our products, say, for the U.S. market, as of now, I don't think we serve the U.S. market very, very extensively. So, if there are higher tariffs on our products, how does our strategy get impacted?

Parag Jhaveri: We are not anticipating that there will be a higher tariff on the Indian product getting into U.S.A. That's we are quite a bit uncertain. If there will be any tariff, it will be across the board, not only on product originate from India as of today, what we have a conversation with our friends. So, if this is, if this come really as a higher tariff on product, that's going to surprise everybody. But looking at the pretext what's in media and what we are hearing from the people, India is not going to be punished badly on our tariff side. That is what is our assumption.

Manish Gupta: Next question, Parag Bhai is that when both our plants, Dahej and Pakhajan, when both our plants are optimally utilized, now I think you have a better sense of pricing in the market and what gross margin we could do from the plants whenever we reach optimal utilization, what will be the approximate aggregate EBITDA run rate of the company at that point in time?

Parag Jhaveri: First of all, our both the plants are not in Dahej and Pakhajan, its Pakhajan and Vapi, that's one correction. We are expecting revenue in the range of about INR950 crores to INR1,000 crores for FY '26. At the minimum EBITDA range between 17% to 19%. We are confident on that part of it. In FY '26, INR1,000 FY '27, which we assume that we will be running both the plant right from day 1 on a full capacity should be in the range of about INR1,250 crores to INR1,300 crores, again, EBITDA margin in the range of about 18% plus/minus one.

Manish Gupta: So roughly, say, INR220 crores, INR240 crores is at peak utilization, what the EBITDA capacity of the plant.

Parag Jhaveri: Yes

Manish Gupta: Last question, Parag Bhai, the ramp-up now that you are guiding to, have you got all the approvals that you need on the product side? Now is it just a question of sales execution? Or is it also delays in product approvals?

Parag Jhaveri: If I say all approvals, answer could be yes and no. If I have 10 customers, from 6, we have got all the approvals, 4 are still under evolution level. So, I won't say 100% approval, that cannot be ever happened. So, it's an ongoing process approval, new customer will come on board and approval will continue. But yes, a couple of key major customers whom we have identified as a business for future as we have received it. And from there, we have received some part of the business also for some part of the world.

Manish Gupta: Okay excellent, thank you so much.

Moderator: We have the next question from the line of Parth Agarwal from Bastion Research.

Parth Agrawal So I have just one question. So, since our Pakhajan facility, we are expecting our asset turn to be around 1.5 to 2x, right?

Parag Jhaveri: Yes.

Parth Agrawal: So can you just give me a sense on, let's say both the facility, Vapi facility, I think it's anyways optimally utilized right now. And if Pakhajan facility were to be optimally utilized, what would be the EBITDA margin that would be generating from that Pakhajan facility.

Parag Jhaveri: I will not going to have a plant-wise EBITDA, but I can tell you on the company level, EBITDA will be plus/minus 1% of 18%. That's what I can give you. We will not be able to share you the plant-wise EBITDA. I'm sorry.

Parth Agrawal: So, what I'm trying to understand is since our Vapi facility almost does an asset turn of close to 3x and this new facility will do an asset turn of around 1.5 to 2x. So, it should generate sufficient margin, incremental margin to compensate for the ROCE that might get depressed, right? So, I'm just trying to understand whether this Pakhajan facility is ROCE accretive or not.

Parag Jhaveri: Well, Pakhajan is not fully monetized. It will take at least to monetize the full assets of Pakhajan, we will need 3 years minimum 3 to 4 years purely because we have spent about INR250 crores on peripheral infrastructure creation.

Parth Agrawal: Let's remove the facility...

Parag Jhaveri: So, unless until the second phase of expansion and not kick in, which will help us to utilize those assets, till then you will not see the return more than 3x. So that will take a while for 2 years more from here.

Parth Agrawal: Thank you so much sir.

Moderator: We have the next question from the line of Shubham Jhawar from Dexter Capital.

Shubham Jhawar: I had a couple of questions. So, the first question was our industrial chemicals contribution this quarter was 79% compared to 87% in last year same quarter, right? Hence, with the higher-margin industrial contribution lower this quarter, what exactly led to our gross margin being expanded so much?

Parag Jhaveri: Okay. That's purely because of some of the product mix, what happened at our end, which has helped us to increase the margins on the product.

Shubham Jhawar: Sir, but my understanding is that the industrial chemical was the higher margin product, right?

Parag Jhaveri: Yes.

Shubham Jhawar: So, when industrial chemicals itself down to 79% compared to 87% last year same quarter. So, then sir, what exactly is leading to such high gross margins when the higher margin industrial chemical is down itself?

Parag Jhaveri: I cannot pinpoint which product line gives us a margin. But there are certain new products which is; I won't say new, but the product which was sold low quantity but high margins in industrial segment has been sold in a larger volume than what is that is helping us to achieve a better margin.

Shubham Jhawar: All right. And sir, what is our -- would this margin be sustainable this gross margins?

Parag Jhaveri: I think gross margin of about 38% to 39% is a sustainable margin.

Shubham Jhawar: All right. Okay. Also, sir, the second question was, if I heard it correctly, out of INR125 crores preferential round that we did, right, we would be using INR50 crores, around INR50 crores for the debt repayment and remaining we would be earmarking for future capex. Is that understanding, correct?

Parag Jhaveri: Yes. Right now, it will be used for the routine working, but that money will be eventually used for future expansion in '25, '26.

Shubham Jhawar: From '25, '26 onwards itself, we would be using that for expansion, right?

Parag Jhaveri: Yes.

Shubham Jhawar: All right. Okay, sir. And sir, if I may ask, what was the; what is the current inventory this quarter, if that is available?

Parag Jhaveri: I think current inventory was higher, much higher. Purely, as I said that a couple of orders were put on hold. So current inventory was in the range of about INR100 crores, INR160 crores, much higher than what we expect or what we generally believe. And I think we will bring it down back to normal by March, the way what we see the traction of new orders that will be coming up.

Shubham Jhawar: All right. And sir, how, what is the pricing trend that we are currently observing this quarter? And how confident are we that this may not slip again in coming quarters? Like what is the general understanding there?

Parag Jhaveri: I can't talk about what will happen. We have seen some price improvements starting from mid of January. And we have not seen any further deep into the raw material prices, but we have seen somewhere the prices started moving up, not only in the field, but across the board, we have seen that prices have started rising.

People are complaining that we are not able to maintain such a low price, low price at a moment that are happening. So, and whatever new prices we are getting or we have seen for Q2, sometimes we start negotiating at this level. So, we see that price, and I know the price is big.

Shubham Jhawar: Thank you.

Moderator: We have the next question from the line of Nakul Joshi from MS Associates.

Nakul Joshi: I had a couple of questions, starting with considering the current market dynamics, including customer demand pricing trends and industry conditions, what are your projected volume growth for the current quarter, that is Q4?

Parag Jhaveri: Current quarter we should be having a volume growth, aggregate growth of about 30%, 35% by end of the year as an aggregate growth.

Nakul Joshi: Okay. And annualized basis, what would be our total FY '25 figures?

Parag Jhaveri: FY '25, INR650 crores, INR670 crores, somewhere in that range we will be ending up.

Nakul Joshi: Okay. And how is the new subsidiary contributing to enhancing our market position and expanding our distribution network in the American market?

Parag Jhaveri: That subsidiary will start operating, selling the product from the next month because we start, we just compete all the formalities over there, we will start moving the product to our warehouse into this stuff. So actual revenue will start generating from March.

Nakul Joshi: Okay. And have we set any key milestones for the particular subsidiary like in midterm, do we have any targets set for the same?

Parag Jhaveri: I think let us start working, then we talk about the targets; it's too early to target for the new setup altogether with a different geography.

Nakul Joshi: And additionally, are there any plans to set up warehouses or establish any new subsidiaries in other regions to further strengthen our global footprint?

Parag Jhaveri: No. Right now, only the two, Europe and USA. It could happen in multiple locations going forward. How we see the business growth, depend on that, we'll take a call.

Nakul Joshi: Okay, that's it from my side.

Moderator: We have the next question from the line of Suniti Joshi from NM Financial.

Suniti Joshi: Sir, to begin with raw material, can you provide more details on the impact of raw material pricing that you see going forward? Also, if you can help us understand how do you manage the fluctuations in raw material costs to maintain profitability?

Parag Jhaveri: In past also, we have said that we work, whenever we work on a long-term relationship with the customer, our prices are on a quarterly basis. And so, anything happened during the quarter, we don't, either we absorb or we gain or we lose, but end of the quarter, we redeposited the price based on the situation.

And I think over a period of time, we have demonstrated that we have been able to maintain our margins. So, we don't see that impact. On your questions of raw material prices, yes, we have seen some price increase, and we have also seen some price, higher price acceptance for all finished goods in the market.

Suniti Joshi: Okay. And sir, how much of your raw material do you export? And if you can brief on what are the key raw materials that are used in the production process?

Parag Jhaveri: We have multiple raw materials at our process. We use hydroquinone, we use diclanolin, we use Phenylene and a lot of different amines we use. We also use different olefins and alcohols. So, there are multiple raw materials, but couple of them and the Clovine, so which are high value product.

Suniti Joshi: Okay. And another thing, if I may know the current cost of debt for the company, additionally, do you still maintain your guidance for 3x debt to EBITDA ratio for FY '26? Or are there any updates or adjustments to that target based on current market conditions?

Parag Jhaveri: Our current cost on the data is 8.6 to 8.8 in between that fluctuate depending on how much we use as a packing value which is a little cheaper than our working capital. Number two, what we are generating guidance to bring down our debt to EBITDA by FY '26 to close to 3.5x is very much in place. In the company, we'll be able to achieve that.

Suniti Joshi: **Thank you**

Moderator: We have the next question from the line of Sayyam from InvestCapital.

Sayam: Parag sir my first question is, like I'm relatively new to the company. So, the new plant that we have set up in terms of the tonnage volumes, it is 20,000 tons, which is significantly higher than our current capacity. But in terms of revenue addition, we are still guiding for doubling the revenue. So, is it that fundamentally the products that we are pursuing at the new plant are lower value per kg? Or is it like some larger product categories, which earlier we were not doing at the Vapi site? If you can just help me understand this a little bit, it could be really great.

Parag Jhaveri: It's totally a different product. That's a product which we're making in Vapi has moved to the new facility, but they are all of the lower price band, not the higher price band product. So that's why we our guidance for the new facility is only up to 500 squares for a full capacity load.

Sayam: So, can we have lower price per kg? Are they also lower GP or the GP is sort of similar to what we have been doing in the market.

Parag Jhaveri: I think GP is somewhat similar or slightly better than what we're doing.

Sayam: Secondly, to my understanding, like last quarter you had mentioned, this is as of November, you know, any fundraise plans seem to like a bit premature to comment on, but then in December, we have actually done fundraise. So, are we looking at a slightly elongated capacity utilization or ramp up as compared to our original expectation or this is more from a point of view that there are multiple opportunities beyond what we have done currently? So, because I thought that we were quite comfortable with the deck levels that we were operating at earlier.

Parag Jhaveri: I think there are multiple factors, which I already said. Number one, we have certain new product which we want to start manufacturing, and we need to capex that, okay? So that will happen, which will be, that will happen in our FY '26. And number two, yes, there was a slight delay in the coming of the facility, two quarters, that is not a pressure kind of fit. But right, we thought that let's deliver a little bit. We need to also make some capex into the new chemistry. So better to raise the fund rather than just stressing for the financial.

Sayam: Understood. And going by our earlier guidance, so let's say this Q4 FY '26, we do reach 85%, 90% of the utilization. So, are we going to trigger further investment in the, like the new product that you have talked about once we surpass that 70% mark?

Parag Jhaveri: Absolutely.

Sayam: And that would be executed faster, right? Because now it would be brownfield capex. So, you will be just adding the plant and machinery and not building the entire block.

Parag Jhaveri: I can't comment on that, how we what plant will come up. Everything depends on that. And it's premature for me to talk on that since we are not ready.

Sayam: ok fine sir, thank you.

Moderator: In the interest of time we will take the last question from Mr. Sahil Vora from ANV Partners.

Sahil Vora: I had a couple of questions. Sir, firstly, can you elaborate on the reasons behind the delay in the ramp up at the Pakhajan plant? What factors have contributed to the lower-than-expected capacity utilization at this stage?

Parag Jhaveri: I have already mentioned my dear friend that some of the places the full approval was not in place and some of the places customer RFQ were not, their customer was not ready to reordering or for the long-term contract. So those were the things. So that's the reason. And the third will be due to the March, December ending, a lot of customers were not willing to accept the material because of their closing, so the ramp up has been slow.

Sahil Vora: Okay, sir. My next question is, can you, following the recent capital raise of INR125 crores, can you like outline how you plan to allocate these funds?

Parag Jhaveri: During the call, this question will be repeated three times. I don't mind giving answer but this question is repeated. We are going to repay INR50 crores as a result of that and the balance INR75 crores we are going to retain which will be used currently for the working capital need and next year when we have planned for expansion, we will use a fund for that.

Sahil Vora: Okay sir thank you.

Moderator: I would now like to hand the conference over to the management for closing comments.

Parag Jhaveri: Thank you very much everyone for your time. Appreciate it. Have a good day. Bye bye.

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