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To,  
BSE Limited,  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai,  
Maharashtra – 400 001.

Subject: **Earnings Call Transcript – Q3 FY22**

We are enclosing herewith copy of the transcript of the Company's Q3 FY22 earnings conference call dated February 04, 2022. The transcript is also available on the Company's website i.e. [www.yashoindustries.com](http://www.yashoindustries.com) under the Investors section.

You are requested to take the above information on record.

For Yasho Industries Limited

*Komal Bhagat*

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Komal Bhagat  
(Company Secretary and Compliance Officer)



**YASHO INDUSTRIES LIMITED**  
(FORMERLY KNOWN AS YASHO INDUSTRIES PVT. LTD.)

Office No. 101/102, Peninsula Heights, C. D. Barfiwala Marg, Juhu Lane, Andheri (West), Mumbai - 400058, INDIA.  
Telephone No.+91-22-62510100, Fax : +91-22-62510199  
E-mail : [info@yashoindustries.com](mailto:info@yashoindustries.com), Website : [www.yashoindustries.com](http://www.yashoindustries.com)

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## “Yasho Industries Limited Q3FY22 Earnings Conference Call”

**February 4, 2022**

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**MANAGEMENT: MR. PARAG JHAVERI - MD AND CEO, YASHO INDUSTRIES LIMITED  
MR. YAYESH JHAVERI - WHOLE-TIME DIRECTOR AND CFO, YASHO INDUSTRIES LIMITED  
MITESH CHHEDA – CHARTERED ACCOUNTANT & CHIEF ACCOUNTING MANAGER, YASHO INDUSTRIES LIMITED**



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**Moderator:**

Ladies and gentlemen, good day and welcome to the Q3 FY'22 Earnings Conference Call of Yasho Industries Limited. The conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. 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 touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Parag Jhaveri – M.D. and CEO of Yasho Industries Limited. Thank you and over to you, sir.

**Parag Jhaveri:**

Thank you very much. Good afternoon, everyone. On behalf of Yasho Industries Limited, I extend a very warm welcome to everyone for joining us on our conference call today. On this call, we are joined by our Whole-Time Director and CFO -- Mr. Yayesh Jhaveri; Mr. Mitesh Chheda, Chartered Accountant, who is our Chief Accounting Manager; and SGA, our Investor Relations Advisor. I hope everyone had an opportunity to go through the financial results and investor presentation, which has been uploaded on stock exchange and on our company's website.

Since some of you may be hearing us for the first time today, let me give you a quick snapshot of our company and then Mr. Yayesh will walk you through the financial performance. Yasho Industries is a Mumbai-based Specialty Chemicals Manufacturer which was incorporated in 1985. We manufacture Specialty Chemicals in five business verticals, that is Food Antioxidants, Aroma Chemicals, Rubber Chemicals, Lubricant Additives and Specialty Chemicals.

We have 148+ products across these five business verticals. We have three manufacturing units at Vapi location based in Gujarat. In the last 3-4 years, we have expanded our capacity from 6,000 MTPA to 11,000 MTPA. This expansion was primarily to suffice ongoing demand into rubber, lubricant and specialty chemicals segments. Our plant facilities are designed to be a multi-purpose plant, which gives us an edge to be flexible with market demand.

We are tier-1 or tier-2 supplier for many major MNC customers like Colgate, Adani, Wilmar, S.H. Kelkar, Kemin, Continental, Michelin, CEAT, MRF, Apollo Tyres, JK Tyres, Indian Oil, HPCL, Balmer Lawrie, Wacker, Lanxess, Huntsman and many more.

We are well qualified with respect to certification, experience, technical expertise and capabilities. We have emerged as a long-term sustainable partner for many of our partner companies.

We have presence in more than 50 countries primarily in US, Europe, South America, Asia, and Australia. Of our total revenue, export income contributes around 60% whereas the balance 40%



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is from the domestic market. We have registered 35 products for REACH certificate, which enable us to qualify for export in European market. We believe there is a huge opportunity in that market. We have recently opened an office in the Netherlands to increase its reach in the European market.

We are delighted to report our quarterly and nine months performance in terms of volume, sales and profitability, which has been driven by improved product mix and the price realization. Total revenue for 9M FY22 was Rs.438 crores, an increase of 69% on year-on-year basis. On year-on-year basis, our sales volume grew by 49% and our EBITDA grew by 90% in 9MFY22.

The company has completed its capacity expansion of 1,800 MT through debottlenecking and now strives to improve margins beginning this quarter. Our current capacity utilization is nearly 90% and we will be operating at the optimal levels in FY23 . To propel sustainable growth, the company is evaluating various mode of capacity expansion for future growth as we foresee a healthy demand for our value added products.

The Indian Specialty Chemicals companies are poised to grow significantly in mid to long term as global manufacturers are looking for an alternative & sustainable supplier. This has led to a steady increase in demand for Indian Specialty Chemicals players like us.

Now, I hand over the call to Mr. Yayesh Jhaveri for giving you glimpse on financial performance. Yayesh.

**Yayesh Jhaveri:**

Thank you. Good afternoon, everyone. Q3 and 9MFY2022 has been a strong quarter for us as all of our key products witnessed robust demand. To just give you a few highlights on the Q3 FY22 figures, the total revenue for Q3 FY22 stood at Rs.166 crores, a growth of 71% on year-on-year basis.

Export market contributed around 60% whereas domestic market contributed the remaining 40%. Total sales volume for the Q3 stood at 2,953 MT as compared to 2,175 MT same period last year. This was primarily higher due to strong demand for value added products.

EBITDA for the company stood at 28.2 crores in Q3 FY22 with a margin of 17%. Net profit for the quarter stood at 14.6 crores, a growth of 129% on a year-on-year basis.

9MFY22 total revenue stood at 437.7 crores, a growth of 69% on year-on-year basis. Total sales volume for the 9MFY22 stood at 8,051 MT as compared to 5,387 MT same period last year.

Now, to give you the revenue contribution on the five verticals: Aroma Chemicals contributes 14%, Food Antioxidants contribute 13%, Rubber Chemicals contributes 36%, Lubricant Additives contributes 13% and Specialty Chemicals contributes 24% of the total revenue.



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EBITDA for the company stood at 75.7 crores for 9MFY22, a growth of 90% on year-on-year basis with a margin of 17.3%. Profit after tax stood at 39.2 crores for 9MFY22 against 12.4 crores for the 9MFY21.

With this, I conclude the presentation and open the floor for further discussion. Thank you.

**Moderator:** We will now begin the question-and-answer session. The first question is from the line of Dipti Kothari from Kothari Securities. Please go ahead.

**Dipti Kothari:** My first question is what are our key raw materials for each chemical vertical and what is our sourcing strategy?

**Parag Jhaveri:** Well, for the food antioxidants, the key raw material is the hydroquinone and tertiary butyl alcohol and for aroma chemicals, key raw material is a clove leaf oil which we import from Indonesia and Madagascar, for rubber and lubricant we have many raw materials which are common, so major raw material is carbon disulfide which is locally available, different amines which we buy from local manufacturers and diphenylamine is another raw material which we import, specialty chemicals has similar raw materials like food, lubricants and rubber, because chemistries are similar, but the end users are different. So these are the major key raw materials for us.

**Dipti Kothari:** Sir, can you let us know about our contract terms with our suppliers and clients and how changes in prices are passed on?

**Parag Jhaveri:** For the raw materials, we have three months or six months contract with our supplier. On Client side we have a contract with a customer either quarterly or six monthly, and many customers are on the spot basis.

**Dipti Kothari:** Since you did 440 crores for nine months, at what revenue will you close FY22?

**Parag Jhaveri:** We are confident that we should be close to about Rs.550 crores somewhere.

**Dipti Kothari:** What is your guidance for FY23?

**Parag Jhaveri:** I think it is a bit early. We would like to give a guidance in our next quarter results, that is in early May when we meet again for the FY23.

**Moderator:** The next question is from the line of Ayush Agarwal from Mittal Analytics. Please go ahead.

**Ayush Agarwal:** You mentioned that you are running at 90% capacity. So, is this on the expanded capacity are we talking about?



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- Parag Jhaveri:** No. See, this is tricky answer because when we talk about full capacity, which are installed in month of December, but what has happened, there is a partial capacity that has come in maybe for one equipment or certain reason, the full capacity is not installed. So when we talk about 90%, it is based on the previous capacity and some capacity from the new expansion.
- Ayush Agarwal:** So sir what is the total capacity in MT if you can quantify that only sir?
- Parag Jhaveri:** So, now, it will stand at 11,000 MT.
- Ayush Agarwal:** What was our production in Q3?
- Parag Jhaveri:** Q3 volume was 2,953 MT.
- Ayush Agarwal:** Sir, my second question is that given now we are already at around 3,000 MT per quarter and safe to assume that this 11,000 MT also get exhausted very soon, so, how do we plan to increase volume starting FY23?
- Parag Jhaveri:** See, Ayush, here what is happening is because of the number of products that we have and also the fungibility of the plant, the capacity design on our particular products and now we are producing different products than what we design. So that is giving us a little increase in the production. Number two, with our continuous R&D efforts, we should be able to change the process, which is also helping us to improvise the productivity of the plant. So, this capacity was designed, 6,000 MT was before 2018 and then we have increased the capacity for a particular product, but in the last four years, we have also done a lot of innovation, R&D which has helped us to optimize the production, reduce the time cycle. So, with that, we could be able to achieve a little higher than what we have the installed capacity. Now, we are confident about further growth because a lot of new value added products have been coming and with the new additional capacity that has kicked in from last month i.e January, with that we should expect further growth in '23
- Ayush Agarwal:** Maybe 20% can happen from there, but starting FY24, we will need more capacity. So what are we doing about that and what are our plans sir?
- Parag Jhaveri:** For FY24 we are working into the new Greenfield Project, which is into the final stage at our end. And once we finalize it we will notify to the board and also to the investors.
- Ayush Agarwal:** I know this may not be public but I see that we have filed environmental clearance with the authorities. So, if you can throw some light what are we thinking about the project and what could be the potential signs?
- Parag Jhaveri:** That is what I am saying. I am not keen to give you any further information on that purely because we have made an application but we have not got the approval yet. Till we do not have



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a necessary approval in hand, it does not make sense to announce the project and you know that EC is a crucial aspect of the project.

**Ayush Agarwal:** After we receive approval, generally how much time will it take for us to be ready with the expansion?

**Parag Jhaveri:** Once we get the permission, I think so within 18 months, we should be able to start the production.

**Ayush Agarwal:** My final question is on the customer side. If there is any new addition or if you can throw some light on rubber chemicals, because that has seen huge growth and even lubricants and so has specialty chemicals, all three segments are growing really well for us. So, if you can talk about the demand scenario, is this because of new customers, is it because of existing customers, are the products high in demand right now, what is driving the growth for us right now?

**Parag Jhaveri:** See, the growth is driven by our specialty segment into the rubber, lubricants and various other specialty applications, which are basically your efficacy into the industrial segment, which is growing well in the company. We have added a couple of new customers in all the three segments. We are trying to reach more customers with the help of our new subsidiary in Europe, wherein we can reach out to the smaller user which we are missing it out or sometimes we have to divert them to some distributors friends. So, that is what we intend to do here. Also, the China plus one strategy is helping us a lot to go to market. People are looking for an alternate source and when you look for the alternate chemistry outside China it has to be India or you go to Europe and Europe is very expensive. We see the strong demand for the product and we are very confident that company should be able to sustain the current growth trajectory.

**Moderator:** The next question is from the line of Priyanka Shah from MK Securities. Please go ahead.

**Priyanka Shah:** Can you explain the recent changes in your lubricant and specialty vertical products with respect to overall product approval cycle, current demand for existing products, new products, etc.,

**Parag Jhaveri:** We are working into the three verticals within lubricant, one is antioxidant, second is corrosion inhibitors and the third is the friction modifiers and antiwear, which is combined. So, these are the three segments. Out of that lubricants is doing very good. Friction Modifiers will take a little longer for an approval, but that has been picking up quite well for us. And corrosion inhibitors, we are hoping it will grow more and more because in India, we talked about an Ethanol-blended fuel which our product goes into that segment and we expect to have better growth in the near future also. As regard to the specialty segment, our products goes as a stabilizer for monomers into ethylic acid and methacrylic acid for manufacturing, also as a stabilizer for epoxy resins and unsaturated polyester resins, and third is the thermoplastic resins, where it acts as a polymer. We see that the demand for thermoplastic TPUs are growing very well. It has got application into





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the automobile and also into the oil drilling and many other e applications. That segment is growing reasonably well. Besides that also, the stabilizer, resin is growing and we expect that to continue the growth.

**Priyanka Shah:** What are the key entry barriers in your business and also highlight on key competitors?

**Parag Jhaveri:** When you talk about the competitors for the food segment, we have Camlin Fine Sciences, Glenfin, globally, Solvay and then Eastman Chemicals. So, they are the four major competitors for us. In aroma chemicals, competition come from Indonesia, because the clove oil is grown mainly over there. In India we have, but those guys are into the unorganized sector. In the rubber segment, our immediate competition comes from the Nocil where we have about four or five common products with Nocil. Besides that, we have competition from Lanxess, Europe, in performance additives in Europe, Vanderbilt in United States and host of Chinese players there is into rubber, in Lubricant segment, there is a company called Sunsol in India, which is one competitor, otherwise, it's basically BASF, Lanxess, Vanderbilt, they are the major competition. There is not much competition coming from China. And in the specialty segment also, the competition mainly come from Europeans and American producers.

**Priyanka Shah:** Can you give us some details of the Greenfield Project?

**Parag Jhaveri:** As I just said a few minutes ago, it is into the drawing board, it is into the final stage. We are waiting for certain approvals from the government and once we have approval, we will make an announcement.

**Moderator:** The next question is from the line of Ashish Singh, an individual investor. Please go ahead.

**Ashish Singh:** Just wanted to know if you can shed some colors to the debottling of the different plants if any action you are taking and by what time it can be achieved and how much revenue percentages or the sales it will increase?

**Parag Jhaveri:** Ashish ji, we have done debottlenecking into our specialty segment, couple of product line, and also into segment of rubber and lubricants side. That will help us to achieve better sales this quarter and also in the coming few quarters. , I would not like to do give a number that why the company will grow. But we are expecting a sustainable growth in the near future till the time we come with the Greenfield project. We are confident that that we will be able to maintain the kind of work what we have. I will not say that the way we have grown in the FY22 we will have same number of growth in next year. We do not have capacity. But we will have moderate growth for FY22-23.

**Ashish Singh:** Sir, any advancement we are doing on the R&D part?



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**Parag Jhaveri:** Yes, we are increasing the bench strength into R&D and we intend to increase our R&D spending from this quarter onwards.

**Ashish Singh:** Can you give some hint on like, which products are main concern on this R&D?

**Parag Jhaveri:** As you know, the focus is the industrial segments that is lubricant, rubber and specialty. So R&D, we will be also focusing to that direction only. We see there is a big supply/demand gap in the number of chemistry and we are looking forward to tapping the same.

**Moderator:** The next question is from line of Nisha Chawla from RF Securities. Please go ahead.

**Nisha Chawla:** Sir, can you please highlight on the growth over recent years and how are we planning to increase the same over next five years?

**Parag Jhaveri:** Last three years growth is probably because we added a lot of CAPEX, as you see that from FY18, we came with an IPO and we had about 40 crores Brownfield Project and further we did capacity expansion in Unit-III and recently we did the debottlenecking. So, we have increased our capacity from 6,000 MT to today 11,000 MT. So that should suffice for 1, 1-1/2 year growth. As we spoke recently about the Greenfield Project, we are working on the same and we will make a necessary announcement once we have all the required approvals from the government. So we expect further growth from FY23 or '24.

**Nisha Chawla:** We have around 35 products registered for the REACH certificate. So how much did we spend on it?

**Parag Jhaveri:** We have spent until about Rs.25 crores so far, and which is reflecting in our balance sheet as a non-tangible fixed asset.

**Moderator:** The next question is from line of Yogesh Tiwari from Arihant Capital Markets. Please go ahead.

**Yogesh Tiwari:** What is the debt and the cash in the books as of now?

**Parag Jhaveri:** I think long term debt is about Rs.40-45 crores, short term is about Rs.100 crores.

**Yogesh Tiwari:** So, if I can continue on that, is there any debt reduction plan going forward?

**Parag Jhaveri:** Not really, Yogesh, honestly, As we are working on our new Greenfield project, so, we are not looking into it. Otherwise, definitely, we could have deployed all our cash for generating to repay the debt.

**Yogesh Tiwari:** What would be the concentration of your top-10 clients to revenues?



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- Parag Jhaveri:** We do not have any customer who has a revenue more than above 5%.
- Moderator:** The next question is from the line of Anupam Agarwal from Lucky Investment. Please go ahead.
- Anupam Agarwal:** Sir, I just wanted to understand on the EBITDA per ton. Given we had 80% kind of growth this quarter, how do we see that going forward with all the CAPEX that comes in let's say either from Brownfield or from the Greenfield, two, three years out, how do we see EBITDA per ton number?
- Parag Jhaveri:** Well, let me be honest here. You know, Anupam, that there is a lot of interest rate pressure also. So, if I want to talk about long-term sustainable numbers it would be in the range of 70,000 to 80,000 EBITDA per ton.
- Anupam Agarwal:** With the raw material inflation that we see in this quarter, our gross profit is very well suffice, or given us cushion for the increase in the raw material prices, what percentage of increase have you witnessed in this quarter in terms of raw materials and what kind of price hike have we taken?
- Parag Jhaveri:** In the last quarter, we had some unexpected price increase in a couple of our key raw materials. There was a two instance; number one, that the fuel cost really jumped up, the gas and the coal cost, that has increased the cost, for supply and in turn we have to accept it. Though we could not account it because this happened between the quarter, but now we know that what cost has increased, so we could pass on that. When we negotiated for Q1 or the six month prices, we did consider those costs into it., we see that the raw material prices are getting stabilized. It has not yet started reducing, but I can see that it has started stabilizing, kind of the prices we are getting from a supplier are stable or maybe a slight reduction. So, we are confident that the costs will not further increase on raw material side. But on the fuel side, we keep our finger crossed because which is beyond our control we cannot even negotiate that cost with the government.
- Anupam Agarwal:** So on a long term sustainable basis, it is around Rs.70 a Kg realization sustainable.
- Parag Jhaveri:** Rs.70 to Rs.80 a Kg should be sustainable.
- Anupam Agarwal:** Just on the Greenfield, I understand you are not willing to give out further details. Just want to understand in which segment of business are we looking to expand volumes?
- Parag Jhaveri:** Well, specifically, it will be more into the lubricant, rubber and specialty segment.
- Anupam Agarwal:** Sir, between the five business segments, can you give us an idea which is the best business that gives us the highest margin, if you can rank them from one to five?



**Parag Jhaveri:** I think I would not like to pinpoint each segment here, but I can say that our industrial segment that is lubricant, rubber and specialty giving us a better margin compared to food and aroma.

**Moderator:** The next question is from the line of Pradeep Singh, an individual investor. Please go ahead.

**Pradeep Singh:** I just want to ask like how much of our revenue comes from distribution channels?

**Parag Jhaveri:** In a domestic market, about 10% revenue come from the distribution channel and in an export market about 60% revenue come from the distribution channel.

**Moderator:** The next question is from the line of Nikhil from Perpetual Investment Advisors. Please go ahead.

**Nikhil:** So I just had a question around the Greenfield facility. Since we are already leeward, how do we plan to fund this capacity?

**Parag Jhaveri:** I will come back to you on this once we announce it. Let me put down all the information together. As of now we are not ready to answer this question. We will answer once we announce the project.

**Nikhil:** So can I continue on the previous participant's question around your channel of sales being around distributors, how has that moved in the last few years and how do you expect it to move going further, I mean 60% of the sales comes from distributors in export, does that come down and will that lead to an increase in margin?

**Parag Jhaveri:** Yes, that is what our plan is, Nikhil. Our direct sales was less than 20% before three years, now, it has gone to 40%. Europe is a big market for us. We have also made investment into REACH certificates which is allowing us to explore the market uninterruptedly. We have set up a subsidiary which is a stock point. It is purely a stock point, so we can give a delivery to the end users within 7 to 10 days' time, also the small quantity and up to the full truckload. So we do accept that direct sales would increase in coming years. And if this trial is successful, we might look at also some other geography where we can have our own warehousing and we can deliver to our customer.

**Nikhil:** What is the difference in margin between both the channels, broad idea is fine?

**Parag Jhaveri:** Margin difference should be about 5% to 10% but then you have your expenses. So, net I can say about 5%, 6% we should gain more in terms of margin.

**Nikhil:** Looking at your current quarter's volume that is around almost 3,000 tons, annual capacity at 11,000 tons, how do we expect sales growth coming in FY23, would that be from a change in product mix, am I right on that?



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**Parag Jhaveri:** Yeah, absolutely, there will be some change in product mix. CAPEX is based on certain products. Those products will kick in and that should give us a better growth, also the margin point of view, not only top line but also the bottom line.

**Moderator:** As there are no further questions, I now hand the conference over to Parag Jhaveri for closing comments. Over to you, sir.

**Parag Jhaveri:** Hello everyone let me give some insight about the chemicals. India is the manufacturing hub of 70,000 plus chemicals, which can cater to wide variety of end users industry across the globe. Since specialty chemicals are value added chemicals with multiple user across industries, we will always find utility. We are focusing on improving our product mix to value added product over the next few years and we will seize the opportunity that are unfolding to a qualified player like us. With this, I conclude the call. If you have any further queries please contact SGA, our investor relations advisor. Thank you everyone, for joining us today on this call.

**Yayesh Jhaveri:** Thank you.

**Moderator:** Ladies and gentlemen, on behalf of Yasho Industries Limited, that concludes this conference. We thank you all for joining us and you may now disconnect your lines.