May 28, 2025

To,
The Manager,
National Stock Exchange of India Ltd.
Exchange Plaza, Plot no. C/1, G Block,
Bandra-Kurla Complex, Bandra (E) Mumbai - 400 051

Symbol: IEML **ISIN: INE0RRU01016**

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015- Transcript of Earnings Call dated May 23, 2025

Pursuant to Regulation 30 read with clause 15 of Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith transcript of earnings call held on May 23, 2025.

Please take the above information on record.

Thanking You,

Yours faithfully,
For Indian Emulsifiers Limited

YASH SUNIL TIKEKAR
Digitally signed by YASH SUNIL TIKEKAR
Date: 2025.05.28 14:54:25 +05'30'

Yash Tikekar
Managing Director
DIN: 02206485

Indian Emulsifiers Ltd.

Indian Emulsifiers Limited
H2 FY '25 Results Conference Call

Event Date / Time: 23/05/2025, 16:00 Hrs.
Event Duration: 01 Hr. 30 mins 28 secs

CORPORATE PARTICIPANTS:

Mr. Yash Tikekar
Managing Director

Mr. Mandeep Pandey
Chief Financial Officer

Mr. Parth Raorane
ConfideLeap Partners

Q & A Participants list:

1	Rohan Jain	: FPA Investment
2	Amit Mehta	: Sunidhi Securities
3	Deepak Poddar	: Sapphire Capital
4	Sanskar Bangani	: Individual Investor
5	Harendra Singh	: Individual Investor
6	Rohan Kamat	: Tiger Assets
7	Moksha Anka	: Adam Capital
8	Kamal Jeswani	: U First capital

Moderator

Ladies and gentlemen, good day and welcome to Indian Emulsifiers Limited H2 FY '25 Results Conference Call hosted by Ventura Securities Limited. As a reminder, all participant lines will be in 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 * and then 0 on your touchtone phone. Please note that this conference is being recorded.

Before we begin, I would like to point out that this 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 do not guarantee the future performance of the company and it may involve risks and uncertainties that are difficult to predict.

I would now like to hand over the floor to Mr. Parth from ConfideLeap Partners. Thank you and over to you, sir.

Parth Raorane

Good day, ladies and gentlemen. I extend you a warm welcome to from ConfideLeap Partners. I am Parth Raorane. So we represent the Investor Relations for Indian Emulsifiers Limited on behalf of Ventura Securities and ConfideLeap Partners. You are you all are welcome to the H2 and FY '25 earnings call of Indian Emulsifiers Limited.

The company is represented by Mr. Yash Tikekar, who is the Managing Director of the company, and Mr. Mandeep Pandey, who is the Chief Financial Officer of the company.

So I would now like to hand over the call to Mr. Yash Tikekar for his opening remarks.
Over to you, sir.

Yash Tikekar

Good afternoon, everyone. I would like to extend a warm welcome to all of you on behalf of the entire team of Indian Emulsifiers to our H2 FY '25 earnings conference call. From a half yearly perspective, H2 FY '25 saw revenue of INR 50 crores, up 58.03% year-on-year, while PAT grew at 25.91% to INR 6.31 crores, reinforcing the positive momentum we've built throughout the year. FY '25 was a pivotal year for us, marked by a strong financial and strategic performance.

We are pleased to share that the total income for the year stood at INR 102.66 crore, registering a robust growth of 53.87%, compared to INR 66.71 crore last year. This growth was underpinned by a healthy uptick in volume, improved operating leverage and a ramp up of new product categories across key industry segments. Our EBITDA for the year increased by 41.97% year-on-year to INR 21.05 crores, driven by efficient management, a focus on value added products and disciplined cost control measures.

Our net profit after tax for FY '25 stood at INR 13.30 crores, a significant 50.72% increase over the previous year. This bottom-line expansion reflects our continued focus on profitable growth and operational discipline. This consistent performance reflects the strength of our business model, the scalability of our operations and the increasing relevance of our specialty chemical solutions across diverse industrial applications such as personal care, cosmetic, cleaning industry, preservatives, metal and working, oil and gas, lubricants, mining and textile.

Furthermore, the establishment of our wholly owned Australian subsidy, Southern Emulsifier, represents a key milestone in our journey. This strategic move enables us to enter a high growth mining emulsifier market in Australia, where demand remains strong and competition is relatively limited. It also supports our efforts to diversify our revenue base and lay the foundation for long term global expansion. The subsidy is projected to contribute significantly to both our revenue and profitability over the next three years with a targeted revenue of INR 75 crores during this period.

Looking ahead, we anticipate a three-year revenue CAGR of around 40% to 45%, supported by upcoming capacity addition, further product innovations through R&D, incremental contributions from our overseas operation. We are also actively exploring both organic and inorganic growth opportunities to deepen our customer engagement, expand our portfolio and enter newer geographies.

We remain firmly focused on our strength, priorities which include fostering innovation, enhancing operational efficiency and establishing a strong global presence in a sustainable chemical solutions product offering.

In closing, I would like to sincerely thank all our stakeholders, investors, clients, employees and partners for their continued trust and support of our organization. The journey we have embarked on is just the beginning and we are excited about the tremendous potential that lies ahead for Indian Emulsifier.

With that, I conclude my remarks and open the floor for questions. Thank you, everyone.

Questions & Answers

Moderator

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question please press * and 1 on your telephone keypad. And wait for your name to be announced. If you would like to withdraw your request, you may do so by pressing * and 1 again.

Your first question is from Mr. Rohan Jain from FPA Investment.

Rohan Jain

So I have couple of questions. Considering the current business model, how do we anticipate the demand trends across the mining, infra, pharma sector evolving in next couple of years? And how Emulsifiers are positioning itself to extract the best out of it?

Yash Tikekar

See, basically, an Emulsifier forms a major performance factor in any, B2B products that we, a B2B manufacturer that we supply to. And primarily, if you see that we're spread across multiple industries, So hence, individual industries when you look at, like for example, if you look at lubricants, mining, oil and gas, metalworking, personal care, across these segments,

there is continued growth projected over the next decade. So definitely, there is a lot of potential for growth, lot of potential across geographies in this industry.
And the overall demand expected over the next decade is very positive across all the industry segments that we are offering solutions to currently.

Rohan Jain

Okay. So any specific segment which we expect the highest anticipated growth for the next couple of years?

Yash Tikekar

See, in terms of focus industries, right now, what we are focusing on is mining, lubricants, cleaning industry. These are three industries that we are focusing on for the next 12 to 24 months, primarily due to certain products that we are scaling in this industry as well as the penetration that we are having across the customers and the geographies for these particular three segments.

The remaining other industries will also grow and contribute to the top line over the next two years. But our focus on expanding in these particular three to four industries is there for the next 12 to 24 months.

Rohan Jain

Okay. So talking about the raw material, so any specific steps which have been taken to mitigate the input cost considering the global volatility, commodity, volatility prices beyond the hedging in terms of specialty capital?

Yash Tikekar

No. See, the thing is, with respect to particularly our kind of products, what is there is there is sufficient symmetry of information between us and our customers. So primarily, the customer is also aware of the particular factors. For example, if we take, say, petrochemical, crude oil prices, then exchange rates, the source or country of origin of the particular raw materials. So there is sufficient symmetry of information that is available. And since we are in the B2B segment, any changes in the pricing are pretty much passed on onto the customer, and the customer also gives that kind of price addition.

So if the price is going upward or downward, the same effect is passed on to the customer. Obviously, in such a scenario, if there is something very drastic, then there may be a few weeks that that price may not be changed. But generally, like most of the way we work also, our prices to customers are more on a monthly basis. The longest that we offer to any customer also goes up to three months. So in such a scope, we have sufficient control on the pricing structure, and we are able to accommodate the fluctuation that do or may arise out of the pricing of our imports.

Rohan Jain

Okay. So as you suggested, customer and supplier, everybody is, like, visible and aware about the raw material prices. Right?

Yash Tikekar

Yes.

Rohan Jain

So how do we differentiate from our peers in terms of scaling?

Yash Tikekar

See, basically Yes. No. See, I'll give an example. Like, for example, we have about 125 different products in our range. Currently, actively, we are selling and producing about a 60 to 70 products in a year, which are increasing. So in our particular kind of segment, you do have an overlap with respect to industry or type of products. But ideally you do not have 100% overlap with multiple manufacturers over the same kind of products over the same industry.

So there is enough space for a large number of manufacturers. And since the demand is very high, the geographies are spread out. So for example, if you take the Indian context for that matter. So you may have a multinational subsidy that is there, maybe a big Indian manufacturer, maybe a few mid segment manufacturers. But all these manufacturers won't be competing at the same customer for the same product at the same time. So we generally experience maybe two or three suppliers at the particular customer. And generally, what happens is if everyone like if it's an Indian context, if we are trying to replace a multinational, there is sufficient scope of having volume allocations, having good margins yet relatively being cost effective offering the same performance as compared to the multinational.

Same thing applies to the export market as well. So even from domestic manufacturer perspective or the more cost competitive manufacturing hubs globally, there is sufficient scope to replace multinationals. So as of now, there is that scope is there, that competitiveness is there, and the market is large enough to scale. So we are at a very early stage of the market, wherein we are going to disrupt a very large because the consumption is very high. The industries are large.

The number of products is a lot. So if you were restricted to say 5 or 10 products and we were restricted to one or two industries, the potential starts limiting and there is severe competition and major reaction from competitors. But since we are relatively spread out, the number of products is large, we still have lot of other products under development, we're trying for newer industries. So as of now, there is not too much of peer competition or peer reaction in that sense. And primarily, in our industry, unless and until your product is good, your performance is up to the mark, you cannot survive.

Rohan Jain

Got you. So any potential acquisition over the couple of years upcoming?

Yash Tikekar

See, the thing is we are working on inorganic opportunities, but primarily our focus in looking at inorganic opportunity is to have some sort of synergy. So we're not looking at opportunities where it's just a chemical manufacturer. That is not the way we are looking for. What we are looking for is somewhere where our product range or our, you could say, our facility, our technologies, our chemistries are either complementing or in sync with that particular organization. So wherein both organizations are able to add some value in terms of the back end, which should be your chemistry, your technology, your manufacturing capabilities, as well as the front end wherein you get access to different geographies or different industry applications or different customer base. So we are definitely actively looking for it since sometime and we will continue to. But unless and until the right fit arises, it does not make sense from our perspective.

Moderator

Your next question is from the line of Amit Mehta from Sunidhi Securities. Please go ahead.

Amit Mehta

Now in the press release, you said that our current capacity in Maharashtra plant is about 7,800 tons, correct?

Yash Tikekar

Yes.

Amit Mehta

And there is also some CapEx going on, so we could see that the capital work in progress. So we are expanding the capacity, correct? So can you tell me after expansion what will be our capacity and when do you expect this capacity to new capacity to come in?

Yash Tikekar

See, basically, currently, our capacity is about to simplify it on a monthly basis. It says about 650 metric tons. This is a theoretical capacity depending on the project product basket that is currently on. We have additional capacity that is coming online should be around the month of August. So that capacity addition would be theoretically in the range of 300 to 350 metric tons per month. So I do think that's all...

Amit Mehta

We are expanding by 50%. Correct?

Yash Tikekar

Yeah. Approximately. So this, I'm primarily telling you on the basis of our existing product basket. Why I say product basket and theoretical capacity primarily is because, we try to have, like, you know, versatile reaction possible in our reactors. But in the same reactors, you cannot possibly have all the reaction. So when there are, say, two or three different types of reactions in a particular reactor, the time taken for each reaction varies. So if you say our lowest reaction time is at about 12 to 15 hours, but the longest goes to about 40 hours.

So primarily, the capacity is always, like, the calculation is primarily based on the current product basket and the theoretical, you know, working of these kinds of products, these kinds of quantities. So definitely, the more you scale on certain products, the campaign becomes longer for the same product, the efficiency comes in the manufacturing time. So primarily, if you take a context of a year, if you can say, on an average batch time that you're calculating, even if two to three hours gets saved, the theoretical capacity may increase. Say, today, we are seeing 650, it may go to 750 as well. Or if the number of product basket in that particular month is a little more, it may go from 650 to 600.

So this is a theoretical thing, but it will take us up by about 50% definitely. And we are planning also for the following year, the capacity and everything. So that work is under process. And most probably within the next couple of months, we will take a final decision on that as well.

Amit Mehta

So when we say that we have done about INR 100 crore revenue this year, so that is as a current capacity of 650 tons per month of capacity. Correct?

Yash Tikekar

Yes.

Amit Mehta

And this is at 80% utilization or less?

Yash Tikekar

It's about 75% to 80%. See, primarily, in terms of utilization also, again, it's a theoretical average of the entire facility. But primarily, what happens sometimes is right now, we have certain reactors where even 30 days of month is less. Okay. So we are waiting for the additional capacity to come online. But in some cases, the reactor may be running 20 days. So primarily, the average capacity utilization is 75 to 80. But some cases, it's good at nearing 100%, some is a little lower.

So that variation does happen. And since we are on a growing trajectory, we do have to have sufficient capacity available. See, right now, what is happening is capacity is coming online and we're trying to increase business. But currently, we are hoping that, you know, maybe in a period of, say, 18 to 24 months, we will reach a place where we have sufficient capacity for the coming year. So that is our aim to reach that point. So what happens is as you're growing, as you're pushing business, you have that substantial capacity always available because in our industry, approvals take some time.

So when the approvals come through and the business starts, you need that capacity, some ideal capacity available to meet the sudden requirements of the new customers that come online.

Amit Mehta

So when you say that you want to create a sufficient capacity index, 18 to 24 months, So that sufficient capacity will be 2,000 tons per month? What do you think that, that capacity will be...

Yash Tikekar

Ideally, it would be anything between, say, about 1,500, 1,600 to 2,000 would be the range. So we're just working on those factors.

Amit Mehta

Okay. And so that means you have given a guidance of about 40% CAGR for next three years. So and you have expanded the capacity from 650 to now 1,000 tons. So that means for the current year revenue, the capacity which will come in August, so do you think that 40% up, I'm not including the Australian subsidiary, but I'm just talking about domestic. Do you think that in a domestic facility what we have, we can grow 40% from the capacity which is coming up?

Yash Tikekar

Yes. Yes. Yes. Yes. That's definitely factored in. So that's the how do we figure out the figure. There is sufficient, you know, proper calculation that has gone into what we are projecting. So we have that capacity. We are improving efficiency as well. So we are doing longer campaigns of products. So that is also helping and building the required inventory.

Amit Mehta

Now when we look at the current balance sheet, which is our net asset is about INR 20 crore. And INR 20 crore is giving us about INR 100 crore revenue. So is that a standard that if we put INR 1 crore of assets, we can generate 5x revenue. Is that calculation, correct?

Yash Tikekar

See, to be very honest, like that exact figure is something that, see, we are a new like a young company. Okay. So from that perspective, what is there is it would definitely be in a range. But as of today, since, you know, we've continuously had capital expenditures in the last 2.5, 3 years since the time our facility upgradation started. And continuously, we have capacity coming in, we are continuously growing. So ideally, the particular question that you have, we would be in a better position maybe 12 months to 24 months of time to have that exact that accurate figure in terms of that particular question.

Amit Mehta

Okay. And currently, we are more working capital heavy. I can see the we need, because we have a multiple products and multiple products so many products and then so many raw material intermediaries and all. So our inventories are as high as about INR 35, INR 40 crore and also our receivables in the range of about INR 30 crore. So do you think that we can reduce the working capital cycle so that for incremental business, we do not need more working capital?

Yash Tikekar

See, ideally, what is there is key right now, the inventory that is there in terms of, in days if we take, we are in the range of about 90 to 100 days that is there currently. And we are working on better optimizing and efficiently managing the inventory. So we should be looking at coming down to between 60 to 70 days this year. So there will be a good reduction of say about 20 to 30 days from the current FY '25 high figure. And primarily, what is the risk key? In the last one year, we had a lot of scaling on the number of products.

So now what is going to happen is we're looking at increasing the number of quantum per product as well, and we are improving our campaigns wherein the smaller product quantities, we are directly keeping it in the finished stage, reducing the raw material and intermediate inventory.

See, what happens is like if I give you an example, so supposing if I start commercializing an X product, and when I start commercializing it with one or two customers, what I would do as a security would be keep more inventory in raw material and intermediates than the finished product. Because what comes to us if this product does not scale the way we are looking at it, at least my raw material can be sold back. So that is, you know, you take a more conservative approach to it. But what happens is tomorrow when I have four to five customers, they are continuously there.

You know that the product is doing well and everything is stabilized. So what you do is you reduce their raw material inventory, reduce the intermediates.

You maintain finished inventory efficiently for those four, five customers to have that buffer inventory level. So automatically that if automatically, that improvement does come. And in a scaling situation, that is there. But like I told you, you know, 90, we are expecting to come down to about 60 to 70. So this will, like you can say, the next 12 to thirty 36, this improvement will keep happening.

Amit Mehta

Okay. Okay. Now this the products which we have, we have a different product, 125 products which we have. So it is an order based or we manufacture of the cells and will sell? We make as per the order or we manufacture and then sell? How does the model cost?

Yash Tikekar

See, generally, what happens is, production is primarily planned on the basis of expected sale for a particular product. But when we factor expected sales, it is based on inputs that we receive from existing customers. Similarly, customers that are going to come online based on their projections. So the entire working is not that I make x and try to sell it. Okay. It is that I can sell x, suppose in so much quantity in the next three months, then only I'm making the product right now.

Amit Mehta

Okay. But it is not order driven. So it is not that if they give you order for particular tons and you have to make or you it's a running item you keep on making and then depending on the market demands.

Yash Tikekar

It's a continual process. Like, for example, like, example, say, my A customer is there and B is there and C is there. So A, I know this much consumption is there. He's buying every month. B, I know, okay, he's going to buy every alternate month so month. C, I know he's going to buy every quarter. For example, I'm just giving you three different situations.

So my planning of inventory production and everything is based on their consumption pattern and what business I'm expecting out of it. In today's world, if you see any manufacturer, unless and until you have a monopolistic product, everyone minimum has two suppliers. So primarily in some cases, there might be three. So there is always a volume allocation that you are aware of based on your relation, based on your experience with the customer, and on that basis, you plan.

So orders do come on a monthly basis or in some cases quarterly or on some cases order to order. But primarily, you've already factored that inventory requirement for that customer in your projections.

Amit Mehta

Okay. And top five customers would...

Moderator

I'm sorry to interrupt you. Could you join back the queue, sir?

Amit Mehta

Yes, yes, yes.

Moderator

Next question comes from Mr. Deepak Poddar from Sapphire Capital.

Deepak Poddar

So just first up, what is the CapEx amount for this additional 300 to 350 metric ton per month?

Yash Tikekar

The entire CapEx that we are doing right now?

Deepak Poddar

Yes, yes.

Yash Tikekar

That's about close to about INR 25 crores.

Deepak Poddar

25 crores. Okay, okay. Fair enough, understood. And in terms of revenue growth, I think, I mean, in the presentation, there are for three years, we are targeting 40%, 45% CAGR. For this year, in management commentary, I read it's about 25%, 30%, for FY '26. So FY '26, we are targeting a lower number?

Yash Tikekar

No, no, no. We are looking at anything in the range of about 40% to 50% this year. Primarily, we are expecting growth across two to three of our segments that I mentioned earlier as well as contribution from our Australian operations that would primarily give this expected growth that we are estimating for this current year.

Deepak Poddar

Okay. So it's not this year also we are targeting 40%, 45%?

Yash Tikekar

Yes.

Deepak Poddar

And that that that would include contribution from this Australian subsidiary that we are, entering in?

Yash Tikekar

Yes.

Deepak Poddar

But this entire 75 crores from Australian subsidiary will not come this year. Right? Or it can be.

Yash Tikekar

No. That 75 is over the next three years.

Deepak Poddar

Over the next three years. Fair enough. And just my last final thing, in terms of margins, how do we see for next two years?

Yash Tikekar

See, generally, we expect a similar level of margin, if you could say, in terms of gross margins or EBITDA structure or PAT. But definitely, there is a lot of scope for improvement on the bottom line. Primarily, as we scale individual products, our ability to procure the particular raw materials on a larger scale will help add to the bottom line. So definitely, this incremental increase would happen over the next 24 to 36 months because there are certain products like, we have such a large number of products. But at the end of the day, there would be 20, 25 products that would start contributing a large percentage.

So once that scaling happens or a certain group of products which has overlapping raw material, so that will help us procure, you know, like example I'm giving you, like today, if I'm buying a raw material in drums and move to a tanker. Similarly, today, I'm buying from a distribution and move to a manufacturer. So as these improvements happen due to, the scale of procurement, our bottom line, like, obviously, raw material scale of procurement, our bottom line, like obviously raw material procurement comes down, which adds to the bottom line.

Deepak Poddar

So what you're trying to say as the scale increases, I mean, you will get some efficiency in terms of your procurement, right? So ideally, EBITDA margin that we are seeing in the range of currently 19%, 20% for FY 2025 can see an upward bias in FY 2026.

Yash Tikekar

Yes. Over the next see, basically, this efficiency would happen over the next 24 to 36 months wherein we are able to get a good scale. Definitely, there will be upward trends, but the scalability would depend on, you know, how the individual products scale in the next 12 to 24 months.

Deepak Poddar

I mean, in the near term, do you expect margin to sustain current levels? But over the next 24 to 36, it might be some upward trend?

Yash Tikekar

Yes. See, basically, sustenance is there. And there is a potential for upward trend based on scalability.

Moderator

The next question comes from the line of Sanskar Bangani an Individual Investor.

Sanskar Bangani

So, like, what are the key is if for headwinds that, you know, you foresee near to midterm, be it, raw material volatility or competitive?

Yash Tikekar

See, basically, right now, for the next, say, 36 to 16 months, we don't primarily see too much, like, you know, expected volatility beyond what has happened in the last four to five years. So primarily, if you take the last three, four years context, we've had a rupee depreciation. We've had COVID. We've had multiple war situations globally. So a lot of things that have transpired in the last couple of years may not have happened in the last 15 years.

So as of now, you could say, like, whatever, structure is going on in terms of our procurement, price levels, they have sustained a lot of things currently. So other than these, unless and until something, you know, like how shockingly out of nowhere was COVID, if something like that happened. But other than that, most of the factors have happened in the last, you know, three to four years if you go to sea.

So we don't see too much headwinds from anything that would drastically change. And secondly, currently, we are at that point that we are a little diversified over a couple of industries. So even if one industry or two industries does say slowdown, which is globally if you see there are certain industries that are facing the downward trend and things like that, but overall, we have a balance of industries where there are some which have a very positive outlook over the next 5 to 10 years irrespective of this global sector.

So in that sense, we seem to be in a decent position right now that we don't see too much happening over the next three to five years. That would, you know, primarily change things a lot.

Sanskar Bangani

Okay. One more thing. Let me know. We have heard that there might be plans to explore the explosive chemical space for the defense sector. Can you please elaborate on the rationale behind this move and, you know, what is what scale and market opportunity you foresee?

Yash Tikekar

No. See, the thing is we are purely focusing right now on supplying emulsifiers to explosive industry. So currently, what we have is mining, but we are looking at other explosive industries for other sectors. But primarily, we are not looking at anything with respect to manufacturing our own explosives.

So current strategy is very clear in the sense of increasing the number of products that would cater to a broader explosive segment globally. But current focus for the next 24 to 36 is definitely mining that we have been doing for some time. And we are looking at other segments as well. So there's one more segment in that that's related to construction explosives. So that as -- so these are the segments that we are increasing towards the manufacturers that we would be supplying to. We are not planning to get into manufacturing at least for the next couple of years.

Sanskar Bangani

Okay. And since we tend to export our production various countries, so, you know, they currently the UK India trade deal happened. So are we going to benefit from it? What are the pros and cons?

Yash Tikekar

See, currently, our exports like, we not export majorly anything into UK and with respect to the countries that we're exporting to currently, there aren't much trade agreements that are going to change. But the EU India trade agreement is something that we look forward to because there are certain businesses that we are looking at increasing either with a certain customer or new businesses in Europe. So if that trade deal goes through and there are good incentives on both sides, so that is something that would definitely benefit the company.

Moderator

[Moderator Instructions] We have the next question from Jaydeep Ray an Individual Investor.

Jaydeep Ray

Sir, my question is already answered.

Yash Tikekar

Okay. Okay.

Moderator

Thank you. Your next question is from Mr. Harendra Singh an Individual Investor.

Harendra Singh

So I have a couple of questions. One is, can you give a brief amount of capacity in the past three years, let's say, at the end of each FY? What were the capacities in the past three years?

Yash Tikekar

See, basically, we started off with 100 metric tons in the year 2020 end, so that's 2021. And from there until this financial year end, we are at about 650. So ideally, in three years, that incremental journey has been from 100 to 650. Individually, see, basically, what is the risk? The capacities have come online at different times during these three years. So with respect to the individual capacities that were there earlier at the end of each year, that is something I will have to get back to you on. But the range is from 100 to 650 in the last, you could say, 3.5 years.

Harendra Singh

Got it. If we can do we have any number of what where we are at, let's say, in March of 2024? Like in the past year, did we also do some expansion to reach to 650?

Yash Tikekar

Yes. Yes. Yes. See, we were around, in the year, FY '24, which would be somewhere in the range of about 400 odd that would be have been the capacity. And the year before that would be somewhere in the range of around 250 to 300 approximately. These are, like, estimates for us.

Harendra Singh

Got it. And, sir, currently, all of our revenues are coming from good starting manufacturer on the own or is there some trading component to it as well?

Yash Tikekar

No. No. From our entire, range of products that we make. Basically, in our kind of products that we make, we have, certain single stage products, certain two stage products, certain formulated products. So pretty much in all the products, there is always value addition that is happening across the chain. And in some, there are few products that we make formulated where there are six, seven bases also produced by us itself.

Moderator

Our next question is from Rohan Kamat from Tiger Assets.

Rohan Kamat

Sir, I want to know that what specific ECG initiative has IL implemented within its manufacturing process, particularly in relation to affluent treatment and emission control?

Yash Tikekar

See, basically, I'll give you a background with respect to, see, we are located in an MIDC called Lote Parshuram, which is in Ratnagiri District. Now with respect to the effluent that we have, we have an effluent treatment plant that treats the effluent from primary, secondary, and tertiary stage. So primarily, our final output that is there comes down to the norms that have been prescribed by the Maharashtra pollution control board. And after that, effluent that is there, the final treated effluent is sent to the common effluent treatment plant, which is there in the Lote MIDC, in the MIDC area.

So they have that proper piping that is there to the CATP, and it is controlled, monitored. They have the monitors in place, and that's how the final discharge happens. And with respect to our boiler, we are using biofuel and, CNG. So with respect to air pollution, it is very negligible because we are trying to use, the cleanest possible option that is there currently available for us.

Rohan Kamat

Okay. I want to know that given IEL started a goal of achieving 40% to 45% CAGR in revenue over the next three years, what are the top three strategic levers the company is prioritizing to meet the growth target?

Yash Tikekar

See, basically, you could say a lot of legwork for the projected and estimated growth that we have over the next 24 to 36 months primarily comes from three places. One is, we have been developing our R&D teams have been working on multiple product solutions for the different industry verticals that we are in. Secondly, we are trying to access more geographies, whether it is domestic or internationally. And we are working on few new verticals in terms of industries for which our products are in development. So all these multiple factors would contribute to this growth that we are projecting.

Moderator

The next question is from Moksha Anka from Adam Capital.

Moksha Anka

I wanted to understand the competitive intensity for your successful projects. Could you give some color on that? And are you the only supplier to your customers?

Yash Tikekar

See, ideally, what is there is, like I had explained earlier, in our industry, if you take, say, domestic context, you will have maybe a multinational subsidy, a big Indian manufacturer, maybe some mid segment Indian manufacturer. But with respect to the customers or the industry that we are catering to, no place there would be a competition of maybe more than two or three suppliers. So primarily, we do not have excessive competition like 5 or 10 people trying to get the same business.

Similarly, from an export context, it becomes a little lesser. So you may have two, you may have three, similar range with sales. So we are anyways not focusing on entering customers or segments or type of products to particular industries, wherein the product has been heavily commoditized. So there has to be some value addition that has to be there from the product. There has to be some performance parameter that needs to be there in the product. Otherwise, there are a lot of, you know, semi commodity specialty chemicals that we can produce or we can sell. But primarily, we're not getting into it because that is, you know, a very different game. It contributes to your top line, but the bottom line does not work out because it's too commoditized.

So that is the segment of business that we're not looking at. But existing business that we are working on, it is competitive, but it's not heavily competitive or there are not too many people vying for the same business.

Moksha Anka

Okay. And could you please help me understand some history about your company? Because I think you are established in 2021. And what gives us the right to win, because we have newly established and we're getting into that niche, I want to.

Yash Tikekar

See, primarily, what is there, in terms of an industry that lets any industry that we cater to?

What happens is what is key important factor is that your technical team, your product, your cost efficiency of the offering, and at the end of the day, your sales team, your market relation that is there. So since every in each of these stages, we have team that is good, they come from the industry, They have experience. So that is where it becomes possible to achieve these results.

So ideally, the contributing factor would be the team members and their years of experience in the particular seat.

Moksha Anka

Okay. And, our competitors would be much of the established players, right?

Yash Tikekar

Yes. Yes. Definitely. Definitely. Definitely. Like, if you take the average vintage, multinationals aside, domestically also, vintage would be anything between 15 to 25 years.

Moksha Anka

Okay. So they have a much better experience. So why would they give orders to a relatively new buyer? Any kind of...

Yash Tikekar

See, basically, what happens is today, our performance standard in the industry is set by maybe one or two multinationals globally in terms of product performance. And today, product performance, your R&D or your technology primarily defines the product. So it has nothing to do with vintage. So in our industry, there are some smaller level manufacturers which may be even 30, 40 years old. But as of today, the performance of the product may not be 100% equivalent to a multinational. It may be a 95, 92, 90.

So today, anything that is on a molecular, not a molecular, but on a performance level, anything upward of 98% to 99%, similar to what, the benchmark for that particular, kind of product and performance would be if you can achieve that. And you are going to be cost effective as well. And definitely, in each, like, you could say a particular manufacturer, there are always multiple issues that are there. So see, the way of getting in to a customer primarily comes down from either cost effectiveness if you're working against a multinational.

If you're working against an Indian manufacturer, so there would be gaps in terms of either his supply, his customer engagement, maybe some value additions such as lower lead times for the customer. So there are multiple factors on which you can enter a customer. So it's not predetermined, but if see, at the end of the day, for everything, your product performance is critical.

So today, even if we are five years old or we were 15, if that product performance and the cost effectiveness is not there, you cannot sustain. So even if you're 30 years old today and if your product is not continuously developed to meet more cost-efficient pricing, you are out of the market anyway.

Moksha Anka

Okay. And our major revenue share or maybe a large portion of revenue will come from explosives. So what gives us an advantage in the explosives market?

Yash Tikekar

See, I'll give you an example. Like for our Australian operations, our Australian project manager has been working in the mining industry for last 45 years. He's headed a division for a multinational organization in his past role. Similarly, my technical salesperson is based out of South Africa. He's a Ph.D in mining technology. So he has worked with couple of multinationals in the past. His experience is also about 40 odd years.

So primarily, what is there is we have the right set of people, and they know what and they understand the industry. They understand the customer problems. If you take mining explosives for that matter, each customer has different problems on the field. So the efficiency of our organization comes in wherein you can tweak your product to offer certain solutions. The reason the customer would entertain us is we are offering him a cost-effective solution. We are offering trying to address his problems.

So today, if there is a big multinational, they would sell one product to the customer. They are not interested in his actual problems. So what we are doing is we're trying to work with the customer to, you know, try and mitigate some of the challenges they are facing on-site in the field, actually. So that is another value-added addition that we are doing through our team with extensive experience in the field.

Moderator

The next question from Amit Mehta from Sunidhi Securities.

Amit Mehta

Yes, so you said that mostly the competitors are the large players like MNC companies and all. So and you said that apart from the performance parameter, the cost effectiveness also is one major factor to for the customer to switch from MNC to you. So suppose any particular product where MNC has the larger market share, and you develop and you also meet that 90%, more than 99% of the performance parameter, okay? Suppose if they are selling at, say, 100, okay? So and if you can sell them at, say, 70% or 80%, what is the price difference between the MNC and you, and which can take the customer, you know, where it's worth switching from MNC, which is well established.

Yash Tikekar

See, I'll just give you there are a variety of factors. Like now, for example, there is one customer in the Indian context that we developed a product for them last year, and they do give us a good, business in this entire year they've given us. So now the customer is also a multinational, and they were importing from two multinationals, one from Europe, one from Southeast Asia. So now they were looking from some localization in order to improve the supply chain efficiency.

So today, what is there is that multinationals price that is there for the imported product and the analog that we are offering, there is a 10-rupee difference like the ranges like if they are at about 195 for the import, our range maybe 185, 187. But primarily, what is there is so the difference is not very large. You have to give something nominal because you are replacing someone else. So it is not that you have to go down a lot on your margins or anything, but what is important is the manner that went into developing that product.

Certainly, the localization that we're offering. But now in this case, the customer also expects us to have certain inventory for them. Because today when they're importing, there is a lot of products which is in on the high seas. You know? So, similarly, you need to maintain that inventory for them. So there are multiple factors that come into play. So it's not that, you know, like, this is 100 and you have to give at 80 or, you know, that sort of a. The incremental reduction is, it's quiet, like, you know, nominal, you could say, in that sense.

Amit Mehta

So we directly sell to the customer or we sell through the dealer or distributor or the general trade? Or it's a mix of both?

Yash Tikekar

It's a mix of multiple channels. See, basically, what happens is key for the key customers, we prefer doing direct sales. In certain industry, we do only direct sales. In other places, we do work through distribution channels as well. In certain industries, we do work small certain products through trading channels as well. So primarily, what is the risk key for the lower segment of the market? Like, if you would say if a market is A, B, C, D. So A and B, ideally, we would like to look at it on our own. C and D is where we would like to approach to someone else because what happens is the resources to cater to that market is you have a larger number of customers. So you require, you know, a larger sales team, but the margins are a little lower because as you move down the chain, the cost competitiveness starts increasing more.

So the product performance and quality starts diluting as you move down the chain. But so those kinds of markets, it is better to cater to someone. You obviously have a little lesser that you make, but definitely, your payments are more secured. It is easier to cater to that particular segment.

Amit Mehta

Okay. So out of this INR 100 core annual revenue which we do, how much what is the mix of direct sale and indirect sale, which is more approximately?

Yash Tikekar

It would be about direct would be about, say, a good 50% to 60%, and the indirect would be about the balance. So it keeps fluctuating, but, like, the range would -- yeah, like, 56%.

Amit Mehta

Equally. More or less equally. Okay.

Yash Tikekar

Yes. And Only thing is over next couple of years, the contribution from direct would start increasing because right now we are working towards the bigger end of the market and getting that business scaled up.

Amit Mehta

Okay. And you said that in your product category; you have certain product which are only single stage and certain product which goes to a two-stage reaction. And or you also have some formulated product. So does that get formulated will have higher margin and single stage will have a lower margin?

Yash Tikekar

Not primarily. That is not the case. But definitely, what is there is key, you could say that some products which are single stage also do have like, I'll give you an example. Like, we have certain premium cleaning products wherein the quantum of consumption is very low as single stage products. But the margins are upward of 100% gross margins. So these kinds of products are also there, but these are niche products.

And in some cases, we have certain formulated products also, which may be on a 25%, 30% gross margin. But there are some formulated that may be higher. So it's a mix, you know. So it's not necessary based on the stages. It kind of defines the product -- with the chemistry of the product.

Amit Mehta

So now suppose you say -- okay, so you said that approximately 125 products which we have out of that active is about 60, 65 and majorly it's about 20, 25 products, which are the major product. Now to make one product, I'm sure you must be requiring different maybe five or 10 raw materials, correct?

Yash Tikekar

Yes.

Amit Mehta

Okay. So your how do you manage your raw material inventory where because you have to buy in some minimum quantity to make sure your pricing is right. Suppose you're buying, for an example, maybe 1,000 liter or 1,001, maybe 10 kilograms or 50 kilograms you may not require that much currently. So does that mean that inventory, raw material management is very key for this, because you have so many products and then those products, we require 300, 400 different kinds of materials? Or it's a common material. Yeah.

Yash Tikekar

Yeah. I'll give an example. Like, our product portfolio is about 125 plus products. Our, active products would be about 60 to 70. But if I take, like, a finish intermediate raw material list of products, approximately, it would come to about 200 plus. So that would be the range. But here, what is the risk here? Again, there would always be about 50, 60 products that contribute the largest chunk of the products.

See, what happens is there are overlap of raw materials. So I may have, say, 8 to 10 products, but there may be few raw materials that are overlapping in those products. So those products are where the efficiency improvement scalability is much better. Then what happens is you have certain products where you have, like, you know, you may have catalyst, you may have something where quantum is smaller, products are more high value, but you maintain an inventory for a longer period of time because it is cost effective to do that because they're critical products. Then there are some where lead times are shorter. So it's a balance. And definitely, like I explained earlier also, there is continuous scope of improvement in efficiency.

Amit Mehta

Okay. And sir, on Australia side, how much CapEx we are doing in this Southern Emulsifiers subsidiary company?

Yash Tikekar

See, with Southern Emulsifiers, what is the risk currently in Phase 1. See, right now, we are in Phase 1. So the revenue that I said or the margin that I'm talking about is Phase 1. wherein we are going to be manufacturing in Indian Emulsifiers in India, and we are only warehousing in Australia. So we have a dedicated warehousing place storage tanks that we have got. So we are only storing material there currently.

Amit Mehta

Not going to manufacture?

Yash Tikekar

No. No. That's only in Phase 1, we're not manufacturing. In Phase 2, definitely, because we have a particular threshold on business over there that we have set. So once we reach that threshold of business, then definitely we'll move to Phase 2.

Amit Mehta

Okay. So you said that INR 75 crore in three years. So assume INR 25 crore in a year. So initially, till you make 25 crores in a year, you will continue to manufacture in India and then send it to...

Yash Tikekar

See, the INR 75 crores that you're seeing over the next three years, primarily that contribute like that covers Phase I with a slight overlap with Phase 2. So Phase 2 may start anywhere between 24 months to maybe 36 months.

Amit Mehta

Okay, okay. Okay. And that is 100% subsidiary or it's a you have a joint...

Yash Tikekar

No. No. It's a 100%.

Amit Mehta

And the person you said, the project manager, is a local Australian person or Indian person?

Yash Tikekar

No. No. Local Australian person.

Amit Mehta

Local Australian. So he'll get some fixed plus commission on what he sells.

Yash Tikekar

Correct? No. It's a structured package.

Amit Mehta

So Okay. So this year, out of this, assuming you do, say, 150, that is what your guidance is, 45% growth. So out of that, about 2025, you expect from Australia or maybe less?

Yash Tikekar

See, the thing is our field trials are currently in the final stages at, the key customers that we are working with right now. So the contribution from there would be anything in a range of about 15% to 25%. So that range is there. And see, so the guidance that we have given, the estimation that is there, that is the range of 40% to 45%, that is primarily on multiple growth parameters that are there. So it's not dependent only on one. So definitely, it's a mix of multiple things. So that's how the entire working is there.

Amit Mehta

Okay. And our top five customers, would we be contributing more? Or we have, we have multiple customers, small customer? Or how does it concentrate on all the customers?

Yash Tikekar

See, concentration would be said, for example, if you take a number of, say, 50. So you there would be about, say, a good 15 to 20 or maybe 25 that would contribute a good 60 to 65, like, you know, that kind of a range. And then you would have, like, 30, 35 contributing to, say, about 35%, totally. So it's quite like, it's like, you could say, put it the other way around, no one customer would contribute more than 10%.

Amit Mehta

So top five customer will be less than 25%. Correct?

Yash Tikekar

Yeah. Approximately.

Moderator

The next question comes from Kamal Jeswani from U First capital.

Kamal Jeswani

I wanted to know regarding the margins. I'm trying to call late. I'm not too sure whether this was answered. Yeah. Margins have dropped in spite of turnover going up. So what could be the reason behind this?

Yash Tikekar

See, if you see the change in margin that is there, it is quiet, like could you could it's a marginal change that is there. And primarily, that is factored to certain changes in raw material pricing that has happened during the course of the year. So if you see during the course of last year, there have been multiple global events that have had certain changes. So if you see key -- the in a percentage wise, see on a EBITDA level also if you see there is about a 1% difference.

On a PAT level, it is in points that is there. So that small difference has happened due to multiple factors that have arisen. So from that context, if you put into that factor those incremental, sorry, the marginal differences that are there are relatively, you could say, within the realm of control that is there.

Kamal Jeswani

Okay. So, going forward, will the margin be similar to what we saw last year?

Yash Tikekar

See. No. See, in the from the bottom-line perspective, we do have a lot of upward potential with respect to scalability on our input costs with respect to our raw materials. So we are focusing on scaling certain products and automatically the more efficiency we bring into the scale products. The raw material procurement, we have better scope of reducing our cost of procurement there. So that will definitely add certain upward trend to the bottom line over the next 24 to 36 months.

Kamal Jeswani

Okay. But the I read that the Australian subsidiary initially will have 10% to 15% margin.
So I guess they will also drag the margin down. So...

Yash Tikekar

No. No. See, that margin -- no, no that margin is for Phase 1, wherein primarily the product is being produced by Indian Emulsifiers. So that would be an additional margin that is being created by that subsidiary for the value-added services it would be providing in that market. So the margin that Indian Emulsifier would be making, that would continue.

Kamal Jeswani

So that would be how much, I mean, that exporting to Australia, how much?

Yash Tikekar

For example, if today, our gross margin is, say, at 30%. So if you put in the Indian and the Australian context, there is a scope for final customer price, gross margin going upward to say about 45% plus, 40% to 45%.

Kamal Jeswani

Okay. So margins won't be in that period.

Yash Tikekar

Yes. Yes. So the 10 to 15 is a value addition that is getting provided because today you're providing additional services to the customer there. So in the form of logistics, delivered rates, tanker movement, you know, maintenance of inventory, and variety of other factors.

Kamal Jeswani

Okay. So basically, margins are getting enhanced with the Australian sales coming in.

Yash Tikekar

Yes. Yes. Yes. Because what is happening is keep it getting to a newer market, and we're trying to tap into a more advanced solution market. So that's why we have technical services people that we are hired. So there would definitely be more value addition to that customer business.

Kamal Jeswani

Got it. And, final question regarding this. I've seen that your company is into a lot of mining and that's why probably Australia has chosen in this case and also. But have you also thought of, because we are making explosives, can these explosives be used in defense?

Yash Tikekar

See, the thing is we primarily manufacture emulsifiers that are used by explosive manufacturers. Right. So we are not making the explosives. The mining explosives manufacturers are our customers. So we are definitely moving for products are under development stage to cater to other explosive manufacturers other than mining. So this includes, construction explosives as well, as well as we are evaluating other sectors like how you mentioned.

Moderator

We have the next question from Suraj from CrowdStrike.

Suraj

Prior, you mentioned that, we have around our split of revenue is like 50% direct and like 50% indirect. So is there any margin difference between the both channels and sales?

Yash Tikekar

See, there's not much of a margin difference in the sense for me. Even the channels kind of risk for like are for certain industries as well or certain types of products. So for example, there are certain industries like if we take mining explosives or we take lubricants, we are only doing directly. So it kind of depends on the industry and the kind of products. So it's not that we would have the distribution or trading channels across all industries or across all product segments. So it's kind of spread out.

So it is not that one is better than the other in this context. It is key for a particular segment or a particular industrial product. That requirement is there from that distribution channel or trading channel to currently cater to that segment from our perspective. So ideally, there are certain distribution that may have slightly higher margin than a direct customer. There are some where the direct customer would have. But when I say a gross margin indication that I gave earlier or the EBITDA margins, those are primarily based on an average because it is a large product basket and large application that we are putting in an average thing.

So like how I said, we have certain niche or super specialty cleaning products and those kinds of things, our margins are up to 100%. But that is not the kind of product that we can scale. They have limited use for certain specialty products. So that so when I say a gross margin of, say, 30 odd percent range, 30% to 35% that is there, in that there are some products that are contributing on an individual product level, up to 100% as well. So it's a mix in that sense.

Suraj

And my like second question would be while we are on a net block of INR 20 crores where we are having revenue INR 100 crores. I am saying the if we get just INR 20 crores, but we are saying that our annual capacity is only will increase by 50, -- is that conservative estimate?

Yash Tikekar

No. You see, that's why I said, like, the capacity that is there, it's a theoretical capacity. Similarly, the capacity utilization is a theoretical capacity utilization. So primarily, on a month-to-month basis also, there is a change. And definitely, the lesser the number of products or more the number of other larger the volume of particular products, the theoretical capacity moves upward. Similarly, if the number of products increases, the theoretical capacity again changes. So it's on a month-to-month basis, but definitely, there would be more efficiency in that as well that would be coming. Because, see, now the newer capacity that would come in will get us to a certain scale, and we have certain other plans for capacity expansion also for the next 24 to 36 months.

So primarily, we would definitely come at a level of capacity where we have sufficient flexibility. And this, along with the improvement and efficiency in inventory also, will help us have that kind of balance that you're discussing about.

Moderator

We have the next question from Suryanarayan Nayak, an Individual Investor.

Suryanarayan Nayak

So just to understand the capacity, at the time of IPO, it was around we have nearly doubled to 4,800 and we have just added somewhere 3,000. So when did the 3,000-capacity got added?

Yash Tikekar

No. See, basically what has happened is we progressively had capacity coming online.
So in the course of the financial year of 2025 also, we had capacity that came online in two stages. So from and the DRS figures that you are referring to are from a period that is from financial year '24. So if you take the entire, there has been about a good 12, about 14 to 18 months from then till today. So that incremental capacity has come on in phases in that period.

Suryanarayan Nayak

So from 400 to 650 per month, you are saying. It has come periodically. But if you can give at least not the milestone, or additions, from months, I mean, particular months. Yeah. Go ahead.

Yash Tikekar

See, individual month wise, I'll not be able to give you offhand right now. But on the financial year level, if we take so, say, if at FY '23, we were at about, 03/2024, we may have been...

Suryanarayan Nayak

So that figure you have told. Yeah. Yeah.

Yash Tikekar

Yes. In the usual month wise, it is a little difficult to give offhand. That is something that maybe we can...

Suryanarayan Nayak

No. my idea is that, sir, only to understand though, with the fractional, year, actually, the capacity has come. So to what extent the progression for FY 2026 can be expected? And secondly, sir, just to understand, because you said the due to the different batch sizes and all, the nameplate capacity and the actual capacity are quite different. And can we understand that compared to the nameplate facility capacity, it will be 20% lower?

Yash Tikekar

No. No. See, that's what I'm saying. It's the other way around. The theoretical capacity that I would be telling like I've been telling you till now, there is always upward potential to that theoretically, theoretical capacity. There's no downward potential to that.

Suryanarayan Nayak

I mean, suppose you get, suppose you get, let's say, mining as a big order and continuously sustain, then your theoretical capacity, sorry, your actual capacity may inch closer to the theoretical capacity.

Yash Tikekar

No, no, no. My theoretical the actual capacity would increase compared to the theoretical capacity. The theoretical capacity that I'm giving you is based on a larger product basket. So as the product basket reduces or the quantum of products in the basket increase, the actual capacity will increase beyond the theoretical capacity. So the more the scaling, the better the availability of capacity.

Suryanarayan Nayak

Okay. I mean, but without the batch change in the batches will not affect the actual utilization?

Yash Tikekar

No. See, that's what I'm saying. The more the quantum of a particular product that is produced, lesser is the downtime in terms of changeover of the campaign, lesser the downtime in washing. So automatically, there is more efficiency to the batch hours. For example, if and....

Suryanarayan Nayak

So you are actually planning to have a capacity maybe after the current capacity of addition of around 300 to 350 somewhere in August. So you are basically eyeing for around 50% rise in the capacity in next -- maybe a couple of one to two years. So that could be entailing around INR 50 crores of CapEx?

Yash Tikekar

Yes. See, it would be offhand, I will not be able to give you guidance on the expected.
But it would be see, right now, what is there is we are going to have to start with for the additional capacity beyond whatever is coming online, we are going to have to look at additional land and starting from this like, the ground up. So that would definitely have see, right now what has happened is, now capacity that has gone from 400 to 650, 650 to 950, it has not had any additional land.

It has only had incremental increase with respect to production space, but not the basic infrastructure that is there. So for additional capacity that would come in, like, would have to be planned afterwards, there would be other structural based requirements also that would come in.

Suryanarayan Nayak

Understood, understood. And sir, to give us some color because you said your largest peer is in an MNC. To what extent their capacity could be, if you have any understanding you can give? So that we can compare, yes, we can compare to what extent we can we are actually, we can scale off. That is what my understanding is.

Yash Tikekar

See, from the kind of products that are there, I see multinationals have hundreds of products in their portfolio with multiple manufacturing facilities. But on the Indian context also, there are mid level manufacturers that are there. There are some which are unlisted.
Unlisted. There are some which are listed. But primarily, just to give you context, today that even if you take x product of us as of today, I would not even be catering to, say, 0.1% of the global market for that product.

Suryanarayan Nayak

No, I'm not talking of a competition point of view. I'm talking of scaling per scale up point of view to what I said the largest competitor's size is and where is our size? Maybe our size will be closer to 200, 2000 ton per month, maybe one to two years down the line.

Yash Tikekar

On a revenue potential, I could tell you see multinationals, unfortunately, I would not be able to tell you a direction of their revenue or their capacity. But from an Indian manufacturer context, certain peers that are there, if their range of, say, top line is between 1,000 to 2,000 crores, there are some which are in the 3,000, 4,000 crore potential. So that is the kind of revenue that is there for them. And again, here, there are only few products that are overlapping.

Suryanarayan Nayak

Got it. And so you are carrying always four months of inventory, eight to four months of inventory. I'm just now picking your inventory to revenue only. So just now for around close to 131 days for FY '25. So how far you are confident to handle for a longer period because of volatility you could at times could be facing mark-to-market losses or let's say, a down or any kind of drawdown in the inventory. So are you seeing such kind of risk going ahead?

Yash Tikekar

See, basically, the pricing, if we consider, say, for the last five years in the particular raw material segment that we are selling at or the finished products that we are selling, the range of fluctuations that have happened even during peak COVID, supply chain constraints were never more than about, say, a 5% variation during COVID, 5% to 10% on the higher side during peak COVID problems. So ideally, there hasn't been too much of volatility in prices. But secondly, with respect to inventory, like right now on a quarterly basis, if you take the last quarter average, so we are at about inventory days of close to about 100 days. But definitely, we are looking at bringing it down to 60 to 70 this year.

So as you rightly pointed out, there requires to be sufficient efficiency improvement in the, inventory that is there that will help us bring in more efficiency and we are definitely working towards that. So that is definitely there. But what happens is when you're scaling up, these are certain challenges that do arise because the number of products starts increasing, the, you know, raw material requirements increase. So it is a part and parcel of the stage of growth as well as bringing the required efficiency levels. So as we mature on a year-on-year basis as a company, definitely we will be able to bring in more improvements.

Suryanarayan Nayak

And sir, your gross margin is around 29% constant for a couple of last two years. So ex Australia operation, which you said around could add value at around 15%. So sell it stay at this level or any likelihood of improvement?

Yash Tikekar

No. See, definitely, like, that is a forward step for us in that organization with respect to that subsidy. So definitely, any contribution from there would add in a higher margin to the existing base that is there. Secondly, as I told you, like, scaling up on the product would definitely increase the margins that we see there is substantial scope for increase over there.

So scaling up of the products also that we are focusing on for the next 24 to 36 months. So certain products, when we scale up, we do see substantial improvement that we'll see with respect to the gross margin there.

Suryanarayan Nayak

And then bookkeeping size, other expenses have moved up significantly. So any reason for that? And the finance cost has remained same despite our increment in the debt. So and in fact, the finance cost has dropped significantly this quarter. So how does that account work?

Yash Tikekar

No. See, the reason for the reduction in the finance cost is because our term debt that is there, that has reduced. See, ideally, the organization has not taken up any new debt in terms of term liabilities in the last 24 months. So the incremental reduction that you see, in terms of interest cost reduction is because of this because the company has not taken up more debt. The funding of the capital expenditure that took place as well as the working capital requirements of the organization in the last 24 months primarily were met through equity. So that's why there was a reduction in the interest.

Suryanarayan Nayak

But short-term debt has also increased. And long-term debt reduced by 6.5, but short term also increased by 8.45 crores.

Yash Tikekar

Yes. As I said, the short-term debt that has increased, that is primarily for meeting working capital requirements.

Suryanarayan Nayak

Correct. So, so what is the reason that I just wanted to...

Yash Tikekar

Due to the interest part of it. So one is the term liability going down reducing the interest component as well. And secondly, what is there is key this the short-term debt that we're using is more structured right now, and the interest rates are more favorable compared to what they were, say, 24 to 36 months ago. So, ideally, one of the impacts that you are asking is even though short term debt has increased, why is the interest going down? So that was also one of the impacts that has been accounted over there.

Suryanarayan Nayak

So shall we be paying off this long-term debt completely this year, 6.75?

Yash Tikekar

See, ideally, what is there is key, we are focusing the cash generation that we are having on the expansion requirements that the organization would meet. So it is easily possible for the company to pay out those term liabilities because they're not very large in size. But the idea is that since the company, they easily be able to service those debt without having too much of pressure on the company. But we would prefer using the cash that is generated towards capital expenditure that would support the growth that we expect for the coming years.

So that incremental capital expenditure and investment in the operations on a year-on-year basis would be critical to the company's growth and continual requirement of capacity, capital structure that is required. So we are focusing that the fund utilization to be more focused towards the growth part of it, the requirement of growth.

Suryanarayan Nayak

Understood. And sir, your payable days has reduced by nearly half. So does it contribute -- has it contributed to material procurement cost?

Yash Tikekar

See, basically, what is there? And I think there are two things. One, the the figure that is there that is particularly for that day itself, like 31 month. But during the course of it, our credit, you could say the the procurement on credit is on a similar level. But in some places, what happens is if we are able to pay and get a better rate on procurement, we have been going in for that. So what happens is today, if you're making advance payment or, like, you know, upfront payment for a particular product, you definitely get a much better rate than taking it on, say, 30 days, 45 days, 60 days credit. So wherever possible that we can get better rates, we have been clean upfront and getting the better rates for the procurement.

Suryanarayan Nayak

So, you are working on three shifts basis or two shifts at the moment?

Yash Tikekar

Three shifts. 24 hours in three shifts. See, primarily, like I told you, our average, like, of product cycle vary from 12 hours to 42 hours. So it's a continuous you know, when the batch starts, it is a continuous process. So our weekly holiday is on Mondays. But other than that, from Tuesday to Sunday, the factory runs 24 hours.

Suryanarayan Nayak

And in which part of the year you go for maintenance, sort down?

Yash Tikekar

See, generally, what is there is key, regular maintenance and preventive maintenance happens every Monday, which is the weekly holiday. So ours is not a continuous plant. See, generally, what happens is, a shutdown period for a larger period of time is required for a continuous plant. Ours is a batch process. Since we have multiple products, there are campaigns and there is turnover of -- changeover of products. So for a batch process facility, we don't require that kind of a thing unless and until there is a breakdown.

But since we are a young company, we have proper preventive maintenance that is taking place. We've so far not experienced any major breakdown nor do we foresee anything at least in the next coming years.

Suryanarayan Nayak

So in the course of securing the order, a certain or small size order, you could be rejecting because it may not be suitable or aligned to your production planning. Am I right, sir?

Yash Tikekar

See, generally, what is there, we have a concept of MOQ for products that we have in place. So, primarily, that particular MOQ for a particular product is there. So, generally and which is a fair quantity. Like, our MOQ for a product is 1 ton. So it's not a very small or a large quantity. So which is fair. Anything beyond that, what happens is unless and until it's a regular product that we have in inventory, producing for 300, 200 kgs or 500 kg customer, ideally, it does not make economic sense.

Moderator

We have a follow-up question from Moksha Anka from Adam Capital.

Moksha Anka

Could you just give a sense of what were our gross margins for FY 2025 and 2024?

Yash Tikekar

Gross margin our gross margin was approximately see; our range is about 30% that was there in terms of both the years.

Moksha Anka

Okay. So you for the next two, three years, are you in turn? Would all margin going to be in that range?

Yash Tikekar

See, our gross margin, like I told you, we are working on improving our procurement prices. So there would definitely be an upward trend. It's just that we can't exactly pinpoint what frame, but definitely in the next 24 to 36 months, we will have an upward trend on our gross margin.

Moderator

Thank you. That was the last question for the day. Now I hand over the floor to management for closing comments.

Yash Tikekar

Yes. So I'd sincerely like to thank everyone for being a part of our first earnings call this year. And we would like to always thank all our stakeholders, investors, clients, employees and all our partners for their continued trust and support in our organization. And we hope to deliver tremendous growth over the next coming years. Thank you.

Moderator

Thank you, sir. Ladies and gentlemen, this concludes our conference call for today. Thank you for your participation. You may disconnect your lines now. Thank you, and have a good day.

Note:

1. This document has been edited to improve readability
2. Blanks in this transcript represent inaudible or incomprehensible words.