

**Apcotex Industries Limited**  
**Q2 and H1 FY'26 Earnings Conference Call**  
**November 06, 2025**

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**Moderator:** Ladies and gentlemen, good day and welcome to Q2 and H1 FY'26 Earnings Conference Call of Apcotex Industries Limited.

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 Ms. Purvangi Jain from Valorem Advisors. Thank you and over to you ma'am.

**Purvangi Jain:** Thank you. Good afternoon everyone and a warm welcome to you all. My name is Purvangi from Valorem Advisors. We represent the investor relations of Apcotex Industries Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings call for the second quarter and the first half of the financial year 2026.

Before we begin, a quick cautionary statement. Some of the statements made in today's conference call may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management's belief as well as assumptions made by and information currently available to the management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Now, I would like to introduce you to the management participating with us in today's Earnings Call and hand it over to them for their opening remarks. We have with us Mr. Abhiraj Choksey – Vice-Chairman and Managing Director and Mr. Vivek Thakur – Chief Financial Officer.

Without any delay, I would like to now hand over the call to Mr. Vivek Thakur for his opening remarks. Thank you and over to you, sir.

**Vivek Thakur:** Thank you, Purvangi. Good afternoon, everyone. It is a pleasure to welcome you all to the earnings conference call for the quarter and first half of the financial year 2026. I hope you all

had the opportunity to review the financial statements and earnings presentation has been circulated and uploaded on our website and also to the stock exchange.

Let me provide you with a brief overview of the financial and operational highlights for the quarter and half year:

I will begin first with the quarter. So, for the second quarter, our total volumes have increased by 11% and operating revenue stands at INR 337 crores. The revenue shows a decline of 4% year-on-year basis. This is due to overall fall in raw material and consequently lower realization in finished goods prices. Operating EBITDA for the quarter has increased significantly to INR 41 crores as compared to INR 28 crores in the same quarter last year. This represents a very strong year-on-year growth of 48%. This is driven by volume growth and margin expansion. The EBITDA margin stands at 12.06%. Profit after tax for the quarter is INR 25 crores. This is up INR 130 % year-on-year with a PAT margin of 7.51% which indicates strong profitability and operational efficiency. We are also happy to inform that the company has turned net cash positive as of 30th September 2025. This reflects strong cash generation and good financial discipline. During the quarter, Director General of Trade Remedies, DGTR has issued final findings on anti-dumping duty which was overall positive for the company. We are now awaiting the duty notification from the Finance Ministry.

For half year FY'26, the company achieved highest ever export volumes and overall volumes which are up 18% on a year-on-year basis. Operating revenue shows an increase of 4% year-on-year to INR 713 crores. Operating EBITDA has grown strongly at 34% year-on-year to INR 79 crores. The EBITDA margin is at 11.13%. This margin expansion is supported by volume growth, margin expansion and better capacity utilizations. PAT for the first half has increased by 73% to INR 45 crores and the PAT margin is 6.25%. During this period, the company has achieved highest ever export volumes which are up 31% year-on-year and we have also reduced debt by approximately INR 53 crores. This demonstrates continued financial discipline and operational strength. The strong performance also reflects the effectiveness of our strategy which is focused on volume-led growth, expanding our export and operational efficiency.

We are also proud to share that company has the prestigious ICC award, Acharya P.C. Ray award for development of indigenous technology. This reaffirms our commitment to innovation and self-reliance.

Further, we would like to announce that the board of directors, have reviewed and approved investments of INR 210 crores for capacity expansion at our Valia facility. The proposed capacity expansion is 37,000 metric tonne per annum for synthetic latex and 14,600 metric tonne per annum for nitrile rubber and allied products. These two capacity additions have a combined revenue potential of INR 550 crores to INR 600 crores. While synthetic latex additional capacity will cater to additional domestic and export demand in construction, carpet, textile and paper-paperboard applications, increase in capacity for nitrile rubber and allied

products will cater to demand in several specialized rubber product categories such as automobile, footwear, rice rolls, insulation and hoses. It is notable that we currently manufacture the synthetic latex at our Taloja facility and incremental capacity will be done at our Valia plant. Whereas, nitrile rubber and allied products current and additional capacities will be housed at our Valia facility. The total projected capital expenditure will be spread over next six to seven quarters. This will be financed through debt and internal accruals, a mix of it. The additional production is anticipated to come on stream in a phased manner by Q1 of FY'27-28. We believe that this investment will help us increase market share, enhance profitability and strengthen our domestic and export footprint while delivering value to all our stakeholders.

With this, now I open the floor for question-and-answer session. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Dhaval Shah from Girik Capital.

**Dhaval Shah:** Yes. Hi, thank you for the opportunity. So, good to see a great performance since now a couple of quarters. So, first question is that just a clarification. So, total volumes, the growth in volumes year over year, was it 18%? Did I hear it correctly?

**Abhiraj Choksey:** Hi, Dhaval, this is Abhiraj Choksey. Yes, it was 18% for the first half, H1.

**Dhaval Shah:** 18% for H1. Okay, got it. And how much did exports contribute to the quarter?

**Abhiraj Choksey:** To the quarter, it was about 31%, I think.

**Dhaval Shah:** Okay, so is there a seasonality in the business, where, so compared to Q1, export contribution was a little less this quarter? Is it the seasonality?

**Abhiraj Choksey:** Maybe partially, but I think, you know, look, quarter-on-quarter, sometimes that does happen, you get some large orders in one quarter, it goes up, but our endeavor is to be at around 35%, and over time grow it to 45% or so over the next year or two, plus minus every quarter can happen. Sometimes, like in this quarter, there are some orders that may come at a very low margin, which we have sort of let go, with a real focus on improving margins this year, this is the last quarter. And therefore, you see, in the last quarter, the growth of volumes has been about 11%, lower than in Q1. So, we balance, we try and balance out margins and volume. So, that may be the reason, but I will not read it too much into sort of quarter-on-quarter numbers.

**Dhaval Shah:** Okay, got it. Now, the announced expansion, so out of, so the two products where we are doing the expansion, can you help me understand the average realization of that basket? Would be how much would be how compared to your overall to the other two products? So, we are expanding in this synthetic latex and, and the other product. Yes, I said, NBR, as I said allied

products. So, how its realization will be with the other products. So, what I want to understand is that, so we are doing, so there will be a 28% kind of volume increase on the capacity. And then in terms of realization, also, how will this impact the P&L going forward? So, like, what will be the combined impact value plus volumes?

**Abhiraj Choksey:** So, overall, if I were to add both the volume overall comes to, Vivek, correct me if I am wrong, but about 51,000 tonnes, 52,000 tonnes, right, both put together. And the overall revenue expectation, see revenue is hard to predict, because like, just for example, in Q2, overall prices have fallen quite a bit for all our materials, therefore our finished goods, but we expect about INR 550 crores to INR 600 crores, depending on what the price of the product is. So, all the products are approximately in that range for this entire, so I think you would assume a little over Rs. 100, Rs. 110 or so. Is that what you were asking?

**Dhaval Shah:** Yes, so that compared to the other two products, which is high-styrene rubber and nitrile latex. So, that realization, so the Rs. 110 is higher than the other two products?

**Abhiraj Choksey:** Realization? See, the rubber products are typically double of the latex products. Now, that is the bottom line. You know, typically, but sometimes it could be 2.2x, 2.3x, hard to, honestly, it is not a relevant question, if I were, from your point of view, I am just trying to understand the relevance of the question, maybe.

**Dhaval Shah:** So, same thing, like, I mean, you have given a revenue number, so it just answers, I was just trying to understand that, that how much of total revenue increase it can happen. So, yes. Okay. And the last question, this, what will be the CAPEX for this year, next year? So, this Rs. 210 crore will be spent in next two quarters, two, three quarters?

**Abhiraj Choksey:** No, as Vivek mentioned, it will be six quarters, actually.

**Dhaval Shah:** Okay, so we are starting the plant in Q1, 2027?

**Abhiraj Choksey:** Yes, which is six quarters from now.

**Dhaval Shah:** Okay, so calendar 2027, you mean?

**Abhiraj Choksey:** No, Q1 FY'27. So, it is calendar year. Yes, you are right. Sorry Q1, you are right. Q1, Vivek, can you, what you mentioned, but it is Q1 FY'27-28, or Q2 FY'27. Is that right, Vivek? Is that what you mentioned? Are you there, Vivek?

**Vivek Thakur:** And so which is April to June quarter of 2027.

**Abhiraj Choksey:** No, so that is FY'27-28, though, right? That is, I think that is what the distinction is.

**Dhaval Shah:** Yes, so then, so what you have written in the press is Q1, 2027.

**Abhiraj Choksey:** Okay. Yes, so we plan by March 2027, April 2027, that is the target. So, around, I think we should have been careful of that. I think it is Q1 FY'27-28.

**Vivek Thakur:** Yes. FY'27-28. If we stand corrected, and I think we will have to make that change.

**Abhiraj Choksey:** Yes. Thank you. Thanks for pointing that out Dhaval.

**Dhaval Shah:** So, this year, how much are we spending in FY'26, the current financial year, and how much are we going to spend in next financial year, in terms of CAPEX?

**Abhiraj Choksey:** Yes, so there are two parts with CAPEX. So, obviously, the Rs. 210 crores is the expansion projects, but there will be other CAPEX projects as well related to, for example, we are going to invest in perhaps some solar projects, some cost saving projects, maintenance CAPEX. So, that will be in addition to that. So, overall, I think this year, we expect a total CAPEX of about Rs. 65 crores, out of which probably about Rs. 20 crores to Rs. 25 crores will be for the expansion projects. And the remaining would happen in the following year and perhaps spill over into the FY'27-28 as well.

**Dhaval Shah:** Okay. Got it. Okay. And then, and you will take around two years to utilize the expanded capacity or three years? What is your assumption?

**Abhiraj Choksey:** Yes, I mean, based somewhere between, I would say three years after it comes on board, comes on stream. That is our plan.

**Dhaval Shah:** Okay. Good luck. Thank you.

**Abhiraj Choksey:** Thank you.

**Moderator:** Thank you. The next question is from the line of Rudraksh Raheja from Ithought Financial Consultancy. Please proceed.

**Rudraksh Raheja:** Thank you for the opportunity, sir. Sir, I want you to understand more on the gross margin side, we have seen a very healthy improvement. It is one of the best in like, last six, seven quarters, I would say.

**Abhiraj Choksey:** Yes. So, sorry, what is the question?

**Rudraksh Raheja:** The gross margin improvement we have seen in this quarter, what contributed to that?

**Abhiraj Choksey:** Right. So, combination of a few things. One is, you know, two things. One, I would say main is that the chemical industry had a couple of good years post COVID, you know, in 2022, 2023, even FY'21. And 2024 onwards was more challenging because a lot of capacity was added worldwide for a lot of products. We added capacity. Now, as the capacity utilization is going

up, especially for us, I do not know about the rest of the industry, but also for the rest of the industry, but definitely healthy for us. We are at above 80% on average for all our products, in some cases, even close to 100%. So, that really helps in sort of improvement of margins. And the other one, overall, the market and the scenario worldwide has improved for the chemical industry. What I feel, obviously, notwithstanding the current tariff issue and uncertainty around that stuff that the tariffs and some geopolitical tensions that still remain. Other than that things have improved, I feel, in terms of capacity utilization for the chemical industry. Of course, there are some pockets of the chemical industry that are still not doing so well, and some that are doing better. In our case, I think things have been better this year in terms of margins, or at least in the last quarter, but I would say in the last six months than they were in the previous few quarters, as you said.

**Rudraksh Raheja:** Okay. Sir, did we see any pricing improvement in the nitrile latex front? Was that the main reason?

**Abhiraj Choksey:** That is one of the reasons. I would say more than pricing improvement, I would say a little bit of margin improvement. As our capacity utilization went up, we have got some more approvals. We are able to build a margin on that better than it was in the last one year, for sure, and the previous year, financially, for sure. But I think it is still some ways to go. That market still remains challenging, although it is easier now than it was last year. And that has definitely been a factor.

**Rudraksh Raheja:** Sure. And sir for H1, what would be the contribution from different product segments? Like you give us a split of how much does nitrile contribute and the rubber segment, etcetera?

**Abhiraj Choksey:** So, overall, the contribution still remains at about 30:70. Rubber is 30% for the quarter. I don't have H1 numbers, but it should be similar. So, for example, for the quarter, it is 30:70. And in terms of contribution of the segments, I guess in terms of latex, out of the 70, paper and construction would be about 16% to 18%. Carpet textiles put together is a little lower this time, is 11% to 12%. Nitrile latex, again, would be about 15% to 16%. Tires, tire cord would be about 10%. And the remaining 30% is all rubber.

**Rudraksh Raheja:** Got it. And capacity utilization for the segment?

**Abhiraj Choksey:** I think all our plants were running at above 80%. I think for our sort of synthetic latex, Taloja plant would be at about 80%. Nitrile latex would be about the same. And NBR and all are 95%. NBR is at 95%. NBR and allied products, almost full capacity, I would say.

**Rudraksh Raheja:** Got it. And one thing more on the global market side, could you guess on what would be the industrial capacity utilization in nitrile latex market?

**Abhiraj Choksey:** Honestly, hard to say, but it is still fairly low from what I mean. It has improved for sure, but it is, because there is no new capacity that has been added in the last couple of years. But it is still not very healthy, which I consider to be at least 80% and above, and it is below that. I do not have an exact number right now.

**Rudraksh Raheja:** Got it. And sir, getting a little bit more clarity on this NBR front. Historically, what you have said that we require a duty, a significant duty to get the advantage. Last time, I think duty was passed and the number was quite low. But this time, the number that the government of India has written in their document, is that sufficient for us to recover margins in that segment?

**Abhiraj Choksey:** Yes, for sure. I mean, it has been a mixed bag. See, first of all, the duties have still not been notified. The finance ministry still needs to notify those duties. Right now, it is just a recommendation from DGTR, which is under the Commerce Ministry. So, I would say it has been a mixed bag for us in the sense that most of the imports, we will have a reasonable duty for which we are happy with. But for one particular manufacturer, there is zero duty. So, we have to see how the market plays out. And we will see. But first, we are just waiting for the notification from the finance ministry, which has not yet come. After that, we can sort of see how things play out.

**Rudraksh Raheja:** Sir, do we have any expectations?

**Moderator:** Sorry to interrupt you Mr. Rudraksh. May we request you to join the question queue again, as there are other participants waiting for their turn?

**Rudraksh Raheja:** Sure. Thank you.

**Moderator:** Thank you. The next question is from the line of Farokh Pandole, from Avestha Fund Management. Please proceed.

**Farokh Pandole:** Hi, Abhiraj. Good to see the strong numbers, especially the good margin recovery. In that, we just wanted to check on the nitrile latex. Since we had, at the time we had done our expansion, we had also made provision for a second leg of expansion, which would be at a far lower cost. Is that something we would also consider, given you have now said that we are at 80% capacity over there as well? And I am presuming there is some modicum of profitability now, as opposed to the loss levels we were seeing for many quarters?

**Abhiraj Choksey:** Hi, Farokh. Yes, so it is definitely on the cards, although that is not what has been approved yesterday in the board meeting. We are keeping it on the cards, and we will see when to do that. The issue is with margins are still not healthy enough to justify additional capacity when there is already enough excess capacity worldwide, or at least in Asia, not worldwide. It is mostly in Asia. So, as of now, that is not on the cards. But yes, it is something that we will keep considering, and we will see how it goes every few months. And depending on where the

industry is, as I was explaining to the previous caller, we feel that there has been an improvement in the industry in the last few months. We just want to ensure that margins go back to the level that we had set out at the beginning before the project, the first project was initiated. So, once that happens, we will certainly consider that.

**Farokh Pandole:** Right. And on the NBR, how long do we think before we actually see this notification?

**Abhiraj Choksey:** On the anti-dumping? Yes.

**Farokh Pandole:** Yes.

**Abhiraj Choksey:** Generally, so we expect by before December end.

**Farokh Pandole:** Before, okay, so in this calendar year. And so am I right in saying that it is the June quarter of 2027, wherein we start seeing the addition of capacity, right?

**Abhiraj Choksey:** That is correct. But you know, look, there will be some addition. So, this entire Rs. 210 crore expansion is actually a series of four or five subprojects. So, some of the some of the stuff will start maybe even before that by June, July of next year, minor sort of some debottlenecking and things that we are doing that will come in June, July, some other things will come in December of 2026. And then large majority of the expansion would be completed in around that time between March and May of 2027.

**Farokh Pandole:** Okay, so we will complete the expansion by 2027. It is not that the expansions will start commencing from 2027.

**Abhiraj Choksey:** That is correct. But a large chunk of it, I would say 80% would come towards the end. But then there are certain debottlenecking projects that would start a little bit before that for NBR. Sure.

**Farokh Pandole:** And in NBR, in the past, I think we mentioned that it would have been good to ideally have had a larger capacity in the sense of competing with other NBR capacities globally. So, is this sufficient in terms of overall size to extract synergies and scale benefits, etcetera, like you have seen in some of the other products?

**Abhiraj Choksey:** Yes, absolutely. Even with the expanded capacity, I think we would now be a mid-sized player in the global scenario. So, our total NBR and allied products capacity would be around 35,000 tonnes, 36,000 tonnes after we are done with this. And just to give you a flavor, there are smaller plants around that size, 30,000 tonnes to 50,000 tonnes, but the largest plants are around 90,000 tonnes to 100,000 tonnes. So, we are still below what I would say is the largest capacity, but we would certainly be reasonably global size, at least as a medium sized plant is concerned. And it will definitely help with overall economies of scale.

**Farokh Pandole:** Great. And lastly, is there similar to the earlier expansion, is there any sort of slack being built in for, if let us assume, hopefully that this investment will be better time than the last investment, and we will have that in our favor. If that were to be the case, to expand capacity to the next level, are we making provision for that? Or will that have to be done in a step function?

**Abhiraj Choksey:** So, NBR, it will have to be done in a step function. But for the synthetic latex, yes, we are making certain provisions now for future as well.

**Farokh Pandole:** Great. Thanks a lot and all the best.

**Abhiraj Choksey:** Thank you, Farokh.

**Moderator:** Thank you. The next question is from the line of Saurabh Shroff from QRC Investment. Please proceed.

**Saurabh Shroff:** Hi, good afternoon, Abhiraj and congratulations on a great set of numbers. I guess you partly answered my question. But if you could maybe elaborate. So, my concern really was that with NBR running at full capacity and 80% across latex, both in Taloja and Valia, we could potentially hit a volume air pocket sometime, maybe this time next year, if we continue on this 15%, 18% kind of volume growth. So, if maybe if it is not possible on this call, maybe next call, if you could just sort of help us understand how the volume and the capacity ramps up from, let us say, June quarter of FY'27, like you mentioned, that is coming up in phases. I think that would just be helpful to understand where things go. And on the anti-dumping, so obviously

**Abhiraj Choksey:** You are right, that could happen for a quarter or two, but our sense is that we would have enough capacity and there are other options possible in the short term, like outsourcing certain products and so on, which obviously is not ideal because that reduces the margin, but that is something we could do for the short term. We think we have enough capacity for next year. There might be a situation where, I am talking about for the latex products, yes? For rubber, NBR, we are already at almost full capacity. So, you are right, there we have already hit, and for the next year or so, we will hit, not year, but about three quarters, we will hit a situation where we cannot grow further than this. I hope that answers your question.

**Saurabh Shroff:** Yes, so I mean, in the past, I guess we have managed to juice this facility with significant debottlenecking, but I think you mentioned that by 25, we are pretty much as tight as we could run this ship, so that I appreciate. So, is it fair to say that as and when this duty gets implemented by the finance ministry and gets notified as such, is there a significant boost to our margins, at least on the rubber side, based on this? I am just trying to understand, what does this mean for us? Given we do not have the capacity, does it improve our realization in a significant manner?

**Abhiraj Choksey:** You know, that is what it was supposed to do, but unfortunately, as I mentioned to one of the previous caller, there has been a mixed bag for us in terms of the recommendation. We will see what the final findings that are notified by the finance ministry. But one of the manufacturers, one of the importers have not been levied any anti-dumping duty. So, we do not know if margins will really improve. Of course, I think it will help us, because from Russia, from China, reasonably good anti-dumping duties have been levied. So, overall, we feel that is a fair thing for us to compete in India, and we will see how that impacts the margins. But all these expansions or all our workings that we have done are based on zero anti-dumping duty and sort of assuming margins at current levels without anti-dumping duty. So, I think even without that, it is justifiable and we are, we have worked out a fairly innovative way. Earlier, our thinking was that only for NBR, we would need a Rs. 200 crore to Rs. 225 crore expansion, but here with around Rs. 210 crores, we have been able to do NBR and synthetic latex, you know, both. So, we are quite confident that with or without anti-dumping we are going to go ahead with this expansion.

**Saurabh Shroff:** So, that is a big statement from you because I guess we have for about six quarters been waiting for this anti-dumping duty and you said once you have clarity on that, only then will you do NBR. And now, so obviously significant work has happened for you to commit to this amount of CAPEX with or without the anti-dumping.

**Abhiraj Choksey:** We were waiting for that and as I said, it has been a mixed bag. Had it been something which was absolutely negative, we may have even considered, but we were ready with these numbers for the last quarter or two, I would say, but we were just waiting for the recommendation. In fact, ideally, you know, we maybe should have waited till the December, this December-January period, but I think right now we feel pretty confident to go ahead with this.

**Saurabh Shroff:** Got it. And finally, margin back to sort of low double digits, our aspirations always been closer to mid. Is that sort of path clearer now with demand as you see, I guess, Nitrile-Latex aside? Are we sort of on the right track there?

**Abhiraj Choksey:** Yeah, I think Nitrile-Latex aside, we are already in the mid double digits in this quarter. So, if you do not include Nitrile-Latex, with Nitrile-Latex is still pulling it down a little bit. But as Nitrile-Latex improves over the next few quarters, I think that will also help. And the one challenge though that remains right now is, you know, we have seen our business and margins in certain industry segments affected because of US tariffs, not directly, but indirectly. Some of our customers in textiles, in technical textiles, in the tire industry, in carpet, their exports have been affected, especially to the US. So, you know, so there are challenges and pockets, but we are hoping that will sort itself out in the next two, three months as far as the tariffs are concerned and Nitrile-Latex will improve. So, yes, I think we should see some improvement or not improvement, but continued reasonable margins in the next few quarters as well.

**Saurabh Shroff:** Okay. That is great to hear because exactly my question was about that only that carpets have taken a big hit from India, especially. So, if that has to come back, we would benefit from it.

**Abhiraj Choksey:** Sorry? Yes. If that cycle comes back, we would benefit. Sure.

**Saurabh Shroff:** And I guess 80% utilization is also kind of a level where a significant amount of operating leverage starts to kick in as you go from 80 to 85 or is that number closer to 90 for you to be optimal on the plants?

**Abhiraj Choksey:** No, frankly, operating leverage at every 5%, 10% higher it increases. So, that will increase from 80 to 90, 90 to 100. The one thing that more than operating leverage, I think it gives us the confidence to say no to certain orders which are very low margins or customers that we just got payments are very delayed, those kinds of things. I think that is where the really advantages and that is where sometimes margin can be bumped up by a percentage or two.

**Saurabh Shroff:** Okay, got it. Thank you very much and all the best and great show on the cash generation as well this quarter that really hard to see in a tough time.

**Abhiraj Choksey:** Thank you.

**Moderator:** Thank you. The next question is from the line of Rudraksh Raheja from Ithought Financial Consulting. Please proceed.

**Rudraksh Raheja:** Yes, thank you for the opportunity again, sir.

**Abhiraj Choksey:** Sure.

**Rudraksh Raheja:** Could you give us more details on this synthetic latex expansion? Like for what applications are we expanding this time?

**Abhiraj Choksey:** Sure, the same application. So, we have a about 100,000 tonne or I would say about 90,000 tonne plant for the synthetic latex production. The two main products we make there are styrene butadiene latex and styrene acrylic latexes. And that is where we said we are close to 80% capacity utilization there. It would be for similar carpet construction, paper textiles, and there are a lot of specialty applications as well that we are now focusing on a few specialty applications that we are now focusing on. So, it would be for similar products. It is just that instead of Taloja, we are doing it in Valia. One is to de-risk from Taloja, which has become a large site for synthetic latex and globally, I would say, globally comparable site. So, we just wanted to manufacture this product at another site and we have enough space and buildings and all that in Valia. So, we decided to do it in Valia. Whereas for the NBR, we need economies of scale at the same plant. We are still below optimal sort of global capacity, which is what I mentioned to one of the previous callers. So, there we are continuing in Valia. So, the entire, the next 16 months, 18 months, focus on expansion is going to be in Valia, Gujarat.

**Rudraksh Raheja:** Got it, sir. Sir, I think last time when we expanded in paper, some other player also expanded at the same time. And this led to some sort of lower prices in the market. And again, we have announced our CAPEX in synthetic latex and another listed player in this space has also announced CAPEX in the latex segment. So, how do you see this playing out in the future and affecting our margins and all?

**Abhiraj Choksey:** I am not sure who you are referring to, but look, I mean, there is always cycles. I think what happened post COVID was not just in India, but globally, everyone also added latex. So, while we do not compete globally, I think it does affect the, there is always an option, right, for people to go abroad. And I think if that does happen, depending on the timing, and I am not aware of the timing and who you are referring to specifically, but I do not think it is going to be like what happened post COVID, where if you remember what happened in COVID is between 2020 and 2021, everything was shut, right? There was nobody expanding. In fact, people are not going out of the house. And then suddenly the demand picked up very quickly because people were sitting at home and ordering goods. So, manufacturing demand picked up. So, that was a very unique case. And in that euphoria, I think a lot of capacity expansion worldwide in India happened with large numbers. This time we are increasing capacity by about 35%, 40%. I would say about 35% to 40%. Last time, I think our percentage expansion was much larger as it was for the other player. So, we will have to see. That is a cycle that will play out. We have decided that we have certain strengths in this segment, and we are going to go ahead no matter what everyone else is doing. And sure, a couple of quarters then at that point, margins may be affected. We will see. We will have to deal with it.

**Rudraksh Raheja:** Understood, sir.

**Abhiraj Choksey:** But I must also mention that who you are referring to, there may be others that have entered, but we believe that the technology and the next level of technology is going to be even sort of the next generation technology better than what we have today. I think we are quite confident that what we are doing in the synthetic latex segment now going forward will be revolutionary for India. It has never been seen in India. And the productivity, the cost, the quality, all of it will be at a different scale. So, we are quite confident that we will not only compete this time, but we will have significantly better products at perhaps a little lower cost as well.

**Rudraksh Raheja:** So, are we entering more sort of specialized segments that are margin accretive than what we have done previously?

**Abhiraj Choksey:** We will be, but obviously, if we are investing at a 37,000 tonne capacity, it cannot only be for specialized segments. We would need the segments which provide the volumes as well.

**Rudraksh Raheja:** Got it, sir. And I think you have mentioned this number, I am repeating this, with this sort of CAPEX, what would be the revenue potential that would unlock?

**Abhiraj Choksey:** About Rs. 550 crores to Rs. 600 crores.

**Rudraksh Raheja:** Got it. And sir, assuming at this point of time, there is no pricing improvement in any of our segments, what is the peak revenue that we can do with existing capacity?

**Abhiraj Choksey:** I mean, I know we had worked it out last year and it was about Rs. 1600 crores, Rs. 1700 crores. I think it would obviously, now in the current context, prices are very depressed, but in this Q2, but you know, that kind of will at some point, it will start going up again, but I am assuming around the same, probably Rs. 1600 crore, Rs. 1700 crore.

**Rudraksh Raheja:** Yes, sure. Got it. Thank you.

**Abhiraj Choksey:** Thank you.

**Moderator:** Thank you. The next question is from the line of Arun Arora from NB Investment. Please proceed.

**Arun Arora:** Good evening. Congratulations on the good performance.

**Abhiraj Choksey:** Thank you, Mr. Arora.

**Arun Arora:** I had two questions. One is regarding the ADD. Last time it so happened, in spite DGTR recommending for this ADD, finance ministry did not issue a circular imposing that. So, is there any possibility that it can be repeated again this time also?

**Abhiraj Choksey:** Yes, that can be a possibility. But from what we understand, what is happening through our lawyers and basically watching, in that period of 2020-21, I think the percentage of cases that were not being notified were much higher. And now it is like, you know, one out of 20 or, you know, I mean, much lower. So, there is a higher level of confidence. And that is the reason why we again applied for anti-dumping, because we saw that there seems to be now some kind of alignment. And we feel that majority of cases are now being notified. However, as you said, that always remains a risk, but the risk is low from what we understand on what we have been advised.

**Arun Arora:** Okay, good. My second question is, almost a year back or so when some participant had asked for the future capacity expansion, you had mentioned that we do not have space, except for that nitrile latex, that additional 50,000 capacity or so. You may have to venture out for a new land or so. So, I was getting a little bit confused. So, Valia we are doing in the Taloja. So, is it being done in the existing plant sites only?

**Abhiraj Choksey:** Yes, it has been done in the existing plant site at Valia. So, maybe there was some misunderstanding. But, in Taloja yes, we are tight on space. We can perhaps do a few things as well there, but as of now our decision is do the entire expansion in Valia. And obviously, we

are utilizing some current buildings that have already been built and we are going to build some additional structures as well for this expansion. So, we do have space in Valia.

**Arun Arora:** Okay, so after this expansion, plus the 50,000 that space, what is there for the nitrile latex, do we have still some more space left or we are done with all whatever the remaining space?

**Abhiraj Choksey:** No, we will have some more space left.

**Arun Arora:** Some more space. Okay. So, lastly, regarding nitrile latex margins, now that we are at 80%, is it fair to assume that in the coming quarters, the margins should slowly and steadily would keep going up?

**Abhiraj Choksey:** It is difficult to assume that. I do not know. The answer is we do not know. No one can exactly predict the future. But at we hope it remains stable and perhaps over time as capacity utilization globally or in Asia goes up, that it should technically happen because nitrile latex margins are still much lower than what they were pre-COVID. So, technically, it should go up. I do not know when.

**Arun Arora:** Okay. So, for you to start this second phase of the CAPEX, are you looking at the improvement in the margins or the increase in the capacity utilization?

**Abhiraj Choksey:** Look, we should be at, see, selling product is not a problem because at a price, you know, you can sell anything, right? So, it is not more about the volumes, but sure, now our capacity utilization is already at 80%. We can go up to 100 immediately if we just give a little bit more discount and all, but we are trying to balance between pricing margins and volumes. So, it is more about the market than internal at this stage.

**Arun Arora:** So, what you are trying to say is the improvement in the margins only will make you to go for the phase two CAPEX.

**Abhiraj Choksey:** Right.

**Arun Arora:** Okay. Thank you very much and wish you all the best.

**Abhiraj Choksey:** Thank you, Mr. Arora.

**Moderator:** Thank you. The next question is from the line of Manav Vijay from MV Investment. Please proceed.

**Manav Vijay:** Yes sir. Sir, thank you very much for the opportunity. Sir, my first question is regarding the expansion that you are doing. Now, you just mentioned to the last caller that even after doing this expansion, you will have some space left in Valia. So, are we in the process of, let us say,

figuring out even a third piece of land so that as and when we take the decision to expand further, we will have land available?

**Abhiraj Choksey:** I think we have land available in Valia even now. We obviously will explore, but I think the decision is, or not decision, but the thinking is that until we have a clear idea on what we want to do with the land, we would not be purchasing it. I think we have a reasonable amount of land in Valia where we can further expand if we so choose to, but it depends on what products. So, if it is in the same products like latex and all, I think we have enough land in Valia. But if it is completely something different, then we may look at the third site. As of now, there is no decision on that, but we are always on the lookout.

**Manav Vijay:** Sure. Okay. Sir, the second question is regarding the raw material price decline that we are witnessing now for the last three quarters. So, I believe that actually quarter four, we had a 3% price decline. Quarter one, we had 13%. And in this quarter, we had roughly 15% kind of a price decline. Now, this three quarters continuously is a slightly, I would say, longer period. So, in history, have you seen such a long period of price decline continuously happening? If you can elaborate on that?

**Abhiraj Choksey:** Yes, I think so. I think in the last 20 years, there have been three or four periods like this. Not very uncommon. Of course, does not happen all the time, but not very uncommon. We saw it at least for three quarters during the COVID period, from January to March, and then after that as well for a couple of quarters and then it started moving up again quickly. We saw it in 2009-10, I think in between as well in 2014-15, suddenly prices had gone up and then it came down. So, three quarters, sometimes four quarters is not uncommon. Well, it is not common, but it is not uncommon either. Every four, five years, this does happen. But as I said, look, I mean, we are okay with that. Sometimes it does help us, this price decrease is good for us in terms of, for example, one of the reasons why working capital management is better, right, because of lower prices. So, that helped. At the same time, we probably have had some stock losses because we bought at a higher rate. And in spite of that, margins have been reasonably okay. We have been able to manage that. It is not so much of a concern. Any specific reason why you are asking this question?

**Manav Vijay:** No. Sir, for the simple reason, actually, since our sales, to an extent, is also dependent on the price growth as well. So, while we have been, let us say, getting a good volume growth, so along with that, if we had pricing growth as well, then the bump-up in margins would have been much better. That is why I am asking that I would have three continuous quarters of price decline.

**Abhiraj Choksey:** Actually, margins and revenues are two different things, right? So, we can still hold on to the margins, even if prices are declining or going up. I am talking about margins on an absolute level, not on a percentage level. So, in fact, when prices decline, our margins on a percentage level sometimes seem better, because we try and hold on to the absolute margins. Sometimes

it does not happen. We have to also reduce our absolute margins. And vice versa, sometimes when prices go up dramatically, we are not able to increase percentage margin at the same pace. But absolute, then we are at least able to increase. And therefore, our EBITDA margins, so EBITDA margins for us is the key, not so much contribution margins.

**Manav Vijay:** Sure. Okay. Sir, my next question is regarding the working capital. So, in this quarter, in our cash flow operations, we had Rs. 61 crores coming in from receivables, which I believe is the best that you have done in the last few many, many years. So, any specific reason because of which you could receive so much of money from the customers?

**Abhiraj Choksey:** No, no specific reason. I must commend my sales team. They are doing a good job.

**Vivek Thakur:** One of the reasons is because of the lower price at which the finished goods are being sold. So, that is one of the reasons why in absolute value, the receivables are much lesser. If you see the number of days, there also is an improvement. But absolute value reduction is largely because of the lower FG prices.

**Manav Vijay:** So, in this quarter, you have done net cash positive, and this Rs. 61 crores has helped you a lot to turn actually cash positive. That is why I am asking, so what you believe is the probability of continuity of this huge cash flow generation? Like you have done Rs. 107 crores in I would say H1, which you have never done.

**Abhiraj Choksey:** Why have you calculated this number of 107? What is that?

**Manav Vijay:** So, in this H1, you have generated Rs. 107 crores of actually cash flow from operations that you have never done in the last 15 years of history. So, I would just like to figure out whether this number is actually abnormal, or this is what let us say the business should look like even going forward, because now the business dynamics are turning in your favor.

**Abhiraj Choksey:** So, I think as Vivek mentioned, that the reduction in prices of raw materials has definitely helped us in this. So, in that sense, yes, it is. I mean, if prices go up, suddenly our working capital requirement also will go up, right? If prices, let us say from now they are going to climb by 30%, 40%, our working capital requirement would also climb that much. So, certainly that has helped us. Yes.

**Manav Vijay:** Sure. Okay. Thank you and all the best.

**Abhiraj Choksey:** Thank you. Vivek, I hope I have answered Manav's question okay.

**Vivek Thakur:** Yes, that is correct. And just to also clarify, a large portion of Rs. 107 crores is from profits, which is EBITDA, which has come back into the kitty, so the internal accruals, and about Rs. 20 crores, which is released from working capital on a net basis. Yes, correct. Okay. Thank you.

**Abhiraj Choksey:** What you would say is like a little bit of a bump, right, we have had? Is that right? Sorry, I am asking the question in our own conference call. Sorry.

**Manav Vijay:** No, sir. Sir I think the moot point is that the cash flow operations are actually fantastic in this year first half. It help you to actually turn cash positive, which in turn should help you to have cash for the upcoming CAPEX sir.

**Abhiraj Choksey:** Exactly. Thank you, Manav.

**Manav Vijay:** Thank you very much. All the best.

**Moderator:** Thank you. The next question is from the line of Ankit from Adezi Ventures Family Office. Please proceed.

**Ankit:** Hi, good afternoon, and congratulations on the good set of numbers. I joined the call a little late, so apologies if this is slightly a repeat, but I just wanted to understand currently what is the ongoing status of the ADD, and when are we anticipating that this might kind of come to fruition if we have any estimates?

**Abhiraj Choksey:** Can you repeat the last part of your question? What is the current status of ADD? I understood. What is the second part of the question?

**Ankit:** Yes, and when do we anticipate if do we have any estimates when this might come to fruition? When this might?

**Abhiraj Choksey:** Yes, so I mentioned to one of the previous caller that the, as of now, the DGTR has recommended through their final findings anti-dumping duties on certain countries and certain companies. One company or one importer has not been subjected to any anti-dumping duty. The rest have been subjected to a reasonable anti-dumping duty. We are told that the finance ministry typically notifies within three months of the final findings, so we expect by December end.

**Ankit:** Okay, thanks a lot. That is helpful. And usually, I mean, what kind of, if something like this has happened in the past, what kind of impact can you expect on pricing and margins from something like this coming through?

**Abhiraj Choksey:** As I said, it has been a mixed bag, so we are not quite certain how the market will play out, because one of the big importers has not been subjected to any anti-dumping, so that will continue as it is. The rest, we will see how it plays out, you know, instead of speculating and seeing, let us first finally see what the final notification says, because there can be changes there as well, and then we will comment on it. And honestly, we will have to also just see what happens in the market, because we are not the only player in the market, right? So, there are many things that other players can also do in terms of pricing. So, we will have to see how that

impacts. As of now, our plans, our expansion plans, all our projections are based on no real benefit or bonus from this anti-dumping duty. That, you know, we had asked for because we are the only manufacturer of NBR in India. We are subscale in terms of global production, and we wanted some help from the government for a short period of time of five years to be able to invest and recoup our money and make reasonable margins and profits and returns on our investment. And we could do that because we have a brownfield. It is a brownfield expansion. Had it been a green field, then we would definitely have not been able to do it with the current margins. There would not be any justification for additional CAPEX.

**Ankit:** Right. And this one person who has not being subjected to the DGTR, what percentage of your imports or the market would they contribute should we have an estimate?

**Abhiraj Choksey:** I am not sure, but a large percentage, 30%, 35% perhaps, 30% at least of the Indian market.

**Ankit:** Okay. Thanks a lot and wish you all the best.

**Abhiraj Choksey:** Thanks.

**Moderator:** Thank you. That was the last question for the day. I would now like to hand the conference over to the management for the closing comments. Over to you, sir.

**Abhiraj Choksey:** Thank you very much for joining our Q2 Investor and Analyst Conference. We look forward to seeing you all in Q3 and updating you on any other major further updates. Thank you.

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