

Apcotex Industries Limited
Q3 and 9M FY'26 Earnings Conference Call
January 30, 2026

Moderator: Ladies and gentlemen, good day and welcome to the Q3 and 9M 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.

At this time, I would like to 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 Jain 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 3rd Quarter and nine months 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 risk and uncertainties which could cause the actual results to differ from those anticipated. Such statements are based on management's beliefs 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 now would like to hand the call over 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 3rd Quarter and nine months of the Financial Year 2026. I hope

you all had an opportunity to review the financial statements and earnings presentations which have been circulated and uploaded on our website and the stock exchange.

Let me provide you with a brief overview of the financial and operational highlights for the 3rd Quarter and nine months:

Beginning with the quarter:

Our total volumes have grown 10% year-on-year. Our operating revenue stood at INR 332 crores, which is a decline of 7% year-on-year. Despite the volumes growing 10%, the decline in revenue is because of the overall fall in raw material and consequently finished goods prices.

Operating EBITDA for the quarter increased significantly to INR 44 crores. This compared to INR 27 crores in quarter three of FY'25 represents a very strong year-on-year growth of 61%. This growth is driven by higher volumes, improved margins and operational efficiency. EBITDA margin expanded to 13.12%. Profit after tax for the quarter was INR 22 crores, which was up 91% year-on-year. The PAT margin stood at 6.7%. This reflects very strong profitability and operational efficiency.

This quarter, we also had an exceptional item which relates to one-time provision of INR 4.8 crores in accordance with the new wage code notification. We are also pleased to inform that the Company continues to remain net cash positive as of 31st December 2025. This demonstrates sustained financial discipline and a good cash generation. The Board has also approved an interim dividend of INR 2.50 per equity share, underscoring our commitment to shareholder returns.

Update on anti-dumping duty - If you recall, during September quarter, the Director General of Trade Remedies, DGTR, had issued final findings on anti-dumping duty case. The duty notification from Finance Ministry was expected in December 2025. This, however, is not yet notified. It started implementation on all previously sanctioned projects for INR 210 crores.

Now, coming to the nine months number:

The Company achieved its highest ever sales volumes, up 15% year-on-year and highest ever export volumes up 21% year-on-year, which reflects robust success in both domestic and international markets. The operating revenue stood at INR 1,044 crores, broadly stable year-on-year, while operating EBITDA has grown 42% year-on-year to INR 123 crores. The EBITDA margin for this nine-month period is 11.75%. This was supported by volume growth, better margins, and higher capacity utilization. Profit after tax for the nine months increased by 79% year-on-year to INR 67 crores. Profit after tax margin is 6.39%.

During this period, the Company reduced debt by around INR 94 crores, which highlights very strong cash generation and good financial discipline. The performance demonstrates the effectiveness of our strategy, which is focused on volume-led growth, margin expansion, and operational efficiency. We are also proud to share that the Company has received CII award for top 100 most innovative companies. This reaffirms our commitment to innovation, technology development, and self-reliance.

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 Aditya Khetan from SMIFS Institutional Equity. Please go ahead.

Aditya Khetan: Thank you sir for the opportunity. Just a couple of questions. During this quarter, we have seen overall commodity chemical companies quite struggling because of falling prices of raw materials like styrene, acrylonitrile. Most companies are factoring inventory losses. On the contrary, our numbers look better. Prices also have declined, but there is a more steep decline in prices of raw materials contributing to EBITDA. Just want to know how these numbers are shaping up and what are the benefits you have taken in raw materials to improve your EBITDA on sequential and on Y-O-Y basis?

Abhiraj Choksey: Thank you. Thanks, Aditya. This is Abhiraj Choksey. Thank you, everyone, for joining. So, to answer your question, Aditya, it has been a challenging quarter. We have also taken a hit on raw material pricing because of the drop. Of course, things are changing now. I would say December-January onwards, because of the oil price increases and the rupee depreciation, again, prices have sort of started moving up quite sharply. But I would say that started towards the end of last quarter, meaning this Q3. I think we have managed it well in spite of some losses due to the sharp fall in prices at the beginning or first half of the quarter. Our team has managed quite well and we have managed to hold up prices and taken some advantage of the drop in raw materials. So, that has helped us. And as you can see, in spite of all of that, our operating EBITDA has been better this quarter than, I would say, in the last six, seven, eight quarters.

Aditya Khetan: Sir just to follow up on this, sir the main contributor of your EBITDA in this quarter would be the nitrile latex because earlier that segment was not able to contribute on EBITDA. And now, how is the movement in prices and what contribution in EBITDA or is there any other segment which is contributing like your synthetic latex? Any other segment, NBR, which is contributing to EBITDA?

Abhiraj Choksey: Look, as the volumes go up, as I said before, in our kind of business, as the volumes go up, obviously, contribution goes up in terms of total contribution, not percentage, I am saying. Of course, in this case, in this quarter, even the percentage has gone up. And so, that automatically increases EBITDA as well. But besides nitrile latex, which definitely has seen a turnaround in

the last six months, not to the extent that we would have hoped or it is not pre-COVID levels yet, but certainly better than the last couple of years. In addition to that, I think we also had a lot of excess capacity created by us and some of our competitors or one specific competitor in India. So, the paper segment also, the margins were very muted for the previous couple of years, I would say, and I would say almost unhealthy levels. They have gone back to sort of reasonably okay levels. So, paper has also helped to some extent. One or two other segments like construction also has helped. So, I would say, no, not construction, I think more about rubber. The rubber segment also we have seen a better improvement in margins because we are running at full capacity there. So, I think as capacity utilization has gone up, we have tried to extract maximum margins, customer mix has improved, product mix has improved. All these levers come into play when capacity utilization is at a high level. So, I would say it is a bunch of things. It is not just one thing. Sorry, it is a long-winded answer, I know. But it has been a bunch of things along with some of the cost-saving measures that we have taken. So, everything is sort of coming together and it is looking reasonably good this quarter where we have had EBITDA margins of about 13%.

Aditya Khetan:

Got it. Sir, the second question, sir, I remember one, two years back you have mentioned the sustainable EBITDA margins could be around 12%, 13%. Now, in this quarter, we have achieved this to 13% and you are saying paper segment, construction are still struggling. So, suppose if that segment comes back in terms of demand, so meaningful comeback in demand, you see further improvement in margins from here on or we are standing at the peak?

Abhiraj Choksey:

No, so I think, no, I did not say they were struggling. Sorry, I said they were struggling. They have done better now this quarter, especially paper is what I want to call out. I think that as volumes go further up, we still have, in the next one year, we have capacity utilization. Automatically, more volume gets added, more contribution gets added, automatically EBITDA goes up and EBITDA margins will also go up. So, I think there is still some leeway. Of course, there is a lot of uncertainty in the world, as you can see, and I think we have managed it quite well so far. But of course, you look in the short term, there can be issues of suddenly runaway prices of raw materials and certain things could happen in the short term. But as I said before that anywhere between 13% to 16%, 12% to 16% is, you know, we could see the margins for us. And I think we will try and endeavor to do a little bit better than this quarter as well.

Aditya Khetan:

Sir, just one last question.

Moderator:

Sorry to interrupt, Aditya.

Abhiraj Choksey:

Let him finish one last question, then we can move on to the next caller. Sorry, Aditya, but you know, we want to give everyone a chance.

Aditya Khetan:

Yes, sir. Thank you, sir.

Abhiraj Choksey: Go ahead.

Aditya Khetan: My question was on to the anti-dumping duty. You had mentioned that December'25, the government was to notify for the duty. Sir, we have seen like in other chemicals also, whether it is rubber chemicals, soda ash, the finance ministry has not imposed the anti-dumping duty, but the DGTR has. In our case also, like there is a delay. So, what is your opinion, whether this would be not imposed now? And if it is not imposed, what happens to our expansion plans of NBR?

Abhiraj Choksey: Look, I mentioned this last time that this anti-dumping duty was always, you know, we had asked the government for this anti-dumping duty because we felt that the Indian industry needed to be supported. We are the only manufacturers of NBR. We have not filed any anti-dumping petition for any other products of ours where we have local competition. In this case, we are the only manufacturers of NBR. If we cannot sustain this plant, India will have no manufacturing of NBR, which I think is a very important synthetic rubber for all several segments, including auto, agriculture, gas, hoses, several segments, industrial products. So, we wanted some help from the government to, and of course, the DGTR did agree with us on most fronts and on several countries, the anti-dumping duty was imposed or was recommended rather, but it has not been notified by the finance ministry. Our expansion plans continue nonetheless. We have found an innovative way to expand our product, our volumes by almost 80%, 90% in a much lower CAPEX cycle because of CAPEX amount than what we had initially envisaged two years ago. The reason why we did not do it two years ago is because at that time we were thinking it would be Rs. 200 crores, Rs. 250 crores. Now, we are able to do it for maybe Rs. 130 crores, Rs. 140 crores. So, we are going to do it for much lower and we think the ROCs and the margins, even currently without anti-dumping will support that. We would have hoped that the government would have supported us further, but the expansion plans continue nonetheless. And to answer your question, I do not know what is going to happen. Honestly, we are still, you know, along with the rest of the industry, as you said, it has not just been us, but I would say a majority, about 80% to 90% of the cases in the last three months have not been notified yet. We do not know whether that means an outright rejection. We do not know if it is a delay. We do not have communication yet from the finance ministry and we are trying to work through it.

Aditya Khetan: Got it. Thank you, sir.

Abhiraj Choksey: Thank you.

Moderator: Thank you. The next question is from the line of KK Pandya from BHEL. Please go ahead.

KK Pandya: Thank you.

Moderator: Sorry to interrupt, Mr. Pandya. We are unable to hear you.

KK Pandya: Are you able to hear me now?

Moderator: No.

KK Pandya: Okay. Now, are you able to hear me?

Moderator: Yes. Please go ahead.

KK Pandya: First thing I wanted to know about the wind energy, you had invested about a couple of years back in wind energy. How is your finance, is it paying off that investment? Are you able to check out what is the benefit? How much have you financially benefitted out of this wind energy project? You had invested in some wind energy. So, what is the status?

Abhiraj Choksey: I am not sure what you are referring to, but we have one windmill, which is a small percentage of our total consumption, which is a captive windmill, where we get credit in our Maharashtra factory. And that is in Maharashtra, the windmill, of course. That was more than a decade ago. If you are referring to that, I think maybe you are

KK Pandya: No, I am not referring to that. I am referring to about three, four years ago, you had some, there was some Company, wind energy Company, in which you had invested about Rs. 3 crores or so.

Abhiraj Choksey: No. So, that is not three, four years ago. This was announced only a couple of quarters ago, where we had taken board approval to invest. That investment will be completed by the end of this financial year. And we should start receiving the credits that is in Gujarat. Yes, you are right. That is about Rs. 3.5 crore investment. And we should receive the credits starting from sometime early next year. The exact date is not out yet. So, that has not yet started.

KK Pandya: Okay. The second thing I wanted to know, your expansion plan, you had said in the last quarter of 2026-27, you will be completing your expansion plan. And with that, the turnover would increase around Rs. 200 crores. What is the status of progress? Is it on time, online or delayed?

Abhiraj Choksey: So, we have started the project. Yes, our endeavor is to complete it by the end of the next financial year, which is FY'27. We expect sometime between March-April of the year 2027. Around that time, we have three, four different projects ongoing. So, they will start commissioning slowly from the end of this year to maybe April of next year. That is on track. We have already started the investment cycle. And the planning, some of the long-lead item POs have all been done. And just to correct you, it is not going to be about Rs. 200 crores. It is likely to be around Rs. 550 crores to Rs. 600 crores that will be added to the top line.

KK Pandya: Oh, good. Anyway, best of luck.

Abhiraj Choksey: Thank you.

KK Pandya: Thanks. My questions are over. And I hope by 2026-27, the turnover would be around Rs. 2000 crores. Are you expecting that in 2026-27?

Abhiraj Choksey: Unlikely. Honestly speaking, unlikely because we do not have the capacity and the prices remain where they are currently. I do not think we will reach Rs. 2000 crores, but we will definitely do better than this year. So, we will continue to grow.

Moderator: Thank you.

Abhiraj Choksey: Thank you.

Moderator: The next question is from the line of Karan Sharma from Credent. Please go ahead.

Karan Sharma: Hi, Abhiraj. Am I audible?

Moderator: Yes, you are audible. Can you please speak a little louder?

Karan Sharma: Yes. My question

Moderator: Sorry, Karan. Can you please speak a little louder? We are unable to hear you properly. Can you use your handset mode please?

Karan Sharma: Yes.

Moderator: Yes. Please go ahead.

Karan Sharma: Abhiraj, in the last year call, there was a duty that the US had imposed on Chinese gloves for 100%. It was supposed to happen two times. So, it was 50% last year and 50% was supposed to happen in January this year. So, has that gone through?

Abhiraj Choksey: Yes, I believe that is now in place. Yes, it has been imposed from January'26.

Karan Sharma: Okay. So, what is the utilization in our nitrile latex plant right now?

Abhiraj Choksey: I would say for the YTD, we are at about 70%, 75%, around that much. And the imposition of Chinese duty has definitely helped some of our customers in Southeast Asia and South Asia. And therefore, we can see that our utilization rates have also gone up. We have continued to do that. And I think by next year, we will be at sort of full utilization. I mean, we will be at full utilization run rate at some point next year. Yes.

Karan Sharma: So, our clients are primarily either Malaysians or have we added any other new clients as well?

Abhiraj Choksey: No, all over Southeast Asia. I would say Malaysia, Thailand, Indonesia, Vietnam, Sri Lanka, India. India also has now quite a few glove manufacturers that have increased their capacities and are doing reasonably well. So, all over Southeast Asia and South Asia. Bangladesh as well has one or two players.

Karan Sharma: That is great.

Abhiraj Choksey: We are also exporting to Turkey. So, I would say six or seven countries mainly.

Karan Sharma: Okay, great. So, my next question was, post this new expansion at Valia, would we be left with spare land for further expansion? Or if in future, we might have to then go for a new green field with land?

Abhiraj Choksey: I think we will have some more land. Depending on what we want to expand in, we will have some spare land.

Karan Sharma: Okay. I have one other question. Can I ask that one as well?

Abhiraj Choksey: Sure. Go ahead.

Karan Sharma: Yes. I was reading on a product called super absorbent polymers, which is found in powder form used in basically female hygiene products. So, in our emulsion polymer chemistry, does that product fit in or this is something totally different from what we do?

Abhiraj Choksey: I think it is completely different from what we do. I know it has been a product that has been of interest to many people, but yes, it is different from what we do.

Karan Sharma: Okay. And in future, can we go into this product?

Abhiraj Choksey: We have not evaluated in detail, but technology-wise, it is quite far from what we do. But now that you have mentioned it, I will look into it again.

Karan Sharma: Okay. So, not in our chemistry. Thanks.

Abhiraj Choksey: Yes. Thank you. Thank you very much.

Moderator: Thank you. The next question is from the line of Chandpal Singh, an individual investor. Please go ahead.

Chandpal Singh: Hello. Am I audible?

Abhiraj Choksey: Yes. Go ahead, Mr. Singh. Yes, you are audible.

Chandpal Singh: Abhiraj, any views on the raw material security that you might be taking in the future?

Abhiraj Choksey: If you can expand on that, what do you mean? Sorry, I did not understand.

Chandpal Singh: Actually, the business is quite volatile because of the raw material prices are going up and down. So, any views or any effort by the Company to get the raw material security or backward or forward integration?

Abhiraj Choksey: Okay. So, see, backward integration, we are not able to do with our major raw materials because they are petrochemicals, which are part of big petrochemical plants or refining plants. As far as security is concerned, in general, for all our raw materials, even though styrene and acrylonitrile are not available in India currently, there is enough imports coming in from countries close by. And while there can be some short-term hitches like currently we are facing that in styrene where a couple of plants, large plants that supply into India have gone down together. One was a planned shutdown, one is an unplanned shutdown. So, there are some shortages, but short-term shortages are there. But otherwise most of these raw materials that we have, have enough capacity for our requirements. And in general, long-term we do not expect any issue. There can be short-term issues as far as security is concerned, security of raw materials. The other question you asked is on raw material price volatility. Now, that is here to stay. You know, that has been going on for now 15, 20 years. I joined the business more than 20 years ago and I have seen many cycles where prices have been from plus-minus 100%. So, that we have continued to manage and we manage it quite well. We are able to pass along the prices if the raw material prices go up and we are also forced to sometimes reduce our prices when prices come down drastically. So, that is part of the game and quarter-on-quarter, those kinds of pluses and minuses do happen in margin.

Chandpal Singh: Any views on ApcoBuild?

Abhiraj Choksey: No, I mean, it continues to do okay. This year has been more challenging for us because we had a few years of good growth. It is still a small part of our business, as I continue to say every time. This year has been a little bit more challenging for us. I think a lot of competition has also come into the construction chemical segment recently. We are in a few geographies, so the growth has not been as great as previously. But we continue to sort of push through it and focus on the margins there and there we are backward integrated into the polymer. So, that is where it is the additional margin that we get by supplying directly to a few regions in Western and Central India. So, that is what we are focusing on.

Chandpal Singh: Okay. Thanks. Thanks a lot.

Moderator: Thank you. The next question is from the line of Rudraksh Raheja from ithought Financial Consulting. Please go ahead.

Rudraksh Raheja: Yes. Hi. Thanks for the opportunity, sir, and congratulations on great set of numbers. I wanted to get a qualitative outlook on different industries that we are supplying our products. Like you mentioned, paper is coming back. And so, what is your outlook on other industries, maybe nitrile latex, glove suppliers, or whatever else we supply our products?

Abhiraj Choksey: I think, see, paper industry is still going through a tough time because the Indian paper industry is facing a lot of dumping, from what I understand. So, their margins are under pressure compared to the last couple of years is what I understand from our customers. What I meant was that our latex margins, which were very low, have improved a bit because our capacity utilization has gone up, and the extra capacities that were created at the same time are now at a higher capacity utilization level. So, that is what I meant. Rest, construction continues to boom in India for us. Carpet and textile has been one industry that has actually been a degrowth for us. I should have mentioned that earlier. So, it is a good question. Carpet, textiles, and tire, all three industries, we have seen a slight degrowth in volumes in this last quarter. And I think even for the nine-month period, it is flat, mainly because of these tariffs from the U.S. So, a lot of the carpet manufacturers, not only in India, but in the Middle East, have also been affected by the U.S. tariffs and the uncertainty around them. Same, similarly, with textiles and tires, we see the same thing. But then, gloves continues to do well for us. The U.S. imposing Chinese, the duty on Chinese gloves has had some of our customers in Southeast Asia and South Asia. So, that has been a good for us. Overall, the glove industry continues to grow. It is an essential medical product. So, I think that will continue to grow at 7%, 8% year-on-year, especially for nitrile gloves. At least 7-8%, if not 10%, 12%. I hope that gives you a flavor of the different industries.

Rudraksh Raheja: Definitely. And do you see the demand-supply situation getting better than nitrile latex?

Abhiraj Choksey: I think, look, there is still globally an overcapacity. China, especially, has created a lot of overcapacity. So, we could see some Chinese latex now come out and come into Southeast Asia, which was not happening earlier. Even so far, we have not seen that much, but it could happen. So, I think that will still take a couple of years for it to go back to pre-COVID levels in terms of 80%, 90% capacity utilization levels. Maybe there will be some consolidation, some capacities may even shut down, which are not viable, the old ones. Recently, in the last one year, one capacity in Malaysia, for example, was shut down from what we heard. Old plant, not commercially viable, 25 year old plant, I think it was. And so, that could happen and then margins could improve even further quickly. But I think it is still over capacity and it may take another couple of years. But at least right now, the margins have improved, for sure, for nitrile latex and the gloves, from what I understand, from what they were in 2023, 2024 and 2025.

Rudraksh Raheja: Understood. Sir, you also said

Moderator: Sorry to interrupt, Mr. Raheja. Sorry to interrupt. Please rejoin the queue for more questions.

Abhiraj Choksey: Okay, Mr. Raheja, you can finish your last question since you started, I think we will allow.

Rudraksh Raheja: Yes, thanks. You mentioned that we have been better on the rubber side as well, if I am not wrong. Could you provide more details on that?

Abhiraj Choksey: I think, look, after sort of the pandemic, we had a couple of good years and then the margins were again depressed. Now, I think margins are a little bit better. That is what I meant, compared to the last couple of years. Slightly better. But overall, as I said, we are still hoping for an anti-dumping duty to be notified because it has been recommended. And there was a detailed investigation for a period of one year. The DGTR did agree with us on most countries, except one. They did recommend a reasonably good anti-dumping duty to support us for five years. We are not asking for it forever, but at least some support for five years to support an industry which is essential for India. But things are better for sure in the last three, four months.

Moderator: Thank you. The next question is from the line of Saurabh Shroff, from QRC Investment Advisors, LLP. Please go ahead.

Saurabh Shroff: Yes, hi. Thank you for giving me the opportunity. Congratulations on a very strong performance. Abhiraj, just one request and a suggestion. If you could maybe more regularly disclose utilization across lines or geography, on volume numbers, because it will really help us appreciate if business is moving in the right direction.

Moderator: Sorry to interrupt, Saurabh. We are unable to hear you. Your voice is muffled.

Abhiraj Choksey: I think I am getting the gist of the question, but it definitely is not very clear.

Saurabh Shroff: Yea, sorry. Is this better?

Abhiraj Choksey: Yes, I think so. Go ahead.

Saurabh Shroff: Yes. So, I think, just one request, if you could perhaps give us some more details on volume and utilization. I think it will help us appreciate which direction the business is going in, because we have sort of, obviously, a long-term stated objective has been 13% to 15%, something that you have said multiple times. We have reached it a few times and given the volatility of, I guess, the end commodity and the raw material, it is far more important for us to look at the spread than the percentage. But we cannot do that if we do not have the volume numbers. So, if you could maybe consider in whichever way, given the competitive intensity whatever you are comfortable disclosing, I think it then gives us a far better idea that we really should be margin accretive. Nitrile latex, let us say, is a misfortunate event that otherwise should have been very profitable, but it is not. And you did allude to that outside of nitrile latex. Last quarter, we were already at mid-teens kind of margins, if I remember correctly. So, this will just help us understand where the business is going, when the leverage sort of kicks in and what we should

expect. So, otherwise, I mean, I guess all other questions have been answered. I do hope you would consider doing this.

Abhiraj Choksey:

Sure. Saurabh a fair question. And honestly, as a Company, we try to be as transparent as possible. But as I have said, again, before that, we try and balance out revealing all numbers, because there is also something that we also have to worry about competitive, what information we are providing to competitors through this very transparent dealings with investors and analysts. And that is actually counterproductive in the long run. So, the reason why we do not give volume numbers because specific volume tonnage numbers is because we are in so many different industrial segments. And it could happen then once you go down the rabbit hole of revealing volumes, then it is easily decodable for some of our competitors. I am being very honest here. But we do provide volume growth overall, because we do want to give the investors and analysts the flavor of, for example, this quarter, the revenue growth, if you were just to see the revenue growth from the numbers, it is flat. But we have actually grown in volumes. For the first nine months, we have grown at 15%, but the revenue has been flat. So, that is the kind of flavor that we do provide. As far as capacity utilization is concerned, I think we have been quite transparent, but noted. And what we will do is in the, perhaps, Vivek, in your opening remarks or in the investor presentations, maybe we can give a flavor of the capacity utilization of the various product lines.

Saurabh Shroff:

Yes, that will be helpful. At least it gives us a handle. Like I said, that the business is actually, because it is exactly like you said, it feels like the business is in much better shape. It was then, let us say, two quarters ago. But it is something that does not come out in the presentation or in the speech. So, this will be highly appreciated.

Abhiraj Choksey:

Noted, thank you. Just to answer quickly, for NBR, we are at 100% capacity utilization. We have been now for the whole year. For Nitrile, latex, we are at about 75% to 70%, 75% capacity utilization. 75%, perhaps, closer to that. For YTD, I would say the numbers. For the other products, which is construction, carpet, paper, textiles, it is all one plant. And overall, there also, we are at about 85%, 87% capacity utilization. So, for Nitrile latex and for other synthetic latex products, we have at least one year of growth left. And then, obviously, the new capacity will come on stream. NBR, we are already out of capacity, but that capacity will not come on stream for another year. So, yes, I think those are the three main product lines. We also have a separate tire cord, which is almost at, again, 85%, 90% capacity utilization. But that is a little bit of a swing we can use it. So, just broadly, we are at very high capacity utilization levels currently. We have one year of growth left in the latex side, and then we will have new capacity come on stream.

Saurabh Shroff:

Great. And then, sort of addition to that, so this does mean that you can further optimize on clients on slightly higher margins or better terms of business, just given that now we are running at pretty close to full up, right? And that is something that will be the endeavor for the next 15 months.

Abhiraj Choksey: We have the option to do that. Yes, we would have. Thank you.

Saurabh Shroff: Yes, thank you. Yes.

Moderator: Thank you. The next question is on the line of Sani Vishe from Axis Securities. Please go ahead.

Sani Vishe: Yes. Hi, sir. Thank you for the opportunity. I just have a couple of bookkeeping questions. One is on the interest part. I can see the interest has dropped significantly this quarter. So, what is our expectation and what is the reason behind this? And secondly, on what is our expected tax for the year?

Abhiraj Choksey: Okay. May I request Vivek to take these questions? Vivek, on interest and tax, please.

Vivek Thakur: So, basically, on interest, at the beginning, we mentioned that the year has been good from a profitability point of view. So, good cash generation, so that cash which is generated out of profitability plus the working capital release, that has been used for repayment of some of the borrowings. So, the borrowings have come down. Also, the interest rates have fallen and we have been able to negotiate better rates from the banks. So, mix of these two factors have led to a reduction in finance cost. I would say 75% of the reduction in interest cost is through the reduction in borrowings. The rest is all interest rate related. On the second question of yours, on the tax. So, we expect an effective tax rate of about 27%, 28% for the year.

Sani Vishe: Okay. That is it. Thank you.

Abhiraj Choksey: And also, to add that, obviously, look, we will now for the new projects, we will be raising more sort of long-term debt for this project. Partly, it will be through internal accruals, but we will be raising some debt. So, now, interest cost may go up also in the next sort of next year.

Sani Vishe: Yes, of course. But that will move with the debt level. Right? So, in terms of the effective interest rate also, I think this should be a comfortable level.

Abhiraj Choksey: Right. And just to add to Vivek, we are also debt-free. So, we have, in fact, we have a reasonable amount of excess cash right now in the books, which we will be deploying for these new CAPEX projects, of course.

Sani Vishe: And the working capital may go, may increase towards the end of the year, right? Or does it tend to be similar?

Abhiraj Choksey: Yes. The material price is going up, certainly, that I think it will. That is another thing that helped is overall raw material price in the last six months have been quite low. So, that is again started to move up. So, I think our working capital utilization will also go up, I think, in the next three, four months.

Sani Vishe: Understood. Thanks. Okay, perfect.

Moderator: Thank you. The next question is from the line of Karan Sharma from Credent. Please go ahead.

Karan Sharma: Yes, hi, Abhiraj. Thanks for the follow-up. My question is on nitrile latex, you mentioned that this year, sorry, FY'27, we will get 100% utilization. And if I go back to pre-COVID, this was a business where we had big plans. So, now that the market is shifting, and we are a very small player in the global market, considering the global size is huge, and we are not even 1% of the capacity, are there now again, thinking on expanding capacity in the nitrile side?

Abhiraj Choksey: So, just to clarify, first of all, I mentioned NBR, which is NBR solid rubber, we had 100% capacity utilization. For nitrile latex, we still have some capacity left. And I expect that at some point next year, we will hit a run rate of full capacity utilization. But for the year, we will have to see how that goes. As far as additional capacities are concerned, as I mentioned to one of the previous scholars, look, globally, there is a lot of overcapacity. So, it does not make sense to add capacity right now, maybe in a couple of years. And we have left some space for that. Unfortunately, the margins do not warrant currently do not justify additional capacity at this stage.

Karan Sharma: My question was that only if the pricing comes back, how soon can that new capacity kick in like this?

Abhiraj Choksey: So, once it comes back, and once the decision is taken, I think it will take up take us about nine to 10 months. And really, the long lead time will be just certain equipment, specifically reactors, which take that long, you know, eight, nine months, but otherwise civil structure, everything is ready. So, we do not need that much. So, it would depend on how long some of these long lead time equipments take, I suspect, nine, 10 months.

Karan Sharma: And our current capacity is 50,000 tonnes, right?

Abhiraj Choksey: Yes, about 48,000, depending on, yes, 48,000 tonnes to 50,000 tonnes. Correct.

Karan Sharma: And how much can that expand by?

Moderator: Sorry to interrupt Karan. Please rejoin the queue for more questions.

Abhiraj Choksey: So, just to answer the last question, how much can we expand that by? We can probably expand it by 50%, 50% to 60%. But we will have to rework the cost as the time we take the decision and see if it justifies doing it. So, you know, we will see at that time, as I mentioned earlier, that we have taken certain assets from the nitrile latex plant, because towards this new styrene, the synthetic latex that we are developing in Valia. So, it is going to be a little complex going forward, which I do not want to get into now. As and when the decision, we take the decision to expand, I will let you know. I seriously doubt it will happen in the next year or two.

Karan Sharma: Okay. Thank you sir.

Moderator: The next question is from the line of Rudraksh Raheja, from iThought Financial Consulting. Please go ahead.

Rudraksh Raheja: Yes, thank you for the opportunity again, sir. I wanted to get a sense on the EBITDA margin front. This is the highest that we have done in the last 11, 12 quarters. How do you see that sustaining or what kind of risk that you still foresee in the market that we could fall behind again?

Abhiraj Choksey: No, honestly, I am so sorry, but I could not hear the question properly. I think I have got the gist, but if you can repeat the question, please.

Rudraksh Raheja: Yes, I think this is the highest that we have done in the last 11, 12 quarters, with 13%. And generally, we believe 13% to 16% is what we should do in the normal course of the business. So, do you see this 13% sustaining going forward? What kind of risk do you foresee that could make us fall behind that?

Abhiraj Choksey: Yes, look, I think given where we are currently, I do not see any reason why overall EBITDA should reduce. One thing that could happen is like what is happening now is suddenly the raw material prices are going up by 20%, 30% very quickly, in which case we focus on EBITDA per tonne. So, you could see the percentage margins come down, but overall EBITDA, PBT, ROCE being quite healthy. So, as a Company, we do not only look at EBITDA percentage margins, we look at EBITDA per tonne and ROCE is very important for us. So, as long as ROCE is healthy, sometimes we are okay with EBITDA percentage margins falling. So, for example, oil was at 60, now it has become 70, let us say it goes to 90. So, that means if oil goes to 90, there is an increase of 50% in raw material prices. We are not sure if we will get the 50% increase in finished goods prices to keep the EBITDA the same. It may be less. So, the EBITDA percentage may reduce, but ROCE will still remain strong. But overall, we are quite positive of the release in the next year, year and a half, till new capacity comes on stream and we have limited capacity, we are able to take the advantage of picking and choosing the right customers with higher margins, with good payment terms and payment performance. So, I do not see any reason, of course, other risks could be, again, if the anti-dumping does not come through and suddenly, there could be some dumping of rubber products. For latex, it is a little harder, but for rubber products, that could happen. So, there are, of course, inherent risks. Again, in the annual report, if you see, there are certain risks that we look at. All those factors are there. Raw material risks in terms of sometimes raw material is not available and our plant is shut for some time. All these kinds of risks are there, of course, but there are, I think, low probability risks at this point that we see.

Rudraksh Raheja: Understood. Sir, thank you for the detailed answer.

Abhiraj Choksey: Sure. Thanks.

Moderator: Thank you. Ladies and gentlemen, a final reminder to all, if you wish to ask a question, please press "*" and "1".

Abhiraj Choksey: So, I think we are almost done with an hour. So, if there are no further questions, is anyone in the question queue now?

Moderator: Yes, sir. We have got one question from Aditya Khetan from SMIFS Institutional Equities. Please go ahead.

Aditya Khetan: Thank you, sir, for the follow-up. Some of the questions were to the per tonne, per kg, like you mentioned to earlier participants. Yes, sir, you can give some flavour, like how has that been fared over the last three to four years? And are we nearing that range of Rs. 15, like I think we have said quite a few years back? How are we standing in terms of per kg today?

Abhiraj Choksey: So, honestly, I am not able to give you the exact number and I certainly do not have numbers from the last three, four years in front of me. But overall, as I said, it has gone to reasonably healthy levels, perhaps not as high as what we had in FY'22-23, but reasonably healthy levels and with the volumes going up, I think we are quite comfortable with these margins. And of course, our endeavour will be to improve these further.

Aditya Khetan: Got it. Sir, just one question on ApcoBuild. How serious are we to build this business? Because we have seen no material contribution to the top line. Do you think to work on such a smaller business, which has no meaningful scale for us, should we focus our energies towards this sort of business or focus on the core businesses like your latex and all?

Abhiraj Choksey: As I have told you before, our strategy for the ApcoBuild business has been a little different. It is actually quite related to the core business. I would not say that it is very far from the core business. We are focusing on mostly products that we are manufacturing and is where we have technical expertise. We do have some outsourced products as well in our product range. But really, the focus has been to capture the additional margin that anyway we are supplying to some of the customers that have a brand. So the endeavour has been to capture that additional margin. And while we may not see it on the top line as being significant, but it is a reasonably healthy bottom line. And it is still a small percentage of the bottom line as well. But we are capturing that additional contribution at a lower cost. So I think we will continue the business, whether we choose to invest large amounts and become a large player in that. That I agree that it is something that is not a focus or chosen not to focus on it right now. But we will continue to manage and grow this business.

Aditya Khetan: Sir, just one last question. Sir, is there any plans to forward integrate to make gloves also? Because we are into latex and directly we should manufacture gloves and export it to the global markets. Any sort of an understanding on this?

Abhiraj Choksey: So we had considered earlier, we said, first, let us focus on manufacturing latex and get that right. And as I mentioned earlier, also given the current entire glove industry, and the glove supply chain, including latex, it is so much additional capacity at this stage, it does not make sense to add more capacity. Maybe at a future date, if it makes sense. Yes.

Aditya Khetan: Got it, sir. Thank you.

Abhiraj Choksey: Thank you.

Moderator: Thank you. Ladies and gentlemen, we will take this as a last question for today. I now hand the conference over to the management for closing remarks.

Abhiraj Choksey: Thank you everyone for joining us in this Q3 conference call. We look forward to seeing you at the end of the financial year. Happy New Year to everyone. And thank you again. Thank you once again for joining us.

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