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February 03, 2021

DCS-CRD BSE Limited First Floor, New Trade Wing Rotunda Building, Phiroze Jeejeebhoy Towers Dalal Street, Fort Mumbai 400 023 Fax No.2272 3121/2037/2039 Stock Code: 543213	Listing Compliance National Stock Exchange of India Ltd. Exchange Plaza, 5th Floor Plot No.C/1, 'G'Block, Bandra- Kurla Complex Bandra East Mumbai 400 051 Fax No.2659 8237/8238 Stock Code: ROSSARI

Dear Sir/Madam,

Sub: Transcript of the Q3 FY2021 Earnings Conference Call held on January 25, 2021

Ref.: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Pursuant to the Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and with reference to our intimation dated January 20, 2021, regarding earnings conference call with Analyst(s) /Investor(s) held on January 25, 2021, we would like to inform that the transcript of the aforesaid conference call is available on the website of the Company at www.rossari.com/announcement/.

The same may please be taken on record and suitably disseminated to all concerned.

Thanking you,

Yours Sincerely,
For Rossari Biotech Limited

ROSSARI BIOTECH LIMITED MUMBAI

Parul Gupta
Company Secretary & Compliance Officer
Membership No.: A38895

Rossari Biotech Limited
Q3 & 9M FY21 Earnings Conference Call
January 25, 2021

Moderator: Ladies and gentlemen, good day and welcome to Rossari Biotech Limited Earnings Conference Call. 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. Please note that this conference is being recorded. I now hand the conference over to Mr. Anoop Poojari from CDR India. Thank you and over to you sir.

Anoop Poojari: Thank you. Good evening, everyone and thank you for joining us on Rossari Biotech Limited's Q3 & 9M FY21 earnings conference call.

We have with us Mr. Edward Menezes – Promoter and Executive Chairman; Mr. Manikantan Viswanathan -- Group CFO; and Ms. Manasi Nisal -- CFO of the Company.

We would like to begin the call with opening remarks from the management following which we will have the forum open for a question-and-answer session.

Before we start, I would like to point out that some statements made in today's call may be forward-looking in nature and a disclaimer to this effect has been included in the earnings presentation shared with you earlier.

I would now like to invite Edward Ji to make his opening remarks.

Edward Menezes: Good evening, everyone and thank you for joining us on our Q3 & 9M FY21 earnings call to discuss the operating and financial performance for the quarter. I trust that you and your families are safe.

I hope you all had the opportunity to go through our results presentation which provides details of our operational and financial performance for the third quarter and nine months ended 31st December 2020.

To begin with, we have delivered a healthy performance during the quarter, registering a top line growth of 29%. Our Home, Personal Care and Performance Chemicals (HPPC) business continues to record robust performance driven by healthy offtake witnessed in hygiene products and antiviral portfolio sales. This, along with healthy demand for other product categories in the FMCG segment enabled us to record healthy volumes in the HPPC business during the quarter.

The Textile Specialty Chemicals (TSC) business is also seeing gradual normalization in demand and we expect this momentum to strengthen in the quarters ahead. Exports across the TSC segment also remain steady. During the period under review, Animal Health and Nutrition (AHN) business was impacted on account of demand slowdown. However, we expect a pickup in demand and sales for this segment in the medium term.

From an operational standpoint, I am happy to share that our new state-of-the-art certified R&D laboratory, the Rossari Center of Excellence at IIT, Mumbai, which was operationalized last quarter is progressing as planned. One of the key focus areas for us is towards leveraging upon our R&D capabilities and intelligent chemistry principles to seed new business lines centered on our four core chemistry. In-sync with this growth strategy, our dedicated R&D team both at Mumbai and Silvassa, are constantly evaluating upon various opportunities to introduce new product niches. Accordingly, we have a strong pipeline of new products across categories of paint, water treatment, performance chemicals, coming up in the next few months with impetus on sustainability and environment-friendliness. Our new product launches across hygiene, laundry and fabric-care segments are also seeing improved acceptance among existing and new customers in the domestic market.

On the whole, we are seeing enhanced momentum across our businesses and are confident that demand and consumption trends will only strengthen in the quarters ahead.

I would now like to speak little bit on the marketing front. On the marketing part, we have reported an encouraging performance this quarter, supported by healthy demand and volumes especially in our HPPC business. We are witnessing improved traction in engagements with several customers in the FMCG space, leading to new client wins. Even our TSC business is marking a steady sequential improvement in sales with healthy recovery in demand both from domestic and export markets. The performance of our AHN business was subdued during this quarter, but we expect it to recover over the next few quarters.

On a 9M basis as well, we have delivered an encouraging performance across business lines. While we saw value growth mostly in the first half of the fiscal, in the third quarter, our performance was mainly driven by improved volumes, especially across the HPPC and TSC domains. We hope to achieve a healthy mix of volume and value from our diversified product portfolio that should enable us to report strong performance going forward.

From a profitability standpoint, our industry witnessed challenges in international logistics due to acute shortage in containers required to transport raw materials. This resulted in some supply-side disruptions during the quarter, which impacted raw material prices locally. So. in order to maintain adequate supply, we source some of the key raw material materials domestically, which resulted in higher-than-normal raw material expenses. This has had a moderate variation on our gross profits and margin performance during the quarter. However, this situation was transient in nature and has already normalized and going forward, we anticipate our margins to remain at healthy levels.

On the operational front, I am happy to share that the first phase of our Greenfield facility at Dahej is fully operational. Full operationalization of the unit is also progressing as per plan and we remain on track to commission the plant by March 2021. We have a strong upcoming pipeline of new products,

which should also help us to sustainably ramp up utilization levels at our fully commissioned Dahej unit over the next three to four years.

On the whole, we have delivered a steady performance in the nine-month period of the fiscal. We are increasingly growing our foothold across markets in India and are constantly focusing towards enhancing business efficiencies across the HPPC, TSC and AHN businesses. We are also aggressively embracing sustainability in all our business operations to accelerate growth and maximize customer benefits.

All our three businesses remain strong growth drivers for us. And as we look forward, healthy macros along with a stabilized raw material environment should further help us build momentum. On the whole, we are confident of the future growth potential and opportunities across the domestic market over the medium to longer term.

On that note, I would now request Manasi, our CFO, to share her perspectives on the financial performance for the quarter.

Manasi Nisal: Thank you, Edward sir. Good evening, everyone. Let me provide you a brief overview of the financial performance for the quarter.

During the quarter, we have delivered healthy performance driven by improved demand and traction across the HPPC business and gradual normalization in demand in TSC business. On a consolidated basis, revenue came in at Rs.210.0 crore as against Rs.162.4 crore in Q3 FY20. Revenues from HPPC stood at Rs.119.6 crore contributing to 56.9% of revenue followed by TSC business at Rs.78.2 crore contributing to 37.3% and AHN at Rs.12.2 crore, contributing 5.8% of total revenues.

On the profitability front, EBITDA stood at Rs.34.0 crore as against Rs.30.1 crore in Q3 FY20. As covered by Edward sir, gross profit and margins during the quarter were impacted on account of supply side disruptions. Gross margin in Q3 FY21 stood at 33.4% with EBITDA margins at 16.2%.

Depreciation was higher at Rs.6.1 crore owing to additional part capitalization of Dahej facility. After we commission the entire Greenfield facility in March 2021, we would fully capitalize the investment towards this unit. This would lead to some more increase in the depreciation charge in Q4 FY21. The additional charge will be absorbed efficiently as the new facility starts contributing to performance going forward. Interest cost during the quarter stood at Rs.0.3 crore. I would like to highlight here, that the Company has a very strong balance sheet and its net cash position stood at Rs.100 crore as on 31st December 2020. This is despite further investments towards the Dahej facility during the quarter. So, cash from operations were also healthy and Company's overall net working capital cycle maintained at steady levels during the period under review. PAT during the quarter stood at Rs. 21.6 crore as against Rs. 18.3 crore in Q3 FY20.

On that note I come to the end of our opening remarks and would request the moderator to open the forum for any operational and strategic-led questions that you may have. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session.

The first question is from the line of Ankur Periwal from Axis Capital.

Ankur Periwal: Two questions; first, on the revenue side. Pretty impressive performance there and a sharp jump even on a QoQ front in the HPPC side. Wanted to understand better this space, whether there's an incremental contribution of Rossari Personal Care here or it's a ramp up of the existing products, the newer clients have come up in terms of driving the revenue growth for this quarter?

Edward Menezes: The revenue bump up that we have seen in the HPPC segment is basically because of a better volume pickup during this quarter. Rossari Personal Care Private Limited, that has also started billing in the last quarter and we have got some number of sales from that personal care domain as well, but that is not the big contributor here. Here the contribution has come from volume sales in the cleaning portfolio. What has happened is that the sanitizers and the infection control portfolios, those have normalized, but the hand wash, the cleaning chemicals as well as the detergents, witnessed a jump. So that is where the higher sales have come from in the HPPC segment. Apart from that, the first phase of our Dahej plant has also been completely operationalized and because of which additional performance chemicals have started moving, that is in the additives, paint, paper and the water treatment have also started moving. So, those volumes have also added to our sales.

Ankur Periwal: On the raw materials side, while you did mention the higher sourcing from local players because of the global supply chain disruption, would it be fair to look at the nine-month performance then from a comparison perspective and the nine months number average gross margin at around 36.5% and EBITDA of around 18%, will be a decent number to look at from a more sustainability perspective?

Edward Menezes: Yeah, Ankur ji, you are right, in the sense that there was an international logistic disruption and it is no secret in the last quarter which has led to some impact on the gross margins. It is an artificial increase in raw material prices; however, you will also see that our Textile Specialty Chemicals and HPPC share of the business has grown. But if you look at the Animal Health and Nutrition that share of the business has come down to 5.8%, which was around 9% to 10%. The AHN business which had the highest gross margin, even in that the product mix change had some impact. So it was a double whammy for us, one is an artificial hike in the raw material prices which was temporary that was already metered down and second was the product mix change, so both these reasons affected the gross margin. So, it is very fair that you look at the nine-month results where they are well within guidelines, the top line is as per expectations, the EBITDA margin is also between the 16% to 18% range that we have been guiding for the last three quarters and we are confident that we will achieve these results at the end of the fourth quarter.

Moderator: The next question is from the line of Sanjesh Jain from ICICI Securities.

Sanjesh Jain: Just couple of questions. What is the incremental contribution to our revenue particularly from our HPPC category's new client? Did we always have a contract, and the capacity bottleneck was constraining us in terms of growth, or this is purely the new customer, new product which is driving this? Number two, again a follow-up question on the same side. We have always been talking of seeding new products in the new category which is a new engine for us. So can you give a little sense in terms of incremental revenue what we have been adding, we did mention that paper, paint and water treatment has been added, but some color in terms of the incremental contribution they are

adding to the growth, that would be helpful? What is the potential of this category in terms of growth from now to say next five years?

Edward Menezes: As you mentioned, there was a great deal of bottlenecking in the HPPC category that had occurred at Silvassa. Because of this and the first phase of our Dahej plant just coming up, many of our customers that created demand, they were not being serviced. But in the last quarters, we have serviced sanitizers and the disinfection portfolio, which became possible in the third quarter thanks to the new facility that provided us some production from there. So just for your understanding, we were able to manufacture almost 5,000 tons of production from the new facility and that is one of the reasons why the HPPC segment has been able to give us higher sales. The demand was there because of the COVID-19 situation, but we could not service that part of the business because of the capacity utilization and constraints. But when the capacity was opened in the third quarter, demand began to ramp up and that's when the HPPC volumes picked up. Now, coming to your second question on seeding, so yes, we are very happy to inform you that our Rossari Center for Excellence at IIT Mumbai is now fully operational. Since it is fully operational, we have several products that are now available, not only for the HPPC segment but they are available now for paints, for water treatment as well as for the Rossari Personal Care. Like I said, a small contribution of Rossari Personal Care came to us in the third quarter, but I think that will become larger as lot of products are ready for introduction with certain customers that we have shortlisted. In the cleaning space, the hand wash as well as the detergents market has also nicely picked up as lot of institutional areas have opened; hospitals, restaurants, hotels they have opened, and the cleaning space is giving us an uptick. So, I believe that with a lot of products in the pipeline, these segments; the paint, the paper, the cleaning chemicals, the water treatment, and Rossari Personal Care, not to forget the ceramic industry, will also open in this quarter, and the Dahej facility will now go to more than 50% operationalization in the month of January.

Sanjesh Jain: So, when you say cleaning and detergent, you mean institutional cleaning and detergent, is that understanding right?

Edward Menezes: No-no, when I say cleaning and detergents means, the detergent industry is also picking up, in the sense, we sell a lot of additives to the detergent industry and Dahej facility also manufactures additives. So that will also pick up in the coming months, that's what I meant to say.

Sanjesh Jain: You are talking about Buzil or you are talking about these additives?

Edward Menezes: It's a combination. Of course, this is also picking up because institutions, hospitals, hotels, restaurants, are opening up so that will pick up but since Buzil is not at large sales level for us at the moment, so that will also add to the cleaning chemicals place. But the detergents and cleaning chemicals that are being used in the retail segment where we sell our additives that will also pick up nicely for us in the coming quarters.

Sanjesh Jain: When we say that this sanitizer part and the other cleaning disinfectant part, we saw disproportionate demand during the initial phase of COVID is now normalizing and we are seeing growth in the performance products, the mix has changed in this quarter, that means a significant amount of incremental revenue has come from the performance product, is that understanding right?

Edward Menezes: Not really. What I meant here was that when I say that the demand as well as the prices have normalized. So we have got volume growth but since the

COVID times the pricing has now come to a normal stage, in the initial stages the pricing or the margins were higher, so when the prices go down, the revenues also will go down, but we have got very good volume demand.

Sanjesh Jain: When we say that we have been able to manufacture additional 5,000 MT in this quarter in our new facility, what does it means in terms of utilization? And out of these 5,000 MT, how much has gone to a non-HPPC category?

Edward Menezes: What has happened is, to debottleneck Silvassa, we have also taken some of our products that we manufacture as ingredients in Textile Specialty Chemicals to Dahej so that Silvassa gets debottlenecked. So, I cannot give you a breakup of how much has gone here and there, but a significant amount has gone to HPPC and the rest has gone to Textile Specialty Chemicals.

Sanjesh Jain: On the Textile side, now we have seen a strong demand, but we have not seen this kind of demand in the textile garments industry. Is it fair to assume that we have been gaining market share in India for our Textile Specialty Chemicals? And how has been the export? You said that it has seen a healthy growth. When we say healthy growth, it is growing faster than the overall TSC segment or it is still in line with the TSC segment?

Edward Menezes: Now why I say that the textile volumes have increased quarter-on-quarter is due to pick-up in demand. That is because the volume was considerably low in the first two quarters. So that demand has normalized and therefore we have been able to get back our share.

Sanjesh Jain: QoQ is not a right comparison given the kind of days we had. I am looking more on YoY basis. So, YoY also we have grown like 11%, right? It is higher than the textile industry growth. Now how much of it is driven by export, are we going much faster in terms of export or it's higher market share gain in India, that's what I wanted to understand?

Edward Menezes: So from my point of view, the export remains almost whatever we had given a guideline between 8% to 10% of our sales. So the export has not gone faster or slower than what it was before, the export has remained constant. As Textile Specialty Chemicals industry is very fragmented and there are a large number of small-scale players in the textile industry, so we have found that the larger corporates now want the supplies from corporates like us like textiles and in one way I could say that we've been able to take some market share from the small-scale industry.

Sanjesh Jain: So, it is becoming more organized is what we are telling?

Edward Menezes: It is moving towards the organized segment and some of them really were completely washed out during the COVID-19 situation and may take some more time to get back into competition.

Sanjesh Jain: The next set of questions are on the cost. We said that we do import raw materials. What percentage of our total raw materials get imported? The second one is we were planning to procure a key raw material from BPCL Kochi factory. Has that started?

Edward Menezes: No, BPCL has not yet begun, BPCL is planning to be operational maybe sometime by end of February, that is what they say. However, answering to your question of how much of our products are being imported, it is in the

same region between 7% and 10%. Our imports and exports are almost the same and they are nicely hedged for us. We are in a very good position there.

Sanjesh Jain: That's what I wanted to understand, the reason for the gross margin compression, I completely appreciate that AHN contribution has come down and that really has played an impact on the gross margin. But on the raw material when we speak about hedging, then why was the compression there in terms of gross margin?

Edward Menezes: I'm not saying my raw material was stuck. What I'm trying to say is the raw materials that came into India were delayed for all kinds of chemicals. So whatever chemicals were coming from outside, there was a huge congestion in the container availability basically. Therefore the raw material price artificially went up locally. It's not the raw material that I import directly. The raw material that I import directly also did not come in on time and therefore we had to cover our raw material locally so that we had to pay some higher prices for them. But also the raw material that we buy locally, they have some inputs from abroad, they also were delayed and there was an artificial price increase.

Sanjesh Jain: You are referring to surfactant where the prices have shot up?

Edward Menezes: Surfactants prices have shot up and again they have now normalized. In the last quarter because of this reason, some surfactants and many of the raw materials, enzymes and silicones, all of them were impacted actually in the last quarter.

Sanjesh Jain: So, it was not one category. You are telling this entire bucket of the raw material whether you directly or indirectly imported have been hurt?

Edward Menezes: Absolutely correct.

Sanjesh Jain: So, you mentioned that we will end this project by March 2021 and we are on target to it. What part of the project has already been completed and what is pending?

Edward Menezes: The first phase is completely operationalized, and we are now in a position to manufacture annually say 72,000 tons from this facility of the 132,000 tons. So nearly more than 40%, 50% of it is already done, because everything is ready, only the vessels are in the installation phases, that is why we are saying that by March 2021 the entire facility will be up and running.

Moderator: The next question is from the line of Rohit Nagraj from Sunidhi Securities.

Rohit Nagraj: Two questions. One is in terms of the traction in business. So, one of the premises of listing was that we will gain a lot of eyeballs from the global players as well as local players. So post listing, has there been any material change in terms of our image locally and globally? Have we seen any kind of traction on that regard in all the three businesses?

Edward Menezes: When you see the Textile Specialty Chemicals growth that has happened in the last quarter, that is mainly because of our IPO status. Now that we are a listed Company, we have found a lot of traction from corporates and we've been able to get more market share from the large corporates in India, So what we were expecting or one of the reasons for doing the IPO was to improve our image in the marketplace, that has helped us primarily in the textile business. In the HPPC business also, we have added number of brands

to our Original Design Manufacturer (ODM) business where we have companies like Wal-Mart, we have companies like Amazon, who have increased their share with us. And a lot of new products are in the pipeline due to our facility, Rossari Center for Excellence at IIT Mumbai. So, if you see in that manner, we see a nice traction from big multinationals who now respect us. We also have a double whammy here because the Rossari Center of Excellence, which is at IIT, we have the complete IIT infrastructure available to us. In the Animal Health and Nutrition, there was not much benefit at the moment. In the export market, as I said that, we have always maintained our focus on the domestic market and we've not really gone into the export market other than the countries that we were already dealing with. So I would not say that we have taken advantage of the listing status in the export market but yes in the domestic market we have gained a good traction from corporates in HPPC as well as in the Textile Specialty Chemicals.

Rohit Nagraj: The second question is again you touched upon the Rossari Center for Excellence. How does this function in terms of the projects that we have, how does it complement with the current R&D structure? What are the kind of investments and are there new chemistries that we are involved in because earlier we had indicated that we are currently operational predominantly across four chemistry, so is there focus on certain new chemistry and how does this entire set up change our product profile or the way we serve our customers, so is it more of customized products or it's a mix of both?

Edward Menezes: What has happened is at the Rossari Center of Excellence, the infrastructure that is available to us is tremendous, that means all kinds of R&D equipment is available to us free of cost, in the sense that we must pay some testing charges over there. Apart from that, the facilities are open 24 hours for our application as well as for our testing. Now with this what we've done is we have divided the R&D into different segments. We have a textile R&D, a Home Care R&D and a Personal Care R&D. The fourth part of the R&D is the Performance Chemicals R&D. So we have four different segments over there which are headed by specialist with around 40 scientists working there for us. Apart from that, we have also access to four Ph.D. students there. So we can do four new projects. Since IIT Academy is not operational at the present moment, we are not able to make use of this opportunity but this opportunity also will be there for us in the future. Now coming to the chemistries that you are talking about, we are very clear, we are not going to digress from the four chemistries that we have, that is the silicons, the surfactants, the enzymes and the acrylic chemistry. So the acrylic chemistry is majorly with the performance chemicals, the silicons are across the segments and the other part of our business are custom products. So we will be focusing on custom products. So in the performance chemicals, with acrylic chemistry, we will look at newer molecules for the paint industry, for the water treatment industry, for the paper industry as well as for the ceramic industry. But other than that, in TSC and in AHN we will focus on custom-made products for that industry and formulations for the HPPC. That's the strategy for us. We will not move away from that strategy.

Rohit Nagraj: We have about Rs.100 crore of cash on the book. How are we going to utilize it because it has been there from past probably a few quarters or so, what is the plan and when do we probably have the entire utilization of those cash?

Edward Menezes: That's a very tricky question, Rohit ji. Not only you, but everybody else from the investment industry are aware that we are sitting on this cash and you will appreciate that we have many opportunities that have come our way. In fact, we have been very busy in the last quarter, evaluating certain opportunities and trying to make up our minds which of these opportunities fit within our

strategy. So our strategy is going to be the four chemistries that we deal with and our return on capital employed should be met. So we are looking at a 25% return on capital employed as well as we don't want to get out of the chemistries that we are already working with. We definitely have some targets in mind but nothing concrete as of now. As soon as we make up our minds and I don't think that is going to be far away, maybe by the end of this quarter or beginning of next quarter you'll have some good news from us.

Moderator: The next question is from the line of Swarnabha Mukherjee from Edelweiss.

Swarnabha Mukherjee: My first question is related to the AHN segment. So just wanted some more granularity on what happened because of which there was a demand slow down, what is the status right now and generally our normal run rate has been of Rs.16 to Rs. 17 crore quarterly revenue from this segment, when do we expect to come back to that level?

Edward Menezes: Actually, there is a demand slowdown from the market itself. The demand picked up in the second quarter, in the third quarter for us the line of products that we are dealing with, there was a particular demand slowdown. So therefore, what we're trying to do is we're also trying to adjust our strategy where we're trying to get into the broiler concentrate market. We are also trying to focus on the pets business, the pet shampoo and pet care business. Our business heads are very confident that the demand generally in the Animal Health and Nutrition peaks during December to March. Generally, from November to February, there is some demand slow down because always there is a scare of this disease happening during the winter season; however, we've seen that the demand peaks during December to March and our teams are confident that the February, March period, we will be able to at least meet our budgeted figures for the Animal Health and Nutrition.

Swarnabha Mukherjee: So just to understand a little bit, so the demand slowdown is across board for your competitors as well, right?

Edward Menezes: Yeah, the demand slowdown is across the competition because what happened is there was a very low production in the beginning and suddenly there was a huge supply position, but the demand was not there for that. When I say supply position, it is the supply position of the birds. That really ramped up quickly and because of that we didn't see the demand coming.

Swarnabha Mukherjee: The next question on the raw material side. I just wanted to understand that a lot of this petrochemical related base chemicals are moving up. Acrylic acid being one of your key raw materials, is there any increase that you are seeing in the price from your suppliers and how you are managing that and how is the pass on happening on that?

Edward Menezes: So the acrylic acid prices have firmed up. Unfortunately, for us, there was a force majeure from one of the large suppliers of acrylic acid. That really had impacted us in the last quarter but that has normalized in the month of January and therefore I don't see a big impact for us from the acrylic acid side, but the other raw materials have been going up. However, we are not that much related to petroleum products and therefore we were not greatly impacted other than the artificial increase in prices due to the container shortage in the world shipping market.

Swarnabha Mukherjee: Is there a mechanism to pass on any kind of price increases, not maybe as a sudden price increase but a gradual price increase to the customers?

Edward Menezes: Not only acrylic acid, but acrylic based products, we have been able to increase or pass on the prices in the paint industry, in the paper industry as well as in the detergent industry. However, in the other products because they do not impact us so much, we are not able to do that. Other than that, we have a few brands which we work with and the price increase is completely passed on to the big brands that we work with.

Swarnabha Mukherjee: So for the bigger brands, it is a formula linked pass-on mechanism?

Edward Menezes: Yeah, not all big brands because we don't have contracts with all big brands but with the brands that we have, there is a formula-linked pass on there, for example, Hindustan Unilever.

Swarnabha Mukherjee: In your initial statement you had mentioned that because of your new capacity that started in Dahej partially, that has helped you to launch newer products in this category. So, If you could give us some qualitative insights on the kind of technology differences that you have in your Silvassa plant vis-à-vis your Dahej plant which enables you to bring these new product categories or develop new kinds of products?

Edward Menezes: The type of products are the same but Silvassa had a much smaller facility and this facility in the last one year was not able to cater to the chemistry that I'm talking about, those chemistries are emulsion polymerization and solution polymerization, so the emulsion polymerization and solution polymerization chemistry we are not able to fulfill and supply to the market. Since this facility is now available in Dahej, we restarted with whatever was available there and that's how the business in those segments started picking up. They are basically the emulsion polymerization, or we call it as emulsions, that means emulsions for paints, for paper, as well as solution polymers for water treatment and the detergent industry. So, that's what helped us to get better volumes in the HPPC segment.

Swarnabha Mukherjee: Wanted to understand in the Textile Specialty Chemicals, as you have greener version of products and given that your end user industry is very unorganized, how do you go about by pricing these products to make it attractive from the end customers vis-à-vis the traditional ones which I think I would expect to be cheaper than your products, so if you can throw some light on that?

Edward Menezes: That is actually the selling point of Rossari. So whatever products that we are offering in the Textile Specialty space which are green products, they are cost-neutral. For example, if we sell a product which is against acetic acid, then our green acid will be cost-neutral, our green acid will be on par with acetic acid or we bid even lower than acetic acid. So that's the key point and that's the kind of pricing strategy that we use so that we gain market share from the commodities, like even the alkali substitutes or even the scouring substitutes, all of them will be cost-neutral. So we don't sell them at higher prices but we gain bigger volumes from the industry with good margins, that means the margins are still better than the commodity products. So that's our key selling point to the textile industry. Especially the textile industry is so well regulated that they will really not pay a higher price for any kind of products.

Moderator: The next question is from the line of Dheeresh Pathak from Goldman Sachs.

Dheeresh Pathak: Because the margin compression and the gross profit growth being lower than the revenue and the volume growth, it seems that for all the clients or contracts, the raw material cost push has not been passed on. So which are these clients or contracts and what are the characteristics of those contracts?

Edward Menezes: I already mentioned that we have contracts with few brands where we are able to pass on the raw material prices and the disruption had happened for a short period of time basically. So, because the disruption had happened for a short period of time and it was temporary, it is impossible to negotiate price increase to the other kind of clients within that short period of time. And that's why you see a gross margin contraction over there. However, the situation completely normalized within two months because the V-shaped recovery was not expected by anybody in the world but you can see a V-shaped recovery all over the place and then whatever disruption happened in the worldwide logistics that has come back to normal and we don't see that as a challenge for the future. However, having appreciated your question, I would like you to look at the nine-month results. And in the nine-month results you will see that our top line and our EBITDA margin is also as per our guideline. So, I don't see any challenge for Rossari to be able to deliver the numbers that we have already given as guidelines for the fourth quarter.

Dheeresh Pathak: Just want to understand the contract, for example if you have a force majeure for a particular raw material, so what is there in those pricing contracts, when can you increase and at what frequency do these contracts come up for renewal, this is not to get to this year's numbers or anything, just for our understanding that how are your contracts structured for key raw material and for force majeure clauses?

Edward Menezes: Like I said for the key raw materials, the contracts are quarterly contracts that we've done large raw materials with most of our suppliers and with our end customers as I said only our (ODM) original design manufacturer or contract manufacturing customers we have a contract where we pass on the raw material increases, otherwise all our products in the textile industry or the performance chemicals industry are by mutual understanding whenever there is an increase in prices. So, in the performance chemicals, we have a monthly pricing kind of a system where every month we declare the price for the emulsions or the solution polymers. Whenever there is an increase, there is a monthly price increase between all the competitors that play in that marketplace.

Dheeresh Pathak: So, this quarter when we are seeing gross margin compression, this is a decision that you've taken to absorb the cost push because the cost push was very transient and temporary and not because you were actually bound by the contract because as you are explaining it seems that you could have easily passed it on but you chose to absorb it because it was transient, is that a correct understanding?

Edward Menezes: Yeah, that is a proper understanding of the subject because what has happened is there was such a short period, and you will appreciate that the international prices did not go up. Therefore we didn't have enough ammunition to go to the customer and say the prices have gone up. The prices shot up locally because the products did not reach on time and there was this unreal RM increase in price.

Dheeresh Pathak: One last question on the AHN side. What percentage of the business is from companion pets and what percentage is like poultry or cattle or those which are used for consumption?

Edward Menezes: More than 90% of our business is Animal Health and Nutrition. The pet care is just a beginning industry; it's a very small percentage of the AHN. And that's not our focus because that is more retail. So, at the moment we are not really

focusing on the pet care business, we are mainly focusing on the AHN business.

Dheeresh Pathak: But there the exposure is more to poultry or is it cattle, what is it?

Edward Menezes: It is mainly poultry.

Dheeresh Pathak: Would it be like 80%, 90% of that would be poultry or how would you put it?

Edward Menezes: Yes,80% plus would be poultry.

Moderator: The next question is from the line of Charulata Gaidhani from Dalal & Broacha.

Charulata Gaidhani: I wanted to know if you could give a split between the increase in volume price and new launches for revenue growth?

Edward Menezes: Like I mentioned before, we saw improved growth in volume on Q-o-Q basis and on Y-o-Y basis. For new products I don't have the numbers with me at present moment.

Charulata Gaidhani: Then my second question pertains to in case of HPPC, what is the kind of contribution to revenue that you are seeing for long-term? Currently I think it is around 57% of sales.

Edward Menezes: We are looking at for HPPC because it is a larger potential business. When you see Home and Personal care it is between Rs.1 and Rs.2 lakh crore industry and performance chemicals is even bigger than that. So therefore, in the long term we will see that at least 70% of our business will become HPPC. Additionally, in the home and personal care segment, the personal care for body and hair is something that is also picking up for us, it was seeded like in the last year and this year volumes are growing and that also will add to the HPPC and therefore from the 50% to 53% we plan that in the long term, it will go to about 70% of our contribution to our Company sales.

Charulata Gaidhani: In terms of AHN, do you see any challenges with the current kind of disease going on?

Edward Menezes: In the AHN business, the bird flu is a viral disease which is commonly found mostly in birds during the winter season. So, mainly from November to Feb every year there will be this break of this viral disease among the birds. And this year it has actually got more attention maybe because of the COVID-19 situation, people like to hear this news and therefore it blew up in the media like this year crows, ducks, peacocks and some commercial poultry was also affected but mainly in the northern part of India. The Government did a good job in controlling this and extra precaution was taken therefore, I think there will not be a great effect on sales as against the previous years. But because of more attention being given to this topic this year, we feel that there could be some adverse impact, but in the next two months, especially in the beginning of February, this completely dies down and by March everything is normal again.

Charulata Gaidhani: In terms of R&D costs, where do you see R&D spend growing for over the next three years?

Edward Menezes: Traditionally, our R&D costs are between 1% and 2%. And with new Rossari Center for Excellence which has been established at the beginning of this

year, but due to this year's particular situation, IIT Mumbai was not operational and it just got operational in the last quarter, I believe the R&D spend will be on an upward swing for the next three years.

Charulata Gaidhani: To what level?

Edward Menezes: We should touch 2% on the R&D spend.

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

Raju Nandana: Is there any estimate for the next couple of quarters what would be the revenue?

Edward Menezes: We generally do not give forward-looking answers, but since the new plant at Dahej should be operational by March 2021, we maintain that we will utilize that facility over the next three to four years.

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

Edward Menezes: Thanks to all of you for taking out your valuable time and for asking intelligent and pertinent questions. We are sure that we will deliver the numbers that we have projected for this business year and we are happy that our new project at Dahej will be commissioned by the end of March 2021 and we should be able to perform well in the coming year. Should you need any further clarifications or would like to know more about the Company, please feel free to contact our team or CDR India. Thank you once again for taking the time to join us on this call.

Moderator: Thank you. Ladies and gentlemen, on behalf of Rossari Biotech Limited, that concludes this conference. Thank you all for joining.
