

May 23, 2023

<b>The National Stock Exchange of India Ltd.</b> Listing Department Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051  <b>Company Symbol: DMCC</b>	<b>BSE Limited</b> Department of Corporate Services Floor 25, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001  <b>Scrip Code : 506405</b>
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**Sub:** Transcript of Conference Call held on May 18, 2023, with investors and analysts on the financial performance of Q4FY23.

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirements) Regulation 2015, we are enclosing herewith the transcript of the Conference Call held on Thursday, May 18, 2023, at 11:00 a.m. (IST) with investors and analysts on the financial performance of Q4FY23.

The said transcript will also be made available at the website of the Company at [www.dmcc.com](http://www.dmcc.com) under Investors>>Announcements>>Analyst Investor Meets>>Investor Conference Call.

You are requested to kindly take the same on your record.

**For DMCC Speciality Chemicals Limited**  
(Formerly known as “The Dharamsi Morarji Chemical Company Ltd)

**Omkar Mhamunkar**  
**Company Secretary & Compliance Officer**  
**ICSI Membership No. ACS 26645**  
**Encl:** As Above



## DMCC Speciality Chemicals Limited

Formerly known as The Dharamsi Morarji Chemical Company Limited

Q4FY22 Earnings Conference Call

18<sup>th</sup> May, 2023

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### Management Participants

Mr. Bimal L. Goculdas – Managing Director and CEO

Mr. Dilip Gokhale – Executive Director

Mr. Sunil Kumar Goyal – Chief Finance Officer

Mr. Omkar Mhamunkar – Company Secretary and Compliance Officer



Analyst

Abhishek Mehra – TIL Advisors

**Moderator:** Ladies and gentlemen, good day and welcome to the Q4 FY23 Earnings Conference Call of DMCC Speciality Chemicals Limited hosted by TIL Advisors. 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 opening remarks conclude. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhishek Mehra from TIL Advisors. Thank you and over to you.

**Abhishek Mehra:** Welcome, everyone, and thank you for joining this Q4FY23 earnings Conference Call of DMCC Speciality Chemicals Limited. The “Results” and “Investor Updates” have been e-mailed to you and are also available on the stock exchanges. In case anyone does not have a copy of the same, please do write to us and we'll be happy to send it over to you.

To take us through the results of this quarter and answer your questions, we have with us today, Mr. Bimal Goculdas -- Managing Director and Chief Executive Officer; Mr. Dilip T. Gokhale -- Executive Director; Mr. Sunil Kumar Goyal -- Chief Finance Officer; and Mr. Omkar Mhamunkar -- Company Secretary and Compliance Officer.

We'll be starting the call with a “Brief Overview of the Financial Performance,” which will be followed by the “Q&A Session.”

I would like to remind you all that everything said in this call, reflecting any outlook for the future which can be construed as a forward-looking statement must be viewed in conjunction with the uncertainties and risks that the company faces. These uncertainties and risks are included, but not limited to what we mentioned in our annual reports, which you'll find on our company's website

With that said, I'll now hand over the call to Mr. Goculdas. Over to you, sir.

**Bimal L Goculdas:** Thanks, Abhishek for the introduction and welcome all of you shareholders. Thank you for joining the call. My colleagues and I are here to answer your queries, but before that, let me give a little bit of an overview about the Operations.

So, as a quarter, it was better than the previous quarter and of course better than the one before that as well. There are a few reasons for this. We had some improvement compared to the previous quarter of course, because we had no shutdown this time. We had a shutdown in Roha during the previous quarter, which affected the operations and there was also a significant slowdown in the markets because of destocking. That destocking reached according to us close to the bottom and then consumption started again in the Jan to March quarter. Not back to the expected level, but certainly better than the previous.

The other thing is there was no significant movement in the raw material prices like we had in the July to September quarter. So, we had more stability, we had better availability of raw materials and also

improved logistics. In one way that's also an indication of global slowdown because earlier in container ship space on vessels were not at all available and now it's freely available.

While we are happy that logistics costs have come down, and they've come down to almost the pre-COVID levels, it's an indication that things are not all rosy in international markets.

So, we had a top line of Rs.94 crores for the quarter and EBITDA of Rs.17 crores, which is about 18% is not a bad margin. However, it was also a case where there were some rebound from very low stocks at the customer end and yet the prices are coming down. So, although you will look at the top line as less than the top line of the same quarter in the previous year, the volumes are substantially better this time, but because of low pricing of raw materials and finished products, that's not apparent in the top line itself. Profit before tax of about Rs.9 crores at about 10%, that's a reasonably good number considering the circumstances.

And I'd like to say a few things about the macro scenario. I'm sure you must have heard from other companies as well that the markets are not very encouraging at this time. The Chinese are back in the production phase, but they are not back in consumption and consequently, they are dumping their products not only in India but in other markets as well. So, there is certainly pricing pressure not only for DMCC but for all Indian companies and all European and American companies as well. So, that is one fact.

The other fact is that the crisis in Ukraine continues and it looks like it's going to drag on almost indefinitely, with neither side giving up. So, uncertainty in Europe also contributes to lower consumption and more uncertainty means less optimism means less consumption. As you can all see from the sales of cars and electronics and things like this, all the discretionary spending has come down. So, our end user industries, some of them are also not doing too well like people are not buying that many shirts as they used to. So, therefore, textiles, therefore dyeing and intermediate for dyeing, people are not buying cars, therefore polymers and plastics as well as pigments are affected to that extent. This is seen and we are not too far away from those end use segments. So, we can also see that impact.

But, happy to report that all our capital expenditure, the large part of it for the foreseeable future has been done successfully. We have achieved the production levels and efficiencies that we wanted in the plants and as and when the market turns for the speciality chemicals we will surely be there to supply. In this quarter, we had about a 40:60 split between the bulk and speciality chemicals segments. And as we go forward, we expect it to go up to 30:70 or so, again depending on prices.

Overall, that's what I'd like to start with and I'm happy to answer questions that I'm sure you will have.

**Moderator:** We will now begin the question-and-answer session. We have our first question from the line of Saurabh Jain from Astute Investment. Please go ahead.

**Saurabh Jain:** From what I see that we've grown in exports at 61% for FY23 versus over FY22. So, what is the volume growth in this?

**Bimal L Goculdas:** So, difficult to give you volume growth, but at least this much in terms of volume, probably a little more than that, because the prices are surely lower than the previous year.

**Saurabh Jain:** So, you're saying at least 60%?

**Bimal L Goculdas:** Yes.

**Saurabh Jain:** And any sense on how FY24, FY25 is looking specifically on the exports front in terms of volume growth also that you might be able to achieve?

**Bimal L Goculdas:** So, difficult to predict and I don't like to give forward-looking statements. This call is mainly to discuss last quarter and last year, but I've presented the macro headwinds and I think we are all subject to that. So, I think any prediction at this time would be not correct.

**Saurabh Jain:** But going forward, do you see that the exports business will grow faster than domestic obviously, in spite of the headwinds which you're having?

**Bimal L Goculdas:** So, as I've said before in a lot of calls, we do show the export earnings and local earnings separately, but honestly, I don't differentiate too much and I'll tell you why again. Because a lot of our customers are taking our product doing one or two steps and then supplying overseas. So, if the overseas market is down, then there's a global downtrend, then our customers in India also will get affected, and it's not that India can work in isolation. While we do import a lot of the bulk chemicals, we are not a bad exporter of the downstream speciality products, and in the speciality products in fact, India is close to a net exporter, while in the bulk chemicals and other areas, petrochemicals, etc., we are a massive net importer. So, the growth of our sales, whether domestic or international, will obviously be linked to the overall markets and no company and no country can really work in isolation. So, we are watching what's happening in China. They are literally dumping and obviously there's nothing much anyone can do about it if they choose to sell below cost. While companies are looking at alternatives to China, companies in Japan, companies in the US, everywhere, what they are willing to pay as a premium is not very clear, and it hasn't happened yet. Since you asked this question, let me take a step back and also talk about a little bit which I missed in the opening, that we made significant investments in sustainability and we continue to do so. We have one more project which we complete this year, which will reduce our carbon footprint again substantially. And there's an EU carbon tax, which is going to be there for companies which have a high carbon footprint. So, apart from looking at the markets and looking at the processes, products, everything, we are looking at the sustainability side, and as and when there's a value to low carbon footprints and environmental commitment, we will be right there at the forefront and I believe our footprint would be amongst the lowest in the industry, and surely within our peers and surely compared to anybody in China. So, that's not happened yet in terms of generating value and it's certain that it will. It's just a question of when it happens, we'll be there.

**Saurabh Jain:** So, just on the top three products, would you be able to give us the volume growth in that and the other than the top three products volume growth on the speciality side?

**Bimal L Goculdas:** So, I don't distinguish. I would like to give individual products, but there was growth across the board, let me put it that way for existing products as well as new products. I know you're asking about our mature products as well, but they grew as well, if that's the answer you're looking for.

**Saurabh Jain:** But the new products also, you are seeing growth and traction besides the top three products?

**Bimal L Goculdas:** Not as much as we would like, simply because when there is a downtrend, people don't have time or money to invest in new product approvals as they would in normal times. And when prices are going down anyway, like the Chinese are dropping prices, the people are first looking at the bottom line rather than anything else. Now again because of easy logistics, that whole supply chain risk, all the purchasing managers have forgotten. So, let there be some kind of a consolidation phase. Where there's an uptick in the market, I think there will be much more traction for new products.

**Saurabh Jain:** If I understand what you're saying is that it's taking longer to have your customers switch from their existing suppliers to you for the newer products?

**Bimal L Goculdas:** And vice versa... we won't get knocked out easily either.

**Saurabh Jain:** Going forward if we can get some sense on volume also, since the prices of the products are actually so volatile, it would be great to get some sense of the volume also if you're able to disclose that?

**Bimal L Goculdas:** The volume is substantially more, although I would not like to get into total volumes or anything. Anyway, that's irrelevant, because one year ago we just had started our sulfuric acid plant. That's 100,000 tons of Dahej. So, those volumes would warp anything. And you have to look at it from that point of view. So, we don't disclose individual product volumes. We'll continue not to do that.

**Saurabh Kumar:** But on an aggregate basis also if you would be able to give that that would be helpful if -?

**Bimal L Goculdas:** It is more. Let me put it this way that there is a growth in overall volumes as well.

**Moderator:** We have our next question from the line of Shivakumara Swamy, an individual investor. Please go ahead.

**Shivakumara:** Sir, being in a specialty chemical segment, we are facing some pricing issue from Chinese when the Chinese are opening up. Are these molecules in that speciality chemicals or commodity chemicals?

**Bimal L Goculdas:** So, most of that Chinese in fact would be in the speciality chemicals because in our bulk products, there is a different competition but not necessarily from Chinese, and most of our bulk chemicals are sold close to the factory.

**Shivakumara:** No sir, because as you told it, we are facing that competition in speciality chemicals segment. In my opinion, speciality chemicals means it's the high margin, low volume product So, Chinese dumping has started. It means your manufacturing is a speciality chemicals or it's related to commodity chemicals?

**Bimal L Goculdas:** Even in the speciality chemicals, there is competition. We are not monopoly producers. And yes, there is higher margin than in bulk. But that doesn't mean that Chinese cannot compete in that.

**Shivakumara:** And my second question is regarding you're investing in technologies like continuous flow chemistry, biocatalysis regarding that one. Are these technologies related to only pharmaceuticals or it can be applied to our chemical processes also?

**Bimal L Goculdas:** So, they're very much applied to our products as well. In fact, we have been doing flow chemistry since a long time. One of the advantages we have is that all our processes, even for some of our speciality chemicals are continuous. Therefore, we are amongst the lowest cost producers in the world for those products. Yes, pharmaceuticals industry is working on flow chemistry. But it's not that it is restricted to pharma industry only. In fact, according to me personally, I believe that for the hazardous chemicals, and particularly for upstream, it is more important to go to flow chemistry than the pharma industry, because we are handling larger volumes, more dangerous chemicals, we would benefit much more from movement towards flow chemistry. So, I personally recommend this and we are personally practicing this as well.

**Moderator:** We have our next question from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

**Ankit Gupta:** Now, since the prices of our products have dropped, so at optimal capacity utilization of the new plant, how much revenue on a consolidated basis we can do when we reach let's say optimal capacity utilization?

**Bimal L Goculdas:** So, again, the prices are dynamic. So, on what basis you want me to project? So, if I would have looked at Q4'22 numbers of Rs.104 crores, if the same prices were prevalent today, we would have done at least 30%, 40% or 50% more than that. So, on what basis, should we take it?

**Ankit Gupta:** That's for March '23 prices. Let's assume current last quarter prices of around let's say we did Rs.95 crores of top line. So, let's say the current price sustain, how much revenue our both the facilities generate?

**Bimal L Goculdas:** So, the current prices are also reflected in the low raw material prices, I just want to clarify that as well, it's not only the finished products prices. What happens is we run the sulfuric acid plant at both locations in any case at 90% and upward capacity. So, there's limited headroom on the sulfuric acid side. But on the downstream products, we do have some upside, I would say at least... again this is an estimate, but at least 30% to 40% extra we can do on the downstream side after our recent expansions at Dahej.

**Ankit Gupta:** So, let's say, we have ended of around Rs.100 crores per quarter, let's say for downstream products, when we ramp up at optimal capacity utilization, we can touch Rs.130, 140 crores kind of quarterly run rate?

**Bimal L Goculdas:** Something like that, yes.

**Ankit Gupta:** And then let's say since the prices of the raw materials have also come down, do you expect some margins to go up now since the realizations have fallen for us, do you think that margins can be better than our historical levels going forward?

**Bimal L Goculdas:** First of all, future projections are impossible to make and I don't like them. But what happens is mathematically if your margin remains the same in absolute terms, but your prices come down for both raw materials and finished products, then as a percentage it increases, you may see a better margin at lower prices and then a lower margin at higher prices, but not necessarily in absolute terms.

**Ankit Gupta:** Sir, on the boron side, we have been facing challenges. Do they continue or we're seeing some improvement?

**Bimal L Goculdas:** So, certainly some availability improvement on the raw materials side, also the logistics side. So, earlier we were not getting the raw materials on time, etc., now that situation has eased and we expect to have a slightly better run rate on the boron business in coming times.

**Ankit Gupta:** And that will also really lead to improvement in margins there?

**Bimal L Goculdas:** Certainly, if we do more volumes, we'll have better overall margins, absolute margin. But again, we don't want to predict going forward absolute numbers or anything like that.

**Ankit Gupta:** But we should see some improvement compared to last two, three years that we have been facing challenges on that front?

**Bimal L Goculdas:** Yes, certainly has been improvement especially in this last quarter on supply availability.

**Moderator:** We have our next question from the line of Saurabh Jain from Astute Investment. Please go ahead.

**Saurabh Jain:** Just a follow up question. I wanted to understand what kind of CAPEX should we pencil in for us for FY24, FY25 broadly as we see now?

**Bimal L Goculdas:** So, not a significant number, nothing compared to the last two years that's all I can say.

**Saurabh Jain:** Depending on obviously how the environment is, do you have a certain timeframe in mind as to when you might think of the next level of maybe expansion?



**Bimal L Goculdas:** So, with so much uncertainty right now, we are not looking at any major large investments. If you had a look at the cash flow, we started paying down some of the loans. And I think with the high interest rates and everything, that is more prudent thing to do. I think we will wait till we generate some more operating cash flow and also wait for the interest rates to come down a little bit before we get aggressive again.

**Moderator:** We have our next question from the line of Yogesh Tiwari from Aryan Capital Markets. Please go ahead.

**Yogesh Tiwari:** Sir, just on the boron chemistry, so just wanted to know that does boron have alternate application to lithium and can it be used in the electric vehicles and become like a major driver for our company?

**Bimal L Goculdas:** So, that's a little bit of an R&D question, but I'm not an expert on the EV side, but more than electric vehicles and more than the lithium you are looking at hydrogen storage using some boron compounds. So, when it comes to alternatives to this lithium batteries, lithium has its own problems, environmental issues, plus dependence on a very few countries. So, on a bigger scale, you're looking at alternative to electric vehicles when you are talking about fuel cells or something like that, then hydrogen is required. And because it cannot be piped easily or transported easily, you have to look at some source of solid form of hydrogen. And that's where there is R&D work being done on some boron compounds, which can store hydrogen. But not directly in EV as far as I know.

**Yogesh Tiwari:** Just to understand, from where do we actually import like the raw material for boron chemistry -- from Europe or through a trading partner in Asia?

**Bimal L Goculdas:** So, there are few sources of boron in the world, so the US, South America, Turkey and also China. And we would look at importing from the most economical source and most reliable source. That's all I can say about where we source from.

**Yogesh Tiwari:** And sir has the raw material prices for boron actually like increased significantly in the last year, like there was some news around it?

**Bimal L Goculdas:** So, the prices have increased, but at least the availability is better.

**Yogesh Tiwari:** And sir, lastly on boron chemistry, what volume level do we expect turnaround in the number this year?

**Bimal L Goculdas:** So, we would need to make some investments to have a significant increase in the boron business and we are not ready to make those investments yet.

**Moderator:** We have a question from the line of Nikhil Upadhyay from Securities Investment Management. Please go ahead.

**Nikhil Upadhyay:** On the demand side, like last two quarters, you sounded pretty cautious both for the new products on the speciality side for which we had done the CAPEX. So, how are you looking at the overall scenario now?

**Bimal L Goculdas:** What happened particularly in the October, December quarter is lot of large end users, they were destocking, they saw prices coming down, there's no visibility on sales, so they just stopped buying or reduced it substantially, so there's no further reduction now as far as we can see, but it hasn't picked up significantly as yet. So, it's a very sort of soft market scenario at the moment across industry. There are a few exceptions, but in general, there is not enough consumer demand and there is excess production from China as I've already mentioned. So, that sort of making the overall market looking quite difficult.

**Nikhil Upadhyay:** For the products for which we had some demand visibility from the customers, even there, the pricing has gone significantly down or even the demand is remaining weak, so is it a combination of both which is impacting?

**Bimal L Goculdas:** So, the pricing is more a reflection of reduction in the raw material prices also, but the volume drop is significant in an overall sense. Since we did an expansion, we've seen an increase in the total sales, but that's because we tapped some extra business, so we had already some pipeline which we managed to fill, but the whole optimism is not there, which we would expect. And I don't think it will come back until this whole year. There are two major issues happening; one is the crisis in Europe and the second is the interest rate cycle. So, hopefully interest rate cycle has peaked and with easing of interest rates in the future, or at least flattening first and then easing, there should be some consumer sentiment improvement. And once the consumer starts buying, then there will be demand from the industrial side as well.

**Nikhil Upadhyay:** So, on the CAPEX which we had done, would it be breaking even as of now at the production level or is the utilization not enough to meet the fixed cost?

**Bimal L Goculdas:** Sure, we are slowly breaking even. But we've not made the investment just to break even. We are expecting a much better upside which we haven't seen.

**Nikhil Upadhyay:** And we would be operating at 20, 25% kind of utilization or more than that?

**Bimal L Goculdas:** So, as I mentioned earlier on the bulk chemicals, we are above 90% in any case, we have to operate those plants. But on the speciality chemicals, it's lower and we don't have exact percentage utilization, but I'll say that there is a room for growth.

**Moderator:** We have our next question from the line of Shivakumara Swamy, an individual investor. Please go ahead.

**Shivakumara:** Regarding the speciality chemicals segment, that number of processes involved in the manufacturing of that chemicals means from raw material to finished products, how many processes are involved in that?

**Bimal L Goculdas:** So, this changes from product to product. Difficult to give you a general answer to that question. But it's typically multi-step processes.

**Shivakumara:** In general, multi-steps means it's two, three or four?

**Bimal L Goculdas:** There's no general answer to that. It could be two, three or more.

**Moderator:** We have a question from the line of Yogesh Tiwari from Aryan Capital Markets. Please go ahead.

**Yogesh Tiwari:** What I understand is like last year somewhere in between the prices of sulphur compounds, it has declined for about Rs.35,000 to about Rs.10,000. So, just wanted to understand like what will be the price now and what will be the scenario as of now?

**Bimal L Goculdas:** So, you can look up any of the publications for the current price of sulfur. I don't have it on hand and may not be the right forum to discuss here as well. But it is substantially lower than what it was at the peak, and it is stable at the moment. But it's a pure commodity and there are a lot of dynamics which can affect the upward and downward movement. If I could predict the movement of sulfur in the future, I would rather play on that than do anything else. So, difficult to visualize, but at the moment it looks stable.

**Yogesh Tiwari:** Just to understand the worst case scenario like what would be an estimate for the industry cost of production wherein that would be like a bottom for sulfur prices if an approximate number what would be like an average cost of production for industry for sulfur?

**Bimal L Goculdas:** Sorry I didn't get the question.

**Yogesh Tiwari:** So, just to understand like what would be the worst case scenario, if sulfur prices fall further, like what would be the industry cost of production if somebody is producing sulphur?

**Bimal L Goculdas:** It's a well-known fact that roughly 0.33 or 0.34 tons of sulfur is required per ton of sulfuric acid. That is for everybody. And if the price of sulphur goes down, the price of sulfuric acid also likely to go down, although it's not necessarily true because it's not a fixed formula. The market dynamics of sulfuric acid and market dynamics of sulfur are completely independent and quite unrelated.

**Yogesh Tiwari:** But just to understand what would be an average cost of production if somebody is producing maybe now a ton of sulfuric acid?

**Bimal L Goculdas:** I just told you what is the sulphur ratio. So, it would depend on the price of sulphur at that time.

**Yogesh Tiwari:** One question is on the export front. So, are you seeing any uptick in demand from Europe regarding sulphur-based products in different months?

**Bimal L Goculdas:** There is right now no uptick in demand from Europe for anything. I think there are too many internal issues, and until they tackle those, I don't see them becoming optimistic on the markets.

**Moderator:** We have our next question from the line of Sajal Kapoor, an individual investor. Please go ahead.

**Sajal Kapoor:** We as an organization have been visiting CPHI events quite regularly. And anything you can share from the recent CPHI event in Japan?

**Bimal L Goculdas:** In general, Japan and India are moving closer together politically as well as economically. You can read in the paper almost every day there is some investment into India from Japan. So, that Japanese economy is not growing, they are threatened by the Chinese politically and they are looking for alternate partners. Also, their style of working although is very different from Indian style of working. So, there's a cultural gap which we need to sort out. But I think Japan and India will come closer together in every way, because even at the top political level, there is a meeting of the minds. You can see lot of infrastructure projects in India are funded by the Japanese. They have a lot of money, they have a high consumption, but they have low growth and they are looking where else they can invest so that they can participate in the growth of other countries. So, India is certainly one of the top sort of friendly countries with Japan.

**Sajal Kapoor:** As Japanese culture is very different in related to that, their requirements are also very different, they're very stringent in terms of compliance requirements, do we take to sign longer term contracts with Japanese customers or will it be more like on a spot sale basis for Japan and also for the Indian customers, is it we do longer term supply agreements with these pharmaceuticals companies both in Japan and India or is it mostly spot sale basis?

**Bimal L Goculdas:** So, we have been supplying to Japan for many years now and I don't think there's a problem in meeting the requirement. Of course, you have to be consistent, of course, you still have to be competitive. They still look at Chinese prices, even though they don't want to deal with China. But they still do deal with China. In fact the biggest partner is still China by far. But most of our speciality business is not on spot basis, whether it is a written contract or unwritten agreement understanding it doesn't matter, but we don't have to go looking every month for new customers and all that. So, it's quite stable from that point of view.

**Sajal Kapoor:** Finally, what are those one or two things that you would like to change in DMCC going ahead and why do you think those changes are important?

**Bimal L Goculdas:** It's difficult to answer strategy-related thing. Of course, I'd like to see bigger top line, bigger bottom line, that's for sure and we are working towards it, and also we have placed a lot of emphasis on sustainability. So, I'd like to see us improve on that front as well. I will say we are one of the front runners, but still I'm not satisfied. So, these are the areas where we would look in future.

**Sajal Kapoor:** And as we grow bigger, do you think that we need greater investments in R&D and innovation and does that mean hiring more qualified scientists and more people or is it something on the capital investment side that we have to undertake if we want to get on to the next level of science and innovation, supporting these global innovators?

**Bimal L Goculdas:** Of course, CAPEX as well as people, you can't do anything without people and R&D surely will play a big role.

**Sajal Kapoor:** Any specific targets that you have for this year or next year to beef up the R&D?

**Bimal L Goculdas:** We are recruiting, we are strengthening our team, but we don't have a particular target in mind for R&D spend. Typically, we are doing about 1% to 2% of our top line as R&D spend and we will continue like that for a while.

**Sajal Kapoor:** Do we get any sort of advances from these Japanese or other customers to undertake specific synthesis projects on their behalf?

**Bimal L Goculdas:** Sorry I didn't get the question.

**Sajal Kapoor:** So, sometimes these innovators when they ask specific custom synthesis project and I've seen this with the pharmaceutical API players in India, the customers are more than happy to give advances for procuring raw materials and initial R&D work. Have you experienced any such transaction where a customer is willing to give us advances for a specific custom synthesis project requirements of this?

**Bimal L Goculdas:** So, we've done small cases of this kind of thing, but not in any significant manner.

**Moderator:** As there are no further questions, I would now like to hand the conference over to Mr. Bimal Goculdas for closing comments. Over to you, sir.

**Bimal L Goculdas:** So, thank you all for attending. I hope it's been worth your time and it's good to get these questions, it's always good to hear from the investors side what your views are, what your concerns are, and of course we will adjust ourselves surely. But look forward to interacting with you all in the future as well and thanks for your support.