SANMAR

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February 17, 2025

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 Scrip Code - 543336	National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex Mumbai – 400 050 Scrip Symbol – CHEMPLASTS

Dear Sir/Madam,

Sub: Transcripts of the Earnings Conference Call held on February 10, 2025

In continuation to our letter dated February 4, 2025 please find enclosed the transcripts of the Earnings Conference Call held on February 10, 2025.

Date & Time of occurrence of the event/information: February 17, 2025, 10.45 AM (IST)

We request you to take the same on record.

The above information will also be available on the website of the company at www.chemplastsanmar.com

Thanking You,

Yours faithfully,

For CHEMPLAST SANMAR LIMITED

RAMAN MAHADEVAN

Digitally signed by RAMAN MAHADEVAN
Date: 2025.02.17 16:27:41 +05'30'

M RAMAN
Company Secretary and Compliance Officer
Memb No. ACS 6248

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"Chemplast Sanmar Limited
Q3 FY '25 Earnings Conference Call"
February 10, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 10th February 2025 will prevail.

MANAGEMENT: **MR. RAMKUMAR SHANKAR – MANAGING DIRECTOR – CHEMPLAST SANMAR LIMITED**

MR. N MURALIDHARAN – CHIEF FINANCIAL OFFICER – CHEMPLAST SANMAR LIMITED

DR. KRISHNA KUMAR RANGACHARI – CUSTOM MANUFACTURED CHEMICALS DIVISION – CHEMPLAST SANMAR LIMITED

SGA - INVESTOR RELATIONS ADVISOR

Moderator: Ladies and gentlemen, good day, and welcome to Chemplast Sanmar Limited Q3 FY '25 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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 star then zero on a touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ramkumar Shankar, Managing Director. Thank you, and over to you, sir.

Ramkumar Shankar: Thank you, Michelle, and good afternoon, everybody. On behalf of Chemplast Sanmar Limited, I extend a very warm welcome to everyone joining us on our call today. On this call, we are joined by our CFO, N. Muralidharan; Dr. Krishna Kumar Rangachari, who heads our Custom Manufactured Chemicals division; and SGA, our Investor Relations Advisor. I hope everyone has had an opportunity to go through the financial results and investor presentation, which have been uploaded on the stock exchange website and on our company's website.

Our results for the current year show a marked improvement over the same period in FY '24, even though on an absolute basis, we still are reporting losses. The last couple of years have been challenging for the company due to dumping of product, especially of Suspension and Paste PVC resulting in margin pressures.

Dumping of Suspension PVC, particularly from China and Paste PVC, especially from the European Union, have resulted in pricing headwinds, and the consequent impact on margins. However, domestic demand has been quite good with apparent consumption of Suspension PVC registering 11% growth on a year-on-year basis in the 9-month period April to December 2024, while Paste PVC registered a 13% growth over the same period.

The total revenue for the first 9 months stood at INR3,195 crores, a growth of 11% on a year-on-year basis. This growth was largely on account of better prices and margins in the PVC businesses and improved performance of CMC division.

Coming to the specific segments. The Specialty Chemicals segment saw sales volume of 24.9 kilotons, reflecting a 51% year-on-year growth for the quarter, while for the 9-month period April to December 2024, sales volume was 71.6 kilotons, a year-on-year growth of 35%. In the Specialty Paste PVC segment, continued availability of imported material at low prices, particularly from EU-based producers, resulted in lower realizations.

Demand has been good with a 13% growth in the country in the first 9 months on a year-on-year basis. The provisional anti-dumping duty on Paste Resin announced on the 13th of June 2024, initially provided some relief, addressing dumping from China, Thailand, and Taiwan. However, this was soon replaced by increasing import volumes from Europe at very low prices, offsetting the benefits of the imposed anti-dumping duty.

A fresh anti-dumping investigation has since been initiated on imports from European Union and Japan. The new Cuddalore Paste PVC plant is being ramped up, and we expect to achieve full utilization levels in the coming quarter. On our custom-manufactured chemicals business, the multipurpose Block 3 Phase 1 commissioned last year has been ramping up well, and we expect healthy business from the host of molecules, which have been commercialized.

The Phase 2 of MPB 3 was commissioned in December 2024. We expect to close FY '25 with a healthy revenue growth in the CMC business. As stated in the earlier calls, we have commenced work on building additional capacity, keeping in mind the growth pipeline. The pipeline of products under development is strong and is continuously growing with increase in new inquiries from customers.

As stated in the earlier quarters, we see this segment to be the growth driver for Chemplast Sanmar in the coming years. There will thus be continued focus on this business with appropriate capital allocation for growth. The value-added chemicals business, encompassing caustic soda, chloromethanes, hydrogen peroxide, and refrigerant gas, witnessed mixed demand trends across end-user industries.

Volumes for our value-added chemicals grew by 5% in the quarter and 24% over the first 9-months of FY '25, driven by steady demand across diverse sectors. Chloromethanes faced price pressure due to increased domestic supply, while demand, especially for methylene dichloride and chloroform remained stable in key sectors. Refrigerant gas HCFC-22 sales declined due to imports and cheaper substitutes, though prices are expected to increase in the months ahead due to reduced quota in production for non-feedstock applications. Hydrogen peroxide saw strong competition, leading to price drops, especially in South India. Caustic soda demand remained stable with price fluctuations driven by global supply constraints and seasonal demand shifts.

Moving on to Chemplast Cuddalore Vinyls Limited. Domestic consumption of Suspension PVC saw sequential growth after a soft Q2 due to the extreme monsoon. Industry has seen healthy demand growth, thanks to increased traction from housing, construction, irrigation, and drinking water segments. We remain positive on the demand side in the coming period as well.

The extension of the Jal Jeevan Mission to 2028 announced in the recent union budget augurs well for Suspension PVC demand. Internationally, China continues to offer Suspension PVC at lower prices due to sluggish growth in their housing sector. Similarly, in the U.S., weak demand and excess capacity have led to surpluses being directed towards the Indian market, adding further pressure on PVC prices.

We remain optimistic about the implementation of the announced anti-dumping duties on various countries. This measure will create a level playing field for domestic players and help combat unfair trade practices. On a marginal basis, as feedstock prices have been following PVC prices, the raw material margin remains strong. This bodes well for the industry once old inventories are depleted and prices stabilize.

Looking ahead, with demand continuing to remain strong across the main products and the expected implementation of the announced anti-dumping duties, we expect the situation to look up. The continuing strong performance of the Custom Manufactured Chemicals division also will add to the improved performance.

Now I would like to hand the call over to our CFO, Mr. Muralidharan, to walk you through the financial performance of the company. Over to you, Murali.

N Muralidharan: Thank you, Ramkumar, and a very good afternoon to all the participants on the call. Talking about the quarter 3 performance, the revenue for the quarter stood at INR1,058 crores, a growth of 19% on a year-on-year basis. Our EBITDA stood at INR32 crores compared to a loss of INR7 crores in the Q2 of last year. The net loss for the quarter was INR49 crores, an improvement over Q3 FY '24, which reported a net loss of INR89 crores.

Now coming to our segment-wise performance. Revenue from Specialty Chemicals stood at INR377 crores, which is almost a 100% increase on a year-on-year basis, driven by higher sales volumes from the projects that got commissioned. Value-added chemicals saw a marginal improvement of 10% on a year-on-year basis at INR154 crores.

Suspension PVC revenue declined by 5%, amounting to INR527 crores. This is mainly due to buildup of some Suspension PVC inventory, which is expected to get largely liquidated in the Q4 of this year.

Now coming to the 9 months highlights. During the 9 months FY '25, the company reported a revenue of INR3,195 crores with EBITDA of INR182 crores, registering a year-on-year increase of 11% on revenue and a sharp increase in EBITDA from INR5 crores in the previous year. This performance was largely on account of the increase in volumes on account of the projects that were commissioned, higher margins across almost all product segments, and the strong traction in the CMCD business.

Employee costs for the period were higher, primarily due to the impact of Paste PVC and CMC projects commissioned, strengthening of the R&D and technical teams, senior-level hires, and increments. Increase in other expenses is primarily due to the higher power and fuel costs driven by higher volumes from the projects that were commissioned.

The finance costs came in at INR174 crores, a 34% jump on a year-on-year basis, mainly due to interest costs on project financing. Net loss came in at INR56 crores for the 9-month FY'25, as against net loss of INR127 crores for the same period last year.

Coming to the segment-wise highlights, Specialty Chemicals' revenue grew by 62% year-on-year, reaching INR1,031 crores. This growth was primarily driven by higher sales volumes from the projects that were commissioned. Revenue from value-added chemicals stood at INR466 crores, reflecting an 18% year-on-year increase, again driven by higher volumes from a steady end-user industry demand.

Suspension PVC revenue stood at INR1,699 crores, a 8% drop year-on-year basis due to lower volumes due to the slightly higher inventory which I explained earlier.

With this, we conclude the presentation and open the floor for further discussions.

Moderator: Thank you very much, sir. We will now begin with the question-and-answer session. The first question is from Sanjesh Jain from ICICI Securities.

Sanjesh Jain: First, on this value-added chemical division, this quarter, there was a sharp drop quarter-on-quarter, almost 9% drop in the volume. While market generally has remained very healthy in this space, why haven't been able to place the volume?

Ramkumar Shankar: This would only be normal drop. Actually, if you look at it, our Chloromethanes was more or less on a volume -- on quarter-on-quarter basis, it's more or less stable. Caustic has actually gone up, and so is hydrogen peroxide. So, I'm trying to understand where you see the volumes. I'm looking at the wrong numbers, my apologies. Let me look at the right one.

N Muralidharan: Sanjesh, it is primarily due to two reasons. One is we have taken a regular maintenance for 10 days. That is one on the caustic soda side. And second, it was due to one timing of sales, a couple of rakes, which had to go in the last day got shifted to the next quarter. It's effectively the same. There is nothing else.

I think you're right, the demand has been steady, and we've been able to sell all our materials significantly. Two reasons. One is regular maintenance for 10 days, which is a scheduled maintenance. And the second was a couple of rakes getting shifted to the next quarter by one day.

Ramkumar Shankar: This is only in caustic, Sanjesh. So, in caustic some 4,000 tons has come down. That is largely because of keeping of the inventory for the sales. So, it's essentially a timing issue.

Sanjesh Jain: Okay. So that means next quarter should have that kind of a bump up, right?

Ramkumar Shankar: That's right. The production has not really changed that much.

Sanjesh Jain: So that means next quarter, we will have that going up to 48,000 metric tons. 44,000 is the normal run rate, 4,000 should have been additional volume next quarter.

Ramkumar Shankar: That's right Yes. You should expect that, yes.

Sanjesh Jain: The second is on the conversion margin in SPVC. So, we have been seeing there is a steady rise in the conversion cost. So earlier, below the raw material cost, the prices used to be INR10 per kg. It has jumped to INR12 a kg. Any particular reason because we haven't added capacity, plant is running quite well. Demand remains full. Why there is 20% rise in the other operating expenses in the Suspension PVC, which is in the CCVL?

Ramkumar Shankar: The variable conversion costs hasn't moved by much. We've had pretty much stable unless there is some inventory related -- because inventory has built up in Suspension PVC. So maybe the absorption on the fixed side could be what is driving this.

Sanjesh Jain: No, it's been for last 2 quarters. Earlier, I used to see the operating cost, which is below COGS. It used to be INR10 a kg. Now it is coming almost INR12 a kg. I think there is a sharp jump in the employee cost around 18-20%. Any particular reason for such a sharp jump? I don't think we have been adding manpower in the CCVL, right?

N Muralidharan: It's primarily because of 2-3 reasons. One is it's the annual increments. And like we normally give senior management increments once in 2 years. So, we'll have a cumulative impact this year. That is one. And second, the senior hires we had, and we also strengthened the technical team. All 3 together had the impact of higher employee costs during the year.

Sanjesh Jain: This should yield the benefit somewhere, right, the technical employee coming in and all either it should come with better utilization or a better yield, which should completely offset that cost. Finally, we should -- we are protecting that, right?

Ramkumar Shankar: It will happen, Sanjesh. It will happen, it will take time. It doesn't happen overnight, right? So, it will happen. You're right. It will happen.

Sanjesh Jain: Okay. The next on the PVC business, that appears to be undergoing more pressure. I think there is a further price cut in the month of February. It is fair to assume that the March quarter will have a even lower spreads or a lower contribution margin versus what we have seen in the past 2 quarters?

Ramkumar Shankar: See, as I mentioned in the speech, on a marginal basis, the margins are still holding strong because the feedstock VCM is following the PVC prices. It is only on account of the inventory that is there, which is at a higher cost. And normally in a falling price market, the inventory impact will always be there.

So yes, that will impact the margins on a weighted average basis for the March quarter. But once that inventory is moved out, then you would see that the margins have a sharp jump because the -- like I said, the marginal raw material margin is actually quite good. It's not really moved that much.

And hopefully, we are quite confident that very soon, there will be the anti-dumping coming into effect. Anti-dumping duty has been announced, and it is awaiting notification of the final gazetting by the Ministry of Finance. And we are hopeful that, that will happen anytime soon.

Sanjesh Jain: Got it. One last question on Custom Manufacturing business. We have been hearing a positive commentary from the peers on the agrochemical intermediate demand. Is it also showing up in our order book? And if so, what is the expectation for FY '26?

Krishna Rangachari: This is Krishna here, and Murali can add to this. Yes, we are hearing general input from the marketplace that sometime by the middle of the year or it's already started reversing in terms of the downturn and we should start seeing a turnaround the calendar year, I mean, sometime by the middle of this calendar year.

We have been marginally impacted over the past year or so because of the nature of the molecules that are commercial as well as what we have been working in the pipeline. So for us, it did have an impact, but not a significant impact. And so our next year would be similar to the ramp-ups that we have earlier projected. So I don't see any major changes in terms of our projections for the next two years.

N Muralidharan: Sanjesh, broadly most of our products are new products, which are tied to molecules being launched. So our -- except one specific product, which is an old product that we carried. Other than that, there was no impact on our order book per se. So you will see significant growth in CMC business this year.

You will definitely see a significant growth in CMC business when you see the annual numbers. And like Krishna is saying that we continue to project whatever we have sort of indicated, we continue to target those numbers for next year as well as in FY '27. So I think we are broadly on track.

Sanjesh Jain: So what we said is INR1,100 crores by FY '27, we are telling that we are on track for that.

N Muralidharan: We are on track for that. And even this year, you will see a significant healthy growth you will see this.

Sanjesh Jain: And how has been the profitability? Are we tracking the profitability where we said that the EBITDA margin will be tracking anywhere between 23% to 25%? Are we tracking that?

N Muralidharan: Sanjesh, like we explained earlier also in the initial periods, it's a learning curve. So as we stabilize, we will hit the EBITDA margin. So in the initial period, the margin levels should be slightly lower. And as we move to stable level of operations, we will keep that level. Because we are introducing new products, it has some learning. So to that extent, we are tracking on the lines we had anticipated it is progressing on those lines, definitely.

Moderator: The next question is from the line of Jayesh Parekh from JMP Capital.

Jayesh Parekh: See, my question is that currently, the environment is going to be a global competition and challenge. And can't we work in a direction whereby independent of anti-dumping duty, we make our entire viability of the company. Why should we depend on anti-dumping duty? There are a couple of players in chemical segment. I can't name them at this point but they are also facing similar challenge of global competition and dumping and they have made them viable independent of anti-dumping duty. So can you just throw some light on this, sir?

Ramkumar Shankar: Sure. That's actually a very interesting philosophical question. So let me address that. Anti-dumping is actually a response to something that is an unfair trade practice. So it is not something that is a standard practice. We do not depend on anti-dumping but then we also do not expect dumping.

If a country is going to be unfair and dump products at lower than their domestic market price or sometimes even lower than their cost because of some subsidies that they are getting from their own government, I believe that, that puts the domestic industry in the country where it is being dumped in a very unfair position. There is no level playing field.

So there is absolutely no shame or nothing wrong in insisting on the playing field being levelled. This is not unique to India. This is being there across all countries. You can see the U.S. embarking on it. The European Union is embarking on it. And very often, we see that this question is raised, India is a very aggressive player on anti-dumping, so it's unfair and so on.

I have WTO data from 1995 to 2023. And while India has definitely filed the most number of anti-dumping cases of 790, the U.S. is not far behind. They have filed 634 and the European Union has filed 364. So every country looks after its own domestic interest and I believe that, that is what India is doing.

Now your question on whether is there something that we can do to make ourselves immune from the pressures of dumping. Well, we are doing it by diversifying our products. We have other divisions, which are, for instance, the Custom Manufactured Chemicals division, which is export oriented and so on. But where we are hit by dumping, we will have to take necessary remedial measures. I see no embarrassment or anything wrong in doing that.

Moderator: We'll take the next question from the line of Dhruv Muchhal from HDFC AMC.

Dhruv Muchhal: Sir, just I might have missed from your opening comments, the SPVC volumes are declining for the last few quarters on a Y-o-Y basis. So what's driving this? Because you mentioned that the demand is reasonably strong. I think 11% for the 9 months India demand. So what's leading to this decline in volumes for us?

Ramkumar Shankar: Yes. That is a good question. And I also mentioned in response to an earlier thing that there have been some inventory build-up that has happened. And that is largely because of the dumping that we have seen, especially from China in Suspension PVC. So when material is being dumped at such low prices, which are actually not really in line with even economic reality, there is obviously a propensity to start buying from the lowest price seller.

And that is what has been happening. And that is really the very unfair situation that we are combating and we are hopeful that this will turn around soon with the imposition of anti-dumping duties. But this is not a permanent loss. We have the inventory. So we will be in a position the minute this is reversed, we will see the increase in volumes.

Dhruv Muchhal: Okay. Because sir, on EBITDA level, you are gross positive. So of course, I understand it can be a strategy, how do you manage that. But on an EBITDA level, you are gross positive. Of course, very low volumes, low quantum, but gross positive. So why to hold on volumes at least as long as you move in variable cost, you should probably offload the volumes in the market as a strategy? I'm just trying to understand what am I missing?

Ramkumar Shankar: Fair enough. It's a very good question. In fact, that's what we normally do. We would, so long as that is on a variable contribution level, if it is positive, then it at least contributes to the fixed expenses making part of the fixed expenses. We do not want to, at the same time, be so aggressive that we push the industry into a downward price spiral.

So it is equally strategic. We would not want to do that and be the price leader into that. We will take the appropriate action. Our focus is on reducing inventory and we will do that. Because then it shouldn't become a race to the bottom.

Dhruv Muchhal: And sir, the second is the SPVC duty, now it's pending with the Ministry of Finance. That's the current stage.

Ramkumar Shankar: That's right.

Dhruv Muchhal: And for the Paste PVC, we have already filed for the duty against Europe and some of the other countries?

Ramkumar Shankar: Yes. Actually, the provisional duty on Paste has already been notified on China, Taiwan, Thailand, Norway. But immediately after that came in, unfortunately, the dumping started from the European Union. So now we had made an application last year for starting a new investigation into imports from Europe, Norway and Japan. And that has actually now been initiated. So that process is now on.

Dhruv Muchhal: And sir, lastly, what would be your net debt level as of the end of Q3?

N Muralidharan: Around INR1,000 crores.

Moderator: We'll take the next question from the line of Sajal Kapoor from Antifragile Thinking.

Sajal Kapoor: Question is, how do you contrast and compare the entry barriers in pharma and agro custom synthesis? Just to give you some context for my question, the largest agro CMC player in India has been attempting to get into pharma CMC for over 10 years now and they have not seen much success, whereas a major pharma CMC player recently entered agro CMC relatively easily. So, does that not mean that the capabilities and resources required for pharma CMC are very different and the gestation period is also much longer?

Krishna Rangachari: This is Krishna. That's a good question. They are 2 completely different markets. And as you rightly pointed out, the gestation period, the hurdle rate, the number of molecules that become successful, it's completely different between the agrochemical and the pharmaceutical. And yes, so each one has its own complexity. And to go from one to another, it's not that straightforward. Although on the back end in terms of the technical capabilities and maybe the manufacturing capabilities, could be similar, the approach to the market is very different between these 2. I don't know who you're referring to in terms of a pharma player trying to get into agrochemical.

Again, it depends on the business model that they are planning on pursuing. Our model is whether it is pharma or whether it's agrochemical, it is to work with innovators, not with the generic manufacturers.

And so that by itself is a very completely different model because the requirements of innovators is very different, both in pharmaceutical as well as in agrochemicals. So, it would depend on the model this particular company is trying to pursue in terms of what their hurdle rate could be.

Sajal Kapoor: Thanks, Dr. Krishna. I mean just to give you some more context. So, both companies have got a very similar philosophy in terms of they are using their R&D capability as more of a horizontal to work across various industries from food and Nutraceuticals, Cosmeceuticals, human health, animal health and crop science. So, playing across the 360 kind of spectrum.

And yes, while there are some common elements between, let's say, an agro and pharma, when it comes to simple things like material handling and sterility and focus on clean rooms as an example, and not to mention the stringent Japanese regulators like the PMDA and the U.S. FDA, the landscape is very different from a barrier perspective.

So based on our interactions, I know we have been mentioning pharmaceuticals in our presentations for a while now. Have you seen any serious engagement or interest coming from the pharma side of innovators?

Krishna Rangachari: Yes. So, our -- and I mentioned this in the past, we had a healthy mix of both pharmaceutical and agrochemical in the past. And the proportion changed not because of any significant drop in the absolute pharma business, but because the agrochemical side of the business really took off. So, we have experience in terms of handling innovators, both on the pharma and agrochemical side. And having said that, we have a number of projects.

Yes, as you pointed out, very similar to the experience of others in this space. It is not that straightforward in terms of ramping up that business significantly at a very short period of time. So, the gestation period is going to be long. And so, it's a long-term strategy on our part, and it will take time.

Sajal Kapoor: Okay. That's very helpful, by the way, your response to first question was really helpful. In terms of my second question, when did you start considering custom manufacturing as a potential source of future revenue and cash flows? And how much time did it take you from that "drawing board and planning moment" to getting the first few LOIs?

Krishna Rangachari: Okay. So, the history of this business, we have been in custom manufacturing for a number of years. So, it's not something that we entered recently. But we -- over the -- in the late 2018, '19 onwards is when we articulated a very clear strategy to grow in this business. And to grow in this business obviously requires investment in manufacturing capacity.

We didn't have significant excess capacity over the past -- prior to that period. So, we articulated a strategy, and we started investing in people, in R&D capabilities, in pilot capabilities and manufacturing capabilities to execute on that strategy. So, the LOIs that we have been announcing and the traction we have had is linked to the growth strategy that we outlined prior to our IPO and that we started executing from 2018, '19 onwards.

But we have been in the CMO business for a number of years. In fact, many of our customers prior to this articulation of strategy and execution were actually requesting us to invest in this business because they found in us a very reliable partner who satisfied many of their requirements such as focus on safety, protection of intellectual property as well as our track record in terms of managing long-term partnerships and relationships with innovators.

As well as our stated strategy with respect to not compete with our customers, which means that we are not interested in manufacturing the final product that our customer is making. So, all of these factors started sort of helping us over the past 3 years or 4 years to ramp up our presence in this space.

Sajal Kapoor: That's very helpful. And with your permission, can I squeeze the last couple of questions? Or I'm happy to join the queue again. Okay. So just a couple of questions. How many scientists do we currently have and at full capacity, how many CMC projects can we handle with our current R&D capacity? That's one.

And then for our CMC product to be blockbuster for you, what kind of sales should it be able to generate? – a range is satisfactory enough for me. I know between Phase 1 and Phase 2, we have been public saying that INR1,000 crores approximately is our aspiration. And since then, I know we have added the third phase. So obviously, we are very serious about this segment going forward. But what it takes to be becoming a blockbuster product and how many scientists do we have?

Krishna Rangachari: Okay. So that's again a good question. For us, in this business, and this is something I keep saying, this business is all about the chemists and the chemical engineers or engineers who work on bringing these projects to commercialization. So, we look at not just scientists. We also look at engineers who are involved in taking what the scientists do in the lab and then scaling it up into pilot and commercial scale.

And so, our total count in terms of technical resources focused on bringing these projects to the commercialization stage today, probably close to around 75 chemists and engineers. And we have enough capacity in terms of R&D labs, pilot assets to almost double this in the next 12 months to 24 months.

So, what this means is if the project pipeline continues to grow as it has been growing, we are in a very healthy situation to keep resourcing or putting in resources to support the pipeline. So, I don't see that at all as a constraint. We have enough spare capacity in our R&D lab. Similarly, our approach in terms of pilot plant is like modular expansions.

And so we have enough land. So for us to bring additional pilot assets would be, let's say, a 6- to 9-month type approach or time line. And then so we would proactively keep putting those assets. And similarly, bringing in the chemists and engineers to -- in those areas would not be an issue at all. Reference to your second question, I think we would like to stick to the guideline that we have given.

We don't look at -- right now, we don't look at any project as whether it's a blockbuster or not because we take a long-term view on that -- on all of these. Our understanding and our assumption in all of the projects that we are working on is maybe in the initial years, there may be a slow ramp-up. It may take some time to ramp up. But our long-term view on these projects means that all of them would be a blockbuster at some point or the other. But we don't have a defined boundary with respect to what we work on and what we don't work on.

Moderator: The next question is from the line of Rohit Nagraj from B&K Securities.

Rohit Nagraj: First question or rather clarification on SPVC. So, you mentioned that after the imposition of duty on China, Thailand, etc., there have been higher imports coming from the EU and Japan. But as I understand and correct me if I'm wrong, in Japan, there is still ADD in place, and we are still seeing imports coming from Japan?

And another question related to this, now there are a lot of countries where only the ADD is in place, except maybe EU from where the material is coming. Are there any materials in other countries that are less and from where the dumping may happen for SPVC?

Ramkumar Shankar: The first part of the question on the EU, Japan itself, that was not SPVC, that was Paste. Paste we had an anti-dumping duty provisional was notified on China, Taiwan, Thailand, and Norway. And then that was gazetted also. And then now the final has also come in at a higher level than the provisional, but that is awaiting gazetting.

In between, the dumping started increasing from producers in the European Union. Now a new case has been initiated against the European Union and Japan. That was on Paste, not on Suspension. Could you repeat the second question, please? I'm sorry, it was a little trouble.

Rohit Nagraj: Right. So, in terms of SPVC or Paste PVC, are there any other countries from where the dumping may happen we did not anticipate an Paste PVC dumping coming from EU and Japan?

Ramkumar Shankar: Okay. No, no. These are all the countries where you have the capacity. So, if EU actually is addressed, I think there would be no other Paste PVC. On Suspension PVC already others like China, and U.S., they've all been addressed. So, I think the Northeast Asian producers like Japan, Korea, and Taiwan, all have been addressed in the case, and the provisional duties have been notified by the DGTR. This is awaiting processing by the Ministry of Finance.

Rohit Nagraj: Got it. The second question is on Paste PVC, what would be the current utilization? And generally, what would be the breakeven utilization for us?

Ramkumar Shankar: In the new facility, we are already at around 80% to 85%. The old facility we are running at 100% there it is running continuously at 100%. The new one, which we commissioned in February '24, we've now ramped it up to around 80%, and 85%, and we expect to reach 100% by March or April. So that will happen.

Breakeven is not so much on the volumes. It's more on the price. I think you have another INR11,000-12,000 of price if we address it. If the anti-dumping duty comes in, we would be more than breakeven. And that is really what we are working on. Because of the dumping yes, it's only because of the dumping that we have pressure on margins. If the import prices are fair, then we would have no problem. So that is the reason why the anti-dumping cases are being pursued.

Rohit Nagraj: Got it. And just one last clarification on CDMO. So, I just missed the number on the EBITDA margins. So, at optimal utilization, we will be able to have a consistent maybe 20% plus EBITDA margin. Is that assumption, right?

N Muralidharan: Generally, the industry operates somewhere between 20% to 25% EBITDA margin levels.

Moderator: The next question is from the line of Ranjit from IIFL Capital.

Ranjit: Clarification on the anti-dumping duty front. So, as I understand, as of now, there are no anti-dumping duties either on Paste PVC or Suspension PVC that are in force in India. Both of them are either recommended by DGTR yet to be approved by the Ministry of Finance or on the Suspension or the Paste PVC from the European and Japanese region, the investigation is currently undergoing. Is that understanding, correct?

Ramkumar Shankar: Your understanding is correct. So, the anti-dumping duty on all other than EU and Japan has been notified by DGTR. The final findings that have been announced have been actually significantly higher than even the provisional findings. That is awaiting gazetting by the Ministry of Finance. On Suspension PVC as well, the provisional duties have been announced, and those are awaiting gazetting by the Ministry of Finance.

Ranjit: So here, I just wanted to get a bit more understanding. We had already a provisional duty for 6 months on the 14th of June, and that got expired. And even before the expiry, we have kind of seen a DGTR recommending the duty. In all previous cases, what we have seen the provisional duty automatically gets converted without much of a gap. But here in Paste PVC, we haven't seen that. So, what has led to that delay in approving a provision to a final one?

Ramkumar Shankar: It was only a timing issue. The provisionals are valid for 6 months and the final has to come into the picture. The final actually came in a week later. But ultimately, it will have to be notified and gazette by the Ministry of Finance. So that is what we are waiting for. This is more of a timing issue rather than anything else. Sometimes it happens.

Ranjit: How much delay has that happened in the past, just as a ballpark figure?

Ramkumar Shankar: See, if look at the provision duty was there for 6 months, and then within that when it lapse within 2 weeks, you had the final duty being notified. But then it takes a few weeks for the process at the Ministry of Finance to get done. So, we are awaiting that. Obviously, as you know, in the interim, you also had the budget and so on the union budget. So obviously, the attention would have been elsewhere. So, I think we should see it happen any time now.

Ranjit: Post the expiry, have you seen any increase in the intensity of imports from China and Korea?

Ramkumar Shankar: Paste, not so much. Paste China and Korea are not really the main countries. It's largely right now, it is the European Union that we are facing the challenge from as far as the Paste is concerned. If you look at, for instance, the last period April '24 to December, around 64,000 tons have been the total imports. Europe alone is around 40% of that.

Ranjit: But this investigation typically takes 3 months to 6 months, at least in Europe and Japan?

Ramkumar Shankar: Yes. The investigation normally takes around 6 months, yes. From initiation to a provisional duty could take around 6 months.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Ramkumar Shankar: Thank you, everyone, for joining us today on this earnings call. We appreciate, as always, your interest in our company, Chemplast Sanmar Limited. If you have any further queries, please do feel free to contact SGA, our Investor Relations Advisor, and we will do our best to address your questions. Have a good day.

Moderator: Thank you, members of the management. On behalf of Chemplast Sanmar Limited, that concludes this conference. We thank you for joining us. And you may now disconnect your lines.