Date: 31 January 2025 Ref. No.: TCPCL/SEC/2024-25/00070

To,

The General Manager,
Corporate relationship department,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai-400 001
Scrip Code: 543321

The Manager,
Listing department,
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block-G,
Bandra-Kurla Complex, Bandra(E),
Mumbai-400 051
Scrip Symbol: TATVA

Subject: Transcript of Earnings Call

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, please find enclosed herewith the transcript of the earnings call held on 28 January 2025 post announcement of financial results of the Company for the quarter and nine months ended 31 December 2024.

The above information shall be made available on the website of the Company at www.tatvachintan.com.

This is for your information and records.

Thanking you,

Yours faithfully,
For Tatva Chintan Pharma Chem Limited

ISHWAR RAMANBHAI NAYI

Digitally signed by ISHWAR RAMANBHAI NAYI
Date: 2025.01.31 14:43:47 +05'30'

Ishwar Nayi
Company Secretary and Compliance Officer
M. No.: A37444

Encl.: As above

"Tatva Chintan Pharma Chem Limited

Q3 FY 25 Results Conference Call"

January 28, 2025

MANAGEMENT: **MR. CHINTAN SHAH – MANAGING DIRECTOR**
MR. ASHOK BOTHRA – CHIEF FINANCIAL OFFICER

MR. AJESH PILLAI – INVESTOR RELATIONS

MODERATOR: **MR. SANJESH JAIN – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Tatva Chintan Pharma Chem Limited Q3 FY '25 Results Conference Call hosted by ICICI Securities. 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 an assistance during the call, please signal an operator by pressing star then zero on your touch-tone phone.

I now hand the conference over to Mr. Sanjesh from ICICI Securities. Thank you, and over to you.

Sanjesh: Thanks, Seema. Good evening, everyone. Thank you for joining on for Tatva Chintan Pharma Chem Limited Q3 FY '25 results conference call. We have Tatva Chintan management on the call represented by Mr. Chintan Shah, Managing Director; Mr. Ashok Bothra, Chief Financial Officer and Mr. Ajesh Pillai, Investor Relations.

I would like to invite Mr. Dinesh Sodani, GM Accounts & Finance, to initiate with the opening remarks, post which we will have a Q&A session. Over to you, Dinesh Ji.

Dinesh Sodani: Thank you Sanjesh Ji.

Good evening, everyone.

On behalf of the management, I am pleased to welcome all of you to Tatva Chintan's results conference call to discuss financial results of quarter and nine months ended December 2024.

Please note that, a copy of all the earning call related disclosures is available on both the stock exchanges i.e., NSE and BSE.

Any statement made or discussed during this call, which reflects our outlook for the future, or which could be construed as a forward-looking statement, must be reviewed in conjunction with the risks that the Company faces.

A detailed disclaimer in this regard has been included in the investor presentation that has been shared on both the stock exchanges i.e., NSE and BSE.

Now, I will hand over the call to our Investor Relations Officer Mr. Ajesh Pillai for his opening remarks.

Over to you, Ajesh Ji.

Ajesh Pillai: Thank you, Dinesh ji. Good evening, everyone.

It is a pleasure to welcome all of you to the Q3 earnings call of Tatva Chintan Pharma Chem Limited. Today, I am honoured to share the company's financial results, which have been made available on the stock exchanges and our company's website. I will walk you through the key performance metrics and highlights for this quarter.

In Q3 FY2025, Tatva Chintan achieved revenue from operations of Rs. 859 million, reflecting a 2% year-on-year growth and a 3% growth quarter-on-quarter. The EBITDA for the quarter stood at Rs. 71 million, which represents a 36% decline year-on-year, but a 26% increase compared to the previous quarter.

Now, breaking down our performance across product segments:

Phase Transfer Catalysts (PTCs): This segment delivered a quarterly revenue of Rs. 295 million, achieving a 7% growth quarter-on-quarter and an impressive 19% growth year-on-year.

Electrolyte Salts: This segment reported a quarterly revenue of Rs. 25 million, showcasing a 101% quarter-on-quarter increase and an outstanding 113% year-on-year growth.

Pharma and Agro Intermediates and Specialty Chemicals: This segment continued its positive trajectory, with a quarterly revenue of Rs. 298 million, marking a 10% increase quarter-on-quarter and an 18% growth year-on-year.

Structure-Directing Agents (SDAs): The SDA segment recorded a quarterly revenue of Rs. 230 million, reflecting 15% quarter-on-quarter degrowth and 29% year-on-year decline.

I will now hand over the call to our esteemed Managing Director, who will provide further insights into the company's strategic direction and business outlook. Thank you. Over to you, sir.

Chintan Shah: Thank you, Ajesh. Good evening, everyone. It is an absolute pleasure to welcome you to our first earnings call of calendar year 2025. As we step into this promising new year, I am confident that we will finally reap the rewards of the hard work, persistence, and resilience that have defined our efforts over the past few quarters.

Overall, the market situation continues to remain subdued in terms of demand but we are beginning to see a faint sense of improvement in the market. Talking to various customers the general feeling is that the industry as a whole seems to have begun the path to recovery. While we may not have completely left the challenges of the past behind, there are encouraging signs pointing toward better business prospects over the coming quarters. Raw material prices have shown relative stability, and sea freight rates have moderated.

What is particularly encouraging about Tatva Chintan is the strong position and deep inroads we have made in various segments we are present. We are poised to commercialize a few products this year, with the necessary infrastructure already in place to support these efforts.

Now, let me give you development in various segment that has taken place:

PTCs:

We have successfully onboarded two new MNC customers. The commercial business with both these customers have begun as on date. The business will ramp up with both these customers over the coming quarters. Both these customers have potential to give us a decent volume of business on PTC.

Overall, we continue to maintain a steady level of business in this segment, ensuring both growth and stability.

SDAs:

Owing to the continued weak demand in Chinese market for heavy duty commercial vehicles the demand for SDAs continued to remain subdued during the quarter. Recently, our customers have started indicating about the early signs of improving demand. The first two customers with whom we got approval in 2024 have started uptake of products on a regular basis and now we are seeing a gradual increase in the volumes from Tatva Chintan as we continue to build the level of confidence with them. The other two large customers with whom we got approved in 2024 for various applications are now ready to begin actual commercial supplies from us from April 2025. Currently we are discussing the modus operandi in terms of logistics and warehousing of our product to ensure smooth and continuous supply at their multiple global locations.

The implementation of EURO 7 norms is very much on track and we are very sure of improving demands for SDAs to begin within couple of quarters.

ESS:

The demand from customer for electrolytes used in energy storage devices is beginning to gain momentum. This upward trend is expected to continue in the coming quarters, further solidifying our position in this growing market. Additionally, the qualification process with a key customer involved in manufacturing batteries for hybrid cars is progressing well, marking a significant milestone in this segment.

With encouraging results of our electrolyte formulation from lab scale the customer has now requested to scale up the formulation to pilot scale, we expect to run the scale up at pilot level by the month of April. This is a very exciting development for us which can lead us to a very unique position wherein we make the salts ourselves and are also able to formulate the electrolyte ourself. This will give us a unique competitive advantage and a potential to significantly increase our presence in the segment of energy storage.

PASC:

The approval process of the plant scale material for the two large agro intermediates is progressing smoothly. We expect to get final clearance within the current quarter. Post approval the commercialisation should begin immediately. To meet the forecasted demand of these new agro products we are constructing the new plant on the existing Dahej site. We expect the plant to be ready for production in Q4 of FY 2026. These products hold good potential and are poised to make a noticeable impact on the company’s revenue. Finally, all the four agro intermediates which were under approval basis will see commercialisation happening during the current year.

We have concluded R&D and optimisation of a new agro intermediate having good potential in the domestic market. This will be slowly commercialised within this financial year but the full-scale commercialisation will be possible from our future green field project at Jolva.

We have concluded R&D activities on a very large potential agro intermediate. We are now working on backward integrating the key raw materials to make it competitive globally. This product is involving electrolysis, continuous flow chemistry and conventional chemistry. The R&D samples have already been approved by one large Indian agro chemical customer which has given us validation about achieving the quality matching at par with the global suppliers. In this case as well, the commercialisation will be possible from our future green field project at Jolva site.

In respect to pharma intermediates, three products have been formally approved and we expect gradual commercialisation to begin from end of 2025 or early 2026. The fourth product has been taken up in the approval process. Commercialisation is expected to happen by end of next calendar year.

The trials for Monoglyme will now begin at the 100kg catalyst level, as we have received the necessary cooling system for this machinery. We are also expecting the final equipment, capable of handling 1000kg, to be delivered by the end of this financial year. Installation and commercialization are projected to be completed by June 2025, marking a key milestone in our operational expansion.

Flame retardants:

We are set to begin the first commercial supply to the customer in the current quarter. The situation in terms of pricing continues to remain a big challenge. We are keeping a very close look on the market conditions. So, besides this first customer with whom we have certain pricing mechanism, we will fully commercialise this product only at the right time. Until then we continue to deploy our R&D resources in building a product portfolio of flame retardants.

In addition to these developments, we are pleased to inform you that after completing the necessary checks, we successfully started our distillation plant in January. This new facility will significantly ease production capacities to manufacture some of our major products.

Our focus is on development of products for use in semiconductor and electronics industry which will become our growth engine after three years. We have made significant headway in coming close to the ultra-high purity quality requirements.

In these turbulent times, the strength that has kept us resilient and afloat has been our unwavering R&D capabilities. Our consistent investment in R&D has not only borne fruitful results but has also enabled us to navigate challenges with confidence throughout our journey. Our vision for the future is deeply embedded in the projects we undertake in R&D, which boasts a robust pipeline of high-value products with immense business potential.

The innovative approach we apply to every product we develop underscores our commitment to growth and sustainability. As a team, we strive to remain future-ready, tackling obstacles with meticulous preparation and determination.

The resilience demonstrated by our team, investors, and other stakeholders is the true measure of our company's strength, and it continues to propel us toward a brighter future.

Thank you.

I will now handover the proceeding our CFO, Mr. Ashok Bothra.

Ashok Bothra: Thank you, Chintan sir and good evening to everyone present on our call today.

The financial highlights for the current quarter Q3FY25 v/s Q3FY24 are as below:

- Revenue from operations of ₹ 859 million v/s ₹ 842 million in Q3FY24.
- EBITDA of ₹ 71 million v/s ₹ 110 million in Q3FY24.
- EBIDTA margin at 8.2% in Q3FY25. Lower margin is due to the increase in COGS, & other expenses by 4.0% & 1.1% YoY respectively.
- PAT of ₹ 1.4 million v/s ₹ 35 million in Q3FY24. PAT margins at 0.2% v/s 4.1% in the same period previous year.
- During Q3FY25, exports stood at ₹ 528 million; 61% of the revenue.

The financial highlights for 9MFY25 v/s 9MFY24 are as below:

- Revenue from operations of ₹ 2,749 million v/s ₹ 2,952 million in 9MFY24.
- EBITDA of ₹ 256 million v/s ₹ 526 million in 9MFY24.
- EBIDTA margin at 9.3% in 9MFY25. Lower margin is due to increase in COGS, & other expenses by 6.4% & 1.6% YoY respectively.
- PAT of ₹ 47 million v/s ₹ 207 million in 9MFY24. PAT margins at 1.7% v/s 7.0% in the same period previous year.

That concludes an update on the financial highlights of the company. I shall now request the moderator to open the floor for Q&A.

Moderator: The first question is from the line of Nirali Gopani from Unique PMS.

Nirali Gopani: So Chintan Sir, you have given a fair picture on the demand side of our products. But how has been the pricing over the last quarter? Have we seen further negative impact on the pricing also? Or they have fairly stabilized for our finished goods?

Chintan Shah: On the pricing, not fairly but I would say almost stabilized. So now we are not seeing any kind of downward revision to pricing. In fact, certain key raw materials, we are also seeing a bit of uptick in the pricing happening. So price stability is now very much there. We don't see any further erosion in terms of pricing.

Nirali Gopani: All right. And particularly on the SDA side, do we see any change in the competitive intensity also among the competitors because of the low demandor once the demand bounces back, we should see the older realization when it comes to SDA?

Chintan Shah: So there is no internal competition between us and competitors. Our business distribution is strategic and based on the volume of business we each handle. We don't engage in price wars to attract more business. As demand begins to rise, we've received signals from customers that they're witnessing early signs of a market rebound. They've also advised us to be prepared for a potential surge in volume requirements, so we're gearing up to meet any sudden increases in demand.

Since the start of January, we've observed these encouraging signs from our clients. Therefore, we anticipate a structured increase in activity from SDAs as soon as the market demand strengthens.

Nirali Gopani: Right. So if I understand correctly, the raw material prices have stabilized to some extent. And we have also consumed our high-cost inventory. So now the only thing that we are waiting for the growth on the demand side, right? So as soon as we see that we should see improvement in our numbers, and there will be no other negative surprise, except for the demand?

Chintan Shah: Absolutely. See even if you see these numbers, our raw material consumption has consistently been around 44% to 45% in relation to sales, indicating robust cost of goods sold (COGS) metrics. The current issue lies with the overall operational expenses, which are spread across smaller volumes. However, as soon as there is an increase in volume, we can expect to see a significant and positive impact on our profit margins.

Nirali Gopani: Perfect. And just last question. So given the prices that are there today, what is the peak revenue that we can do from our total capacity, the older plant and the new plant?

Chintan Shah: These numbers are drastically changing. So we are also building up a new plant, as I said, which we expect it to become operational by January of 2026. So we expect our plant to be almost fully occupied by somewhere around June or July of this year, the existing plant. And then we'll definitely need this new plant for future growth. The only issue is the reactor side of the plant becomes fully operational and fully occupied.

The problem is still we have the electrolysis assembly part of the plant where we make the SDAs. That still has very low occupancy. So as soon as this occupancy is fulfilled, then we definitely have the chances to cross our revenue of more than INR900 crores with the existing and upcoming capacities. And we are looking at the lowest numbers in terms of raw material cost and the product cost.

So right now, we are at the bottom of the cycle in terms of pricing also. So, all the finished product prices or even the raw material prices are nearly at least historic bottom is what I can use the word over the last decade.

Nirali Gopani: Right. And lastly, on the flame retardant, if I'm not wrong, we were supposed to ship the product in Q3. And you mentioned now that has shifted to Q4. So any particular reason for this delay? And how confident are we that this shipment will happen in Q4?

Chintan Shah: No, that is right. The delay has happened because of a special packaging material requirement that the customer came up with. So they have a very specific design of the big bags under which they want this product to be shipped. Typically, what we get in India is completely different than what demand they had eventually made after placing the order. So we had to import this special packaging from Germany.

And that is what has caused this delay of about 4 weeks in terms of shipment. We are ready with the product. The jumbo bags, the big bags have just arrived. So now we are making arrangements to get dispatching the product.

Moderator: We take the next question from the line of Sanjesh from ICICI Securities.

Sanjesh: I got three of them. First, on the PTC side, you said we have added 2 new customers. Are they the same product what we are selling? And these are new customers or these new products and new customers?

Chintan Shah: No, we are dealing with existing products that have found new applications where Phase Transfer Catalysts are now being utilized. Both clients are globally recognized companies, and this new application of Phase Transfer Catalysts has led to our product receiving approval. We have already commenced shipments this quarter, with dispatches underway.

The challenge we face involves delivering the product to multiple global locations. We are currently determining the most optimal warehousing location for storing bulk cargo and strategizing on how to minimize logistics costs. We are in close collaboration with our customers during this phase. This venture is particularly thrilling as it represents a significant volume of business, the largest addition to our Phase Transfer Catalyst segment in the past three years.

Sanjesh: Got it. When you say new application, it is non-agro, non-pharma? Or is it in agro, pharma...

Chintan Shah: Yes. No, no, it's not agro, pharma, no.

Sanjesh: So what is the application we are looking here?

Chintan Shah: This is basically getting into some kind of specialty polymer. And theoretically speaking, if I can just largely say it is kind of a recyclable plastic application where they are using.

Sanjesh: Okay. And this should add a material revenue going into FY '26?

Chintan Shah: Yes. Definitely, because this is definitely a very large-volume business. Of course, it will take at least 6, 7, 8 months to stabilize the business with them, taking care of all these logistic arrangements, making the contracts with them, suitability of the product at their multi-locations globally. So all those things will take at least 6, 7 months to stabilize. But after that, this is definitely a quite significant jump in the Phase Transfer Catalyst business.

Sanjesh: And where were they buying this earlier then?

Chintan Shah: It's a new application. So now it is kicked in.

Sanjesh: Okay. Okay. So you're not replacing anybody?

Chintan Shah: We are also stabilizing with the product. So we are not replacing anybody. This is just a generation of new business.

Sanjesh: Okay. Got it. On the SDA side, you did mention that there is an early sign of revival. It is more restocking or you're seeing that end market itself reviving. In China, we also had an issue towards -- going towards the engine. How do you see SDA from here?

Chintan Shah: SDA, see, I talked to both my very large 2 customers, and both have indicated that we prepare for the uptick. We are seeing very encouraging signs coming in from the end-use customers, seeing demand uptick in terms of IC engines and hybrid engines. So this is where they feel that the demand has started to pick up. And also China is also gradually and very slowly, it has started to ramp up in terms of demand.

So this is the reason why they have already indicated that they will be ready if there are any surprise shipments to be made. So we are also geared up. We already are sitting on inventory. That's not an issue. But this is an indication that is coming from both the large customers.

Sanjesh: Got it. Got it. And on the Electrolyte Salt, this quarter, we did see a material jump. Is it a lumpy product? Or do you see this number scaling up now that the client has commercialized their product?

Chintan Shah: It will smoothen out from April. So dispatch is beginning from April, it will definitely smoothen out in terms of consistent sales that is happening. So this is what is the customer indicated that now their production lines have stabilized. They are now able to ramp up their production the way they wanted to see it. So they are coming to a point where they will now see a very regular consistent demand for the products.

Sanjesh: And now that there is a new administration in the U.S. and all, do you see risk to your Electrolyte Salts business?

Chintan Shah: No. So probably the announcements that have been recently made in terms of their drastic shift in terms of policy, moving slightly away from the EV thing. It might indirectly benefit us in some way but still time will tell what will happen. So it's not going to be a negative impact for the business. In theory, it's going to be a positive impact on our business.

Sanjesh: So why a positive impact?

Chintan Shah: They are discouraging the use of EV, and this will have a positive impact on the business of SDAs.

Sanjesh: Okay. Put it that way. Got it. And on the PASC, it's been 2 years, we are talking about the product development approval and all. Are we confident that in CY '25, we should be launching products? And how many products do you see starting up in first half of CY '25?

Chintan Shah: All 4 products are being commercialized. So 2 are already seeing the commercialization. We are working on their POs, production is happening. And the 2 -- which are the largest products that we have, we'll definitely see shipments, regular shipments rolling out from April or May of this year. So all 4 agro products definitely getting into full-scale commercialization from this year 2025.

Sanjesh: Yes. We were also working on the photochlorination. Where we are in terms of photochlorination approval cycle?

Chintan Shah: So that also we are through. So now we will see consistent shipments rolling out again from April or May of this year.

Sanjesh: Commercial?

Chintan Shah: Yes, now it is getting into the commercial mode. So approvals are in place now. So we have to start execution. So we are actually having the customer visit us in end of February for the discussions in terms of contract beginning from April of this year.

Sanjesh: So supplies will start from April '25?

Chintan Shah: Yes. We'll have to start shipments from April of this year.

Sanjesh: And any update on the polymer business?

Chintan Shah: So this will be recorded in sales because this will be abroad. So this is getting into exports. Of course, it will be recorded in sales of our subsidiary. So in terms of numbers, it will reflect after 2 months.

Sanjesh: Got it. Got it. And on the polymer side, you didn't comment to it. Where are we in the polymer side? We were trying to do there also.

Chintan Shah: Plant trial has went well. So it's just getting into final quality checks and packaging. So we'll make the first shipment probably by mid of February. So that will be the first rollout. And then we have to wait with the kind of feedback we get from the customer in terms of approvals. As soon as approvals are there, which should not take very long time.

These are not very tedious or lengthy approvals. So it should not take more than a few weeks for them to approve the product. And once the approval is in place, then we have to start commercializing the process. In terms of development, in terms of piloting and scaling up to plug, now everything is through. So we are executing our first one-month system pilot for validation of the product.

Sanjesh: Got it. Got it. And you said that the distillation column or the distillation plant is ready. So how much capacity should

Chintan Shah: It is now operational.

Sanjesh: So how much capacity should it free up in the actual plant or reactor capacity? How much reactor capacity should be free up?

Chintan Shah: I would not have the exact number, but I think it should give us at least 12% to 15% of free space in the plant.

Sanjesh: 12% to 15% more space.

Chintan Shah: At least. Yes.

Sanjesh: Okay. Got it. Got it. And you said that we will...

Chintan Shah: And besides distillation of recovery of solvents, so the new agro products that we are launching. So one is on the photochlorination side, one is the other large agro product. So both of these products eventually also -- the product also needs a distillation, high-column distillation. So this old plant is not only about solvent recovery. So part of it is solvent recovery and reuse and part is also product distillation.

Sanjesh: And you said that by June, July, you may run the plant at full utilization. Any plan in terms of optimizing. Do we have any mechanism to optimize and increase the revenue despite plant running fully?

Chintan Shah: So basically, we have created a team, which we call it as process excellence. And this team identifies which could be the potential bottlenecks, which is removed. With some minor investments, it can boost up the productivity. Also, if they find anything which needs to be done in terms of process, where we can optimize the time of reactions.

So these are the aspects on which now we have a dedicated team, which works on these aspects to bring about. We knows the plant is going to be almost 100% occupied. So what are the means and ways how we can optimize the process. So we are working on that.

It has been always a very continuous activity at Tatva Chintan all the time, all the years in terms of optimization of processes. So there may not be a very large scope, that is what I believe. But whatever best we can do, we are trying to optimize that.

Sanjesh: Got it. One last question, Chintan bhai, from my side. On the gross profit side, now that SDA contribution will structurally decline with PASC, all the products kicking in and polymer and all other flame retardant and all, where do you think your gross profit margin or material margin stabilizing? We are at 52% now, where majority is coming from PTC, 35% is PTC. PTC will also fall. SDA will also fall. Where should we see gross profit margin stabilizing for us? What do you term as gross profit margin?

Chintan Shah: Roughly in the range of 45%.

Sanjesh: Okay. Because we are doing 52 now. Do you think it will be dilutive for us, all these new products?

Chintan Shah: Yes. Because these new launches, what the agro products we have is more so in terms of technology and lengthy processes. So in terms of raw material consumption, these are a better contributor. They require larger capex. So basically, in Phase Transfer Catalyst, let us say, we can make about 3x in terms of what I invest and what I can generate in revenue, whereas in these large products, your capex is almost 1, 1.2 kind of a thing.

Sanjesh: So you're actually telling me what? You're telling that the raw material costs will be lower?

Chintan Shah: Will be lower.

Sanjesh: Okay. Okay. The margins will be higher is what you are telling me?

Chintan Shah: The gross margins, as you term it, it is higher. Yes.

Moderator: We take the next question from the line of Jay Vaghasia, an Individual Investor.

Jay Vaghasia: So my first question is regarding, you mentioned in the investor presentation regarding materials for semiconductor. So one of our SDA that is tetramethylammonium hydroxide, TMAH, which is used in photolithographic process. So is it the same substrate that you mentioned in the investor presentation? Are we going for high purity levels of free substance?

Chintan Shah: Theoretically speaking, one of the product is the same product, what you are talking of. But the quality, what we are talking in terms of SDAs and what terms in the semiconductor applications are starkly different. So what we offer in SDAs is with a limiting factor of trace metals below 5 PPM, parts per million levels. And now when we talk of offering this same product into a semiconductor-grade product, it has to qualify with all trace metals below 1 part per billion, 1 PPB level.

So as of today, if you ask me, honestly, we are still in the range of about 38 to 60 PPB when it comes to the final product. So probably it is still 4 months, 6 months away. So we have gradually brought this down from 5 PPM levels to 50, 60 PPB levels. Sometimes we have also recorded numbers like 30 PPB but we have to bring it down to 1 PPB. So every direction, each and everything has to be controlled in such a way, so you are basically working in a dusty environment.

The air quality, what we are looking at and generally speaking, in India is not so good. So first is purification of the ambient air where you want to make this product. Your water quality has to be because a lot of these things are solutions in water. So your water has to be purer than less than 1 PPB level, then only you can use it for the process. So all those things have been gradually, slowly, steadily have been achieved.

So now we have a water, which is super-high purity water, which is sufficiently pure to be used for the processes and for the cleaning. And we have also overcome the biggest challenge in terms of establishing analytics to test something below 1 PPB level. So we are talking of anything below 1 PPB, you are talking of PPT levels, parts per trillion levels. all. things are now in place. So cross fingers, I hope we should be able to crack it within the next 4 to 6 months' time.

We have identified 3 or 4 places of correction where we feel that these are the potential points of contamination, which are leading to the slightly higher numbers than what we have actually wanting. So we are gradually one after another attacking at those points, rectifying them and we are gradually improving on our numbers. So if this works through, probably we will be the first company in India to have qualified for these grades of high-purity semiconductor material.

Jay Vaghasia: Right. And if we are able to achieve these levels of below 1 PPB, I think the demand side of this would be much more than SDA, right, and with pretty good margins?

Chintan Shah: Very large. It's a very large demand. Yes, you are right.

Jay Vaghasia: Okay. And you have guided regarding PASC segment, we have guided for next year's revenue of at least INR80 crores to INR100 crores. So what would be the EBITDA margin that we can aim for that?

Chintan Shah: EBITDA margins if you cover the plant as a fully occupational plant, the EBITDA margins are already healthy. So basically, your raw material consumption factor is already very good. So what you need is the volumes to hit in, and which now we are very confident we'll start hitting those numbers from May of this year. So EBITDA margin definitely will start becoming much healthier.

Jay Vaghasia: Okay. And Mr Chintan, my last question is, in last quarter, we had a pretty fair amount of around INR10 crores of goods in transit. So you said there will be around INR5 crores of EBITDA that would be added in this quarter but still we are flat on Q-o-Q basis. So are the lead times still high? You have much more goods in transit? Or have you...

Chintan Shah: So end of last quarter was about INR10 crores, INR11 crores in transit. Even in this quarter, the transit amount is roughly the same, about INR11 crores. Basically, the transit amount has kept at this level, potentially because of the very long transit times that we are seeing. So bringing something into U.S. warehouse is now typically taking 8 to 9 weeks. And even Europe, which is only half the distance, now it is taking about 7 to 8 weeks to bring the product into the European warehouse.

And this is what is keeping a lot of material in transit on water. So just today, I have been informed that there has been some respite in terms of the Red Sea route being opened up. So we expect probably within next 2, 3 weeks, see that potentially the European route will, again, start operating from the Red Sea channel. So let's hope if it works out, then again, we are down with the inventory levels that will carry on water.

Jay Vaghasia: Okay. And Chintan bhai, just a broader question. If we consider the last 2 to 3 years, what has hit us is actually cyclicality in auto segment as well as some volatility in raw material prices. But if you look, auto segment is always cyclical. And more so, the heavy commercial vehicles are even more cyclical. So going forward, should we expect this cyclicality of business in SDA to continue?

Or do you think we can have some other applications like we are discussing the semiconductors would eventually, we would be able to nullify the effect of cyclicality? Your thoughts about it?

Chintan Shah: On SDAs, we actually started understanding and knowing the auto industry part probably from 2018, 2019, when we actually started commercially selling the SDAs. So that's when we actually had this first look into how the auto industry functions. And since then, when we are talking to various customers about the cyclical aspect, I am made to understand that since 1999, until today, they have seen 3 cycles of downturn where the demand subdues.

And then again, it picks up and goes to the peak. I'm not the master on that, but this is what I have been made to understand by my customers. So yes, it's a cyclical thing. As of today, one is the petrochemical application, which is large in terms of volume. But the SDA required in terms of price, are much cheaper. Recently, we have come across our customers beginning to commercialize the product where we got approved is in terms of desulfurization of fuel.

So this is where now this is a new technology being deployed where they are desulfurizing the fuel using some kind of a catalytic technology. And to make such catalyst, they require SDAs, where we are approved and we have started commercially selling to the customer. So this is something new, which we expect would become big but nothing that can replace the automotive segment.

And thirdly, where we recently got approved last year, in 2024, is for a customer where they are using the catalyst for in terms of plastic recycling. So this is still a kind of a new application where a lot of R&D is going on. They are piloting certain things. So the future is still not absolutely sure where and how this will progress.

But if this thing really goes in the right direction, then the plastic recycling application has the potential to become kind of a natural hedge. If the auto industry demand goes down, then your plastic recycling will continue to remain and bolster up your demands.

Moderator: We'll take the next question from the line of Arnab Bhattacharjee.

Arnab Bhattacharjee: Sir, I had 2 questions related to whatever you are doing with your R&D, mostly related to understanding your business better. So at the previous guy who asked the question, I just wanted an extension for the same question. I wanted to know when you say that you are building this high-purity elements for semiconductor manufacturing, like high-purity water, you're manufacturing chemicals for it, right? my understanding correct? Is that the thing or you're supplying the water only?

Chintan Shah: No, no, water is used as a part of our process because we will not have access to such high-purity water, we cannot transport it from somewhere and get it. So we have to learn the art of how to make the water so pure. So that is what has been mastered and now we have commercially set up a plant where we can produce a very large volume of such high-purity water. So that obstacle has taken us 3 years to actually overcome this obstacle of reaching the water of required quality...

Arnab Bhattacharjee: And will you be open to supplying this high-purity water?

Chintan Shah: We have not given any thought on that so far, honestly speaking. So that was never the purpose of getting into the R&D of that water for selling purpose. But primarily, it is for our own self-consumption. And what we synthesize is chemicals, what we intend to sell.

Arnab Bhattacharjee: Got it. The second question will be, has there been any development regarding the supercapacitor chemicals, which you are working on? I think last quarter, you said that there were only 3 suppliers globally. And has there any newer developments you're seeing in that field? Because from what I have heard is that BASF segment, like the supercapacitors are supposed to show a huge promise that at least in the paperwork and theory.

I'm not sure how much it has played out yet in the current scenario but have you heard anything from your customers? Any new queries regarding that?

Chintan Shah: This is actually playing out in terms of the hybrid vehicles. So this is where they know that this is one large application for supercapacitors that is now kicking in. So the shift to hybrid vehicles is what is going to push the need for supercapacitors drastically high. Which is very high in Europe for the hybrid vehicles.

Arnab Bhattacharjee: Yes. So the way I saw the scenario was more like. I thought it was a better fit for BASF because my understanding was supercapacitors were higher in weight compared to. So my belief was that it would be more useful for the BASF storage in order to have a high because they have generally high throughput. But yes, like I don't know whether that has played out but I definitely believe that even the BASF story on supercapacitor is also going to play out in the future.

Those were the 2 of my questions. I wish you all the very best, sir. And I hope you guys are having -- like you guys have gone through tough time, and now it's probably the next 2 years, 3 years, it will be good time for both us and you and your team.

Chintan Shah: Thank you so much. Thank you. Really needed that.

Moderator: Thank you, sir. Ladies and gentlemen, we take that as the last question for today. I would now like to hand the conference over to Mr. Ashok Bothra, CFO, for closing comments.

Ashok Bothra: Thank you. On behalf of the management of TATVA CHINTAN, thank you for joining us on our earnings call today. We hope we have been able to address majority of your queries. You may reach out to Ajesh Pillai or our investor relation partner – Ernst and Young for any further queries that you may have, and they would connect with you offline.

Thank you, Mr. Sanjesh Jain for hosting our call. Thank you all.

Moderator: Thank you. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.