June 12, 2021

Listing Compliance & Legal Regulatory
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai 400 023

Stock Code: **543233**

Listing & Compliance
National Stock Exchange of India Ltd.
Exchange Plaza, Bandra-Kurla Complex,
Bandra East, Mumbai 400 051

Stock Symbol: **CHEMCON**

Dear Sir / Madam,

Sub: Transcript of Earnings Call held on 02nd June, 2021

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Earnings Call held on 02nd June, 2021 post announcement of financial results of the Company for the quarter and financial year ended March 31, 2021. Transcript will also be hosted on the Company's website www.cscpl.com.

This is for your information and records.

Thanking you,
Yours faithfully
For Chemcon Speciality Chemicals Limited

Shahilkumar Kapatel
Company Secretary & Compliance Officer
Membership No.: A52211

CHEMCON SPECIALITY CHEMICALS LTD. VADODARA.

"Chemcon Speciality Chemicals Limited 4QFY2021 Earnings Conference Call"

June 02, 2021

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ANALYST: **MR. PRASENJIT BHUIYA – AMBIT CAPITAL**

MANAGEMENT: **MR. KAMAL AGGARWAL – CHAIRMAN & MANAGING DIRECTOR - CHEMCON SPECIALITY CHEMICALS LIMITED**
MR. RAJESH GANDHI – WHOLE TIME DIRECTOR & CHIEF FINANCIAL OFFICER - CHEMCON SPECIALITY CHEMICALS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the 4QFY2021 Earnings Conference Call of Chemcon Speciality Chemicals Limited hosted by Ambit Capital. 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 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Prasenjit Bhuiya from Ambit Capital. Thank you and over to you Sir!

Prasenjit Bhuiya: Thanks Rituja. Hello and good afternoon everyone. On behalf of Ambit Capital, I welcome you to 4Q & FY2021 Conference Call of Chemcon Speciality Chemicals Ltd. Today we have with us Mr. Kamal Aggarwal – Chairman & Managing Director and Mr. Rajesh Gandhi – CFO of the Company. We will start with brief commentary from the management followed by Q&A. Now I invite Mr. Kamal Aggarwal for his opening remarks. Over to you Sir!

Kamal Aggarwal: Thank you Prasenjit. Good afternoon everybody. On behalf of Chemcon Speciality Chemicals Limited, I extend a very warm welcome to everyone for joining us on our call today. I hope you and your loved ones are safe and doing well. On this call, we are joined with our Whole Time Director & CFO, Mr. Rajesh Gandhi, and SGA our Investor Relations Advisors. I hope everyone has got an opportunity to go through the financial results and the investor presentation. These were uploaded on the stock exchange as well as on the company website. We will give you a quick snapshot of our company and then Mr. Rajesh will walk through the financial performances.

Chemcon started their journey in 1990, initially we were into the different chemicals, small size, small volume chemicals, but during the early 2000 we entered into the business of HMDS again started with a small volume, but then gradually we added few other products like CMIC and various bromides over the period of time. Today, we are leading manufacturers for the products like HMDS, CMIC and inorganic bromides. On product performances, HMDS- the performance of this product has been good due to ongoing momentum in the pharma industry. We are the largest manufacturer of HMDS in India and the second largest in the world in terms of real time production and as well as in terms of the installed capacities. It is primarily used in the pharmaceutical industry; it can also be used in other industries like semiconductor industries or for organic synthesis. For the financial year 2021, HMDS has contributed nearly 50% of our total revenue of which more than 84% of revenues is being contributed from the domestic market and around 15% to 16% has been contributed from the exports. Performance of this product has been good due to ongoing momentum in the pharma industry The demand of the product remains high, and the shortfalls are being met from the international suppliers. The other product CMIC, it is an antiviral drug intermediate product which is the key intermediate for an anti-AIDS or anti-hepatitis B drug that is Tenofovir. Demand for this product has been very strong throughout the year. We have registered a production volume of 1800 metric tonnes with revenue of 84 Crores contributing around 35% in the financial year 2021. Split between the domestic market and export market has been almost equal for this product. We do not have recent data, but we have the sense that we have attained the number one position for this product globally, and in other words I would say we have become the largest manufacturer of CMIC in the world on the basis of the real time productions.

For the Oilwell completion chemicals, we produced inorganic bromides called calcium bromide, zinc bromide, sodium bromide which are commonly used as completion fluids in the oilfield industry. These bromides are generally used in oilwell project. This segment has shown some revival in the last few months of H2 FY2021, but overall the business has been soft with mere Rs.31 Crores contributing 13% of our total business. It is very difficult to forecast this segment, but we anticipate this segment to come back pre-COVID levels in second half of FY2022 once the global business environment gets stabilized.

Apart from these three products, we have also added 4-CBC, 2,5-DHT, and high purity HMDS products into our basket. 4- CBC is an intermediate used in pharma industry as well as agrochemical industry. It is used for the preparation of Pyrazinamide, a medication used for treatment of tuberculosis, It can also be used for the weed controls in maize and sugarcane. We have commercialized this product and contributed small revenue of Rs.3 Crores in the financial year 2021. 2,5 DHT is predominately used in pharmaceutical industry in the preparation of potential antiviral and antitumor agents. It is the key starting material for Lamivudine. Company is in the process of commencing the productions of 2,5 DHT. For the high purity HMDS approval takes a little bit longer time and we predict this product to pickup gradually during the current year.

Our manufacturing facilities are located at Manjusar; it is in district near Vadodara, about 10 kilometers outskirts of Vadodara in Gujarat. Within our manufacturing facilities, we currently have seven operational plants along with three warehouses for storage of our products and raw materials. We also have an in-house laboratory and our manufacturing facilities to test raw materials procured and the products at various stages of manufacturing process. As stated earlier, we are enhancing our manufacturing capabilities of pharma intermediate chemicals within the same premises the extended premises by way of putting up a new plant, plant #8 and plant #9, we call it as P8 and P9, which will further increase our strength for the existing product portfolio as well as for added products. Due to second wave of pandemic, the project commercialization has been delayed by approximately a month or so. We expect both these units to commence their productions by Q2 FY2022 and Q3 FY2022 respectively. Products added in these two units will be a mix of new as well as old products. We will be adding few more capacities of CMIC and other new products catering to high demand in the domestic market. P8 and P9 will be multipurpose facilities, which will give some flexibility to add products based on the demand. Over the years we have build technical expertise to handle these chemistries. Moreover some of the raw materials that we use such as Bromine, Methyl Chloroformate that is MCF, Trimethyl Chlorosilane that is TMCS which are highly toxic and highly corrosive chemicals, some of them phosgenated and siliconized. Therefore handling these chemicals require high degree of technical skills, experience and expertise for handling the same. Operations involving such hazardous chemicals are to be undertaken only by the staffs who are well trained, well experienced and well matured is a compulsion on this. Our continued business with some major MNCs are testimony of our proficiencies. We adhere to all necessary protocol to match the client's requirement, which are of global standard. We are confident that post our expansion we will have better product basket to offer to our clients, which are majorly import substitutions . Our product basket would be majorly import substitution and will be well equipped to capture upcoming opportunities in both new and existing clients. We welcome FY2022 with new aspirations and hope everyone is vaccinated and out of the challenging times. Now I handover the call to Mr. Rajesh Gandhi, CFO for the financial performance of the company for the year FY2021.

Rajesh Gandhi: Thank you Mr. Aggarwal. Good afternoon everyone. Q4 FY2021 has been a productive quarter for us as we continue to sustain a high growth from pharma chemicals negating our moderate performance in bromide business. Q4 FY2021 total revenue stood at Rs.71.5 Crores, a growth of 38% on Y-o-Y basis. Domestic market contributes around 72% whereas international market contributes around 28%. Total production volume for the Q4 was at 1954 metric ton as compared to 2121 metric ton same period last year it was lower due to lower volume offtake in bromide business.

Segment wise revenue is as follows: HMDS revenue stood at Rs.34 Crores, CMIC revenue stood at Rs.22 Crores, Oilwell completion revenue stood at Rs.13 Crores. EBITDA grew by 53% to Rs.21 Crores in Q4 FY2021 on Y-o-Y basis. Net profit for Q4 FY2021 stood at Rs.15 Crores, a growth of 58%. For FY2021 total revenue stood at Rs.244 Crores, our bromide business has been impacted due to pandemic and has recovered in H2 FY2021. This was offset by robust demand in business of HMDS and CMIC. Domestic market contributes around 71% whereas international market contributes around 29%. Production volume for FY2021 was at 6840 metric tons.

Segment wise revenue for FY2021 is as follows: HMDS revenue stood at Rs.121 Crores, CMIC revenue stood at Rs.84 Crores, Oilwell completion revenue stood at Rs.31 Crores. EBITDA stood at Rs.81.1 Crores in FY2021, a growth by 15% on Y-o-Y basis. Net profit for FY2021 stood at Rs.56 Crores, a growth of 15% on Y-o-Y basis. Our ROCE and ROE stood at 21% and 16% respectively. Our debt-to-equity ratio stood at 0.01. Total capital expenditure incurred for FY2021 has been Rs.38 Crores of which is Rs.27 Crores has been done through internal accruals and balance from IPO proceeding, Rs.11 Crores has been utilized for expansion of manufacturing facilities whereas Rs.40 Crores has been incurred for working capital requirement. With this I conclude the presentation and open the floor for further discussions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rahul Veera from Abakkus Asset Management. Please go ahead.

Rahul Veera: I just wanted to understand like in our presentation we have given that our bromide business had utilization of 13% so with the current crude prices up close to $70 do we see some positive trend there in terms of prices as well as volume can you give some guidance there?

Kamal Aggarwal: Yes, with the crude price inching to $70 the inquiries in the new projects have started pumping in and in H2 if you see there is a movement of material growth of about Rs.31 Crores as well as in the current year. In FY2022, there are good mobilizations of the product that we can forecast and good volumes to come up for the bromides.

Rahul Veera: But there is also a sharp price increase along with that if the volumes come up?

Kamal Aggarwal: No, there is no price increase rather there may be a price decrease as demand is very low as compared to the availability of the product in the international market. We had seen the recession and hence the stock holding of the manufacturers is there. We do not see any price increase in this product for , one-and-a-half quarter.

Rahul Veera: In terms of long-term, our CMIC is more or less 100% utilized so it is largely going to be HMDS and the new capacities for the new products that are coming up that will track the growth over the next two years is that the correct assessment?

Kamal Aggarwal: HMDS we already have the installed capacities, we are attempting to utilize more and more out of the installed capacities and we had utilize to nearly 3000 tons in the past year and we intend to take it to 3300 tons in the current financial year. In respect to CMIC with the upcoming new plant 8 and 9, plant 8 will have the flexibility to be utilized for CMIC and if we decide to utilize that, it can give us a volume up to 3000 tons that would become the installed capacity; however, that plant will be having a fungible design and we will be able to utilize partially or fully for CMIC.

Rahul Veera: Last question from my end, in terms of margin visibility so going ahead like we have seen a volatility in the last year from 30%, 33% will come down to 26% in Q4 like what is the visibility going ahead will we be able to maintain something 30% plus in the next two years?

Kamal Aggarwal: Chemcon has been working with per kg margins as always, if we consider a percentage it may not be the correct working figure because as the product pricesincrease and decrease proportionally the percentage also increase and decrease ; however, the PAT and the bottomline of the industry depends upon the volumes that we are producing . We have always been working with it and it has given the performance accordingly. For example if the price of HMDS is Rs.700 the margins are Rs.200 it comes to 30% and if it is Rs.500 and margin is Rs.200 it comes to 40%. So percentage can change the volume or the amount would remain on per kg basis that is the working strategy of Chemcon.

Rahul Veera: Fair point Sir. Thank you so much for the feedback.

Moderator: Thank you. The next question is from the line of Devendra Pandey from DP Financial. Please go ahead.

Devendra Pandey: Sir I have couple of questions. My first question is on our exports market so can you throw some light on how the exports market is growing your share in spite of client addition and new geographic penetration which we have done for new as well as existing products?

Kamal Aggarwal: In respect to the export if you see the figures that we have provided it includes the physical exports that are sent outside the the country borders as well they are included in the SEZ or the special economic zones, wherein it is considered as deemed exports by way of the export policies, if the export physically maybe or may not have been exported out of the country, but in the book of accounts it is considered as exports.

Devendra Pandey: Did you face any issue because of this Suez Canal blockage?

Kamal Aggarwal: Our incoming raw materials coming from that area got delayed but we had ample of stocks that could take care of the production and hence we have not been impacted.

Devendra Pandey: My second question would be on our capex so whatever the capex which we have planned for next two years can you give us some highlights on that and how that capex would be utilized?

Kamal Aggarwal: In principle to IPO proceeds we had mentioned Rs.41 Crores to be utilized for the capex for an ongoing process , the investments have already been done to the extent of about Rs.38 Crores which includes about Rs.12.62 Crores for the additional land that has been acquired last year and out of the 38 Crores we have just utilized about 11 Crores from the IPO proceeds and balance has been utilized from the internal accruals. In respect to further capex we have enough land for the plant 10 and 11 that we are proposing because we have enough of approved capital that we would be utilizing for expansion.

Devendra Pandey: So you mean that the entire capex would be funded through internal accruals and no debt would be taken for the capex right?

Kamal Aggarwal: In current scenario we do not forecast for that, we feel the internal accruals and the cash accruals which the company is able to generate should be enough to take care for the next couple of years for the expansion.

Devendra Pandey: Got it, that answers my question Sir. I will join the queue if I have any further questions. Thank you.

Moderator: Thank you. The next question is from the line of Kunal Pawaskar from Indgrowth Capital. Please go ahead.

Kunal Pawaskar: My question was on working capital margins and necessity for keeping RM adequate as you had I think explained in an earlier call can you explain how companies thinking about WC days management over the next one, two years plans to reduce them and concurrently what happens to margins and what happens to trade terms and how do customers reacted?

Kamal Aggarwal: The margins of Chemcon are related to the international market, the pricing of the product is controlled by many of the global manufacturers. So we maintained the similar range of pricing of the product which is in line with the international market and we generate the profit for the margins by way of our technology, our working or different system, it is even related to the procurements. Now as far as inventories and the working capital is concerned as a policy we have to maintain for couple of months of raw materials, the sales versus the raw material portions is quite high, the receivables are longer so there are certain limitations for the business which we are facing and we hope to reduce this but as we will be increasing our volumes will be growing up, in fact requirements will be increasing in the time. We have already availed the enhanced working capital requirement by way of IPO proceeds, we had projected the requirements of additional finance for working capital and we will be utilizing that.

Kunal Pawaskar: What I meant was I recall in the DRHP there is good detail about how and it was in line with that I do recognize that for example TMCS can have high fluctuations at times and for that reason I think it is mentioned that you do need to keep that one stock like you have said, but is there any scope for discussions with customers I do not know in terms of contracting where some of the WC pressure on the company can be reduced in view of slightly reduced margins even but that reduces balance sheet risk is there any chance for that?

Kamal Aggarwal: There are various methodologies that can be adopted but then there is a cost to that and drawing that cost will reduce margins for the company. So it is a call to be taken by the management whether we should continue maintaining these higher margins or we should curtail down the margins , so as per the financial position of the company we are holding that.

Kunal Pawaskar: I will come back in the queue I will come back with some additional questions. Thank you Sir!

Moderator: Thank you. The next question is from the line of Jigar Valia from OHM Group. Please go ahead.

Jigar Valia: What I understand the inorganic bromides that we use are used in oil and gas industry rather than the pharma industry, second since we look at other companies also which are ATBS, etc., which have been also like you are expanding, etc., the growth indications coming from that side and those products also to an extent are used in the oil and gas for the financial recovery, etc., so can we take from one industry to the other in terms of understanding where the traction is growing, a followup to the earlier question that the oil price coming back to 70 level, etc.?

Kamal Aggarwal: Yes Mr. Valia you see the application of the product takes care of the business strategies. Now the products that are being used as a regular consumable product with the oil and gas industry. This requirement for their flow will be different, the product that we manufacture at bromides are the oil well completion fluids. Now, this fluids are utilized as a capex only it is one time utilization of the new project also being a chemical, so the application wise it is different working system we cannot compare the two.

Jigar Valia: Sir my next question pertains to our P8 and P9 expansions which are in Q2, Q3 these would be mostly by the end of the quarter or should we expect some numbers in the quarter as well it is a short-term question?

Kamal Aggarwal: We can consider by end of September it should be operational P8 and similarly P9 by the end of December.

Jigar Valia: Over the slightly medium-term etc., how should we kind of look in terms of the capacity ramp up or the overall volume expansion going ahead?

Kamal Aggarwal: For the CMIC we are trying to improve the process parameters and implementing better productivity , we hope that in the existing plants we will be able to improve the capacities to some extent to 10% to 15% it may not be beyond that and the actual capacities can come up by way of P8 only, which will be in Q3 and Q4that we will be able to utilize that.

Jigar Valia: Yes, my question is more pertaining to P8, P9 how should we look at the ramp up in capacity utilization at P8, P9?

Kamal Aggarwal: Half year capacities we will be able to utilize in P8 for the current year, which will be giving us the additional business for the revenues to some of the new products or can be utilized even for the existing CMIC.

Jigar Valia: So basically 50% utilization for H2 for P8 and Q4 for P9?

Kamal Aggarwal: Yes, P8 half year and P9 one quarter.

Jigar Valia: 50% for the respective quarters?

Kamal Aggarwal: Sure.

Jigar Valia: Thank you so much.

Moderator: Thank you. The next question is from the line of Rohit Nagraj from Sunidhi Securities. Please go ahead.

Rohit Nagraj: Good to know that the projects are going on schedule. Sir the first question is in terms of the industry volume growth, so as I can choose from slide 15 of our presentation generally globally there is an excess capacity in both HMDS as well as CMIC and we are trying to get the import substitution so how is it possible for us to tap this market is it that we are playing on the pricing part or is it something different because of which we feel that our near capacity expansions also will be completely utilized in the medium-term so what is the thought process on this?

Kamal Aggarwal: The thought process on that is the existing capacities are enough we are falling short of production, the requirement of domestic countries is 5000 tons as demand for HMDS is concern we are able to produce about 3000 tons of volumes. There is still a gap of about 2000 tons under imports, we are commercially and technically at par. Our products are accepted by almost all manufacturers across the country. That would give us the country's requirements to be taken care from the additional production.

Rohit Nagraj: Good to know that. The continuing question to this is generally in how much time our capacities get build so does it take about two, three, four years, what is the kind of timeline that you are looking at when we are expanding a particular capacity from x level to maybe 1.5, 2x?

Kamal Aggarwal: Normally when we expand the capacity we consider the projection of the next two years requirements.

Rohit Nagraj: Sir my second question is in terms of our R&D so how our R&D is positioned in terms of new product development, the process development because currently we are dealing with probably a few number of products but from a three-to-five-year perspective in terms of diversification of the product basket as well as from a long-term growth perspective?

Kamal Aggarwal: We do not have R&D, we have product development, and we do not do research, but we do redevelopment of the engineering of the product. The chemistry remains the same, the engineering keeps on upgrading, we work on engineering our product development which increases the efficiencies, brings down the solvent consumptions, the process timings, the capex, the safety of the processing that is where Chemcon works. Chemcon does not do R&D as on date. So my engineering teams as well as my chemist teams are always on the work for the new products which would be import substitutions mainly.

Rohit Nagraj: Thanks a lot for answering my questions and best of luck Sir.

Moderator: Thank you. The next question is from the line of Rajni Sahu from Elite Wealth Advisors. Please go ahead.

Rajni Sahu: I want to ask about HMDS chemical which you produces also used in coating up semiconductor. So could you please give some percentage of how much revenue of HMDS is from semiconductor and also is there any increase in demand for HMDS for semiconductor as we are facing global shortage of semiconductor?

Kamal Aggarwal: We have recently put up the plant for high purity HMDS to be utilized in the semiconductor industry as well as for the pharmaceutical, rubber manufacturing silicon for that. The approvals and movement of this product into the market takes very long time and it is longer than what we anticipated even, the semiconductor industry which is the coating that takes more time than what we expected, we have not been able to utilize up to the mark of HMDS high purity product. However, we have started with initial supply, the inching has been initiated,, we cannot say there is an appreciable supply or there is a revenue that should be considered for the balance sheet but the flow has started that can be assured.

Rajni Sahu: So is there any percentage of revenue that you are generating from HMDS for semiconductor?

Kamal Aggarwal: It would be 0.5% or so, it does not have any weightage on the balance sheet or the P&L account.

Rajni Sahu: Thanks Sir.

Moderator: Thank you. The next question is from the line of Nimish Mehta from Research Delta Advisors. Please go ahead.

Nimish Mehta: Firstly when I was looking at the presentation I think it also related to other participant who have inquired the HMDS amount of import that we do domestic import is about 1622 metric ton versus our own production capacity of 2650 metric ton so when we are looking at import substitution as way forward for our growth how well those happened in HMDS or are we looking at export growth only in HMDS our own production is higher than the domestic import almost twice?

Kamal Aggarwal: There is some gap in understanding that if we go through the import data of the country the total requirement of HMDS for the country is more than 5000 tonnes, 3000 tonnes is manufactured last year by Chemcon and balance is from the imports and that is the market we are targeting to penetrate by way of increasing our production.

Nimish Mehta: By the way looking at the presentation that you had uploaded in which domestic import at about 1622 metric tons nevertheless but the numbers you mentioned are the total gap in import the requirement is still about 3000 metric ton right?

Kamal Aggarwal: The gap is about 2000 metric tons.

Nimish Mehta: But our own production is already at 2650 metric tons?

Kamal Aggarwal: So against the total requirement of 5000, 3000 has already been manufactured and supplied by Chemcon and the balance of 2000 is from the imports which we intend to fulfill by way of additional production.

Nimish Mehta: So we are the only one who are kind of supplying domestically?

Kamal Aggarwal: Yes, we are the only one.

Nimish Mehta: We do not see any more competition basically we will be able to kind of fulfill the rest of the need as well through our own capacity augmentation right?

Kamal Aggarwal: There are a lot of entry barriers for this product which you can see in the presentation; however, we cannot stop somebody.

Nimish Mehta: Second again I am trying to understand more you mentioned about linkages to crude pricing so is the crude price linked to the raw material cost or our own product pricing or both?

Kamal Aggarwal: Crude prices is related to the new projects coming up for drilling, the additional crude oil and one of the products that is bromide is related to new drilling of crude oil , if the prices of crude oil are higher the new projects for drilling would increase and so the demand for bromides would increase and would be impacting our sales that is how we are linking that with the crude oil prices. There is no raw material that has been consumed by us of course except the fuel.

Nimish Mehta: Thank you very much Sir. Very helpful.

Moderator: Thank you. The next question is from the line of Kunal Pawaskar from Indgrowth Capital. Please go ahead.

Kunal Pawaskar: My question was on the expansions that are to happen and for the filings that the company has made presumably they are going to be within that list, there may be lower tonnage in certain respects but in terms of contribution I believe there will be higher so maybe three years, four years from now and some of the things from P8, P9 are done and beyond that when you have even 10, and 11 so maybe take a five year view and after five years what does the company think the revenue split can be like so concentration that is there today towards HMDS how much can that be brought down to with addition of other products?

Kamal Aggarwal: It will depend upon the products that we add, if it is a high value low volume product the contributions may be different, if it is low value high volume products, product concentration will come down. Without giving that figures, we are continuously expanding and please do not expect the P10 and P11 to be completed in next five years. We are targeting that to be completed within the next two years.

Kunal Pawaskar: Sorry I got that wrong. Thank you.

Moderator: Thank you. The next question is from the line of Sunil from S&S Foundation. Please go ahead.

Sunil: I have two questions, one was on the debtor days now if you look at pre corona even March 2020 your debtor days have gone up to about 124, which is almost a doubling from March 2019 and March 2018 if you are going from two months working capital credit to four months and third what you mentioned earlier in fact 2021 March is 142 I think if it goes up further you are taking six months working capital that is going to first stress on your balance sheet and get your ratios down just some comments on that and then I will follow up with the second question?

Kamal Aggarwal: See in the basket of products we have two main products one is related to the petroleum and the second is related to pharma, for the pharma industry the payment conditions remains stretched whereas in respect to the oilwell chemicals it remains quite healthy that is what taking care of an average credit days for the working capital requirement. In the last year if you have seen the bromide business has come down to somewhere around Rs.30 Crores which has resulted into a higher recovery time for the pharma on the balance sheet. .

Sunil: But just to compound it the prices of bromide have gone down so has that expands your working capital will become less stretched but your realizations will be going down is what you mentioned right?

Kamal Aggarwal: Yes.

Sunil: My second question was on the PLI in your last conference call you had mentioned that the Aurobindo Pharma is a regular customer of us and they are setting up this 15000 MT Penicillin-G factory under PLI and you would expect some business to come all way from that any update on that and how soon that will be happening and can we expect some upside there?

Kamal Aggarwal: Increase in productions of Penicillin will be affecting the imports of Penicillin into India. However, they are consuming HMDS which more or less has been supplied by Chemcon. Aurobindo whether they produce Penicillin or they import it makes no difference to Chemcon.

Sunil: No my question is that since they will be setting up a new plant under PLI scheme would not that be an additional upside to you because that is incremental volume right?

Kamal Aggarwal: I cannot say that it would be an incremental volume or it will be a substitution to the import. As on date suppose out of 15000 if they are importing 10000 or the country is importing and 5000 would be domestic likewise if the volumes remains the same and the substitution of the imports is there, it will not be impacting Chemcon.

Sunil: Thank you.

Moderator: Thank you. The next question is from the line of Mr. Ankan Jain an individual investor. Please go ahead.

Ankan Jain: I have couple of questions. My first question is regarding what is the total capacity we have for CMIC product?

Kamal Aggarwal: The total capacity of CMIC is about 1800 tonnes.

Ankan Jain: So in the investor presentation it is given as P6 we have like multipurpose capacity CMIC, 4-CBC and 2,5-DHT, so I believe we can manufacture CMIC in P6 also so if that is the case as and when you besides the manufacture CMIC in P6 till that time P8 is ready how much capacity is available for the manufacture of CMIC?

Kamal Aggarwal: We will be able to manufacture post commissioning of P8 it would be about 3000 tons.

Ankan Jain: No Sir I am asking pre-commissioning of P8 because we are already running at full capacity.

Kamal Aggarwal: We have the flexibility to convert part of the P6 to CMIC and we can avail about 600 tons out of that.

Ankan Jain: 600 tons per year ?

Kamal Aggarwal: Yes per year.

Ankan Jain: So that means we have these 600 tons of additional quantity available for these two quarters?

Kamal Aggarwal: Sure.

Ankan Jain: Sir my second question is little bit technical I was going through the RHP where it is mentioned that there are two ways to manufacture HMDS.

Kamal Aggarwal: Yes.

Ankan Jain: One is using TMCS as our starting raw material and second one is using HMDO as the starting chemical so is it correct that if we are using CMIC infrastructure to make HMDS you have to use HMDO as the raw material?

Kamal Aggarwal: If we are using TMCS we do not have to use HMDO it is either of the two.

Ankan Jain: If we are using CMIC infrastructure of the facility to make HMDS do we have to use HMDO as a starting raw material?

Kamal Aggarwal: Yes, Mr. Jain we were talking in respect to the RHPs procedure and the details of HMDS manufacturing using two routes that is one is from TMCS and the other is from HMDO.

Ankan Jain: Correct so what my question was in 2019 and all we were using CMIC capacity since the demand for HMDS were high during that year so in that way when you are using CMIC do we have to use HMDO as the raw material?

Kamal Aggarwal: To utilize the plant for making HMDS we can use either of the two raw materials.

Ankan Jain: Which process gets out the better margins?

Kamal Aggarwal: It depends as the price of TMCS and HMDO keeps varying. We have to take the call on what raw material or what route second what availability of the raw material is there based on that we have to keep on continuous monitoring and we have to take a call what is advisable and we move accordingly. Last year as you said the demand of HMDS was high it is not so the contribution from HMDO was high, HMDS was high as compared to CMIC. So we took the call to manufacture more of HMDS against CMIC. So it is related to contribution, it is not related to the demand and contribution the processing remains the same but we have to take the call upon the availability of raw material and costing of individual product.

Ankan Jain: Sir in the investor presentation slide 16 where regarding the production of HMDS it seems an outsourced capacity on 3000 MTPA of production. Does it mean that we are depending on our vendors to manufacture HMDS?

Kamal Aggarwal: The outsourced capacity is related to an accident that we faced and during that time manufacturing, the distillation part was done from some other source. Now, 100% activities are done in-house within the plant only.

Ankan Jain: Sir if I am allowed to squeeze in one more question I just wanted to know who are the competitors for this high purity HMDS?

Kamal Aggarwal: Domestically we do not have any competitor we have couple of international competitors like Shin-Etsu, Wacker Chemie, and a Chinese company.

Ankan Jain: So these are basically Chinese companies only?

Kamal Aggarwal: No, one is Japanese the other is European.

Ankan Jain: Thank you.

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

Vinod C Agarwal: Sir I have a question about in the last quarter presentation. I see that we have an approval of 44 products from the government authorities, so I just wanted to understand like our plan like when we are planning to launch these remaining products because I heard that like we are planning kind of a two to three products in a year to launch that so I am just kind of confused that how long it will take the product to launch all these 44 products?

Kamal Aggarwal: VinodJi as far as Chemcon policy, we may not be launching all these products even in the life time of Chemcon. If you see these permissions we had taken for 44 products, these is in respect to taking the capacity enhancement and manufacturing of some of the chemicals out of the waste the volumes may change from the list say for example if there are 10 products of 100 tons each we may manufacture two products into 500 tons and totally it may become 1000 tonnes so the products that we have listed upon are related to the volumes and not related to the individual product we will be utilizing the volumes against that the total volumes we will be utilizing promptly we will not be taking longer time.

Vinod C Agarwal: So these are the volume of the products for which we have the approval rather than the product?

Kamal Aggarwal: Yes.

Vinod C Agarwal: That is all from my side. Thank you.

Moderator: Thank you. Ladies and gentlemen, due to time constraint that was the last question for today. I would now like to hand the conference over to the management for closing comments.

Kamal Aggarwal: Thank you. There is a tremendous growth of opportunity for us as we penetrate deeper into the pharma space and suffice the requirements as speciality chemical supplier. Growing needs of pharma MNCs will be the key driver for our growth where we are trying to capture the import substitution product. Our role in this growth opportunity will be facilitating them to have sustainable partner in the long-term. We are also expanding our product portfolio and over the next couple of years, we will grow in our business. Thank you to everyone for joining us today on this earnings call and wish you all good day ahead. Thank you.

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