October 29, 2024

The Manager (CRD) **The BSE Limited** Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai- 400001	The Manager – Listing Department **National Stock Exchange of India Ltd** Exchange Plaza, Plot no. C/1, G Block, Bandra-Kurla Complex, Bandra (East) Mumbai - 400 051
Scrip Code: 530117	**Symbol: PRIVISCL**

Dear Sir / Madam,

Ref: Letter dated October 25, 2024, providing Audio link of the Analyst / Investors Meet

Sub: Transcript of Analyst/ Investors Meet held on Friday, October 25, 2024

In addition to Audio Link shared via letter dated October 25, 2024, please also find enclosed the transcript of the Analysts/Investors Call on the Un-audited Standalone and Consolidated Financial Results of Privi Speciality Chemicals Limited for the quarter ended June 30, 2024, held on July 30, 2024.

You are requested to kindly take the same on record.

Thanking you.

Yours Sincerely,
For **Privi Speciality Chemicals Limited**

ASHWINI SAUMIL SHAH
Digitally signed by ASHWINI SAUMIL SHAH
Date: 2024.10.29 17:37:35 +05'30'

PRIVI SPECIALITY CHEMICALS LTD. REGD. OFFICE Navi Mumbai - 400 710.

Ashwini Saumil Shah
Company Secretary

Encl: As above

"Privi Speciality Chemicals Limited Q2 FY25 Earnings Conference Call"

October 25, 2024

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 25th October 2024 will prevail.

MANAGEMENT: **MR. MAHESH BABANI – CHAIRMAN, PRIVI SPECIALITY CHEMICALS LIMITED**
MR. R. S. RAJAN - PRESIDENT, PRIVI SPECIALITY CHEMICALS LIMITED
MR. NARAYAN IYER – CHIEF FINANCIAL OFFICER, PRIVI SPECIALITY CHEMICALS LIMITED
MR. SANJEEV PATIL – VICE PRESIDENT, STRATEGY, PRIVI SPECIALITY CHEMICALS LIMITED
MS. ASHWINI SHAH – COMPANY SECRETARY & COMPLIANCE OFFICER, PRIVI SPECIALITY CHEMICALS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Privi Speciality Chemicals Limited Q2 FY25 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 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 the Management Team for the "Opening Remarks". Thank you and over to you.

Ashwini Shah: Thank you. Good evening, everyone. I am Ashwini Shah - Company Secretary and Compliance Officer of Privi Speciality Chemicals Limited. Thank you for joining us on the call.

On this call, I am joined by Mr. Mahesh Babani - our Chairman and Managing Director; Mr. R. S. Rajan – President; Mr. Narayan Iyer - Chief Financial Officer; Mr. Sanjeev Patil - Vice President Strategy and SGA, our Investor Relations Advisors.

I hope that everyone is able to review our "Financial Results" and "Investor Presentation", which were uploaded to the Stock Exchange and Company's Website.

Mr. Mahesh Babani - our visionary Chairman, will provide a quick "Overview" on the Company and recent developments and post that Mr. Narayan Iyer - our CFO, will take you through the "Operational and Financial Highlights".

I would now request Mr. Mahesh Babani to give his opening remarks and an "Overview" on the Company. Over to you, sir.

Mahesh Babani: Thank you, Ashwini, and good evening to all.

We are delighted to inform you that your Company has registered the best-ever quarterly performance registering a 16% revenue growth on year-on-year basis, crossing the Rs. 500 crores mark for the first time.

We have also registered profitability achieved for the quarter in the PAT margins is being Rs. 45 crores on a consolidated basis. Over the past 6 quarters, our performance has consistently improved, driven by steadily increasing demand, improved operational efficiencies and a better product mix resulting in 21%+ EBITDA margins.

Key products of all our Company are optimal capacity, but we are surely augmenting the capacities further, augmenting means we are trying to increase capacities within the same infrastructure, a little bit of CAPEX and trying to maximize the benefits for the Company.

Looking ahead, we have formulated a robust growth strategy, focused on improved product mix, operational efficiencies and touching new products to capture upcoming opportunities. Throughout this journey, our commitment to sustainability remains firm. We also keep in our growth plan, our customers in mind for sure and visit them regularly to see what growth opportunities are there. On this occasion, I would like to thank all my employees and staff members for their grit and commitment shown over the years and achieving this feat. I would like to thank the leadership team as well for building a strong foundation and elevating the scale and size to global level.

On this forum, I would like to highlight that in today's lifestyle, consumers are increasingly focused on products that bring more value in their day-to-day life. Conscious effort is being made by our customers on continued basis to ensure that the end customers who use soap, detergents and other users are better olfactive experience. About your Company, just to reiterate, we are India's largest one of the leading manufacturers of aroma chemicals and worldwide serving to the world's largest fragrance houses and fast-moving consumer goods and many MNCs. We have been trusted partner and primarily supplier of all bulk aroma chemicals globally. We produced over 70 aroma chemicals that are blended into fragrances consumed by us in day-to-day products. All our customers are in sync with what we are doing on a regular basis.

Our manufacturing capabilities include seven state-of-the-art integrated manufacturing units in Mahad, Maharashtra and Gujarat Jhagadia, with the total manufacturing capacity of about 50,000 tons almost. We are fully backward integrating utilized waste generated from the pulp mills specifically.

CST:

We are the only Company in the developing world one out of the four globally that possessed this technology and logistical capacities to source these waste products. We have achieved about PRIGIV. I would like to update you we have achieved a significant milestone with the commissioning of a new Greenfield project in partnership with Givaudan SA to manufacture complex ingredients.

We aim to manufacture broad portfolio of value added products with a progressive ramp up in the activities over the next 2 years. This collaboration with Givaudan underscores our expertise in delivering high quality complex products and further strengthens our position in the flavor and fragrance industry. It also highlights our ability to invest in custom built facilities tailored to meet several customer needs. We have also acquired additional 5 acre land parcel existing to our new site which we already own, so make it more safer and better operations.

We have outlined several strategies for robust growth over the next 5 years and are ready to implement them confidently in the coming years. These strategies include increasing production in our newly installed capacity, refining our product mix, enhancing operational efficiency. These initiatives not only enhance value for consumers, but also ensure a long term benefit.

Now, I would like to hand over to Narayan for operational and financial highlights. Narayan, please. Thank you.

Narayan Iyer: Thank you, sir. Thank you, Mahesh Bhai and good evening to all my investors, shareholders, bankers and attend in this call.

What a great comeback by Privi, I should really appreciate the efforts of one and all in Privi and all of you shareholders and all who have been supporting with us I can say that Diwali has come one week ahead in Privi, and I hope it resonates with you all of you also. So, yes, we have created history Mahesh bhai as you rightly stated, it is a record quarter, a good performance and the comeback which all in Privi, the management whether it is Mahesh bhai, Mr. Rao, Mr. Rajan, myself, Ashwini all have been trying to tell the investors that we are on right track and it is only a matter of time that you will see the true potential, what Privi can do.

Giving you the snapshot of the Q2 Financial Year '24-25 highlights:

We have registered the highest ever total income of Rs. 537 crores in the quarter with the growth of about 16% on a year-on-year basis. The EBITDA numbers that we have achieved for this quarter is about Rs. 115 crores which itself is a growth of about 19% on a year-on-year basis, EBITDA margins stood at 21.3% for this quarter.

Our profit after tax for the quarter was about Rs. 45 crores as against Rs. 30 crores in last year same quarter around. The exports to domestic contribution are 63% and 37%, which is led by predominantly the European front.

Our total volume for this quarter once again is a record and a history created at 11,504 metric tons as against previous years 8,643 metric tons that we had clocked about in fact.

And giving a little bit more flare, though already uploaded on the website on our presentation, the segment wise breakup of our revenue on the key elements, Pine contributed about 55%, Musk and Specialty is contributing about 23% of the total revenue, Citral-based aroma chemicals contribute about 11% and Phenol is about 7% and 4% coming from value added products.

So, giving a little bit more highlights with regard to the first six months performance, if I have to talk about, the total income achieved by us in the first six months is once again the record Rs. 1,004 crores, which is a 14% growth on a year-on-year basis.

EBITDA achieved for the first six months is about Rs. 212 crores, which once again 35% increase over the previous year margins. Margins stood at 21.1% in this first half as against 17.9% in the previous year. PAT for the period was Rs. 76 crores as against Rs. 35 crores in the previous year. Exports contribute about 64%, led by Europe and North America. And of course, India is also the contributor of about 36% of our revenue. The total volume which we have achieved in the first six months is about 22,176 metric tons as against 16,183 achieved by us in the previous year.

With this, I would put my numbers at rest and want the floor to be open for the question-and-answers.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from Sudhir Bheda from Bheda Family Office. Please go ahead.

Sudhir Bheda: Sir, my questions are, we have seen a good increase in the EBITDA margin Q-on-Q and Y-on-Y as well, so what are the reasons for improvement in the EBITDA margin? And is it sustainable going forward?

Mahesh Babani: I am sure this is sustainable in coming years. In fact, it would only improve from here on. The increase is also because we augmented our capacities, our efficiencies and our capacities have been augmented. So, this trend will continue in coming times, coming years.

Sudhir Bheda: How do you see the second-half panning out?

Mahesh Babani: So, if you see the past 10 year's record, our first half is always between 40% and 45% and second-half is between 55% and 100%. So, our second-half is always 20% higher than the first half. So, you should expect better results in the second-half.

Sudhir Bheda: With the sustainable margin, right?

Mahesh Babani: Yes, surely sustainable and we have our order book position also to show that.

Sudhir Bheda: And sir, what is a little bit of longer reason like say next financial year as well as next couple of years, how do you see your Company growing, the levers for growth?

Mahesh Babani: The lever for growth is of course we keep on adding new products, new specialities and augmenting our capacity that is our specialty to how to produce more within the same infrastructure by making continuous plants. The same products are being made on continuous basis. Second lever of growth is also the consumption is increasing substantially now. As you know, now, all our customers demand is much higher than, if you see all of our customer's balance sheets, they are 10% higher. All our customers had increased their turnover of by 10% and that is turning on to us, because we are one of the key and important suppliers to them. Therefore, I see this trend continue and I feel this Company is here. We will maintain, like you see, a CAGR is almost 19% for last 20 years and we will be able to maintain this or improve this further in the next few years. That is the way of life, to be honest.

Sudhir Bheda: And what is the addressable market if you see that big market is growing at 10%, so what is the addressable market for us, worldwide I am talking?

Mahesh Babani: See worldwide, Brazil, India is growing significantly. India, if I show you a classic example, the woman power has improved so much in India and actually, the woman generally is consuming more perfumes, more cosmetics, more deodorants. So, that demand comes from India and Brazil, Indonesia. These are the places where the demand is coming from. And also incidentally, we are in notes of Amber and Woody are becoming favorites of the world because they bring value for money to the customer and in the Middle East also, the demand is increasing. So, fortunately, the Oriental notes and the Woody notes, we have that particular capabilities and products in the Company. So, that demand is going to continue. Secondly, also we see in the COVID, demand did increase and it is increasing because people are now getting used to more hygiene things and more cleanliness like floor washes or Dettol, everybody has improved their lifestyle. So, that is bringing the demand on the table and indirectly it comes to us.

Sudhir Bheda: Can you put the number to addressable market, total size of the market of our products worldwide?

Mahesh Babani: I would say aroma chemicals and aroma. It could be between $6 and $8 billion, I think so. I cannot put a number because there is no. It could be in that range.

Sudhir Bheda: And last question from my side, we saw that volume has grown by 33% in Q2 over last year Q2, but our turnover has grown only like 16%-17%. So, are we seeing the pricing pressure in the product, so how do we analyze that phenomenon?

Mahesh Babani: So, I will tell you when we took, what you see is what we did last year. So, last year the markets were at, the raw materials were at all time low. And fortunately we offered to the contracts at all time low. And so the prices were probably historically low last year and this year it is correcting itself and I can only tell you Q4 of this year, there will be much higher prices because we take yearly contracts and we take our raw material also yearly. So, that doesn't affect our margins, but because of the lower margins, lower prices of raw materials and lower prices of finished goods that is why the value was lower. But this has taken a significant change. So, what we do is 60% of our business is about contract, 60%-65%. We make a conscious effort to do that, 60%-70% is the max we go. So, generally 60%-70% is low. Today also, 60%-70% of our business is almost at contract and at low prices and the balance 30%-40% is at, maybe 20% higher prices.

So, all this will culminate to better things in the last quarter and next year onwards and we see already significant demand. In fact, we also signed with contracts where we signed back-to-back raw materials. We signed a contract for year 2025 already with one customer, two customer, three customers. About 30% of our important products have also we have committed along with backup of raw materials for next year.

Moderator: Thank you. The next question is from Deepan Sankara Narayanan from TrustLine Holdings Private Limited. Please go ahead.

Deepan S. Narayanan: So, firstly, from my side, so very happy to see 7% Q-on-Q growth in realization. So, how do we see the pricing improving from current level? And also our current realizations are 25% lower than peak realization reported in FY22 or FY23. And in product wise how big the realization difference we are seeing?

Narayan Iyer: So, a good observation, definitely as Mahesh bhai mentioned earlier to Mr. Sudhir Bheda that we see that there is a slight increase in the spot prices in this quarter, which is what is also the observation that you have done that in this Q2, our realization on a per KG basis has gone up. So, that is very correct. Now to specifically answer about the other question that our overall per KG prices has come down as compared to the peak what we achieved in FY22-FY23? That was also answered by Mahesh bhai stating that for the yearly contracts for the year 2024, these contracts were entered somewhere around October, November, December of 2023 because the MNC's, the global players, they all have the calendar year as their year. So, we need to freeze upon the prices at that time, in fact, so the prices were low then because the raw material prices have come down and that is why you will see that compared to the previous year, the average realization is low.

Deepan S. Narayanan: And in terms of utilization per se overall this quarter, we are almost reaching around 90%-95% for the Company and how is the utilization for Galaxmusk, Prionyl and Camphor? And what kind of capacity increase we are looking forward for Galaxmusk?

Narayan Iyer: As we mentioned and also put it across on our website, we are almost nearing the optimal capacity. But yes, these are new products where we are close to about 75%, 80%, 85% of the capacities that we have installed. There is scope for improvement here. And there is a continuous augmentation of various processes that we do about which Mahesh bhai also mentioned, which improves the efficiency yield and the capacity of output to come about by doing a little bit of modifications to our existing setup and we feel that this will go about. The coming years, yes, Galaxmusk, Prionyl will be at its peak capacities and you should see better volumes going ahead in the next couple of quarters also in fact.

Deepan S. Narayanan: So, what kind of CAPEX we have planned for this year and next year and what kind of repayment plan for debt and are we expecting debt to EBITDA to fall below 2 times this year?

Narayan Iyer: There are certain CAPEXs which we have outlined, long term, short term. Immediate short term is as Mr. Mahesh Babani mentioned in his earlier inaugural address, we are looking at possibly building up capacities of some of our key products on the Pine space, which is our strength because that is increasing and we would definitely like to keep pace with the market on the capacity, so that we continue to maintain our status of a number one player on all our Dihydromyrcenol, Amber Fleur, the Pine Oil and seeing the way that Galaxmusk is also outperforming our expectations in fact. We may possibly also look at increasing its capacity in due course of time, so this is on a continuous basis of our main products. There are certain long-term CAPEX's that we are thinking about of introducing new products and all which we will announce it at an appropriate time when we know that we have the resources and the capabilities exactly to launch such products. We will come back to all the investors stating the exact time when we are expecting it to launch them in fact.

Deepan S. Narayanan: Any specific number we can put up for CAPEX and debt repayment for this year?

Narayan Iyer: Debt repayment anyway, the term loan repayment is happening as per its schedule and that goes around because whatever CAPEXes we have done using bank money, there are certain repayment obligations. And you would have seen even in our current financials, we have repaid all the bank obligation. Broadly what we are talking about on the overall CAPEX required for this increase could be in the next one year for all these items, about Rs. 200-Rs. 250 crores or so in fact.

Moderator: Thank you. The next question is from Mulesh Savla from Shah n Savla. Please go ahead.

Mulesh Savla: Sir, can you throw a little more light on the JV plant that has been started in the recent past? What can be the expected topline? How the margin profiles will be? And is that plant fungible that we can produce any items or it is restricted to a few specific products only?

R S Rajan: The first thing is that we should be proud that as Indians, Global Fortune 500 giant has relied on us to be their technology partners with Privi having 51% and they having 49% and they have Speciality products which they have been manufacturing for nearly 80 years. They have transferred those products to India and it is going to be manufactured in the JV plant. There are going to be 42 such Speciality products which are going to be manufactured and as far as the products are concerned, that is going to be exclusively supplied to Givaudan and in that we are expecting an EBITDA margin of 24%, which is something which should keep us going. And before the project was even launched, before it rolled out, they have asked for expansion of a land bank, which we have already procured. So, we see on a topline the turnover going from Rs. 150 crores and doubling up during the coming years with the capacity enhancement and expansion.

Mulesh Savla: So, ideally with the existing capacity, we can do turnover around Rs. 150 crore?

R S Rajan: Yes, because they are super Specialty products. So, it is more on the low volume but high value.

Mahesh Babani: I would also tell you, Mr. Savla that this is only my industry that this is a try and test case. There will be many such projects coming up, not only from these customers, other customers who have trust in us. I at least see one or two more tie-ups like this in next 2-3 years.

Moderator: Thank you. The next question is from Nikhil from Perpetual Capital. Please go ahead.

Nikhil: My first question is, how are the contracts looking for next year? I think the pricing environment was slightly on the weaker side last year, now that Maheshji has already mentioned that pricing is improving, does that also result in higher gross profit per ton from next year?

Narayan Iyer: We also expect that gross margin to improve, but it is too early as of now to really mention how the contracts will pan out. There is a major event happening early next month IFFI Art which is like conclave for all the flavor and fragrance Company. I feel we will really come to know how it is going to pan out, but as we really see that prices have already started moving up, we expect better times to happen around, yes Mahesh bhai you wanted to add something.

Mahesh Babani: Yes, I think it will be, in few words, it is going to be much better than this year.

Narayan Iyer: So, that is what cautiously optimistic I was trying to say about that definitely it will be a little better than what it has been on the contracts of the previous year.

Nikhil: My next question is, in the last few quarters you all have been mentioning that the incremental focus is on higher margin products and value added products, but the gross profit per ton has sort of stabilized around 2 lakhs per ton for the last 3-4 years. How should we look at that incrementally?

Mahesh Babani: Nikhil, good question, in fact I had answered it in the previous quarter. The thing is that there have been prize vagaries happening in the last few years where prices on the realization of the finished goods have been coming down. So, because we did this augmentation, because we went into this value added products and all, our margins at the gross level has improved or sustain, when you talk about gross margin, you only take the RMC as a friend, whereas when we do about, we take a complete scenario or the factory expenditure which gets panned out over higher volume when we are doing about. And that is why you have seen in the final EBITDA margin level and at the PAT level, we have really improved what we were about 3 years ago or 4 years ago to what we have been now giving and in this current year the last 6 quarters which we had also shared it with you all. We have been 20% plus on the margin front. So, this would not have been possible had the value-added products not come in. Also the yield improvements what we have taken into consideration been also giving a better yield to it and have Sanjeev, our Strategy Head would also want to chip in and add something to it.

Sanjeev Patil: So, what happens is the value added products, the volume there is smaller because they are high value products. So, therefore sometimes these volumes can be misleading because I may be selling something which is costing $55. Even if I sell, let us say, 20 tons that is much better than selling something costing around $2, 100 tons of that. That is how the volume sometimes can be misleading, but what you have to see is the gross margin that we make and that is how the high value products add to the margins.

Nikhil: So, now with the approval of US-FDA for Camphor, how should we see your Camphor business going forward and what can be the difference in realization for pharma and non-pharma grade?

Sanjeev Patil: See to reiterate, it is a listing of our product in the US-FDA, which means that my Camphor is not an end bulk drug. It is only an ingredient which can be used in making formulation. Definitely, the realization will be better as compared to what we do on the industrial front. So, time will talk about because there are certain processes that every pharma Company will be taking for evaluation and final orders to come about. Broadly what we see is that the realization should be anywhere between 25% and 40% higher than what we normally sell in the industry.

Nikhil: One question is on, any update on the acquisition that was announced couple of months ago? How is that progressing and when you all expect to conclude that?

Narayan Iyer: The bankers will inform you at the appropriate time when we are ready for it in fact.

Nikhil: Last question from me, so as per my channel checks, Prionyl has yet to take off at are reasonable capacity utilization. I think I asked this question last year as well. I think Rajanji had mentioned that you all are working on a greener process for the product, so how is that taking shape?

R. S. Rajan: I am happy to say that process has seen success. So, now we are going to again augment the capacity and whatever we are producing is already pre-sold and as far as the capacity is concerned, it is going to go up four-folds to almost 150 tons per annum and we are absolutely on track on this product which is considered the Holy Grail of aroma chemicals.

Moderator: Thank you. Next question is from Vineet Lambu from HSBC Asset Management. Please go ahead.

Vineet Lambu: Most of the questions are answered, but I have some few questions like what could be the peak production capacity which can be utilized and what could be the revenue potential of that capacity if I may know?

Narayan Iyer: So, the peak capacity that we had talked about is somewhere between 48,000 and 50,000 metric tons and we can generate a revenue of about close to Rs. 2,500-Rs. 2,700 crores.

Vineet Lambu: What are the capacity utilizations, 70% or 80%?

Narayan Iyer: Currently, it is about 80% or so.

Vineet Lambu: So, any future CAPEX plans apart from the JV which we have recently done?

Narayan Iyer: So, just now I stated about that for all the existing set of our products, the key bread and butter products, we have a CAPEX lined out of about Rs. 200-Rs. 250 odd crores or so which will increase the capacities of all our major products and we also have a long-term plan for introducing a lot of high-ended specialty chemicals and dream project and all for which you are anyway in the process of raising up money and go ahead.

Vineet Lambu: So, this CAPEX plan would be spread over years or like next year itself?

Narayan Iyer: It is spread over 18 months to 24 months period or so broadly.

Vineet Lambu: And any guidance for not next year, but FY26 revenue guidance and margin guidance if you can give, I know most of the orders are?

Mahesh Babani: In few words, outlook is very positive.

Vineet Lambu: Any margin guidance in the range?

Mahesh Babani: Positive means everything comes in there, margin, volume, everything, positive outlook.

Moderator: Thank you. Next question is from Rohit Nagraj from Centrum Broking. Please go ahead.

Rohit Nagraj: Sir, the first question is the Givaudan project, it is completely for the Givaudan as a client or customer, so barring any key chain issues, what would be the timeline for the peak revenues at any? Will it be over a period of 12 months or so? And second question allied to that is that we have recently started the plant and probably we also would have started the commercial activities. So, are there any teething troubles that we have faced in the last couple of weeks after starting the plant?

R. S. Rajan: The positive point is that we are off to a very good start and for us to fructify the optimization of these products which are specialty products will take about 2 years. And since Givaudan is one of our big customers, we are indeed grateful and it is a privilege to be trusted by them to do a specialty project with them as a JV. So, everything is going in the right direction and there is no hiccup. It is moving absolutely in the right direction and everybody including our JV partners who visited us for the inauguration are very happy with the progress that is being made, good for Privi, good for India, good for all of us.

Rohit Nagraj: Just allied question, the facility is completely dedicated for Givaudan or we will be able to produce products for maybe other customers?

R. S. Rajan: The entire JV is based on exclusivity, which is being manufactured for them and there is a guaranteed EBITDA margin in that and we will continue to supply to them on an exclusive basis.

Rohit Nagraj: Sir, my second question is on the R&D front. So, Mahesh sir mentioned that similar to what Givaudan has given us in terms of the product and projects, there could be couple of more projects which also may fructify over a period of time. So, are we already working with those clients and what are the capabilities that we are building from an R&D perspective to probably scale up ourselves and cater to these clients?

R. S. Rajan: That is a very good question. All we can say at this point of time, given the proprietary discussions, it is premature to make any announcements, but I can only tell you since the world has seen the fructification of this JV, definitely there are possibilities which are very positive for the coming future.

Rohit Nagraj: And if you can just elaborate a little bit on the R&D strength capabilities, it would give us flavor in terms of how it has changed since we started working on the JV?

Mahesh Babani: So, I would really boast over here that we have a great R&D team. We have almost 91 people working around the clock. So, I think for the Company, which is few thousand crores, 91 is a very good resource to have and very good team work and we do from, at any given time 10 products are being worked on simultaneously in the lab and at least 5-6 on new products. On 10 products, 33% of the revenues go for intensification of capacities, 33% of the people concentrate on new products and 33% for PRIGIV and new specialities. So, almost 91 people are working around the clock. That is a good resource for that Company.

Narayan Iyer: And to add to that, Privi has always been focused on R&D. It is not that it is because Givaudan has come over or given us this. Givaudan gave these 42 products to us seeing our R&D capability and the capability that Privi can delivery it in fact. As you know, as both these R&D setups are at Mahad more than 20 year old and the one in Navi Mumbai is about 17 years old. Both R&D facilities have been recognized by DSIR, so which means that we are having the highest of standards and our visionary Chairman's idea of having a strong, robust R&D which he nurtures, which he is passionate about and oversee the entire operation and that is how you are seeing Privi really evolve into a Company from our two product to 72 plus product with 42 products now for the JV and another 20 odd in the pipeline in fact.

Moderator: Thank you. The next question is from the line of Manan Madlani from KamayaKya Wealth Management. Please go ahead.

Manan Madlani: My first question was regarding the CAPEX, so in the September balance sheet sequentially there is the number of Rs. 233 crores of CWIP, so is this related to Pine CAPEX that you mentioned in the call earlier?

Narayan Iyer: Basically, it is almost more than two third close to about Rs. 160 crores of the Rs. 233 crores that pertains to the PRIGIV CWIP because it has not been put to use, so that is why it is lying and capital work in progress. The so-called inauguration happened in the month of October and where now the water trials and everything is going about. So, the major amount was on account of PRIGIV. And the balance what do you see is the regular CAPEXes and one or two new products in Privi, which in the process of getting capitalized in this quarter or so in fact which includes Prionyl what Rajan talked about and also the Amber and Woody Xtreme in fact.

Manan Madlani: And what is the capacity utilization for Camphor and Prionyl?

Narayan Iyer: We are almost at 80% of the capacities that we are having about, just answered the earlier question in fact.

Manan Madlani: And given we are at a higher base do you see 20% volume growth for next 15-18 months?

Narayan Iyer: Yes, definitely.

Manan Madlani: You already answered this, but just to clarify, so gross margin of 45% that can go beyond that number, let us put the number, but it can go beyond this?

Narayan Iyer: So, what you are saying is the RMC gross margin, yes, I think it should improve a little bit. Otherwise we can maintain at this level.

Manan Madlani: And in earlier concall, you mentioned that the capacity of 48,000 metric ton which you are having currently, it is supposed to grow 60,000 metric tons. So, with this Pine capacity will reach to this number?

Narayan Iyer: See, it is a combination of various factors. Last time around also we mentioned that we will be increasing and bringing in new products. So, it is a culmination of various things, one definitely some of our existing products we are looking at, two with the QIP money that we are looking to raise and introduce some new products. With all that is what we had stated that we will reach about 60,000 metric tons or so. So, we are in the process, first thing is to augment and improve and increase the capacities of our existing products and that is what we are focusing currently.

Manan Madlani: So, is there any timeline decided for QIP?

Narayan Iyer: We will be in a position to answer through our bankers at the appropriate time.

Manan Madlani: And in the current quarter, other expense seems to increase much higher rate around 50%, any particular reason?

Narayan Iyer: If you basically see, the volume has increased in this quarter and the other expenses forms, the selling and distribution expenses are with higher volume of sale happening around. We also end up having that much of units being exported, so freight expenses have also gone up. And the Iran-Israel dispute has also slightly increased the freight expenses, which I believe is a universal truth to all exporters. Otherwise, all other expenses are under control in fact.

Manan Madlani: Can you explain a little bit about the new products like Indomeran, Floravone?

Mahesh Babani: Indomeran is one specialty product. It is a side chain of Galaxmusk, where it is a six step reaction and fortunately for us, we developed it from a very special catalyst and we have some low cost advantages in this. I think within this year, we will expand this capacity significantly, and we intend becoming one of the largest manufacturers of Indomeran in the world, probably one of the largest for sure, not the largest. And Indomeran also happens to be one raw material for a Speciality product which we are developing which we have launched in the market in the last few months, and we are taking some market feedback on that. It is a product of about $300 plus and we hope to be very successful in this. This is also an oriental note which goes into products like Oudh and Woody like I said, this is a very interesting product. Indomeran is going to be our star product, and we are hoping to be I told you in short, one of the largest. While Floravone is the lower value product, Indomeran is a range of above $55 or so. Indomeran is about $10. It is a side chain of a waste of our product. So, this also very interesting in margin, but value is not so high, and we are also putting up CAPEX for this during this year and we will see the benefit of this in next financial year.

Manan Madlani: And my last question is regarding your Privi Fine Science, so there are two units, correct, so what are the gross margins for both the unit?

Mahesh Babani: Similar, all I can say.

Manan Madlani: Can you quantify that?

Mahesh Babani: You see a Privi balance sheet and you quantify that. Don't ask me to make forward-looking statements. It is very sensitive time for us to make statements about something futuristic, but we will be in a similar range of products. Only I can say is like we are CST, we are building a new building block called Furfural which is first time in the country.

Manan Madlani: And do we expect this in next 6 months or so?

Mahesh Babani: Maybe it will take a little longer, maybe next year or maybe, I would not say it is on premises. We are on negotiating with our auditors, maybe this year, maybe next year, maybe year, but within next 2-3 years for sure.

Narayan Iyer: At the appropriate time, we will be announcing it as stated. You will come to get the exact news from our bankers. And it is my humble request to all shareholders, all investors and all people wanting to ask questions to please currently restrict your questions onto Privi Speciality Chemical Limited and its subsidiaries only and not to any acquisitions or something, because if at all and as and when the acquisition and take or mergers happen, we will be announcing it. So, as a prudent governance policy, I also would expect my investors to restrict the questions towards Privi and its subsidiaries.

Moderator: Thank you. The next question is from Punit Jagdish Kabra from Umayo Advisors. Please go ahead.

Punit Jagdish Kabra: The first question I had is we got the approval on Camphor for US-FDA, so two questions here. One is domestically, do we have any competition in terms of somebody else being US-FDA approved for Camphor? And second is who would our key competitors be in this place? Would it be China? Would it be any other geography that serves this market right now?

Narayan Iyer: There are a few Indian companies who have also registered as a key pharma ingredient in the US-FDA space. And we are the latest to join on the bandwagon and China of late, yes have been competing with all. India is the largest Camphor manufacturers in fact. So, China seeing the demand that India can generate, and Camphor has also in the last few years been really putting in a lot of Camphor and post COVID, innovations have also led in that Camphor could be used in various other ways. So, that is why you see a surge in the Camphor production insight and demand.

Punit Jagdish Kabra: Can you share some outlook on Camphor prices specifically because when you look at least the data that I look at, the prices seem to be trending up. So, what are the main factors that one should be considering when it comes to Camphor prices in terms of demand supply, something that you can throw some more light on?

Mahesh Babani: I only can tell you that we are confident of supplying Camphor to this region of India and we are confident it is a huge market. We are confident of the capacities that we have. We have some customers who take all this quantity and balance when we are talking about US-FDA. We are talking about several important customers who have asked us to do that because they need this for the operations in the pharma sector. So, about 33% of our capacity is going to be exported, balance I think in Maharashtra, Gujarat and MP, we can sell it. The overall market, I don't know, maybe 25,000-30,000 tons and maximum market is in India. So, that is all I can comment. It is an important product for us because we have some other things which we will announce based on Camphor in coming years, which is under development. So, I cannot make commitments on that.

Punit Jagdish Kabra: Any view that you can share on Camphor price outlook for the next couple of quarters?

Mahesh Babani: Honestly speaking, I am saying, it changes almost every month, sometimes it is high, sometimes it is low, sometimes high season, low season. So, every time the price, I cannot, I don't know, maybe Rs 450, sometimes Rs 500, some Rs 415. We fortunately have a secure raw material for this. So, I don’t monitor it so closely.

Punit Jagdish Kabra: The next question I had was on the Givaudan JV, I think we said that we will be able to do about 24% EBITDA margin, is that part of the contractual agreement as in it is cost plus kind of a model where we are secured of our EBITDA margin?

Mahesh Babani: I am telling you it is confidential. At the moment it is confidential because we are only, we have a visibility of next year's plan which is Rs. 100 crores. And this is our reading in between the line, it can be increased or decreased, sometimes the dollar, sometimes the raw material, it will be in the range of, I would say in the range. Our expectation is our dream to have. And we so far have always succeeded in dreaming right. So, it will be in this range, plus minus 2%-3% here there, but anything north of 20%. It is a great EBITDA margin for a chemical Company. Let me tell you that. Anything north of 20 EBITDA margins is very good for any manufacturing Company and we will always maintain that in coming times.

Narayan Iyer: And you also should appreciate the fact that Givaudan is our large customer having a strategy tie-up and a JV to manufacture for them is also a great initiative, a great step to take about, so that we maintain on the main companies business also with them and in a position to manufacture the so-called high specialized chemicals for them also in fact. So, it is a two-in-one win-win situation for all of us in Privi in fact and for the country to a large and put it across.

Punit Jagdish Kabra: Third question was, I heard the Babani sir talk about this JV once as people see it working firmly to more opportunities with other customers. Does that not create a conflict of interest?

Mahesh Babani: No, not at all, because we will not necessarily have a JV, but we will have a strategic alliance to that effect on a different side. It won't necessarily mean JV, but it will be more. Our experience says this will also have a strategic alliance not necessarily, but similar arrangements as such.

Nayaran Iyer: There also, there will be exclusivity, there will be confidentiality agreements, all that sort of stuff. So, it is not that it is going to be open.

Moderator: Thank you very much. Due to time constraints, we will have to take that as the last question. I would now like to hand the conference back to the management team for closing comments.

Ashwini Shah: Thank you everyone for joining this call today. As you walk and live through each day, aromas are from Privi, touch your life with fragrance that create memories and bring back nostalgia. We maintain our pace without compromising in our values and constantly challenge ourselves, serve our partners and customers. Thank you everyone for joining us in this earning call. We appreciate your time and interest shown in our Company. In case of queries, you can get in touch with us or SGA, our Investor Relation Advisors. We look forward to meeting all of you over the next call. I wish you all Happy Diwali and Prosperous New Year from Privi family. Thank you.

Moderator: Thank you very much. On behalf of Privi Speciality Chemicals Limited, that concludes the conference. Thank you for joining us, ladies and gentlemen, you may now disconnect your lines.