



**Chemplast Sanmar Limited**

*Regd Office:*  
9 Cathedral Road  
Chennai 600 086 India  
Tel + 91 44 2812 8500  
E-mail: csl@sanmargroup.com  
www.chemplastsanmar.com  
CIN L24230TN1985PLC011637

August 16, 2024

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

**Sub: Transcripts of the Earnings Conference Call held on August 8, 2024**

In continuation to our letter dated August 3, 2024 please find enclosed the transcripts of the Earnings Conference Call held on August 8, 2024.

Date & Time of occurrence of the event/information: August 16, 2024, 2.56 PM (IST)

We request you to take the same on record.

Thanking You,

Yours faithfully,

For CHEMPLAST SANMAR LIMITED

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





“Chemplast Sanmar Limited  
Q1 FY '25 Earnings Conference Call”

August 8, 2024

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 8<sup>th</sup> August 2024 will prevail.



Management: Mr. Ramkumar Shankar, Managing Director,  
Chemplast Sanmar Limited

Mr. N Muralidharan, Chief Financial Officer,  
Chemplast Sanmar Limited

Dr. Krishna Kumar Rangachari,  
Managing Director - Custom Manufactured Chemicals Division,  
Chemplast Sanmar Limited

SGA, Investor Relations Advisor

**Moderator:**

Ladies and gentlemen, good day, and welcome to the Chemplast Sanmar Limited Q1 FY '25 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. Please note that this conference is being recorded.

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

**Ramkumar Shankar:**

Thank you very much. Good morning, everybody. On behalf of Chemplast Sanmar Limited, I extend a very warm welcome to everyone joining us on our call today. On this call, we are joined by our CFO, Mr. N. Muralidharan; Krishna Kumar Rangachari Rangachari, the Head of our Custom Manufactured, Chemicals Division and SGA, our Investor Relations advisor. I hope everyone has had an opportunity to go through the financial results and investor presentation, which have been uploaded on the stock exchange website and on our company's website.

After the very tough business conditions in FY2023-24, we had a strong start to fiscal '25, driven by better conditions in our Custom Manufactured Chemicals Business as also the specialty PVC and the suspension PVC businesses. During Q1 FY '25, we delivered revenues of INR1,145 crores with an EBITDA of INR124 crores and a 11% margin.

Coming to the segment-wise performance, our Specialty Chemicals Business delivered robust results. The first quarter benefited from the price uptrend that we witnessed on the Paste PVC side, primarily led by higher ocean freights. Furthermore, based on the preliminary findings, provisional anti-dumping duties were announced in June 2024 for a period of 6 months on import of Paste PVC from producers in countries such as Norway, Thailand, Malaysia, Taiwan and China. The Specialty Chemicals Division's volumes increased by 44% on a year-on-year basis, mainly due to the commissioning of the new Paste PVC capacity in the last quarter of the previous year.

We continue to see heightened levels of import of Paste PVC at low prices. While we do expect the announced provisional duty on Paste PVC to provide some respite, this provisional anti-dumping duty is not on imports from EU countries, the volumes of which have surged in the last few months. The domestic industry has therefore filed a fresh petition to protect against dumping from EU in particular and Japan.

On the Custom Manufactured Chemicals Business, the demand showed signs of recovery as compared to the last quarter. We have recently signed a new letter of intent with an agrochemical innovator for an advanced intermediate for a new active ingredient. This LOI covers a period of 5 years. Besides broadening the customer base, this LOI also gives us an opportunity to participate in a newly launched molecule. This is the fifth LOI that we have signed over the past 20 months and reassures our healthy growth visibility in CMC business.

We are looking at a brighter future for our Custom Manufactured Chemicals division due to planned expansion backed by a solid product pipeline and strong demand from our customers. Phase 2 of our CMC expansion is progressing well and is expected to get commissioned by the end of Q2 FY '25.

The Board has also approved an investment of about INR160 crores to increase the production capacity of the Custom Manufactured Chemicals Division at Berigai. This investment will further increase the total capacity of the new multi-purpose production block. A portion of this investment will go towards creating the infrastructure for the next multi-purpose production block.

In terms of value-added chemicals, revenue increased by 20% as compared to the same quarter in the previous year, mainly due to improved sales volume, which is partly offset by subdued prices. At Chemplast, we produce these chemicals as a part of our integrated operations, making the operations resolute. In chloromethanes, domestic capacity continues to remain in excess of demand, resulting in weak prices. In caustic soda, domestic demand has shown signs of an uptick in this quarter.

Suspension PVC revenue has been stable in Q1 FY '25 as compared to the corresponding period last year, while it has improved by 8% sequentially. We witnessed a positive swing in profits in the current quarter on account of both improved prices of suspension PVC and lower feedstock prices. The improvement in prices was largely due to a severe container shortage for cargo originating from North East Asia, in particular China, which briefly increased the prices of Indian imported suspension resin- however, these heightened freight rates have started dropping off from the end of June.

This drop, coupled with continued weakness in the Chinese economy has resulted in large volumes of imports coming in from China at very low prices. While the domestic industry has already filed an anti-dumping petition on imports of suspension PVC from various countries, the decision on this is expected only by Q3 of the current financial year.

Domestic demand continues to remain strong. India's infrastructure missions to provide access to clean water and improve irrigation are critical projects that are bolstering this growth. Also, the construction sector is showing a significant promise to adopt new PVC profiles and pipes. At a broader level, the Indian chemical industry is looking at a gradual recovery during FY '25 though the overhang of overcapacity in China continues to cast a long and dark shadow.

Having said that, destocking which has significantly impacted the performance in FY '24 is expected to ease considerably. The key, however, continues to remain China and recovery in that economy. With our consistent investment during tough times, we have built new capacities and capabilities to be able to deliver a stronger performance in the coming periods.

To summarize, while Q1 performance was a positive start to the year, prices of PVC have again dropped in July. While this may impact Q2 performance, we believe that various measures being taken to stem the flow of low-cost imports into India, will bear fruit later in the year. Positive developments in the Custom Manufactured Chemicals Division continued to augur well for future growth.

Now I will request our CFO, Muralidharan, to share the financial highlights for the quarter.

**N. Muralidharan:**

Thank you, Ramkumar. Good morning, everyone. Talking about the quarterly performance in Q1 FY '25, the company recorded a healthy performance for the quarter and showed significant

positive movement both on year-on-year as well as quarter-on-quarter basis. The revenue from operations came in at INR1,145 crores, which is a 9% growth sequentially due to higher volumes of our specialty and value-added chemical divisions, and higher realization per ton of paste and suspension PVC.

On account of improvement in realizations and increased volume from speciality division, our gross margin for the quarter increased from 31% to 40% on a quarter-on-quarter basis. On a sequential basis, the employee expenses for the quarter increased by 14% due to the impact of new projects which were commissioned last year as well as the annual increments. Other expenses increased by 9% as compared to Q4 of FY '24, mainly due to higher power and fuel cost and freight cost on account of higher volumes.

In Q1 FY '25, we reported an EBITDA of INR124 crores with an EBITDA margin of 11%. Our finance cost for the quarter stood at INR59 crores and the net profit for the quarter was at INR24 crores. We have had significant traction in our custom manufacturing business and confidence is reflected in the next phase of expansion that we have announced in the new multipurpose block. Liquidity position continues to remain strong with the cash and bank balances remaining around INR800 crores. With the recent capacity additions and the capex plans that have been announced, we are confident of the long-term potential of our businesses and strengthening our capabilities and relationships to grow in a sustainable manner.

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

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sanjesh Jain from ICICI Securities.

**Sanjesh Jain:**

Ram, first, on the stand-alone business. If I look at the gross profit per kg, we have reached INR115. If I go back into the history and look at when we were doing this kind of a gross profit per kg, the conversion to EBITDA was upwards of INR50 per kg. This quarter, we did INR17 per kg in terms of EBITDA. Now one can attribute this entire difference to custom manufacturing, which is ramping up and for now is a drag, and this should gradually improve as the custom manufacturing start delivering on the EBITDA side. Will that be a right assumption?

**Ramkumar Shankar:**

Definitely, the Custom Manufactured Chemicals Business will move the needle as we go forward, especially given the very exciting growth possibilities that we have. So that is going to weigh in as we move along. Right now, the margins on the rest of the products have been impacted largely by the dumping that I was speaking about. That is being addressed as we speak.

Already on Paste PVC, we have a provisional anti-dumping that has come in on 5 countries. The domestic industry has applied for anti-dumping duty on the European Union and Japan as well. And that would come in maybe over the next few months. On suspension PVC, there is already an active investigation that is ongoing on dumping from China in particular. So we believe that all of this when they come into force, will further strengthen the prices and margins on the other products as well.

- Sanjesh Jain:** So again, on the Paste PVC side, sequentially, when you see that the dumping has again started from the Europe region, how much of correction in the prices that have already taken up in the market?
- Ramkumar Shankar:** Yes. We have seen an improvement of around \$150 or so on prices that did happen. Some part of it would have been due to the container freight rate movement as well. But the full impact of the anti-dumping duty has not been realized largely because of what is coming in from the west, and that is really what we are trying to address now.
- Sanjesh Jain:** But this \$150 improvement has that corrected a little bit or that's still there as we speak today?
- Ramkumar Shankar:** A little bit of that, whatever was attributable to the container freight movement, that is corrected because you would have noticed the container freight from east to west, that is from Northeast Asia to say, U.S. and Europe went up very sharply by May end and then June, when they moved up from as low as \$1,500 containers of 40-foot container to around \$6,500 of 40-foot container. They have come off from those highs. But they're still above the historic levels. But definitely, it has come down from the highs of \$6,500.
- Sanjesh Jain:** Got it. Next, on the custom manufacturing side. If I heard you right, you said that this INR160 crores of capex is largely to build the utility and the infra preparing for the next MPP. Was that right understanding?
- Krishna Kumar Rangachari:** This is Krishna here, Sanjesh. No. The intent is we are increasing capacity in the new production block. So we are calling it Phase 3 of that project. So a significant portion of the capex would be towards that. And some portion of the capex is for the next production block as a seed capex to primarily going towards creating a civil structure. And then over a period of time, we will start investing in, putting the pots and pans inside that block. Again, long story short, the entire INR160 crores is towards increasing capacity.
- Sanjesh Jain:** Okay, okay. And the civil structure will be the size of MPB 3 that we have built?
- Krishna Kumar Rangachari:** Yes, or slightly larger, actually.
- Sanjesh Jain:** Okay. It will be slightly larger than the MPB 3. And Krishna, again, as Ram said, this is for the new customer, the new LOI signed is a new customer and a new product, was that right?
- Krishna Kumar Rangachari:** Yes, that's correct. It is part of our strategy to diversify both the product mix and the customer mix. And so we are excited about this development. And in fact, we just received a commercial order as well. So we will manufacture in the current production block for this year, but long term, this will go into either the Phase 3 or a new production block.
- Sanjesh Jain:** Okay, okay. And how many more products in the pipeline, Krishna, for us?
- Krishna Kumar Rangachari:** The pipeline continues to grow, and we keep converting or moving it from development to pre-commercial to commercial. I would guess, at least another 12 to 15 products in the pipeline.
- Moderator:** The next question is from the line of Ankur Periwal from Axis Capital.

- Ankur Periwal:** First question on the CSM side, now this INR160 crores is dedicatedly for this 5th LOI? Is that understanding right? Apart from the infra construction, et cetera, whatever the amount required there is?
- Krishna Kumar Rangachari:** That's not linked to any particular LOI. We are creating the capacity because we see the pipeline is strong and we would need capacity to make the products that they're being planned. As I indicated earlier, this is specifically to create additional capacity in both the current production block and then prepare for the next stage of expansion in the new production block.
- Ankur Periwal:** Sure. Sure, Krishna. Just correct me if I'm wrong, Phase 1 was INR300 crores capex. Phase 2 was INR380 crores, and with the 4 LOIs that we have already announced, along with the fifth one, we believe that more or less the capacity in Phase 1 plus Phase 2 will be utilized and hence, this incremental expansion.
- N. Muralidharan:** You're right. Based on LOIs that they received, the Phase 1 and 2 capacities will be fully utilized. And in Phase 3 that we are planning, even part of that will also get utilized based on that. That's why we are creating civil infrastructure for the next block so that we are able to accelerate the sort of setting up that block quickly once we have the next order in place.
- Ankur Periwal:** Sure. And how much typical time post this INR160 crores capex, do you think you will take to ramp up for a new capacity to commission?
- Krishna Kumar Rangachari:** Again, we will keep you updated. I think the intent is we want to cut short the timeline required to put up a production block, which is a reason, civil being the long lead time. We are proactively going ahead and investing in that. And as the pipeline moves, then we would be in a position to start installing the reactors and other equipment to generate additional capacity. So right now, I would say maybe another 12 months from where we are now, but we could do it much faster. It all depends on how the pipeline is.
- Ankur Periwal:** Sure, Krishna. Secondly, on the R&D side, the second phase expansion there. Just wanted to get your sense, how are we looking at enhancing our capabilities? Will it be more focused on adding more chemistries? Or probably from an application point of view, we are looking at a wider addressable universe? So your thoughts there, please?
- Krishna Kumar Rangachari:** Yes. So the second phase of the R&D was commissioned a couple of quarters back. And similarly, we have already commissioned the next phase of our pilot plant expansion. The intent is twofold - one is to make sure that we have spare capacity in both those areas to take up any new projects that come in. So that is the primary objective because the chain is that you need to have enough R&D resources, pilot resources, and then you need to have enough manufacturing capacity and then you keep increasing each one of them sequentially.
- So the primary intent is to have enough spare capacity so that when we get these inquiries and projects, we are able to dedicate resources immediately. But in terms of capabilities build up as well the state-of-the-art R&D and pilot plant can handle additional chemistries that we are not doing right now. The infrastructure, the capabilities have been put in place such as dedicated labs for hazardous chemicals, similarly dedicated scrubbing units in the pilot plant to handle complex chemistries. So that, from a capability standpoint as well, the next phase of investments in both

these are coming online. And our belief is just making it even more attractive for us to go pitch our capabilities to our customers.

**Ankur Periwai:** Sure, sure. That's very clear there. And just lastly, Ram, from a global view on the PVC, there was some bit of volatility in VCM, EDC prices as well. Are things settled there largely from capacity running perspective globally?

**Ramkumar Shankar:** Yes. That is all settled. There will always be one plant or the other, either on the PVC side or on the feedstock side, which could be down for maintenance. But there is nothing that is alarming or out of the ordinary and VCM prices are following PVC trends. Like I've always been saying in a rising market normally there's always a lag between VCM and PVC, the lag will help us in a rising market, and it will go against us in a falling market. In a stable market, we should be perfectly fine. And VCM prices are even today following PVC prices. So there's nothing out of the ordinary there.

**Ankur Periwai:** Sure. And you did allude towards the anti-dumping duty implementation there on both SPVC and Paste PVC, but any thoughts on timelines there, if you could share?

**Ramkumar Shankar:** Yes. Sure. Paste PVC, the provisional duty on 5 countries is already there. And that will get converted into a final finding possibly in the next couple of months. We have filed another petition for anti-dumping duties on imports from EU and Japan. And that is in its initial phases. So that would maybe take Q4 of this year for it to see the final decision coming in. Suspension is in advanced stage. The petition has been filed, investigation initiated, and we expect that maybe by Q3, we should see a decision on that.

**Moderator:** The next question is from the line of Raj Kiran Gandhi from SBI Mutual Funds.

**Raj Kiran Gandhi:** Just on CSM, we are doing fairly well in terms of ramp-up and all, but overall, is it largely to do with us doing phenomenally well or top down overall for this space, we were hearing a lot of competition from China. And because of the lower demand there, they kind of doing a lot of dumping and all of that. So top down, how is the segment doing?

**Ramkumar Shankar:** This is Ram here. I think the dumping part of it is largely to do with the PVC side. The Custom Manufactured Chemicals Division is really 100% export oriented. So I'm not very sure what your question was...

**Raj Kiran Gandhi:** In overseas markets, like say in U.S., Europe and all, there is a lot of pricing pressure coming from China ramping up their exports and also in those markets top-down from a CSM space, how is -- the bottom-up we are doing well and all. But just wanted to know top-down as a segment, are you seeing in global markets wherever you are exporting a lot of competition from China. Is the segment growth overall there. So in terms of whatever molecules they are outsourcing and all of that. So just wanted to understand top-down how is the segment doing?

**Krishna Kumar Rangachari:** So our model is custom manufacturing. And second is we focus on innovators. And a lot of the projects that we are working on, the pipeline molecules are in the launch phase or they've just been recently launched. And in all these cases, the customers are very clear that they want to diversify their supply chain. They want to have a China plus 1 strategy and that they look for reliable partners. Globally, they are focusing on India.



And then India, again, as they look for reliable partners, there are only a few with whom they are comfortable working with. So from that standpoint, we are not seeing any significant impact with the global slowdown, the inventory corrections on the active space as well as exports from China coming in at very, very low prices. But most of that is impacting the generic or the established molecules, and we are not seeing that significant impact with respect to our business.

**Moderator:** The next question is from the line of Archit Joshi from B&K Securities.

**Archit Joshi:** So first question on our ambition on achieving INR1,000-odd crores of revenues from CMO, any change in our guidance with respect to either the timeline or the total value that we used to achieve, especially after announcing the INR160 crores capex?

**N Muralidharan:** This INR160 crores capex actually will certainly add to the revenue. So earlier, we had talked about by FY '27, we'll touch INR1,000 crores of revenue. I think we will surpass that. With this new announcement and with the orders and the LOIs we've signed, we'll definitely surpass that number by FY '27. It will be over and above that INR1,000 crores.

**Archit Joshi:** Sure, sir. Sir, secondly, when we were speaking of the Paste PVC investigation that we have initiated on EU and Japan, was this completely unprecedented that the cheaper imports is now start coming in from EU and Japan, or is it that the Chinese companies who were erstwhile dumping into India found another route of dumping it through EU and Japan? What's your reading on that, sir?

**Ramkumar Shankar:** No, it's not a rerouting from China through EU. Actually, the freight alone would kill that kind of a rerouting. But this is really material coming from EU. And to be very honest, we were also a bit surprised that EU could afford that kind of prices. We believe there is some kind of cross-subsidization going on there, and that is really what is the entire purpose of our application. But to just give you a perspective, the imports from Europe in FY' 23-24 we're around 30% of the total imports. And this year, it continues to be around the same levels.

And that is really what we are trying to protect against. The provisional duty that has already come is against China, Malaysia, Taiwan, Thailand and Norway. And the duty is ranged from around \$115 to around \$600, different duties on different companies and different countries. We should technically have got a full beneficial impact of this. But we have not been able to get that closing largely because of what is happening on the imports coming in from the EU side. And that is really what we are now addressing.

**Archit Joshi:** Sure, sir. Sir, would you mind sharing the spreads of paste PVC as of now vis-a-vis the spreads that we are experiencing in SPVC?

**N. Muralidharan:** The unit contribution in the last quarter, that is in, Q1 paste PVC is around INR21,000 per ton as against the suspension PVC was around INR14,500 per ton.

**Archit Joshi:** Understood, sir. Just last one, sir. Could you share our current net debt on the books?

**N. Muralidharan:** Current net debt is around INR560 crores. We are carrying a cash of around INR800 crores, that is around INR570 crores of net debt.

- Moderator:** The next question is from the line of Meghna Agarwal from Mount Intra Finance.
- Meghna Agarwal:** Sir, my first question is that what is the input-output ratio of suspension PVC and VCM?
- Ramkumar Shankar:** Okay. Meghna practically 1 ton of VCM per ton of suspension PVC, it should be in the third decimal maybe around 1.003 or so.
- Meghna Agarwal:** And sir, how will we track the VCM prices in India?
- Ramkumar Shankar:** These are well tracked by industry publications and there are monthly reporting of, not India prices, it could be VCM, Asia prices would be there, Southeast Asia and Northeast Asia and those are the ones that we track.
- Meghna Agarwal:** We can get it on a monthly basis?
- Ramkumar Shankar:** Yes, they are reported on a monthly basis.
- Meghna Agarwal:** And sir, what are the terms of contract? Like is it pay or take contract? What are the terms of the contract?
- Ramkumar Shankar:** For VCM?
- Meghna Agarwal:** Yes, sir.
- Ramkumar Shankar:** For VCM we have rolling annual contracts and these are typically there will be a range. It's not like 1 number. So you will have a range, contract will be for a minimum and a maximum of quantity. So we will operate well within that range. We've never had a situation where we were to pay because we couldn't take.
- Meghna Agarwal:** And just sir, and more last question on the input output ratio. So sir, what are we expecting of this input output ratio coming in this year?
- Ramkumar Shankar:** This is stoichiometry. This doesn't change. This will be stable every year.
- Meghna Agarwal:** Okay. And sir, one more last question. What are the terms of the contract for the contract manufacturing, not for the VCM?
- Krishna Kumar Rangachari:** Again, the model here is most of them, you would enter into a supply agreement, the time period of those are typically anywhere between 3 to 5 years. And it may have a component related to the price structure or price formula. In some cases, there may also be some volume agreements or volume arrangements.
- Subrata:** Hello, this Subrata from Mount Intra only. Sir, just what we are trying to understand when we get into our contract manufacturing, is it a typical contract manufacturing where a minimum quantity is assured. And at least from that point of view, that is pay or take or it's totally like only a contract for few years, but without any assurance of minimum supply.
- Krishna Kumar Rangachari:** So on the Custom Manufacturing, as I indicated before, it varies from product to product. Some contracts would have some volume agreements or volume arrangements. In some cases, it would

have a price component or a price formula. And on the volume, there would be some minimum commitments, but some of them don't have volume commitments at all. So it will depend on the particular projects that we're working on.

**Subrata:** So in that case, when we are putting up a plant for a particular client. So just to understand sir, if there is no minimum volume assurance, and after putting of the plant, if we don't get that kind of a demand from that particular client, is that facility fungible so that we can cater to other clients? Or this is very specific that client, that particular product, and it is not really fungible?

**Krishna Kumar Rangachari:** It's a very good question. That's why we focus to put up what we call as multipurpose blocks or multi-purpose production block, which means that the production blocks would have the flexibility to move or to change from one product to another. And so if you do a dedicated block for a particular customer or a particular product, then obviously, you would have agreements in place to ensure that there are minimum offtakes. But when you have a multipurpose block, you have the flexibility to move back and forth between products.

**Subrata:** So all our blocks are like multipurpose blocks basically, which is fungible.

**Krishna Kumar Rangachari:** Correct. Currently, that's what we have, yes.

**Moderator:** The next question is from the line of Dhruv from HDFC AMC.

**Dhruv:** Sir, in the non-specialty segment, if I do a simplistic per ton or per kg realization, there is an improvement on a Q-o-Q basis. I believe this is caustic and some of the other basic products. So for some of the other companies we have seen, there has been some improvement on a Q-o-Q basis in some of these related products. So in your sense, is this also a bit influenced by the sea freight? Or this is something more on ground and hence the improvement, or some part of this will also reverse as the sea freights are normalizing again?

**Ramkumar Shankar:** If you're looking at value-added chemicals, caustic soda, there has been some move up. It's not very significant, but there has been a slight move up as market stabilizes and capacity is settled. And from July, we are also seeing a good move up in a couple of the chloromethane products. Their prices have moved up a bit. There the impact of ocean freight is not as high as in PVC, though there could be a little bit here, especially where it comes in barrels or so, but that is not so high. It's not so significant.

**Dhruv:** And the second thing is on the SPVC, the duty provision, which is probably likely to happen. Now how is the approach here? I mean is it broad-based across all countries or probably we can see some of the same thing that happened in paste PVC that we go ahead against some countries, and then there are other alternates which are available and they bypass it through those countries. So how is the approach for SPVC?

**Ramkumar Shankar:** Suspension PVC petition is filed against all the large exporters to India. So this covers really every single one of the large exporters. And see, what we need to understand is that the industry has faced an onslaught especially from China, the likes of which has not been seen before in terms of the arrivals from there. Just to give you an idea, last year, that is FY23-24, the import of SPVC from China was around 860,000 tons, which itself had grown multiple times from the 250,000 tons that they had in FY21-22 and around 70,000 tons in 2021. So that 860,000 tons itself

was very high. As compared to that in the first quarter of this year, we have already seen 375,000 tons coming in from China.

And July is expected to see another significant volume landing - should have landed. We don't have the numbers yet, but that would take it to over 500,000 tons in just 4 months in this year. So obviously, this is something that there is a reflection of the very weak economy in China, resulting in huge surpluses that are being dumped particularly into India. So this is the onslaught that the domestic industry is trying to protect itself from because, obviously, this is unnatural and too extensive and onslaught for it to be just endured. And we are quite confident that we have a very strong case, and we believe that we will prevail in the petition that we've filed.

**Dhruv:**

Sure, sir. And 1 question on the CSM. So if I remember from the last call, you mentioned that the LOI 3 and LOI 4, you were also waiting for some commercial supplies, I think sample supplies and then confirmation of those to get better clarity on the ramp-up of these molecules, although broadly, it was in that INR1,000 crores range was there. So is it fair to understand that there is better visibility also on the LOI 3 and LOI 4 now once probably as you progress with the customer?

**Krishna Kumar Rangachari:**

Yes, so LOI 3 and 4, we are in the process of making lab and pilot samples. And so there will be some time it takes to commercialize them, but we have clarity and visibility on when the volumes have to be delivered and what the volumes are. So there is a high level of visibility and clarity on that.

**Moderator:**

The next question is from the line of Kirtan Mehta from BOB Capital Markets Limited.

**Kirtan Mehta:**

Thank you, sir, for the opportunity. The first question was on the Specialty Chemicals. Just wanted to understand the revenue dynamics. So when I look at the Q4 volumes, it was around 18,400 mt and revenue was around INR332 crores versus I think in Q1 FY '25, we are seeing the PVC volume of 25,700 mt but revenue of around INR350-odd crores. We just mentioned that we have seen an increase in the prices of paste PVC during Q1 sequentially, but the same -- doesn't seem to be translated into the revenue. So what's the underlying dynamics, how it's playing?

**N. Muralidharan:**

Between the 2 quarters, like you rightly pointed out, the volume for paste PVC did go up primarily because of those incremental volumes that we got out of the new projects that we commissioned towards the end of the last year. And the prices also moved up, which averaged around INR 96,000 in Q4 of last year, went up to close to around INR 98,000 in Q1 of this year. There is a INR 2,000 movement in price. And also, there is an increase in volumes.

**Kirtan Mehta:**

I was asking basically there is sort of 33% jump in the volumes, but the revenue increase is less than sort of 5% to 7% and prices have actually moved up. So what's the gap? Why there is a sort of the revenue has not moved in proportion with the volume?

**N. Muralidharan:**

It's not only Paste PVC that is covered in the specialty business. It also has custom manufacturing. Custom Manufacturing Business has significant sales in the last quarter of the previous year because many of the dispatches were skewed towards the last quarter of the previous year, and that also had the impact. And that's why you are not able to see that straight 33% growth, driven only by paste PVC.

- Kirtan Mehta:** Any more color would be sort of between the custom manufacturing, how has been the revenue decline between 2 quarters?
- N. Muralidharan:** It's a timing of sales. In fact, you will see significant growth in the current year compared to the last year. It's a timing of sale in the last year, significant part of the dispatches for the year were bunched up in the last quarter, whereas this year, the Custom Manufacturing dispatches are reasonably evenly paced. So that is the difference that we are seeing. It is not a drop.
- Kirtan Mehta:** Sure, sir. The second question was also related to the data. When we look at the standalone, we are seeing the purchase of stock in trade moving up to around INR107 crores. But in the consolidated account, this purchase of stock in trade is not there. So is this basically the VCM that we are purchasing it from the CCVL, is this a reflection of that? Or are there any other products which we are purchasing from outside in the stand-alone business?
- N. Muralidharan:** In the stand-alone business, it's primarily the VCM, that spot between the 2 companies, between the holding company and subsidiary, that's the stock in trade.
- Kirtan Mehta:** Right. But VCM we also purchased externally in CCVL as well. So why does it not sort of got reflected into the consolidated account as purchase of stock in trade?
- N. Muralidharan:** Stock in trade is primarily in the stand-alone company. If there is a requirement of LC support for the subsidiary, we use the limits of the holding company, buy and then sell to the subsidiary company. That is what is getting reflected in the stock in trade. What you buy for your own consumption doesn't get reflected in the stock in trade.
- Ramkumar Shankar:** It's more accounting rather than anything.
- Kirtan Mehta:** The last question was on the custom manufacturing. Basically, across the Phase I and Phase 2, we have indicated capacity is around 4,500 tons, cumulative revenue potential of INR15 billion to INR17 billion of the revenue and peak revenue potential of INR7 billion over the last call. So with the addition of the fifth LOI, would you be able to sort of update us on as well as sort of the next Phase 3 investments commencing, would you be able to update on these numbers?
- N. Muralidharan:** Actually last time, we talked about roughly around all 4 LOIs combined together on an annual basis, giving us somewhere around INR750 crores at a steady state and also totally around INR1,500 to INR1,700 crores on an overall basis. That will move up by another INR300 crores now. The 5<sup>th</sup> LOI will add INR300 crores to that. On an annualized basis on a steady state, this LOI still add around INR125 crores.
- Kirtan Mehta:** So INR300 crores on a cumulative basis and INR125 crores on sort of the peak potential.
- N. Muralidharan:** That's right. These are sort of minimum indicated volumes. Obviously, as we get into the product and it stabilizes, we expect things to move even better.
- Kirtan Mehta:** Right. And on the 4,500 tons capacity that we've indicated across Phase 1 and Phase 2 with the proposed Phase 3 investment, how does that change?



- N. Muralidharan:** The tonnage would actually depend on the product mix. So we would generally not look at the tonnage so specifically. But it would depend on the product and the number of steps the products take. So we wouldn't look at tonnage so specifically.
- Moderator:** The next question is from the line of Prince Choudhary from PINC Wealth.
- Prince Choudhary:** First of all, congratulations on the good set of numbers. I have a couple of question, for example, crude prices are at a 6-month low, and we see the feedstock prices also coming down. So -- and also the exports on the China for the month of July is very low. So do you think this will benefit for the current quarter?
- Ramkumar Shankar:** Which products are you talking about, please?
- Prince Choudhary:** See, our prices for the VCM and EDC also are down. So do you think this will benefit for the PPVC?
- Ramkumar Shankar:** See, basically, what happens is that, first of all, the receipt from China in July was not low at all. We expect the suspension PVC arrivals in India to have crossed 150,000 tons in July. So it is still pretty strong. There is no drop. If at all, there is only an increase in the exports from China to India. As far as prices are concerned, all prices are down. So PVC prices have come down significantly. Like I said, VCM prices will track PVC prices. Maybe there will be a lag of maybe 4 to 6 weeks, but it will track it. And that will be that downturn in that entire chain.
- Prince Choudhary:** Okay. And also, I might have missed it, but what is the revenue potential for the new LOI, which we have signed?
- N. Muralidharan:** It will be around INR300 crores - cumulative.
- Moderator:** Ladies and gentlemen, we will take that as the last question. I would now like to hand the conference over to Mr. Ramkumar Shankar, Managing Director of Chemplast Sanmar Limited, for closing comments.
- Ramkumar Shankar:** Thank you, everyone, for joining us today on this earnings call. We appreciate your interest in our company. And if you have any further queries, please do contact SGA, our Investor Relations advisor. Thank you again and have a very good day.
- Moderator:** On behalf of Chemplast Sanmar Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.