Date: 30 October 2024

Ref. No.: TCPCL/SEC/2024-25/00056

To,

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

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

Subject: Transcript of Earnings Call

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, please find enclosed herewith the transcript of the earnings call held on 25 October 2024 post announcement of financial results of the Company for the quarter and half year ended 30 September 2024.

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

This is for your information and records.

Thanking You,

Yours Faithfully,
For Tatva Chintan Pharma Chem Limited

ISHWAR RAMANBHAI NAYI

Digitally signed by ISHWAR RAMANBHAI NAYI
Date: 2024.10.30 14:04:13 +05'30'

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

Encl.: As above

“Tatva Chintan Pharma Chem Limited

Q2 FY 25 Conference Call”

October 25, 2024

MANAGEMENT: **MR. CHINTAN SHAH – MANAGING DIRECTOR**
MR. ASHOK BOTHRA – CHIEF FINANCIAL OFFICER
MR. AJESH PILLAI – INVESTOR RELATIONS

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

Moderator: Ladies and gentlemen, good day, and welcome to Tatva Chintan Pharma Chem Limited Q2 FY 25 Results Conference Call hosted by ICICI Securities. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sanjesh Jain. Thank you, and over to you, sir.

Sanjesh Jain: Thanks, Nikita. Good evening, everyone. Thank you for joining on for Tatva Chintan Pharma Chem Limited Q2 FY 25 Results Conference Call. We have Tatva Chintan management on the call represented by Mr. Chintan Shah, Managing Director; Mr. Ashok Bothra, Chief Financial Officer; Mr. Ajesh Pillai, Investor Relations.

I would like to invite Mr. Dinesh Sodani, General Manager, Finance, to initiate with his opening remarks, post which we will have a Q&A session. Over to you, Dinesh ji.

Dinesh Sodani: Thank you, Sanjesh ji. Good evening, everyone. On behalf of the management, I'm pleased to welcome all of you to Tatva Chintan Earnings Call to discuss financial results for the quarter ended September 2024. Please note that a copy of all the earnings call related disclosures is available on both the stock exchanges, that is NSE and BSE.

Any statement made or discussed during this call, which reflects our outlook for the future or which could be construed as a forward-looking statement, must be reviewed in conjunction with the risk that the company faces. A detailed disclaimer in this regard has been included in the investor presentation that has been shared on both the stock exchanges, that is NSE and BSE.

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

Ajesh Pillai: Good evening, everyone, and a warm welcome to the Quarter 2 Earnings Call of Tatva Chintan Pharma Chem Limited. It is my privilege to present our financial results, which we trust you have reviewed in detail through the investor presentation available on the stock exchanges.

Allow me to provide a comprehensive analysis of our performance this quarter. In quarter 2, our revenue from operations stood at INR835 million, reflecting a 14% decline year-on-year and 21% decline quarter-on-quarter. The EBITDA for the quarter was INR56 million, representing 72% drop year-on-year and a 56% decline quarter-on-quarter.

Looking at our product segments. Our Phase Transfer Catalyst has generated INR275 million in revenue, which shows an 8% decline quarter-on-quarter, but a 19% growth year-on-year. The Structure Directing Agents, that is SDA, segment reported INR271 million in revenue, marking a 23% decline quarter-on-quarter and a 37% drop year-on-year.

In the Electrolyte Salts segment, we recorded a revenue of INR30 million, reflecting a 5% decline quarter-on-quarter, but an 8% growth year-on-year. Lastly, the Pharma & Agro Intermediates and Specialty Chemicals segment achieved INR272 million in revenue, showing a 30% decline quarter-on-quarter and a 5% decline year-on-year.

With this overview of our financials, I would now like to hand over the call to our respected Managing Director, who will share deeper insights into our business outlook and strategic initiatives. Thank you, and over to you, sir.

Chintan Shah: Good evening, everyone. I hope you all are looking forward to the upcoming Diwali festival and eagerly looking forward to your holidays. Wishing you all a joyful and safe Diwali in advance.

Before we dive into the festivities, let me take a few moments of yours to present our business outlook and update you on some of the recent developments. The Specialty Chemical industry continues to face challenges across major end user sectors. These challenges are arising largely from weaker global demand and increased competition from Chinese supplies.

Owing to geopolitical issues, the long transit times is also hurting the industry. But among these challenges, we also see some positives like ongoing reduction in freight rates, destocking by customers is nearly ending and bottoming of key raw materials, prices is visible. We foresee the trend of weaker demand will continue through Q3, as customers are cautious about the inventory levels towards the end of their financial year.

We anticipate gradual uptick in demand from Q4 and global demands to improve over the coming quarters. Despite the current challenges, I continue to remain genuinely optimistic. We have multiple products under commercialization, which will lead to a strong growth. At Tatva Chintan, we are confident in our ability to navigate these tough times with resilience while continuing to nurture and strengthen our relationships with existing customers and also bringing in new products and new customers onboard.

Allow me to provide an overview of developments in each segment of our business. Phase Transfer Catalyst. The business of PTCs continues to remain stable. During the quarter under review, we have got a large volume product opportunity with a new customer. We have completed the development of this new product in R&D, and as we speak today, the piloting of the product is ongoing. This is for a new application having ultimate end use in electronics industry. We anticipate the commercialization of this opportunity to happen in calendar year 2026.

SDAs. Weakening of demand of heavy-duty commercial vehicles is impacting demands of SDAs. Such reduction in demand can be evident from the fact that in the month of September, sales of commercial vehicles in China were down by about 22% year-on-year. The corresponding figures for US were down by 9% from a year ago. Sales of trucks in EU dropped by about 5% as compared to the previous year. The market anticipates a turnaround in commercial vehicle sales by early to mid-2025.

The commercial supplies to the new customers have begun slowly. Tatva has done a phenomenal job in successfully bringing those new customers on board with upcoming implementation of

Euro-7 norms and anticipated recovery in commercial vehicle sales, we are supremely confident of the growth segment -- of a strong growth in this segment.

Electrolyte Salts. Our customer for electrolytes for energy storage devices is in the process of stabilizing the newly established product line. The demand from the customer is anticipated to show significant growth from early 2025. The qualification process with the customer engaged in creating batteries for hybrid vehicles is advancing remarkably well. This encouraging trend suggests a strong alignment between our product and the customers' requirements.

The customer is gradually increasing the quantity of material required for their ongoing validation process and the anticipated onset of commercialization is from second half of 2025. With this anticipated commercialization of both the businesses, we expect the electrolyte segment to start reflecting as a reasonable part of the overall revenue from next fiscal year. The development work on high-purity electrolytes for the zinc battery is also progressing well. These opportunities give us a confidence that we are building a good portfolio of products having strong growth potential within this segment.

PASC. We have successfully executed the first commercial order of one of the pharma intermediates. The approval of second and that product is also progressing very smoothly. We will see gradual uptick in demand in 2025 and getting into full scale demand in 2026. The sample of fourth intermediate, the new opportunity, the fourth intermediate is now analytically approved by the customer.

The piloting of this multistage chemistry product is scheduled to begin post Diwali about mid-November and to complete in early January. I'm happy to inform that we received first commercial order for the first Agro intermediate to be supplied in Q4. The approval of another 2 intermediates is also progressing well, and we expect formal approval within Q3 or latest by very early Q4.

With the growth - with the expected commercialization of these Agro intermediates, we expect a strong revenue growth from these products. Our ability to maintain strong relationships with these customers and address their needs through technological and cost-effective innovations provides us new development opportunities even during these challenging times.

The trial of Monoglyme is running smoothly on the new pilot CFC equipment. With confidence in its performance and the safety measures implemented, we have now placed an order for plant scale equipment to ensure smooth production of this product at a larger scale. The anticipated installation and commercialization of production will begin by the end of calendar year 2025.

Regarding products with applications in polymers. We have successfully completed planned trials for 1 product using electrolysis technology. The outcome of this product is meeting the stringent quality requirements of the end use customer. Plant trial for the second product in this segment will begin post Diwali, both these products are expected to commercialize within next fiscal year.

Flame retardants. Finally, we have some news to share on this segment. One of our large customers has finally agreed to a flexible pricing mechanism and placed their first order with us to undertake commercial scale plant approval trials. We expect to ship out this order in Q3. With 4 products from this segment already in our portfolio, we are confident that we are well positioned to capitalize on opportunities once market conditions improve.

Moving ahead, the work of new distillation plant has been completed, further the new plan to increase the production capacity now has been approved by the management. Post structured design approvals, we expect to break the ground of this new plant by end of November. Our success in using electrolysis and continuous flow chemistry has generated a keen interest in the target markets, which is getting us new interesting development projects.

We have built a healthy pipeline of products in R&D, which will provide commendable and consistent growth over years to come. We have a robust pipeline of products across various stages like R&D, pilot level, plant scale and those under approval with customers or recently already approved. These products are poised to generate additional revenue beyond the company's current turnover.

The recent approvals we have received from various customers highlight the trust they place in us and our capabilities. These endorsements are a testament to our team's hardwork and dedication, and they provide us with a solid foundation to build upon as we navigate through these turbulent times. Our commitment to a customer-centric approach, combined with our dedication to innovation, positions us well for strong growth.

We remain steadfast in our principles, ensuring that growth of our investors and stakeholders is prioritized as we navigate this period and beyond. Once again, I wish each one of you a very happy Diwali and prosperous New Year. Now let me hand over the proceedings to our CFO, Mr. Ashok Bothra. Thank you all.

Ashok Bothra: Thank you, sir, and good evening to everyone present on our call today. The financial highlights for the current quarter, Q2 FY '25 versus Q2 FY '24 are as below: Revenue from operation of INR835 million versus INR967 million in Q2 FY '24. EBITDA of INR56 million versus INR202 million in Q2 FY '24. EBITDA margin decreased by 14% to 6.7% due to increase in COGS and other expenses by 12.6% and 1.6% Y-o-Y respectively.

There is a loss of around INR7 million versus INR78 million profit in Q2 FY '24. PAT margin was negative at 0.8% versus 8% in the same period previous year. During Q2 FY '25, exports stood at INR508 million, contributing 60% of the revenue. The major countries include USA., UK, China, Germany, Japan and South Africa.

The financial highlights for H1 FY 25 versus H1 FY 24 are as below. Revenue from operation are at INR1,890 million versus INR2,110 million in H1 FY 24. EBITDA of INR182 million versus INR416 million in H1 FY 24. EBITDA margin decreased by 10% to 9.6% in HY FY '25 due to increase in COGS and other expenses by 7.6% and 1.8%, respectively.

PAT of INR45 million versus INR173 million in H1 FY '24. PAT margins were at 2.4% versus 8.2% in same period previous year. That concludes an update on the financial highlights of the company. I shall now request the moderator to open the floor for question-and-answer session.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Aatur from ICICI Prudential AMC.

Aatur: So basically, I just wanted to get your sense in terms of operations, various segments, etc, we have been seeing continuous decline. So, just based on your interaction, how worse can things get from here? Like even from here, do you think things get materially worse in Q3? Or do you think there is no further scope of any material deterioration in terms of operations?

Chintan Shah: Yeah. Let me just first clarify a couple of things. Number one, the revenue, which looks at about 83.4 crores which earlier in the previous quarter was 105 crores. This 83.4 crore is actually -- So, basically what has happened our goods in transit which were in previous quarters. So, quarter ending in June, which was at about INR7.1 crores has actually gone to goods in transit is currently at INR17.53 crores.

Basically, as you are aware that the transit times have increased drastically because of this rate issue, let's say so. So, the longer transit time to US and to Europe is hurting. So, basically, typically speaking 3 weeks transit time has on an average increased if we compare an average between these 2 routes, which is impacting this change.

So, ideally, we have an additional material worth about INR10.5 crores, which is on transit on the way to the customer. So, now this has not been accounted in our sales as we have not yet invoiced it to the customer. So, ideally speaking, we have executed orders worth about INR93 crores, INR94 crores. So, technically speaking, the drop in revenue is not so drastic as it looks on these numbers.

Also, if you see the cost of materials consumed has actually, from the earlier, it was a very -- at about 54% levels, I believe, has come down to a range of between about 50% to 51% levels. So, the consumption of the high-value inventory is now nearing an end. So, we are seeing the improvement and coming back to better margin levels as we proceed from here.

As you asked how bad it looks going further, I would say it looks more or less similar in these numbers for the Q3 as we expect. And then as I said in my call, from Q4 onwards, we have commercialization of the new products beginning gradually. So, Q4 onwards, we see an uptick to the sales. So, Q3 would be more or less similar to the numbers what we look here or maybe a little better than this.

And so, I think this is the end of what worst we can see is what we are spending at as of now. And now we are absolutely optimistic of gaining from here. Also, we see 2 large products on the Agro intermediate sides, which are under promotion which are under validation with the customer as of today. We expect them to start commercially probably by February, March or latest by Q1 of next financial year. So, this is going to put in a strong growth in terms of revenue numbers once this thing starts getting commercialized because these are very large opportunities.

So, potentially 6 opportunities in terms of Agro and pharma intermediates and 2 opportunities on the new polymer products. We see commercialization of all these products beginning from January until June, is all these things getting into commercialization. So, I think we are leaving the worst times behind us as of today and moving forward into the positive territory from here, definitely from December onwards, so from Q4 onwards.

Aatur: And these are, sir, export opportunities?

Chintan Shah: Yes, these are all export opportunities -- all export opportunities. So, the polymer products, what we have, they also have potentially a very good market in India. But currently, the customers with which we are focusing is primarily on the export market.

Aatur: Sure. And just on SDAs, like you, at last call, helped us understand that there will be some uptick in Q3 followed by Q4, but anything that went wrong like in SDA, we saw decline instead of a moderate growth kind of scenario?

Chintan Shah: I mean, it could have been nearly at par had good access to the raw material availability. So that is one small part, which is still continues to hurt us because of short, what you call a shortage in our typical raw material, which is a kind of a by-product for an Agro product. So, because of the Agro market being down, so the production of this by-product is also down, resulting in poor supply situations, which is causing certain sales still into a daily mode.

But honestly speaking, I would say that demand has actually sink with a sharp shrink in the volumes of heavy vehicles. So, the businesses of trucks globally have shown a sharp decline, which is leading to this kind of a shrinkage in the demand for the where we have the new demand.

Now as I had said in my earlier calls, if I remember correctly, we have also onboarded two good customers having applications on the petrochemical side. So, we are kind of trying to balance this temporary phenomena of loss in terms of volumes on the vehicle applications getting balanced by the petrochemical side. But of course, it is irreplicable because the sales of SDAs on the vehicle application is much larger compared to that on the Petro side.

Now going forward, we have -- as I have said, we have already onboarded very large 3 interesting customers. We are strongly footed into our existing customers. So, we have now a good portfolio of customers on hand to cater to. And with upcoming Euro 7 application, which potentially should start commercializing, it is already into a commercialization phase slowly. But it should show a real strong foothold of Euro 7 application beginning from nearing mid to end of 2025 as it goes actually applicable from 1st January 2027.

So, we see that this is also kind of potentially by Q3, end of Q3, then we should see a systematic uptick in terms of volumes coming in and I'm absolutely sure, there's not a single percentage point of doubt that this sector will show phenomenal growth in coming years. There is no doubt about that.

Aatur: Thank you, sir.

Moderator: Thank you. The next question is from the line of Chintan Patel from Abans Investment Managers. Please go ahead, sir.

Chintan Patel: Sir, in the previous interaction, you have guided the top line growth around 20%- 25% for the year. What would be your revised guidance? You are stick with your guidance?

Chintan Shah: So, the numbers reflect H1 should potentially reflect or slightly better in H2. So, there is definitely a downward revision in terms of revenue numbers for this current year. But this should get compensated definitely in the next financial year. Considering the market conditions remain same, but still, we will have a lot of new revenue pipelines coming in. So, considering that market continues to remain so bad, still we are adding a lot of new products into commercialization. So, this will suffice and definitely fulfil the gap that we see in terms of growth. So, these new products in switching and give you a decent growth in the next fiscal year.

Chintan Patel: Okay. And sir, regarding this SDA. So how is the price realization trend and our key Raw Material price in last quarter, you have said that it is a bottom level. So see...

Chintan Shah: Yes. So now the prices have very much stabilized and practically not only on the raw materials for SDA, but generally speaking, most of the raw materials have kind of stabilized? Or I would say right now, they are stable at the bottom level. So, my strong belief is there is no going down further from here. The only way it can go is move up. So, they are really at unrealistically low levels as of today. Meeting probably records of last 20 years. And there are no further possibilities of any further reduction. It has to go up from here.

Chintan Patel: Okay, understood. And for the new distillation plant, what kind of the capex required?

Chintan Shah: The estimated capex is at about INR104 crores, INR105 crores. So, we were planning at INR70 crores, but then we went in to utilize the maximum available plot area so that we don't have to end up into a next phase of construction because this is the last plot available on this side, on the existing, Dahej Site. So, we went up with whatever maximum is possible, and this leads to roughly about that capex and this particular plant at about INR105 crores.

Chintan Patel: INR105 crores, Okay. And the last one, just a need of clarification that the trial is ongoing on a Monoglyme and this Monoglyme will commercialize end of the calendar year '25? That is right?

Chintan Shah: Right now, we are successfully piloting at a 10 kg catalyst level. We have our equipment for 100 kg catalyst levels ready, except for 1 cooling system is missing, which is expected to be delivered roughly in the beginning of January. So as soon as we receive this cooling system from 10 kg catalyst scale, we'll moved to the 100 kg catalyst scale. And we have already placed order for our final equipment with 1,000 kg catalyst capacity. So that we expect delivery somewhere by about June of next year and then commercialization of that equipment.

Chintan Patel: And what is the market size for the Monoglyme.

Chintan Shah: So, the equipment which we are installing will have a capability to produce roughly about 2,000 metric tons. So, this is valued at about -- roughly at about $4 a kg.

Chintan Patel: Okay. And what is the market size globally?

Chintan Shah: I estimate roughly at about 12,000 to 15,000 metric tons a year. So, this has multiple application areas. One is into the pharmaceutical application where it is being used as a solvent, and it also has applications into your batteries, lithium batteries where it is used as a blending solvent within the electrolyte system.

Chintan Patel: And sir, several players are now setting-up their electrolyte plants or electrolyte source. How do you see the industry in the electrolyte source and how the competition is shaping out in this industry?

Chintan Shah: So, most of the announcement, what we hear as coming in from the Indian players, are all involved with the lithium battery. So, the place where we are involved is definitely absolutely nowhere close to the lithium battery application. We are into the super capacitor batteries and the zinc battery application. So here, we don't see any competition in both of these two segments within India. So, we have two prominent competitors coming in from China. And we are the only player coming in from India. So practically speaking three large supplies where we are one of them.

Chintan Patel: Okay. Understood.

Moderator: Thank you. The next question is from the line of Nirali Gopani from Unique PMS. Please go ahead.

Nirali Gopani: Yes, hi. Thanks for the opportunity. Chintan, I have just one clarification on the numbers that you gave. So, if I -- just for the goods in transit of worth of INR10 crores for the quarter, then ideally, we are here at a very good margin for the quarter. Is that understanding right?

Chintan Shah: See basically we have additional goods in transit compared to previous quarter at INR10.5 crores, the cost of this material. So, the cost of products in this material is already being reflected in these numbers. So, estimating, let us say, it is holding the similar cost of material consumed at about 51%, then technically we are looking at an additional EBITDA of about INR5.25 crores.

Nirali Gopani: Sir, the question that I'm asking is that we have recorded the cost for this good in transit which are worth of additional -- so I just have to add that much to the revenue and I don't have to add anything to the cost, right?

Chintan Shah: Not only the revenue. Cost of material has because this material right now is on our books as technically as an inventory as finished goods. So basically, it inflates the inventory. So, it has consumed all the costs. So raw material cost is still not consumed. So theoretically if it is INR10 crores of goods in transit, we are looking at INR5 crores to be -- yet to be booked in the books as profit rough number.

Nirali Gopani: And second on this SDA part so the fall that we have seen Y-o-Y and Q-o-Q is basically all volume decline and no price decline or there is a further price decline also?

Chintan Shah: No, now prices have absolutely stabilized. And honestly speaking, I don't see any further -- potential of any further price decline. There should be an uptick from here because absolutely, these prices are unrealistically low. So unbelievably low pricing of raw materials which just doesn't even justify -- potentially doesn't even justify the raw material cost.

Because as you know one of the key SDA for that we have backward integrated to even go to produce the raw material, to give a security of supply to the customer. And that is how we onboarded one of the largest customers this year with this argument. So, we know what is the cost of production and we feel there is no sense in making this product. It is available cheaper compared to our raw material cost. It is available much cheaper as we import the product. So that is the situation.

Nirali Gopani: And the capex number that you gave worth of INR100 crores. So that will be incurred in this year or that is for the plant which is going to be operational in the month of October like in the current month that...

Chintan Shah: No, no. So, we are breaking ground for this plant. So, we will start construction post Diwali and this will become operational after 1 year, so November of next year. November of 2025. Basically, we are gearing up for -- so we have these two larges I mean two large Agro products in the qualification and currently we can only make certain volumes so that we will continue to make in our existing facilities in next financial year. But the potential of that product is even further higher. So that is the reason why we are kick starting to build this plant considering the size and the volume of that facility.

Nirali Gopani: Right. And according to you, if the revenue picks up in, let's say, fourth quarter we should see some margin improvement going ahead?

Chintan Shah: Fourth quarter will not be a very strong improvement in terms of revenue. But definitely from Q1, it will -- so fourth quarter -- ending the fourth quarter we should see some commercialization of this product. And, of course, a smoother or a regular commercialization or if you say a full quarter reflection of these new products should be visible in Q1 of next year.

Nirali Gopani: Okay. Fair enough. That's it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

Sanjesh Jain: Good evening, sir. Thanks for taking my questions. First, just wanted to understand last 2 years has been where we have struggled and we haven't seen any material commercialization of the new products or any material addition to the revenue from the new product. Now we are very confident that CY '25 will be first year we will see commercialization and hence our revenue growth and we are also committing the capex. Even in the previous cycle, we committed another INR250 crores of capex and the results haven't been any heartening for last 1.5 years. What gives you confidence that the things will turn around very sharply in CY '25?

Chintan Shah: Sanjesh, typically we are talking of 8 products successfully done on R&D scale, successfully run on pilot scale approved by the customers. Most of these products, I believe about 5 products already run on plant scale approved by the customer. Two products produced at plant scale under approval with the customer and 2 products currently running success, so approved by at pilot scale, but running successfully on plant and now going to be delivered to customers for approval.

So, none of the things are like ifs and buts. So, most of the things are either already approved at the plant scale or they're approved at pilot scale and under evaluation of the plant scale material or currently being produced at our plant scale. So, considering the quantum that we are looking at as forecasted. Of course, I can understand considering the Agro market as of today. There could be a potential up and down in terms of volumes, what the customer commit maybe 20%, 30% lower than that may end up.

But eventually, this is the kind of volumes we are looking at a simultaneous commercialization of 7 to 8 different products in different segments, Pharma, Agro and Polymer. So, we will meet the space to produce, otherwise this doesn't at all make any sense if we are not able to fulfil the customers. And each of these products is coming in with something or the other which is having its own specialty in terms of technology.

So, it is very important for us to even demonstrate the capabilities going on a commercial scale with these products and these new technologies.

Sanjesh Jain: Fair enough. Would it also mean that we overestimated the approval process or we didn't realize it will take longer than what we thought in terms of bringing this product because we have been talking about this product now for almost 18 months. And we also commercialized this entire new plant in Dahej in the month of April which is already 9 months into the operation. Were we -- did we go wrong in the timing estimates of the product?

Chintan Shah: We didn't go wrong in timing estimate of the product. Where we got wrong is we could not estimate that the markets would go into such a direction. And unfortunately, for us, I'm not just talking generally about the chemical industry. I'm particularly -- in particular talking about Tatva Chintan. So, if you see, from where we theoretically generate maximum revenues from this segment:

One is the automotive segment from which we have our SDA revenue coming in, we have the Agro segment from where we have a lot of revenues coming from the -- for the phase transfer catalyst as well as for the PASC segment and the third potential of large revenue is our business with the polymer customers. And unfortunately, in the last 2 years, all these three segments have been performing really, I would say -- I mean, on the global market. Indian markets have performed a little differently.

But on a global scale or the large innovators, I would say, because we are working -- our customer base is mainly the large customers, large energy companies. And these have been definitely struggling in terms of -- see real competition from the Chinese supply is not directly a competition with Tatva Chintan.

But these Chinese supply competition is actually directly with our customers. So -- and they have been struggling a bit in certain products and demand which has hurt us in the last two years. It is not that we have gone or estimated wrong but the kind of market that has evolved in the last two years and predominantly we see that automotive, Agro and polymers, all three have suffered in the last 1.5, 2 years, and that is what is abnormally showing a deep reflection on our numbers for growth as well.

Sanjesh Jain: Got it. Got it. To follow up on the new products, what we have spoken about. First, on the Agro side, 3 products; and pharma side, 3 products. Have we received the POs and if so, what is the opportunity you see immediately and for next 3 years?

Chintan Shah: Immediate opportunity, if we're talking about this financial year, this is not really big because these are just onset of 1 pharma product, we have executed order of roughly, I believe, about INR8 crores and we expect INR6 crores to INR8 crores revenue coming from that potentially in the first quarter as well. In terms of Agro, the first product, which is commercializing and we have to make supplies in Q4, so January to March quarter. So, it is roughly at about INR8 crores, INR7.5 crores to INR8 crores of execution happening in the Q4 of this fiscal year.

But if you say a composite, what we look at 3 pharma and 3 Agro products put together having revenue, I would say close to at a lower scale, estimate between INR80 crores to INR100 crores in terms of revenue for next fiscal and potentially doubling that between INR200 crores to INR250 crores of revenue potential going in the next financial year, so FY'27.

This is the size of opportunity which we are looking at with the customers that are committing. Let us see how things evolve from here. But I'm pretty confident this has to move on. These are existing products for the customer, where we are bringing in value to them in terms of putting this product to new technologies or bringing cost benefits to them by using a different technology than the conventional one. So, it's a win-win situation for us as well as for the customers. So, there is no way things performed well, the products performed well on this plant side and they're going to get validated. There is no reason why customers should not buy from us.

Sanjesh Jain: Got it. And when you say this INR80 to INR100 next financial year and INR200 to INR250, you are talking about all the pharma and Agro put together?

Chintan Shah: And now I'm trying to be very conservative in the way we have been talking and things have been evolving in the last few quarters. I'm trying to be very conservative in what I'm saying.

Sanjesh Jain: Got it. And on the last question, on the electrolyte side, you mentioned that your customer is stabilizing the plant. So how does that segment which has been subscale for us, how is it turning in next fiscal year?

Chintan Shah: So, we have already started initiated commercial discussions with this customer, and we expect to conclude this probably during Diwali time or potentially by mid of November, this will get concluded and this is definitely a very exciting opportunity for the product we have been supplying on smaller scales than they are using different technologies in production, and now they are advancing their production capabilities. So, with this, the volume, what their demanding is going up significantly higher. So, we estimate a few million dollars in terms of revenue coming from this segment. USD2 million to USD5 million in terms of revenue, we expect to come from this segment.

Sanjesh Jain: Got it. And our cost base should not grow exponentially, right? Because the plant is fully commercial so a significant portion of the gross profit should move to EBITDA and PBT?

Chintan Shah: Exactly. See, basically, if you see the numbers of this quarter, so I would say, I mean, this is a very negligible EBITDA, I would say. But this is theoretically, at these revenue numbers, we are consuming all the costs. So, anything going up from here, we don't require more manpower to handle this. We don't require additional power to go on from here. Everything is running smoothly at this cost level. So, except for the direct cost, in terms of freight or packaging besides the raw material, so theoretically, when you are increasing the revenue from here, you are directly hitting the EBITDA numbers.

Sanjesh Jain: Great, Chintan bhai, thanks for answering all those questions patiently and best of luck for the coming quarters.

Moderator: The next question is from the line of Rohit Nagraj from Centrum Broking. Please go ahead

Rohit Nagraj: Thanks for the opportunity. Sir, first question is for the current set of products that we are manufacturing, what would be the overall size of the market? And what is our market share? And based on your understanding, what could be the growth rate? And second, aligned question to that is the new products, which are currently in pipeline and which will get commercialized over the next maybe 2, 3 quarters, what is the potential size of that market? And what is the market share that we are targeting in a particular time frame?

Chintan Shah: In terms of segments, if we say we can define this, the question only for 3 segments, which is based on for catalyst, where we believe in terms of export market, we handle roughly about 25% to 30% of the volumes. So that is the market size, what we foresee. In terms of SDAs, we typically are at about 12% to 15% in terms of market share. Probably between 15%, 16% is my estimation, right?

So, there are no definitive numbers by which I can very strongly say, but this is a very fair estimation based on our market information or market intelligence. So, we are at roughly about 15% and market size is nearly 7x of what we are catering to. And this market size is going to even get bigger by nearly 50% once the Euro 7 kicks in.

So, we still have a very decent opportunity of growth in this segment. And in terms of electrolytes for super capacitors and the zinc batteries or the energy storage devices, practically, we are hardly selling anything. So, all these are into conceptual stage. And now one of our key customers is commercializing with very immediate effect is going into commercialization.

And we are already expecting few million dollars in terms of revenue coming from one single customer on this. And this customer is expecting what they are forecasting. I'm not sure whether how far they will perform or not, but what they are estimating in front of us is 4x of today's number within next 4 years. So, something which is not absorbable, but these are the kind of forecast that they are giving me.

So that is the market potential coming in from the energy storage system. And this I'm talking for one single customer. We are already working with another customer where our product is now fully up, too. But still, commercialization is not visible, probably by end of 2025, what I'm expecting something to start to move in that area.

And in terms of super capacitors, now these things are into commercialization phase. So, our key customers, the largest customer, with which we are working right now is having this application into automotive battery. So, it's kind of an ancillary battery along with the lithium battery for the electric vehicle. So, see the concept, how it works is the super-capacitor batteries get recharged when you apply breaks. And then this recharge continuously being recharged batteries constantly deliver energy to the lithium battery, so as to tap up the number of hours for which it can operate efficiently. So, increasing the performance of the lithium battery is actually the function of the super capacitor battery. So that is how the hybrid concept is coming in.

Now if you know there are also certain concepts of hybrid cars, where they say, you don't have to connect it to power. So, these are auto-chargeable hybrid vehicles is what is the new concept coming in. So, it is nothing but having an application for super-capacitor batteries where the kinetic energy generated during the breaking, keeps on charging the other battery, whether it be your lead battery or whether it be lithium battery or any form of battery.

It keeps on recharging the battery. It's continuous. So now this is a very interesting application. I don't have the potential numbers. Again, what the customers forecast is very difficult to digest, but this is again running into a few million dollars of opportunity for us from this single customer in this particular application area.

Now talking in terms of pharma or Agro intermediates, we are looking at one or two potential customers of particular products which we have developed for them. I mean it's a generally available product, but we have developed using either electrolytic technology or we are developing our own catalyst product, to run the continuous flow chemistry. And looking at this potential, as I said, we are looking at an opportunity between INR200 crores, INR300 crores in in terms of revenue.

And this, we are looking at only one or two customers for each of the product. The market is wide open, applications are really big, and these are very commonly being used Agrochemicals, produced by number of players. Now because a lot of them have already been off-patented, so there's a large market potential to cater to. But right now, we are only focusing and working and getting validated for particular customers, which are already our existing customers for different other products.

Polymers as you know, we have catalyst for polymerization as a part of our PASC business. Then we have these different segments, which we call brominated flame retardants, where we work with, again, the polymer customers. And now we have these new products in the polymers, a different type of catalyst for the polymers. And this is, again, a very big segment turning into few thousand tons, but right now, we are just focusing at 500 to 1,000 tons in terms of volumes to cater to. This is, again, another product area where you can see a very large demand potential.

But that's not what we are forecasting or that's not what we are focusing right now on. Right now, we are just working with one particular customer asking for a few hundred tons of this product. And then this is replicable and reproducible for other customers as well.

Rohit Nagraj: Thanks for the elaborate answer. The second question is the upcoming capex that you talked about. Once this particular leg of capex is done, what is the next cycle of capex that will start kicking? I mean, just to understand whether this capex will be sufficient for the next 2, 3 years before we go on for the next leg of capex?

Chintan Shah: No, no. So, this capex is being done at our existing site at Dahej SEZ. And we have one other piece of land exactly similar in terms of size of our Dahej plant. So, this is in a normal tariff area. So, it's not in an SEZ, but it's in a domestic tariff area, but within the Dahej industrial area. So, this is where we intend to. So, we have already started doing master planning and designing activities for that part. So, as we see the markets to improve and as this commercialization, we see a success is setting in, and I'm pretty sure we are going to run out of capacity within next 1, 1.5 years, even from the new capex what we are intending to do.

So, we will not wait for things to turn around. Potentially, within next 6 to 8 months, we'll have to open up the construction for the new site as well. And that is where we are looking at a capex of about INR200 crores to begin with as a part development of the project.

Moderator: The next question is from the line of Krishan Parwani from JM Financial.

Krishan Parwani: Just one clarification from my side. I think you mentioned that the flame retardants category is seeing good traction from the customer. So, what has changed given we see that the bromine prices continue to remain subdued? And that's part one of the question. And the second part is, from where would you procure bromine? Would you be procuring domestically or would you be importing the same? Thank you.

Chintan Shah: Krishan, we have been -- so this is our first target customer with which we have been talking since last 2, 3 years. And it's a very large global multinational customer based in Europe. So that is where we are going to take it to the demand. So finally, after a lot of convincing we agreed on a cost plus basis. So, we have fixed up a pricing mechanism. So irrespective of where the market price is, because realistically speaking, today, the level at which the market price is, is absolutely an unrealistic, unviable option to even think of producing these items. It is so low.

So, considering the raw material prices, it is absolutely unviable to even think of producing these flame retardants right now. But what we have now been successful in negotiating with this customer is on a cost plus basis. So, this is the price of X raw material. This is the price of bromine. And then this is my conversion cost and margin on which we will sell. So as the pricing changes, plus or minus, the price of the product keeps on changing. So that is how -- we intended always to do it that way because of the fluctuations and the situation or a severe terrific competition or drop in prices.

And now finally, after 2, 3 years, customer has agreed to induct us as -- potentially, I feel what has changed I feel is the geopolitical situation within the Israel area, Israel-Jordan area which is actually the key producer of bromine and brominated flame retardant production is highest within that geography, probably. This is just my assumption. I'm not sure whether that is really impacting, which has pushed the customer to talk to us.

But eventually, after so many years or so, we have been successful in convincing the customer to go on a cost plus basis. So, we don't intend to make abnormally high profit margins. If the markets turn around, things may look differently. But this is a much safer way to start commercialization, at least to start commercialization of the end customer.

Krishan Parwani: So, the margins would be lower than the current company margins probably, or how would that be?

Chintan Shah: These are like more similar on lithium. So, this would be definitely a lesser margin even than the PTC, but not too bad. Considering the plant is getting occupied, your overheads are being absorbed. So, this is definitely a doable thing.

Krishan Parwani: Okay. And I think -- sorry, just one clarification on the point that you mentioned that probably Israel-Jordan situation is helping us. But I think one of the bromine producers, they mentioned that they have not seen any benefit from that situation in Israel. So, I was just wondering where is the disconnect or what are we missing here?

Chintan Shah: I said I'm just assuming. Logically, I think that could be a matter of concern for the customer, whether it is really not impacting the market, that may be true. But probably that has impacted the psychology, the way the customer thinks. So, potentially, that is the reason why they might have come to us, that we have access to bromine in India. We can produce it in India and we can export it to Europe, not having any kind of a traction between the conflicted area.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Ashok Bothra sir for closing comments. Please go ahead, sir.

Ashok Bothra: Thank you. On behalf of management of Tatva Chintan, thank you for joining us on our earnings call today. We hope we have been able to address majority of your queries. You may reach out to Mr. Ajesh Pillai or our Investor Relations partner, EY, for any further queries that you may have, and they would connect with you offline. Once again on behalf of the Tatva family, we wish a Happy Diwali to all of you. Thank you, Mr. Sanjesh Jain, for hosting our call. Thank you.

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