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Archean Chemical Industries Limited

August 09, 2024

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Symbol-ACI

BSE Limited
Listing Operations
Phiroze Jeejeebhoy Towers Dalal Street
Mumbai-400001
Scrip Code- 543657

Dear Sir/Madam,

Sub: Transcript of Earnings Call

Reference: Regulation 30 of the SEBI (LODR) Regulations, 2015 ("Listing Regulations")

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 05th August 2024 post announcement of financial results of the Company for the first quarter and three months ended 30th June 2024.

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

Kindly take the same on record.

Thanking you

Yours faithfully
For Archean Chemical Industries Limited

R Raghunathan
Chief Financial Officer



“Archean Chemical Industries Limited Q1 FY25 Earnings Conference Call”

August 05, 2024

“E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 05th August 2024 will prevail.”



**MANAGEMENT: MR. RANJIT PENDURTHI – MANAGING DIRECTOR,
ARCHEAN CHEMICAL INDUSTRIES LIMITED
MR. N. R. KANNAN – EXECUTIVE DIRECTOR,
ARCHEAN CHEMICAL INDUSTRIES LIMITED
MR. RAGHUNATHAN - CFO, ARCHEAN CHEMICAL
INDUSTRIES LIMITED
MR. RAJEEV KUMAR – DGM (FINANCE), ARCHEAN
CHEMICAL INDUSTRIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to our Archean Chemical Industries Limited Q1 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 date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ranjit Pendurthi - Managing Director of Archean Chemical Industries Limited. Thank you and over to you, sir.

Ranjit Pendurthi: Thank you. Good morning, ladies, and gentlemen. We wish you all a warm welcome to our Q1 FY25 Earnings Call. Thank you all for being here today.

Today, we are joined by Mr. N. R. Kannan - our Executive Director; Mr. Raghunathan - our CFO; Mr. Rajeev Kumar - our DGM (Finance) and SGA, our Investor Relations Advisor.

I assume everyone had an opportunity to go through the Financial Results and Investor Presentation which has been uploaded on the Stock Exchange and on our company website.

I will further give you a quick snapshot on the industry and recent developments of the company as well. Post that, Mr. Raghunathan - our CFO, will walk you through the operational and financial performance of the company.

To start with the industry highlights:

The chemical industry has been seeing some green shoots recently and after a brief period, we are also witnessing the same. There is some restoration and stabilization of demand in the chemical industry in the last few months. Although it seems momentary as demand across the end user industry remains a bit weak and China continues to struggle to revive its economy, we on the other hand has experienced some delays on availability of vessels, containers and increased freight costs which pose some challenge for Indian manufacturers. This has impacted the overall dispatch and business momentum across the board. The same, of course, has affected many major Indian exporters, especially in the chemical industry.

As you may already know, export accounts for more than 70% of our total business. This recent logistics-related challenge has had a bearing on the delivery schedules as well as some impact on shipments. However, to note, we continue to have healthy enquiries across all the products

and expect to have a good recovery in the coming quarters. We have been consistently reviewing our internal measures to mitigate any rising cost as well as to stabilize dispatches in a timely manner. Our team, of course, is in constant touch with all our clients and is grateful for their support.

To give you a quick glimpse on the recent developments on respective products:

To start off with Bromine, we continue to see a steady demand from the domestic market as well as encouraging market pickup on the export side from all end users like Agro Chemicals, Pharmaceuticals and Flame-Retardant manufacturers overseas. Export market as well had an uptake in demand in this quarter and should gradually improve in the coming quarters. We aim to produce nearly 22,000 to 25,000 metric tons of Bromine for the year, including captive requirements.

On the Industrial Salt front:

Industrial Salt suffered some dispatch delays in Q1 FY25 and as you are aware, export markets account for the majority of this business, greater than 95%. To give you more insight on the same, a large fleet of trucks are being engaged on a daily basis for movement of Industrial Salts from the plant through both Jakhau and Mundra ports for exports and vessels. The quarter gone by had been difficult to manage due to shortage of trucks as well as non-availability of berthing schedules at Mundra and Jakhau. This switchover generally happens before the monsoon period starts in April and we lost a couple of weeks in the shipment movement from switching from Jakhau to Mundra, hence the dispatches were reflected in the quarter being lower than similar quarter last year. However, the demand remains firm, and customer contracts continue to be in place, and we only believe this to be temporary. We continue to remain optimistic in the Salt segment and expect a good recovery in FY25. However, this growth will be contingent on how these external challenges ease out in the coming quarters. Here, we will focus more on improving our processes and cost efficiencies as well as the logistics.

SOP, the third product that we produce:

The SOP we continue to make significant headway over the last few months and recently have commissioned the pilot plant at the technology provider's lab with a larger sample size. And we continue to contemplate to make a second-grade SOP and are seeing some enquiries from both the global and domestic markets, so we should start seeing some sales in the third quarter. So, it is a work in progress as we have said before and we continue to expect meaningful contributions in H2.

Moving on to Acume:

Our subsidiary for the Bromine derivative business, the Clear Brine Fluids, and the PTA Synthesis business. The response to CBF and PTA Synthesis is very encouraging and has already

received approval from around 10 odd clients. We are in discussion with more than one-third of our total client base. Given that this product is more technical than elemental bromine, we are actively engaging with clients to conduct trials and determine specific requirements. We have seen favorable progress in these products and expect a healthy contribution in FY25.

The fifth part is Oren Hydrocarbon:

We received the NCLT order on 9th of July 2024 for acquiring this unit. This unit focuses on the Hydrocarbon space and serves the Oil & Gas and drilling industries. The key rationale behind this acquisition was to offer a product basket to clients by adding Specialty Mud Chemicals and CBF products. This will help to build a long-term relationship with them because these derivative products are complementary to each other as well as to our Bromine derivative business. We have made some investments in these units to refurbish them and restart the plants and we will expect business to start from H2 FY25.

Going forward, we will be establishing relationships with new clients, broadening our product portfolio, and ensuring the stability of our new manufacturing site. We are certain that we will grow gradually in the coming years.

That's it from my side. Now, I would request our CFO – Mr. Raghunathan to run through the Financial Performance.

Raghunathan:

Thank you, sir, and very good morning to all the participants on the call.

We are pleased to report a notable performance for this Quarter.

To give you a quick Financial Summary of Q1 of FY25:

On a standalone basis, the total revenue for this quarter should at around Rs. 2,234 million with the drop of around 37% on Y-o-Y basis. As highlighted by MD, the drop is predominantly due to the logistics challenges at the ports. Export market accounted for around 72% and the balance 28% there from the domestic market. Bromine contributed around 44% of the total revenue and Industrial Salt contributed around 55%. The balance of 1% has come from SOP. (Numbers rectified which was earlier stated erroneously)

EBITDA for this Q1 stood at around Rs. 849 million with a margin of 38%. Various operational efficiency measures have been undertaken across all activities to hold on to this margin range. Net profit after tax for this quarter stood at around Rs. 485 million.

With this, we conclude the speech, and the floor is open for Q&A. Thank you.

Moderator:

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

- Sanjesh Jain:** First, I want the breakup of the revenue and volume for the Salt, Bromine and SOP for this quarter, what is the sales of revenue as well as volume sales?
- Raghunathan:** The revenue of Salt for this quarter is around Rs. 1,172, Bromine is around the Rs. 937 and SOP is around 2.
- Sanjesh Jain:** And volume?
- Raghunathan:** Volume, the sold quantity of Salt around 660,000, Bromine is around 4,700 plus and SOP is around 66 tons.
- Sanjesh Jain:** This is Ranjit, the entire lower volume in Salt is attributed to the dispatch problem or this is a significant pressure on the caustic and soda ash player in terms of realization, has that also started catching up?
- Ranjit Pendurthi:** So, as you all will be aware, we have fixed contracts on Salt and those contracts continue to run. So, there is no challenge for us on the sales side. All those contracts have already been signed and continue to come through. Our challenge has purely been on the fact, as I mentioned in April, we had a switchover from Jakhau to Mundra as we do every year. However, in this particular case, we lost almost two weeks because the weather turned abruptly bad, and monsoon has come a bit early in there as well in that region. So, we had to move to Mundra, and we had some delay. Hence, there was a drop in volume as I also indicated, but having said that, there is no issue with regard to all our exports on the customer side. All of them continue to offtake the contracts as signed.
- Sanjesh Jain:** And again, precisely on the monsoon, this time monsoon has been very good particularly in the western part and you have said that the monsoons were early as well, are we seeing any weakness for the second-half, we generally get impacted by the monsoons and production get a little bit slower than other quarters?
- Ranjit Pendurthi:** I think monsoon has been extra good this year, so I think it bodes well for the country and the economy considering that it has a large impact on the agricultural sector and if the agriculture sector does well, the agrochemical sector does well and thereby we do well, I think that is the run up to us also coming through with better performance. So, I think as that sector improves its outlook over the next few quarters, I think we will probably run parallel to that improvement in what we do as well. So, coming to you specifically on the second half, yes, historically it is a bit weaker simply because of the rain and there is some amount of dilution in the concentration levels in the brine. But I think we are prepared for that as we are every year, and I don't think we will deviate too much from what we set out as targets even historically.
- Sanjesh Jain:** The next on the Bromine side of it, last quarter we were looking at a volume of 25,000 to 28,000 metric ton for this year and now in your opening remarks, Ranjit, you said 22 to 25, there is a small dip in the expectation of the Bromine volume. Any particular reason you are seeing a little

softer first half impacting the volume, or you expect the recovery should be more gradual than what you thought earlier?

Ranjit Pendurthi: I think on a volume basis, I think we have done better than we did last year, same period. So, I think we are a bit ahead. I wouldn't say largely ahead, but marginally ahead. So, I think that is the healthy side. I think as a derivative plant ramps up, I think we will start consuming a bit more there. I think we have just been a bit conservative on what we have said in the beginning, what I have mentioned in fact, 22,000 to 25,000, I think we just, like I said, being conservative and not being unnecessarily aggressive. Just to clarify, I think on the demand side, we have no issue because as you would see, the exports have come back on stream. We are doing quite a bit on export and domestic market as I mentioned remain healthy.

Sanjesh Jain: On the Acume side, it has been two quarter, we have been manufacturing and you rightly said that we have 10 approvals from the 10 clients, when should we expect the supplies to accelerate, it is more second-half and do we still stick to that 50% kind of capacity utilization for this FY25?

Ranjit Pendurthi: I think the sales will start coming through in H2 as I indicated. At the moment, I think we would probably be in a better position to tell you maybe on the next call or over the next couple of months, the ramp up is going on and on the demand side, I think we remain encouraged seeing the response we are getting. And also, I think it is giving us a chance to do some specialty products that others are not doing. So, I think you will start seeing the sales come through over the next couple of months starting maybe September, but again, on the same side, I think from October the second half.

Sanjesh Jain: One last question on the Oren, now that we have all the approvals, when should we start the plants there? I believe there are some 5 or 6 plants, are we commissioning all the plants, or it will be more phased way?

Ranjit Pendurthi: I will take the second part first. I think it will be in a phased manner because they are different plants. So, they would, we are exercising caution. We don't want to jump in and start spending money everywhere. So, I think we would like to be a bit more pragmatic in what we think we should start. So, we are starting the two plants that have direct connection to the Oil & Gas, Drilling industry, as well as the Clear Brine Fluids products. So, I think we are going segment wise. That is why we are going fast.

Sanjesh Jain: And from the product, it will be all Starch, Barrett, and Bentonite, all will be there, or it will be more of a Starch?

Ranjit Pendurthi: It will be Starch and Barrett.

Moderator: Thank you. The next question is from the line of Yashita Banka from Ratnabali. Please go ahead.

- Abhinav Chandak:** This is Abhinav Chandak here from Ratnabali. I have one clarificatory question on the volumes that you said, so I wanted to know your Salt volumes you said was 6,60,000 tons for the quarter, correct?
- Ranjit Pendurthi:** Yes.
- Abhinav Chandak:** So, why this dip is something you said because of logistics. So, you assume that, or you feel that next quarter the volumes would pick up and the loss for the current quarter would be made for? What is your guidance for the Salt volumes?
- Ranjit Pendurthi:** I think we don't necessarily see quarter to quarter in terms of how we do the business because the contract by nature are long term, one year, two years. So, I think we measure what we are delivering to customers and really backlog, and any certain customers and those shipments will also be completed. So, our contractual obligation is to complete the contract we have in place before March, so we will do what is required to ensure that we stick to that overall volume.
- Abhinav Chandak:** Are you giving any overall volume guidance for the year also for the Salt like you gave for Bromine 22 to 25, is there anything for Salt also?
- Ranjit Pendurthi:** I believe we have given in the previous calls, but.
- Abhinav Chandak:** Still maintain that?
- Ranjit Pendurthi:** But I think, yes while we don't see a reason to change it at the moment.
- Abhinav Chandak:** Sir, I had one more question on one of your subsidiaries, which you have recently formed in some semiconductor business. Can you throw some light on what exactly they are doing? What acquisition they have done and tie-up with Odisha Government, what exactly is it? Can you throw some light on that?
- Ranjit Pendurthi:** I think it is a work in progress. We do have a tie-up that we signed with IIT Bhubaneswar. We just started some ground work on silicon carbide crystal growth, which is in the semiconductor space. But I think over the period of the next few months, we will probably have more to speak about that beyond what I have mentioned now.
- Abhinav Chandak:** What exactly we will be doing there, sir?
- Ranjit Pendurthi:** With IIT, all projects generally are research and development in nature, R&D. So, I think we clicked off in R&D like I said, I think what we do with it will probably be clearer over the next few months.

Abhinav Chandak: As far as this Oren acquisition is concerned, you mentioned that from H2 FY25 the numbers would start to come in. How much of a delta would this give to our margins if you could give some guidance on the margin also for the year?

Ranjit Pendurthi: At the moment, I don't have guidance on the margin because the plants we just got the NCLT order only in July. So, we have effectively been able to only start work on plants, refurbishment, renovations, etc. So, our team actually has got to site physically into the sites only post NCLT order because that only gives us the legal basis to get in there. So, I think the business we hope, like I said, will start in H2. So, that is I think what we are maintaining. Specifically guidance, I think we will probably have to wait.

Abhinav Chandak: I have one last question and there are two sides to that question. So, one question is on the guidance on the Bromine prices, the way you see Bromine prices from here, say next 1-2 years from now? The other question is, are there any large serious players who are also entering the run because what I read from articles that a couple of players have got sizable land parcels allotted in run, do you see some significant competition or large competition coming and hitting this space or the allotment is for some other purpose?

Ranjit Pendurthi: I think competition in any industry is going to happen. It is just about having a first mover advantage. So, there are I think couple of more people who are producing. I think the question will always remain the capacity that we have, the infrastructure that we have and the ability to deliver the volumes that we have. It is similar to Salt. I think Salt is an 8-year-old industry, many players in it, but I think today if someone has a large contract for supply that they would want, I think would be one of the very few that would be able to do that on a consistent basis on a one year, two-year contract, so same with Bromine. I think Bromine is not going anywhere. Having said that, end users I think are increasing and continue to be some critical end users. And in terms of I think first part of your question on pricing, I won't hazard a guess on price, but I think I have said this even maybe over the last couple of years whenever the calls have happened that I think the pricing that we are seeing now, I think is stabilized over the last couple of quarters and I don't see a reason for it to drop.

Moderator: Thank you. The next question is from Archit Joshi from B&K Securities. Please go ahead.

Archit Joshi: Sir, my first question is on the project that we have held back for some time, which was the Phase-2 of our derivatives expansion Flame Retardants bit, any progress on that account, sir?

Ranjit Pendurthi: I think that the process of finalizing the technology, and I think it goes back to my last call or the previous one before that where I said we are going to do it in a realistic way in a measured manner. The market as such is not going anywhere, given that we have captive Bromine. So, I think we will take a time to do this. The first thing is I think goes back to someone else who asked on the call earlier. We want to get the first phase up and running and hit the volumes there. And I think we will continue to progress on the Phase-2 in a measured manner. But we are getting all the permissions and all those other things in place as we speak for Phase-2.

- Archit Joshi:** Any timelines that you might venture out over here with respect to commissioning of the plant?
- Ranjit Pendurthi:** For sure, we won't do it before March '25.
- Archit Joshi:** Sir, speaking of the same, Flame Retardants as an industry, even though there is some bit of a derailment with respect to our plant, could you comment on how the global dynamics are working out to be, I think a large part of Bromine is consumed in Flame Retardants globally and the industry volumes, I think if I take a year-on-year look for the last maybe 3 or 4 years, at least our Bromine volume off take has been pretty much similar. Would you allude that to the global challenges in Flame Retardants, are they on the verge of an improvement? Any comment that you might want to give out globally?
- Management:** I think you have asked me a very global question, so I will like to also give you a global answer, not a specific one. The industry I think will stay intact. We don't see the Bromine industry or end use changing too much. I think the agrochemical use and the Flame-Retardant use both I think continue to be healthy. Of course, each one is dependent on a different set of factors. But having said that, I think we are ideally positioned from India context to be a strong producer and supplier of Bromine both domestically and export. So, I think our leadership position on that front, we expect to hold on to that.
- Archit Joshi:** A short global question again, sir. Sir, has there been any shift with respect in the supply chain rather when it comes to us having a stronger hold in the Chinese markets, India as a country when it comes to Bromine exports into China? And some of the reports suggesting that because they have found their own reserves in Laos, Djibouti, and some of these geographies, they have kind of shifted away from that earlier phenomena which was driving our exports growth for India as a country. Is this holding true even now? What would be your opinion on that?
- Ranjit Pendurthi:** I think there are some new geographies that are producing, but I think logistics is challenge for them. Some of these are not in the easiest of places to evacuate from or connectivity or probably you only have a port in their own country. So, I think on that front we will continue to have an advantage and of course the geopolitical situation from Middle East etc., I think with uncertainty there, no matter what the price is, at least the buyers will know that it is certain to be supplied from India. So, I think it is positive in one sense for us as a country and I think neutral in terms of no downside, I think from any other source affecting the supply.
- Archit Joshi:** One last, I would like to squeeze in, the press release by IIT Bhubaneswar saying that the estimated cost of this SIC crystal is approximately Rs. 45 crores. Would that funding entirely be done by Archean Chemicals?
- Ranjit Pendurthi:** Not entirely. I think it is a collaboration with IIT Bhubaneswar. So, working with government institutions have various components, but safe to say a large part of it will come from us. But there will always be some amount of I think government grants or any such thing that IIT will also be able to access.

- Moderator:** Thank you. The next question is from the line of Krishan Parwani from JM Financial. Please go ahead.
- Krishan Parwani:** Just a couple of clarifications. So, can you please give break up of Bromine exports and domestic in this quarter and last quarter, please?
- Raghunathan:** Give me some time. I will just close the numbers for you.
- Krishan Parwani:** And the second is on the Bromine derivative side, can you please indicate the CAPEX for Bromine derivatives? This is ex of Flame Retardants that you have incurred till now and what is the remaining CAPEX?
- Raghunathan:** So, the total project cost is around 252 of which we have spent around 140 plus till date.
- Krishan Parwani:** 140 plus and how much is remaining. This is ex of Flame Retardants I am asking?
- Raghunathan:** So, the balance that we have to spend will be around Rs. 10-Rs. 15 crores to meet our CBF, and catalyst to PTA products to produce.
- Krishan Parwani:** So, the rest, let us say, Rs. 100 crores is kept for the Flame Retardants, correct?
- Ranjit Pendurthi:** Yes.
- Raghunathan:** Coming to your first question, my domestic sale of Bromine is around Rs. 58.8 crores and exports around Rs. 34.9 crores.
- Krishan Parwani:** And the pricing is same, or pricing is different for the domestic and export market?
- Raghunathan:** Almost the same.
- Krishan Parwani:** So, just follow up on that, so if you look at the China spot prices, they have been around \$2.83 or so. So, are we seeing any uptake in our Bromine pricing or will there continue to be a disconnect between that?
- Ranjit Pendurthi:** I think the spot price is something that we feel happy seeing, but not necessarily we sign out those rates. I think the way we see the spot price is that it is a good sign that the demand is healthy, but from a contract's perspective, the contracts probably are signed before movement in these prices. So, sometimes they go down, sometimes they go up as you are aware. But our prices are little bit lesser than the spot prices. These are long term contract prices, right, so.
- Krishan Parwani:** And just small bit on Oren Hydrocarbon. So, I think you mentioned in your opening remarks or probably in one of the answers earlier that you would be making some investments to let us say, refurbish the plants. Can you please highlight the quantum that you would be spending apart

from the Rs. 70 odd crores that you have already invested to acquire through NCLT? So, what will be the quantum for them?

Ranjit Pendurthi: So, I think we anticipated that we would spend maybe at the outermost about Rs. 40 odd crores. So, I think we are well within budget and that was for all the plants, but at the moment we are only starting with two. So, we consider the less.

Krishan Parwani: And in terms of Salt, how much I think volume probably, is it 4.5 million metric ton or how much is it for the year?

Ranjit Pendurthi: Yes, it has been in 4.5 range.

Krishan Parwani: In that range, right, 4.5?

Ranjit Pendurthi: Yes.

Moderator: Thank you. The next question is from the line of Aditya Khetan from SMIFS Institutional Equities. Please go ahead.

Aditya Khetan: Sir, my question is on to the Bromine derivative side. Sir, you mentioned in your presentation also that some new products you are planning to add as a Part 2. So, sir, just wanted to know if the new products are into the CBF and can you highlight these new products and when we add these new products, will there be an increase in capacity, or it will be the same capacity only of 13,000 tons?

Ranjit Pendurthi: Sorry, you mean that we are adding new products in Phase-2?

Aditya Khetan: No, sir, Part 2, you have mentioned it, so I believe this new products you are adding into the CBF only, right?

Raghunathan: So, those products are not CBF or PTA Synthesis, they are other specialty products on Bromine. So, there is a CBF category, and then there is a PTA Synthesis Catalyst category. So, apart from that, there are other products that we are adding as well that we already have the permissions for. So, I think those are Bromo related derivatives. So, those also the trials and tests have been done with customers. So, those also will start when we start ramping up.

Aditya Khetan: Sir, I was asking on to this Bromo related derivative. So, this construction has been started and what is the timeline we are looking for this expansion?

Ranjit Pendurthi: Construction has already finished. It is part of the plan that we have already commissioned in March, so there is no new additional construction for these products.

- Aditya Khetan:** And sir, excluding the Flame Retardants, sir I believe earlier, you had stated that the Bromine consumption would be around 12,000 to 15,000 ton, now for ex of Flame Retardants, so what is the guidance for internal consumption of Bromine?
- Ranjit Pendurthi:** I think that we will probably have as we move forward through the year over the next couple of quarters as we ramp up the derivatives business, I think it will become clearer, but we would think that we should probably be a little bit less than what you have mentioned.
- Aditya Khetan:** Sir, just one last question, sir, on to the Oren Hydrocarbons. So, we are investing Rs. 40 crores for the refurbishment, what sort of revenue we are targeting for FY25 and FY26?
- Ranjit Pendurthi:** So, I think just to be clear, we are not investing Rs. 40 crores at one time. That is for all the plant's refurbishment. So, we are only taking up 2 right now. So, it will be considerably less. And having said that, I think we are still hoping to reach the 200 plus mark on the sales and I think that is what we are endeavoring to. But given that like I said earlier in the call that we are only starting with two plants, right, the revenue obviously will be dependent upon that as I said, given all that is going on in the chemical industry, we are just being conservative and taking a very measured approach.
- Aditya Khetan:** Sir, just one last question, so generally on to the export side, we do the contract on FOB basis or in CIF basis?
- Ranjit Pendurthi:** Salt is a combination. Bromine is all CIF, insurance included.
- Moderator:** Thank you. The next question is from the line of Dipak Saha from DR Choksey Finserv Private Limited. Please go ahead.
- Dipak Saha:** Sir, my first question is, in one of the previous calls, you alluded to the fact on Bromine derivatives, you have engaged with 50-60 clients and out of those 10 have already approved. So, two parts, now those 10 you have already approved, how many of them are part of the existing client set? And on the remaining 20-30, I think you said in the previous concall that the response is favorable. So, what is the progress on that remaining 20-30 where you got good response overall? So, these are the first two parts on the first question?
- Ranjit Pendurthi:** So, I think majority of the customers will be new. There is only a few that will overlap because these are all I think companies that deal in different specialty chemicals sector. So, I think the customer base is not necessarily the same largely. And the second part of your question, on the other customers that you have approached, I think that is a work in progress. I think everyone is just including us, we want to start doing the first deliveries to some of these customers and then I think the traction picks up. Then, we have a better leverage with marketing the products. So, the dialogue remains active, and we want to start some deliveries, then I think they will start converting into orders.

- Dipak Saha:** Sir, on the Oren part, I think in the previous call, you said around Rs. 250 crores odd, you can attain the range was 100 crores to 250 crores and right now you are saying (+200). So, how should we read it? It is like you are a little bit getting conservative with the number and that Rs. 250 crores might be out of the park right now and next year that we should target, like if you can share some color on this?
- Ranjit Pendurthi:** So, I think those who have been investors or shareholders with us for a long time, I think know that we are quite conservative right now to see how things perceive in the market and what we convey. So, in that context, I think the last time when I did speak, the number was taken into account that we would have earlier start up to the plant. But the NCLT order only has come now mid-July and legally speaking right from what do you call activating the company in ROCE, getting power connections, etc., all only possible post NCLT order, so the startup is delayed on account of receiving the NCLT order. So, accordingly I think we get pushed back a bit. And in that context, I have said 200.
- Dipak Saha:** And on the margin front, if you see sequential basis, there are certain considerable improvements. So, whatever the driving factors on the EBITDA margin front and going ahead, do we see improving ourselves here on compared to where we delivered on Q1?
- Ranjit Pendurthi:** I think EBITDA margin improvement is the aim of ours. We consistently and constantly keep an eye on cost for sure ensuring that stays within whatever we have planned for. And the second one is other improvements in efficiencies etc. So, I think things like turnaround times, downtime management, plant efficiency management, raw material consumption management, I think all those play a factor, but an important part also in the last quarter I think has been power. As I indicated in my earlier calls, we are trying to move away from the core generation plant to a grid system. So, half the capacity now comes from the grid. That savings is what you are seeing also help improve the EBITDA margin and subsequent quarters you will see a better improvement as we further enhance the grid capacity and take most of the power from the grid, which is cheaper than the co-generation plant. Plus very importantly, also helps with the carbon footprint because we move away from the coal co-gen.
- Moderator:** Thank you. The next question is from the line of Vinay Nadkarni from Hathway Investments. Please go ahead.
- Vinay Nadkarni:** Just one question I had, which was regarding the leasehold land, I have not followed your last two quarter con calls that leasehold land that you had with the Government of Gujarat, has that been renewed and if yes, for how many years?
- Ranjit Pendurthi:** So, I think that is a work in progress. The position has not changed since the last call. I think we continue to actively engage with the government and we are hoping sooner than later on that front.

- Moderator:** Thank you. The next question is from the line of Vaibhav Sabu from Nippon AIF. Please go ahead.
- Vaibhav Sabu:** As per revenue opportunity, just one thing, so you have mentioned that the reason for decline which we saw in the end-use is primarily on account of logistical issues, but just want to check that our export business would be I think primarily impacted by that. But if I look at the revenue mix, we still continue to have around 72% which you mentioned exports and 28% domestic, which does show that there was pressure on our domestic side of the business also. So, any comments on that?
- Ranjit Pendurthi:** I will answer the question assuming that I have understood correctly. So, if I am not answering it, please feel free to ask the question again. So, I think the slippage in the volume on the Salt has come because of the shift reacting abruptly due from Jakhau Port to Mundra port because of the weather change and hence the volume came below what we had planned for the quarter. But the overall for the year, we still are aiming to do what we set out to do. And on the revenue mix, the Salt is all 100% exported, Bromine has a domestic and export mix. So, if there is a slight dip in the export percentage, it is because the Salt volume has dropped a bit.
- Vaibhav Sabu:** So, that is the point that the exports percentage, if I look at it like exports the percentage of revenue that has remained constrained more compared to the previous quarter, in fact, if I look at it in quarter 4, 69% of our revenue was from export and this quarter, it is 72% from exports.
- Ranjit Pendurthi:** That is because the Bromine exports have increased. May and June, there is a larger volume of Bromine export. In February-March, it was minimum, in fact negligible.
- Vaibhav Sabu:** But sir, just want to clarify, if I look at it in Q1 of last year we had done around Rs. 113 Cr of sales in domestic and Rs. 92 Cr in the last quarter. So, this quarter if I look at your number, this comes out to around Rs. 60 Cr for domestic sales across the segment. So, that so I wanted to understand if we are having any pressure?
- Ranjit Pendurthi:** No, there is no pressure. I think it is primarily due with maybe the value has dropped on the Bromine pricing. So, if you are comparing quarter to quarter, last year to this year, that will be quite a significant change.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraint, we have reached the end of the question-and-answer session. I would now like to hand the conference over to Mr. Ranjit Pendurthi for closing comments.
- Ranjit Pendurthi:** Thank you, everyone for joining us in this earnings call today. We appreciate your time and showing interest in our company, and we continue to remain encouraged by all the feedback we receive, and we will continue to work hard for all our shareholders as we go forward. In case of any queries, please do get in touch with us or SGA, our Investor Relations Advisor. And we look forward to meeting all of you very soon. Thank you.

Moderator:

Thank you. On behalf of Archean Chemical Industries Limited, that concludes this conference.
Thank you for joining us, you may now disconnect your lines.