Tatva Chintan Pharma Chem Limited

(Formerly known as Tatva Chintan Pharma Chem Private Limited)
(CIN:L24232GJ1996PLC029894)

Date: 29 July 2022 Ref No: TCPCL/SEC/2022-23/00043

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 July 2022 post announcement of financial results of the Company for the quarter ended 30 June 2022.

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

This is for your information and records.

Thanking You,

Your Faithfully,
For Tatva Chintan Pharma Chem Limited

TATVA CHINTAN PHARMA CHEM LIMITED GUJARAT

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

Encl: As above

V- 00351

"Tatva Chintan Pharma Chem Limited Q1 FY2023 Earnings Conference Call"

July 25, 2022

ANALYST:	MR. CHINTAN MODI – CHEMICAL ANALYST - HAITONG SECURITIES
MANAGEMENT:	MR. CHINTAN SHAH – MANAGING DIRECTOR– TATVA CHINTAN PHARMA CHEM LIMITED MR. ASHOK BOTHRA – CHIEF FINANCIAL OFFICER – TATVA CHINTAN PHARMA CHEM LIMITED MR. DINESH SODANI – TATVA CHINTAN PHARMA CHEM LIMITED

Moderator: Ladies and gentlemen good day and welcome to Q1 FY2023 Post Results Conference Call of Tatva Chintan pharmaceuticals Limited hosted by Haitong Securities India. 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 opening remarks. 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. Chintan Modi – Chemical Analyst at Haitong Securities. Thank you and over to you, Sir!

Chintan Modi: Thank you. Good evening, everyone and welcome to Tatva Chintan Pharma Chem 1Q FY2023 Results Conference Call. From the management, we have with us Mr. Chintan Shah, Managing Director and Mr. Ashok Bothra, Chief Financial Officer. I would now like to hand over to Mr. Dinesh Sodani for cautionary comment. Thank you and over to you!

Dinesh Sodani: Thank you Chintan Ji. Good afternoon, everyone, we are pleased to welcome you all to our Q1 Financial Year 2023 Earning Call. Today on call we have with us Mr. Chintan Shah - Managing Director – Tatva Chintan; and Mr. Ashok Bothra - Chief Financial Officer to discuss the performance of the company during the quarter gone by followed by Q&A. Please note that a copy of our disclosure is available on the investor section of our website as well as the stock exchanges. Please do note that anything shared on this call which reflects our outlook towards the future, or which could be construed as forward-looking statement must be reviewed in conjunction with the risk that the company faces in terms of uncertainty. With that I would like to hand over the floor to our MD, Mr. Chintan Shah for his opening statement.

Chintan Shah: Thank you Dinesh Ji. Good evening, everyone and again a very warm welcome and thank you to each and every one of you for joining us on our Q1 FY2023 Earnings Call. I trust everyone is doing well. I believe you have already got the chance to go through the investor presentation uploaded on the stock exchanges and must be really very anxious to understand the performance of the company during that quarter gone by.

First of all, let me start with the financial numbers. I am just briefing you with the financial number's on year-on-year basis. During the quarter the revenue from operations was at ₹ 884 million versus ₹ 1068 million a decline of 17%. EBITDA during the quarter was at ₹ 152 million versus ₹ 263 million a decline of 42%. Net profit after tax was ₹ 98 million versus ₹ 231 million a decline of 58%. During the quarter EBITDA margin was at 17%

versus 25% and PAT margin was at 11% versus 22% year-on-year basis. As indicated during my earlier earnings call, we had given an indication of anticipating a drop in demand of SDAs for Q1 and Q2 FY2023. Due to semiconductor chip shortage coupled with geopolitical issues, which again was further enhanced by COVID lockdowns in China.

The drop in sales of SDA is reflecting in our Q1 FY2023 numbers. In Q1 FY2022 previous year SDAs contributed nearly 52% of the revenue whereas in Q1 FY2023 the contribution of SDAs to revenue is only 7%. Despite of subdued sales of SDA we could still achieve 83% revenues year-on-year basis which is showing strong growth potential of other product categories as well.

As for sure the impact of SDA sales is just a temporary phenomenon. The strength of other categories is giving a very promising scenario in days to come. Despite of lower numbers there are many positives and encouraging takeaways which I am just explaining to you right now. Though these numbers look subdued, but realistically our performance has been very encouraging considering the drop in sales of SDAs which was well anticipated in advance.

On the full year basis FY2022 the total revenue was ₹ 4,336 million out of which only the SDAs contribute ₹ 2,248 million. The other three product categories PTC, Electrolyte Salts and PASC together contributed ₹ 2,058 million for the whole year. So, on an average the quarterly sales of these three categories together was at ₹ 515 million against this during Q1 FY2023 we have achieved a revenue of ₹ 818 million in these three categories showing an overall growth of nearly 60%. This clearly reflects the growth potentials of these three product categories as well.

Now talking about the EBITDA: During Q1 FY2023 EBITDA was at ₹ 152 million. This number also includes forex loss of ₹ 49.7 million. So, the actual operational EBITDA during the current quarter is ₹ 201.7 million, which translates into operational EBITDA margin of 23%. Forex loss is mainly because of MTM of forward contract etc, due to depreciating rupee. SDA is a high margin accretive product category despite of the drop-in offtake of SDAs during the quarter our EBITDA margins on consolidated basis are quite satisfactory.

Now let me explain each of the product categories and take you through the developments that took place in each of them during the past quarter. I am pleased to inform you that during the quarter, PTC has registered its historically highest quarterly revenue of ₹ 403 million contributing 46% of revenue and a growth of 79% on year-on-year basis. Tatva Chintan continued to maintain its leadership position in PTCs. During this quarter commercial sales to the recently approved MNC has picked up, our consistent high quality and improved logistics support to major customers has enabled us to increase our market share.

Our other product category electrolyte salts registered revenue of ₹ 69 million contributing 8% of the total revenue during the quarter showing a very strong growth. During the full year FY2022, the previous year revenue from this category was ₹ 56.8 million against which we have achieved revenue of ₹ 69 million in this quarter itself. The commercial application of super capacitor batteries and sodium and zinc ion batteries are beginning to rise. I had informed you all during Q4 FY2022 earnings call about receiving a formal approval from a new customer for energy storage device application. I am happy to inform you that during this quarter commercial sales to that new customer has begun. We are working with two more customers for approval of our electrolyte salts in the same area. With the increase in focus on renewable energy the demand of energy storage systems is on the rise. We foresee a steady increase in demand of our electrolyte salts over the coming years.

Our other product category is the pharma and agro intermediates and specialty chemicals PASC which registered revenue of ₹ 345 million contributing 39% of total revenues and a growth of 28% year-on-year basis. I had informed you all during our previous earnings call about one of the products getting into full scale commercialization. I am happy to inform you that the commercialization of this product has begun, and we shall see incremental volumes over the next few years. In MonoGlyme the pilot stage equipment using continuous flow chemistry will be installed in Q2 FY2023 and trials will begin soon. As earlier discussed for another product the pilot equipment has been set up and the commercial and the trials are already underway. Commercial supplies of this product are expected to take about 15 to 18 months to materialize. The new product in application area of metal extraction has been formally approved by the customer and commercial supplies to begin from Q4 FY2023. We are progressing steadily with the development of products using continuous flow application. Our team is making significant progress on development of ultra high purity products. Seeing the traction in demand we expect a strong growth from this product category over the coming years. Our focus is strongly in developing various products using specialized technologies.

Now talking about the most awaited SDA segment this as anticipated SDAs registered revenue of ₹ 59.63 million contributing 7% of revenue during Q1 FY2023 a decline of 89% year-on-year basis. It seems now the dust has started to settle down. Now we are seeing a renewed interest in the demand of SDAs. During Q2 FY2023 we expect marginal improvement in demand. The customers have started putting in orders for Q3 FY2023 and we expect full demand revival beginning from Q4 FY23.

As indicated previously the approval process and commercialization are progressing as scheduled with multiple customers. Another new very exciting application of SDA based Zeolites catalyst is getting into commercialization phase in area of recycling of plastic waste of global environmental concern. This should be another large volume application area which will push the demand of SDAs to the next level. I am happy to inform you that Tatva Chintan has already successfully developed the SDA required for this application. We remain excited to the growth of SDAs in near future. With the anticipated ease of supply of semiconductor chips by Q3 FY2023 SDA market is anticipated to grow in near-term.

We had announced during the previous earning call about our foray into the fifth product category which is Flame Retardants. I am happy to inform you that we have successfully completed the pilot trials & also the necessary infrastructure has been now installed at the plant scale and full-scale plant trial is expected to begin in this very week. We are very happy to inform you that your company, Tatva Chintan continues to remain a preferred supplier by its customers in India and overseas for manufacturing high purity products. Our focus right from beginning has been to have minimalistic impurities which we have successfully been able to achieve with the kind of technology we have put in place. We are far grateful to our team and their hard work which has helped us to create a niche for ourselves in the marketplace.

Since the past few weeks, we have been observing reduction in freight costs and the price for certain raw materials are getting stabilized. Your company is well diversified across product categories and our products find application in varied end industries across geographies and an impact in demand in one product category is offset by subsequent demand in another product category. We continue to see our clients consuming our products because of the strength of all the good innovation and the great support we have been delivering to them over the years.

The ongoing capacity expansion of setting up additional facilities at our existing Dahej SEZ is as per schedule and we target to commission the facility by end of Q3 FY2023. Due to three weeks of strike across Gujarat for construction material we have lost precious 21 days of construction activity despite of that we are hopeful to complete the project as per schedule.

With this I conclude my remarks and now I would like to hand over the call to our CFO Mr. Ashok Bothra to take us to the financial performance for the quarter.

Ashok Bothra: Thank you Sir and good evening, everyone. I shall summarize the financial highlights for the quarter.

- Revenue from the operation was at ₹ 884 million versus ₹ 1,068 million in Q1 FY2022 de-growth of around 17% on Y-o-Y basis due to lower offtake in demand of SDAs.
- EBITDA was at ₹ 152 million versus ₹ 263 million in Q1 FY2022 de-growth of 42% on Y-o-Y basis.
- PAT was ₹ 98 million versus ₹ 231 million in Q1 FY2022 de-growth of 58% on Y-o-Y basis.
- EBITDA margin was at 17% in Q1 FY2023 versus 25% in Q1 and FY2022. As mentioned by our MD Mr Chintan Shah, the EBITDA number includes the forex loss of ₹ 49.7 million so actual operational EBITDA during the quarter comes to ₹ 201.7 million which translate into EBITDA margin of 23%. However, the margin has got impacted due to change in the product mix due to drop in demand of SDA which is our high margin accretive product category. PAT margin was at 11% in Q1 FY2023 versus 22% in Q1 FY2022 the impact on PAT is on account of higher taxes. Our Dahej SEZ facility is eligible for 50% tax exemption starting from Q1FY23 for a period of 5 years against 100% for the previous year/s.
- During Q1 FY2023, export stood at ₹ 564 million, contributing around 64% of the total revenue. Export declined during the quarter mainly due to drop in the sale of SDA which is our major export contributor.

Out of net IPO proceeds of ₹ 2,072 million, ₹ 832.52 million have been utilized as on 30 June 2022

That concludes my update on financial performance of Tata Chintan. Now we can open the floor for question and answers. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Nirali Gopani from Unique Asset Management. Please go ahead.

Nirali Gopani: Thank you for the opportunity. Chintan Ji my question was on the SDA part. So, when we listen to various auto companies or auto ancillary companies, we get a feel that the semiconductor shortage has eased out, but our numbers are reflecting something different because a drop in the SDA is quite significant. So, if you can elaborate on that part?

Chintan Shah: The actual semiconductor shortage is still expected to ease out by October or November of this year. So, there is definitely a slightly improved availability of semiconductor, but it is nowhere near the required numbers. Now just to explain you why such a drastic drop is happening in Q1 and Q2, let us hypothetically assume someone is carrying an inventory of six months and your sales is at 100% levels for which you are maintaining an inventory of 6 months. Now your sales for the Zeolites have dropped to almost 30%. So, your inventory which was hypothetically for six months has gone up to almost 15 months now. So typically, you stop buying the products completely though your business is running at 30%-40% levels. So, this is what has caused the sudden stock in demand for SDAs and also in demand for Zeolites in fact for our end customers as well. So, it is a cyclical impact because of drop in overall requirements for SDA because of this known factors suddenly everyone started feeling that inventory levels are very high. So, if the business is going so slow, we need to stop buying anything. So, this whole chain eventually stopped buying things for a few months and now we have started seeing the talks have started beginning and customers have started discussing with us about the availability of products coming from probably from August, September 2022 is what they start intend to start buying the products at a smaller level and we expect full-scale demand to hopefully begin from December 2022.

Nirali Gopani: Thank you for this detailed explanation. In our Q4 call we were confident that FY2023 the SDA revenue will be similar to what it was in FY2022. Now FY2022 number was roughly ₹ 225 Crores and in Q1 we have just done ₹ 6 Crores. So, something has changed, or we still maintain that in the remaining three month or maybe in the second half we might be able to cover up on the SDA part?

Chintan Shah: Q3, Q4 we will strongly cover up but I am not absolutely sure whether it will be same number, but it will not be too different that is my feeling maybe with a 10% reduction is where we should end. It again depends on whether full scale recovery begins from October or from November so a month here and there can have some impact but I am still very confident that we will not end up with very low numbers on SDA.

Nirali Gopani: That is great, and the next question is what the sustainable gross margins are for us like what should be assumed to be a sustainable number.

Chintan Shah: So, I would say 22% to 27% or 23% to 27% on EBITDA is sustainable on a longer run.

Nirali Gopani: And last question is that our CFO mentioned something about that tax holiday, but I seem to have missed it out. So is this a normal tax rate now.

Ashok Bothra: No, so we have this Dahej facility which is in a special economic zone. So for the first five year of operations, we had100% tax holiday followed by another five years of 50% tax holiday. So, we just ended our five years 100% tax holiday in last financial year. So, from this financial year we have 50% tax holiday.

Nirali Gopani: So at the company level what will be the tax rate then.

Ashok Bothra: On normal level it should be around 18% to 20%.

Nirali Gopani: Okay thanks a lot for answering all my questions. Thank you.

Moderator: Thank you. The next question is from Isha Agarwal from VT Capital. Please go ahead.

Isha Agarwal: Thank you so much for the opportunity. My first question is like since we have a subsidiary in Europe. So how did we tackle on the how high-power cost or the fuel expense and what are the plans to has these power cost going forward.

Chintan Shah: Europe subsidiary is only distribution arm for us. So, there is production activity happening in our U.S. or Europe subsidiary. We are distributing the products manufactured by India to the end customers in Europe and U.S. So there is no impact of the power cost in Europe which is impacting us in any way.

Isha Agarwal: My next question is like since we are export oriented company. So did we see any impact of Europe or U.S. market impacting our order book or did we see any curtailment in the demand for our products.

Chintan Shah: No in fact we are seeing better demands coming in from U.S. and also slightly better demands from Europe. U.S. business is on a strong mode and Europe demand is also increasing, but not as strong as U.S.

Isha Agarwal: Okay thank you Sir.

Moderator: Thank you. The next question is in the line of Sudarshan Padmanabhan from JM Financial Services. Please go ahead. As there is no response from the current participant, we will move on to the next that is from the line of Rohan Kamath an investor. Please go ahead.

Rohan Kamath: Sir I want to confirm that it is about 18000 metric tons means you have told that it has maintained 3000 metric tons you are targeting.

Chintan Shah: 3000 metric tons is what we are targeting yes.

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

Sanjesh Jain: Yes, good evening, Sir. Two questions from my side Chintan bhai. First on the SDA front. Now you said that the demand is slow but surely coming back and you expect that the demand should be back by December. How is it looking for the coming quarter have we seen any increments on the lows of Q1

Chintan Shah: No, so definitely we will see a decent improvement from Q1 numbers for the Q2 and Q3 numbers we are seeing much more decent orders already being punched in but one of the key customers you are aware that we have one large customer in China which is still expecting this to begin by December. So, they have not yet confirmed the reason being the lockdowns is impacting them badly. They are still not able to confirm, but they are pretty sure either it should be November or it should be December. So once that kicks in then we are back to full scale demand structure. Q3 can be a lot better and Q4 will be fully functional as what we have been doing earlier.

Sanjesh Jain: And another large customer we were trying to get into any progress there.

Chintan Shah: Yes, we have been approved formally now and now we have to go for a full-scale plant trial I think in December of this year. This has been confirmed now, formally confirmed.

Sanjesh Jain: So that customers will be available for us in FY2024 then.

Chintan Shah: Yes.

Sanjesh Jain: Second on the PTC is this sharp jump in PTCs because we have more capacity to produce, and we are now able to service the customer better than say what we were last year when we were running SDAs is that the situation or there is a generally significantly higher demand in PTC what is being driving the growth in PTC.

Chintan Shah: So, there are two reasons for that one reason what you have rightly said is since we are not making SDA, so we are able to sell more PTCs into the market with given capacities. So that is one of the reasons why sales on PTCs have really jumped and the other reason is I talked about adding one MNC customer so what we have done is some fantastic logistic arrangements for that customer stocking up our inventories in Europe and this has really helped to mitigate their concerns about getting late deliveries and stuff like that from their other supplier. We have been able to capture almost 80% of the business volumes on this particular customer which has definitely pushed the demands in PTCs.

Sanjesh Jain: That is good and what is happening on the electronic chemical side now we said that we will be growing 2x, 3x, but it looks like this year it is going to be much stronger on the electronic chemical do you think electronic chemical over next two, three years the way it is panning out could become very big what are the new customers you said that we are in discussion with.

Chintan Shah: So, this business what has happened during this quarter is with the new customer being added up and this is their only first project kind of I would say a demonstration project kind of a thing for them as well where they are consuming these volumes of electrolyte salts which is into energy storage device system. Now we are also into approval process with two more such customers in different geographies. So, we see that these applications for the energy storage systems is now being picked up quite fast and we expect this segment definitely I would not say in this very year or in next year, but we see a very robust future for this particular segment. So, things are moving faster than what we were anticipating.

Sanjesh Jain: When we say energy storage we mean battery or this is battery for the EVs.

Chintan Shah: Basically, when you generate any kind of renewable energy you need a battery system to store that. So typically either you have the conventional batteries, lithium batteries, now you have a new function of sodium batteries and zinc batteries. So we do not make any electrolytes for the lithium batteries, but for the rest of the three energy storage systems we manufacture the electrolytes. These areas are now really picking up.

Sanjesh Jain: And you are telling it could be anything right it could be electric vehicle, it could be a solar form

Chintan Shah: Yes, in electric vehicle it does not go directly as a battery it goes as the super capacitors are used in EV vehicles in a hybrid system so most of the EV vehicle runs on lithium battery but when there is a need for excessive power this is what is given by super capacitor batteries. So, this is a kind of a new model a hybrid battery model which includes lithium battery as well as a super capacitor battery.

Sanjesh Jain: On the continuous flow dimension that you are starting the pilot plant in Q4 FY23 right did I hear it right.

Chintan Shah: Yes.

Sanjesh Jain: And this is for an intermediate product.

Chintan Shah: Not only the pilot plant, but the actual full-scale plant will also become operational by the end of Q3 at Dahej.

Sanjesh Jain: And this is for an intermediate product or a MonoGlyme.

Chintan Shah: No MonoGlyme still we are only beginning the pilot trials will happen in Q2, so we are just waiting for the pilot equipment for running MonoGlyme on continuous basis. So, the piloting will happen in Q2 and then let us take about eight to nine months for commercialization post the pilot trials.

Sanjesh Jain: So, what is starting in Q4 which you spoke in the opening remark what is that product there.

Chintan Shah: No so that is a different product so this I have been talking about the product where we have used the zeolite-based catalyst to offer an ultra pure product. So, this is the product which we are piloting right now.

Sanjesh Jain: Got it, it is of the four products we spoke that which was in an R&D one of them

Chintan Shah: Yes one of them. So that we are through with the development and actually the piloting is currently underway in the plant.

Sanjesh Jain: Got it and flame retardant we said we will start in July right.

Chintan Shah: No this week itself so probably on Thursday we will start our first plant scale trial,.

Sanjesh Jain: Okay full scale, that we showed like 50, 60 metric ton per month right.

Chintan Shah: Sorry.

Sanjesh Jain: What will be the quantity there it will be 50, 60 ton per month right.

Chintan Shah: Yes.

Sanjesh Jain: And full-scale commercial plant.

Chintan Shah: And this will scale it up once we have the new capacities available.

Sanjesh Jain: Just couple of clarification on forex loss of ₹ 49 million can you explain what was the nature of that.

Chintan Shah: See basically we has our sales so when you have a purchase order typically, we book a forward contract and do our hedging. So now when let us assume we have hedged this at 75, so we have basically booked our sales at Rs.75 and on which calculation we had taken the purchase order. So now we are assured that we are going to get 75 and that has been booked and the dollar has moved from 75 to 80. So, this is a kind of a book entry loss that is happening as an MTM loss that is showing. So had we not taken the hedge then we could have gained this Rs.5 Crores more. So, if we had left this unhedged then this gain would have been happened. This is what it is indicating.

Sanjesh Jain: So what we are telling that we have this ₹ 5 Crores of additional sales because we are finally selling at $80, but we have hedged it so there is a loss of ₹ 5 Crores or there is an increase of cost in ₹ 5 Crores so the net, net our EBITDA is then the EBITDA should be exactly same right this EBITDA what is reflecting is…

Chintan Shah: No, this is showing that if I had not hedged then my profit would have been higher by ₹ 5 Crores. While we have hedged I am loosing ₹ 5 Crores of opportunity that is what it indicates. Our actual operational EBITDA is 23%, but because I am losing this opportunity that is why it is coming down to 17%.

Sanjesh Jain: No, that would have been an extraordinary profit because of currency movement if we would not have hedge that.

Chintan Shah: In last whole year, in last whole financial year this Forex was a gain of ₹ 3 Crores in the whole of financial year roughly about ₹ 3 Crores 80 lakhs in the whole financial year while in this particular quarter it is showing a loss of ₹ 5 Crores but that is actually nothing to do with our operational EBIDTA.

Sanjesh Jain: And high tax rate is because we sold more from Ankleshwar and marginal from export-oriented unit because SDA was not running so the profit is significantly coming from Ankleshwar so there is a high tax rate of 20% hence 18% to 20% is the rate.

Chintan Shah: Yes, and now we are subjected to 50% taxes from Dahej as well.

Sanjesh Jain: No so that is fine because we were at 7%, 8% last year so we are earning any which ways for 18% factoring that 50% benefit will go out but 28% was base why that is because the entire profit is coming from Ankleshwar plant that is a fair assumption right.

Chintan Shah: Yes.

Sanjesh Jain: Got it Sir. Thank you very much for answering all the question and best of luck for the future.

Chintan Shah: See last you see basically this quarter Ankleshwar did a revenue of almost ₹ 41 Crores and Dahej did revenue of ₹ 42 Crores and in earlier year the revenue from Dahej was almost doubled in the revenue of Ankleshwar even slightly more than that. So, this is what is the impact. So basically, since we are not doing SDAs from Dahej so the profit from Dahej is lesser and the whole facility of Dahej for making the SDAs is technically almost unutilized I would say maybe 10% occupancy. So that is what is being reflected here.

Sanjesh Jain: Fair enough Sir. Thank you, thanks for all that answer.

Moderator: Thank you. The next question is from the line of Sudarshan Padmanabhan from JM Financial Services. Please go ahead. As there is no response from the current participant, we will move on to the next that is from the line of Nikhil Rungta from Nippon India Mutual Fund. Please go ahead.

Nikhil Rungta: Hi! Sir, thanks for this opportunity. Sir you mentioned that SDA for four year we might see say around 10% decline right.

Chintan Shah: Right, and we have very strong recovery from Q4 definitely will back to normal but Q3 also we expect a good recovery to happen so I am pretty hopeful that we will recover this lesser sales in those last two quarters.

Nikhil Rungta: And the other products basically the non-SDA part which is around 48% of the total. So that showed a very good or strong growth in Q1. So, if I must combine all those non-SDA products so what type of growth can we expect in FY2023.

Chintan Shah: So, this is what so the average what we have seen in this particular quarter we might even see slightly better performance going forward in Q2, Q3, Q4 because one of the products on PASC which has gone into commercialization in Q1. So, the demands are picking up. So, we expect better revenues to come from that particular product and also the PTC segment we will see demand once we have this new plant operational, see all these years what has been happening is we have been compromising on sales of PTCs so that we can sell more SDA. Now in this event when our SDA is kind of a vacuum, so we are able to sell the actual potential of PTC into the market. So, once we have this new plant functional from November 2022 and this is probably going to coincide when the demands for SDA is also going to come back live. So by the time we have SDAs we will also have an additional facility to produce that so we will not have to compromise on sales of PTCs which we have been doing traditionally. So I expect this trend of sales in the three segments to continue.

Nikhil Rungta: Basically 60% to 70% of Y-o-Y growth in the non-SDA segment right.

Chintan Shah: This is something exceptional at a rate because this is showing that we were compromising somewhere and now we are giving the full potential. So i would not say that in next financial year again we will see a 60% growth in this PTC particular category.

Nikhil Rungta: where I am coming to is like 50% of our revenue SDA might report 10% decline whereas the remaining 50% might go to 60% to 70% growth so at the entire revenue level we can see a growth of around 30% to 35%for FY2023 correct.

Chintan Shah: This quarter we did roughly about 80 Crores of the three other segments so we expected to continue with this average again in the next three quarters. So ₹ 300 to ₹ 320 Crores revenue from the three segments is what we are expecting and then the balance comes from the revenues from SDA.

Nikhil Rungta: Perfect that is all from my side. Thank you so much.

Moderator: Thank you. The next question is from the line of Krishan Parwani from JM Financial. Please go ahead.

Krishan Parwani: Chintan bhai thanks for the opportunity. Just two clarifications. Sir in the last call we mentioned that our new capacities will be delayed by only like 8 to 10 days and be operational by December this year. So just wanted to check what is the status and timeline of the same.

Chintan Shah: We are still very much on schedule. This quarter we actually had a strike of 21 days in availability of construction materials in Gujarat, the whole state was not getting any kind of materials for construction, but despite of that we are pushing, and we are absolutely sure that we will still be able to complete this project by end of November.

Krishan Parwani: That is great Sir and last thing on the capex, what kind of capex that we are envisaging for the next financial year and for this year as well

Chintan Shah: So after completion of this particular project, we may not see any major capex happening in next financial year. If you remember we already procured one additional land for the next phase of expansion. We have applied for environmental clearance which typically takes about 12 to 15 months to get. So hopefully within next financial year nearing by end of 2023 we expect to have the EC in place and only after that we can think of going into expansion so probably in next financial year FY23, we might not have any significant capex to be done, but yes in the next year after that 2024 we will see capex to be done.

Krishan Parwani: Understood Sir, wish you all the best for the future. Thank you.

Moderator: Thank you. The next question is from the line of Ritik Shrawak from Edelweiss. Please go ahead.

Ritik Shrawak: Sir, good evening. I just want to ask a question on flame retardant like what is the market size in India and globally.

Chintan Shah: Global market size we understand is close to about 1,60,000 metric tons roughly in the ballpark number of 1,50,000 to 1,70,000 metric tons and the plant what we are intending to set up is with a capacity of 5,000 metric tons right now.

Ritik Shrawak: Sir who are the competitors in India currently.

Chintan Shah: Currently we do not have any competitor in India we do have three large MNC competitors.

Ritik Shrawak: Can you please name them Sir?

Chintan Shah: They are very well known so basically ICL then you have Lancxes and Albemarle.

Ritik Shrawak: That's it for my side the rest of my questions were answered. Thank you and good luck for the next quarter.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Sir we understood the math that you were telling of SDA and non-SDA in terms of revenues for 2023. I just wanted to understand the capacity that we are creating and the products that we are introducing so I could understand that there is some capacity being added and there is some capacity added on PTC and there is some capacity for new product which is flame retardant right. Have I missed out on any of it other than these three and for these three via capacity expansion or a new product addition what is the additional revenue potential that we have.

Chintan Shah: Yes, so basically we already have roughly about 280 kilo liters of reaction capabilities across both the plants and what new setup we are doing is we are expanding this by another 200 kl. So theoretically we are expecting to have a potential to double our revenues.

Pritesh Chheda: This would include the electrolyte.

Chintan Shah: When you talk of PTCs, electrolyte salts, PASC or a flame retardant these are all kind of a multi-purpose facility which are fungible between the categories only SDA is something unique where we need an absolute dedicated setup to do that.

Pritesh Chheda: Perfect so these 200 kilo liters which means we will add let us say another 300, 400 Crores revenue right because today you already have 80 Crores for that.

Chintan Shah: Yes.

Pritesh Chheda: Okay thank you very much Sir.

Moderator: Thank you. The next question is from the Shubham Khorak from Perpetual Advisory. Please go ahead.

Shubham Khorak: Thank you for taking my question. I just wanted to ask can you provide us with some quality insights for the kind of inventory that we are building for satisfying demand that will come after one semiconductor shortage eases out.

Chintan Shah: We are already continuing to hold that inventory which can run us through at least one full quarter of full demand. So that is what we are already doing and most of the people have been asking me why you are running on such high inventories, but now this is the precise question that you have asked and this is absolutely the reason why we are running on such high inventories all the time because when there is a demand coming in from customers on SDAs it is always coming in larger volumes. So, unless and until you have this inventory you will not be able to take up that opportunity.

Shubham Khorak: Okay thank you so much Sir. Wish you all the best.

Moderator: Thank you. The next question is from the line of Yash Shah from Investec India. Please go ahead.

Yash Shah: Hi! Sir, I had a couple of questions. The first one was basically clarification questions regarding flame retardant. So will this also be a fungible capacity of 200 kilo litres which you are adding.

Chintan Shah: Yes technically speaking yes.

Yash Shah: So, we would not require any additional Capex for this product category.

Chintan Shah: Yes.

Yash Shah: And till when are we expecting it to reach peak utilization.

Chintan Shah: No, we will need certain specific Capex for that which is not a huge amount, but this is for storage of the key raw materials which require a special tanking system. So that is what we have already undergone and that is the reason why now we are going to start the plant trials in this week. So, pilot trials already happened in end of May, but since this special storage tanks were being installed at the site. So now we are ready with the safety audit and everything. So now we will start kick off the plant trials from this week.

Yash Shah: And was it a significant amount what we spent on the special storage tanks.

Chintan Shah: It is I mean so once we have this new facility and the requirement of this storage tank goes to full capacity. So when we are talking of 5,000 metric tons levels we are looking at about ₹ 3 to ₹ 3.5 Crores of Capex.

Yash Shah: Okay ₹ 3 to ₹ 3.5 Crores got it, and my the second question which I had was about the metal extraction product which we are going to start supplying soon. Can you please provide more specifics on the same. So basically when are we going to start that and how much how much is the revenue potential for that.

Chintan Shah: We have been now formally approved for those products and we have received orders for one container each of these products to begin from October of this year and we expect the full scale commercial once these products have been approved at full scale plant trial levels we expect probably December 2022 or January 2023 when full scale commercialization will happen. So that is why I am saying Q4.

Yash Shah: Got it and sir at full so what is the demand potential like what is the revenue potential for this product.

Chintan Shah: So roughly at a full scale once it is there, the revenue it would be in the range of about ₹ 30 to ₹ 40 Crores and growing.

Yash Shah: Got it. Thank you very much.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now have the conference over to the management for the closing comments.

Chintan Shah: Once again thank you everyone for joining us and your continued support and trust on us. We hope that we have been able to address most of your queries. You may reach out to Mr. Ashok Bothra, our CFO or our Investor Relation Advisor EY for any further queries that you may have and they will connect with you offline. Thank you and have a great evening.

Moderator: Thank you. Ladies and gentlemen, on behalf of Haitong Securities India that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.