



January 31, 2022

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

Dear Sir / Madam,

Sub: Analyst/Investor Meet - held on Friday, January 28, 2022, between 5:30 p.m. to 06.50 p.m.

Pursuant to our letter dated January 24, 2022, intimating about Analyst/Investors Meet to be held on Friday, January 28, 2022, we hereby inform you that the said Virtual Investor Meet took place as scheduled.

We enclose herewith the transcript of the earnings conference call and the same is also available on Company's website at www.privi.com.

You are requested to kindly take the same on record.

Thanking you,

Yours Sincerely,

**For Privi Speciality Chemicals Limited
(Formerly Known as Fairchem Speciality Limited)**


Ramesh Kathuria
Company Secretary



PRIVI SPECIALITY CHEMICALS LIMITED

(Formerly known as Fairchem Speciality Limited)

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“Privi Speciality Chemicals Limited
Q3 FY2022 Earnings Conference Call”

January 28, 2022



**ANALYST: MR. SAURAV KAPADIA - ASIAN MARKETS SECURITIES
PRIVATE LIMITED**

**MANAGEMENT: MR. NARAYAN IYER - CHIEF FINANCIAL OFFICER -
PRIVI SPECIALITY CHEMICALS LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY2022 earnings conference call of Privi Speciality Chemicals Limited hosted by Asian Markets Securities Limited. 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. Disclaimer, this conference call may contain forward-looking statements about the company which are based on the beliefs, opinion and expectation 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. Actual result may differ from such expectation, projection, etc., whether expressed or implied. Participants are requested to exercise cautions while referring to such statements and remarks. I now hand the conference over to Mr. Saurav Kapadia from Asian Markets Securities. Thank you and over to you Sir!

Saurav Kapadia: Thank you. Good evening everyone. On behalf of Asian Markets Securities I would like to welcome you all for Q3 FY2022 earnings conference call of Privi Speciality Chemicals Limited. From the management we have with us Mr. Narayan Iyer, Chief Financial Officer of the company. We shall start the call with opening remarks from the management and then we will move to Q&A session. I now hand over the call to Mr. Iyer for his opening remarks. Over to you Sir!

Narayan Iyer: Thank you Saurav and good evening to all my fellow investors and shareholders of Privi Speciality Chemicals Limited. A very, very warm welcome on a possibly a chilly weekend evening, I know I am at the threshold of the weekend and spoiling your weekend by maybe an hour or so, but it is important that I stay connected previously is connected to its very formed investors and on that count I can only say that the quarter that has gone by October to December was a very decent quarter, it was a comeback quarter for Privi post a little bit of natural calamity that was a setback in July 2021, July 21, 2021, July 22, 2021 and July 23, 2021 the entire Konkan area including Mahad where previous major facilities are located was inundated by water and it was about 8 to 10 feet of water inside the factory and the factory had to be shutdown for almost about three weeks or so, we were the first ones to restart the factory and come back and as we did in the past when there was a fire in our factory in 2018 we rose from the ashes like a phoenix so this time we just like flying off like a seagull maybe from the water up coming out and performing to the best of our abilities and we are back with a very, very decent run rate I will say that to achieve our targeted goal, the wish list that we have and move towards the overall ambition of us achieving this year's targets and then go over to the 3000 program.

This quarter there was a little bit of setbacks on account as it is known in the industry because of the increase in the RMC across board most of the RMC costs like the acids, the solvents, the toluenes, including of course the coal cost all this had gone up substantially on account of heavy shortages, materials not being available from China and from other countries and of course the sporadic freight expenses or the freight costs just keeping on going on, but I could say that this is all to some extent arrested by Privi and the financial numbers that are there and it is there in your hands and all already displayed. We have been able to offset most of this increase in the expenses on account of yield improvements, process improvements, technical upgrades that we had undertaken in the last two or three years spending a lot of capex, some cost cutting, energy saving measures, also undertaking some reverse powers or the cogeneration that we have also created within our own factory, all this helped us to tide this unprecedented rise in the input costs and broadly I could say that we were able to address most of the increase in the so-called input costs by the inhouse measures that we have taken around. There has been definitely an increase on a quarter-on-quarter numbers as you would also appreciate the efforts that the company has been able to put in around and give a decent I can say sort of a performance and I hope most of the investors have not found many surprises in the results because there is an increase in the turnover by almost about 30% as you compare to the immediate September quarter and the December quarter, but I will say that a better comparison will be the December 2020 and December 2021 quarter where our sales has increased by almost about another 30% odd. The profit has increased from about Rs.25.5 Crores on December 2020 we have come up to about close to 35%, which once again signifies a 40% increase in the profitability numbers and there has been an exceptional item as you know that some of the expenses on account of flood is being considered by us as exception so in this quarter there has been an addition of about Rs.2.12 Crores coupled with the total expenses of Rs.17.5 Crores, Rs.10 Crores of money we have already received from the insurance company, so there is a Rs.7.36 Crores as an exceptional loss I could say that, but it is only time in this quarter we expect the entire money from the insurance company on account of the expenditure and the losses, the business interruption losses that was there. We are fairly confident that the entire money to Privi should be there and it should appear in our financials by March, so on this note and some of our projects which has been also the highlight that we have embarked upon a very ambitious 500 Crores projects on three main products Prionyl.

I am happy to say and inform the investors that we have commissioned Prionyl as a project at our Mahad unit 7 and this was commissioned on December 31, 2021 and in the month of January now the Prionyl production has started and very happy to say that it was on January 14, 2022 or I could say the day of Uttara and that the first invoice for Prionyl was also billed to one of our esteemed customers so that is something which is there yes the spot

business market is something that we will tap around before we are in a position to get into the contractual business and the other two projects the camphor as well as the Galaxmusk is very much on track and we expect that by March most of these other major projects should also be capitalized and they will start bringing in revenues from the first quarter of 2022-2023, so based on that Saurav this is my introduction remark I am sticking now currently only to the quarterly performance, I am open for any questions, any suggestions from the investors and from you all.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Amar Maurya from Alfa Accurate Advisors. Please go ahead.

Amar Maurya: Thanks a lot for the opportunity, so couple of clarifications. Firstly Sir on the ongoing capex you had elaborated that Prionyl is already commissioned and Galaxmusk and camphor will come by March, so is it fair to assume like this whole capacity will be largely available for the spot or we will be getting some benefit of the contractual also?

Narayan Iyer: Thank you and basically see Galaxmusk and camphor are huge volume products so prima facie we will be in a position to sell only in the spots from April to June, some of our customers the prima facie also ask for some tenders to be floated for their second half requirements, so we could possibly participate in some of these customers second half requirements, but the bulk volume definitely when we talk about my top 25 customers who are global players, so these two are out of this top 25 almost about 10 to 12 of them they go in for annual contracts so definitely I will not be able to get such volumes as we normally undertake for all our other products so that is a buzz that we have missed, but the delay was beyond our control and beyond our measures on account of the second wave and the oxygen supply is not being made available by Government of India and respective state governments also because it had to be given a preference to the COVID patients and then you had an onslaught of the third wave coming in, price escalations, so all this led together there has been a delay. You can prima facie say that for the next nine months or the first nine months of the next year we will be in a position to sell a maximum on our existing products and to some extent from these three new products which will come about in fact.

Amar Maurya: For the next full year for these whole three capacities should we expect at least 20%, 30%, 40% kind of utilization level?

Narayan Iyer: For the entire year of 2022-2023 you are talking about?

Amar Maurya: Yes Sir, FY2023 whole year.



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Narayan Iyer: I think with Privi yes we could even stretch ourselves to about 40% of our overall capacities if it is possible in fact.

Amar Maurya: Secondly Sir the capacity which we had actually commissioned in FY2021 and the benefit of which like kind of Rs.800 Crores to Rs.1000 Crores benefit was expected to come going forward, so we will be seeing the majority of the benefit in FY2023 and how much we had seen of that particular expanded capacity benefit in FY2022?

Narayan Iyer: FY2022 is still on so definitely there has been an increase in the volume by about close to 3.5% of course we lost some volume because a month of sale was lost on account of the flood so we are not in a position to function itself, otherwise definitely we would have been able to achieve all the volumes with regard to the main pine based products because that was something which was fully being sold to the capacity that we had because these capacities were all put to use by December 31, 2020 and we had contracts in place and it was going around. I will say that as far as the main pine products are concerned, yes my factory today is running into full capacities. As far as the specialty chemicals is there, specialty chemicals is just about looking to get the demand in bits and pieces from specialty chemicals or something which is used in high-ended cosmetics and perfumes and all other applications. Broadly from the market sentiments I feel that this should come into a full play somewhere from around April or May and more so from the period of July onwards when actually people start using and there is summer across globally, people will start using more and more of these high-ended specialty chemicals and we also expect the global offices and commercial establishments all to start may be post this endemic as it is now looking like so people will start moving travel around the world and all more so from the Q2 FY2022 or 2023, so we can expect specialty chemicals demand also move up more so from August and September of 2022 then the capacities on account of the speciality, etc., will also go up so I am very rather than using a word I we at Privi are very, very confident that the pine space will be fully utilized 100% capacity maybe it could also go to 102%, 103% if we are in a position to maintain our factories to the core. The specialty chemicals could be somewhere around 70%, 75% of its utilization of its capacities that could be there. The phenol space will be 100% sold out, it is already 100% sold out I can say that and the last but not the least phase is pine has always been our forte so if I had to cumulatively average it out we will be something around I could say about 85% to 90% of our overall utilization of the capacities that were there before these three new products come in.

Amar Maurya: In terms of the EBITDA margin like as you indicated this is largely because of the RM inflation and other manufacturing cost are at elevated level so any solace we are expecting from let us say fourth quarter or the first quarter, so when we can see the bounce back in the margin and reaching to our guided level of around 15% to 16% kind of thing?

Narayan Iyer: No, we will be back, currently also we are at about something like 15.5% and as I keep telling all of you investors the forex income that you see in previous balance sheet is not any derivative or a hedge gain. It is prima facie a fluctuation in the timing differences of my sales and purchases and the realization that it happens upon it is in purely India's accounting entry and all this is coming and from my main flow of business operations which is sales and exports and possibly purchases and imports. To give my investors a very happy news on this evening, the additional percentages or additional margins will definitely set in right from January 1, 2022 because the contracts that we have entered for calendar year 2022 with most of my global players are higher than what it was in the year 2021, so that is a good news that some of these increased expenses on account of the input of RMC as well as the increased freight costs will be met on account of the higher contractual values or higher sales value that we will obtain from our customers going forward in this year and the increase is anywhere on an average between 5% to 8% as compared to the 21 prices that we had gotten in fact so that is a very good news and the bounce back you could see in this quarter itself. Right now also whatever I am selling is with a bounce back version in fact.

Amar Maurya: Thanks a lot Sir.

Moderator: Thank you. The next question is from the line of Nakshita Mehta from Credent Asset Management Limited. Please go ahead.

Nakshita Mehta: Good evening and thank you for giving this opportunity and congratulations on fantastic set of numbers. My one question is again the RM cost compared to last quarter has gone up by as much as 47% and if you compare it to the corresponding your quarter it has gone up by 25%, 26%, but still the margins are probably relatively at the same level so I want to know what measures you took to improve the margin any special measures?

Narayan Iyer: Like I really do not know how you got 45% or 70% on an RMC which is a growth. You also will have to see a threshold because when you are looking at the cost of materials consumed the changes on account of the inventory will also be forming a part of it and percentage wise to give you the exact numbers because just my board meeting has got over and we were deliberating about it with the auditors so there is an overall increase if I had to give a very, very fair and rationale view. The growth or the increased RMC expenditure only for this quarter as compared to the previous quarters has been about something close to 6.78%. If you compare it with the earlier overall nine month period if I say so the increase has been about close to 0.5% so that means on a Rs.1000 Crores of sale a 0.5% increase is what has transpired, but if you only look for the quarter of December vis-a-vis the quarter of September or more so the quarter of June there is an additional 6.74% of RMC increase, so this increase prima facie is on account of the unprecedented increase in the RMC cost like I

am just going to narrate a few examples. Acetic anhydride which is a very important ingredient for us what we used to buy it for about say Rs.70 and Rs.90 or so is now currently was being bought in this particular period closer to upwards of Rs.200 and all so come back now to about Rs.150 or Rs.160 and we expect it to further come down. Similarly some of the other solvents phosphoric acid, sulfuric acid, all were being sold at a very, very all-time high and these are all chemicals which we use in bulk volume and this is what actually has affected my RMC inputs in fact, so some of the spot market higher prices that we were getting on the sales has actually helped us sail through this quarter and yet manage the overall margins when we talk about on a sustainable basis. The measures that we have taken is that we have started reusing some of these acids by recovering these acids and reusing it so reducing the overall usage of maybe an acetic acid or sulfuric acid, reuse plant has been there in fact phosphoric acid is being reused by us, so that is how we are trying to curtail on some of these unwanted expenses where we can do a recovery and secondly our R&D, our strength is our R&D as my Chairman and Managing Director always says, the R&D has been able to come about with a new technical ideas, new process innovations in manufacturing, my main key products in fact and my main key products are five of them that is basically the Dihydromyrcenol, the Amber Fleur, Pine Oil, and Terpeniol. So all of these there has been constant innovations in ensuring that how do we reduce our input costs, how to improve the yield, how we can remove some of the unwanted chemicals that come into it, so that by using these acids and solvents you burn some of the natural raw material like the pine so by using a natural supplement like a resin or reusing some of these acids we are able to recover the input cost and that is how we have been able to improve the yield prima facie getting a final product percentage better than what it was in the earlier quarters or earlier period and that is how you see that our margins we have been able to sustain and almost try to maintain the margins that we were achieving and we are confident that now with the increase in the selling prices our margins definitely will go up starting from this quarter itself and as all of you investors know that Privi always is like an MS Dhoni the first three quarters could be slow, but the fourth quarter always is a big bang for us and we expect this quarter also to be a big bang in fact.

Nakshita Mehta:

That is very insightful. Thank you. Another question is on the debt..

Narayan Iyer:

Just to inform to all investors, we have just uploaded investor presentation, sorry I was delayed in sending this across to all of you, I do not know how many of you are been able to go through it but I was trying to post the Board meeting yesterday with some other work and so you all can see that and this presentation also has the debt portion. Yes you can continue with the question.

Nakshita Mehta: I wanted to ask that the debt on both long term and short term current and long term debt are pretty huge so is there any reason as in why are they?

Narayan Iyer: Long term has already approved, it was only that we have not availed it at one go as the projects kept on moving around we were drawing this long term borrowings prima facie from the banks and it was also that a part of our own earnings we were to deploy back into the capex, so the overall capex is about Rs.550 Crores out of it the borrowing that we have done in the last three years or so has been only to the extent of Rs.250 plus 56 Crores, Rs.306 Crores or so, so the delta is the profit that the company earn utmost keeping it for the dividend as well as for working capital, the balance had to be utilized into the capex, so that is why that you see that the borrowings or the debt looks to be on a higher side; however, having said this the new capex, the new projects once it sets out and we start earning the revenue from there your debt position will come down because you are looking at a higher sales, which means higher collections and possibly reducing the overall borrowing of the working capital immediately and the long term debt is basically over a seven year period that we pay off and it will reduce as per the schedule or as per the periods at which we are borrowed from various banks, so this is a temporary phenomenon that you could possibly see that there is a higher debt in fact and may be enough for the very first time that overall debt has just edge past my overall equity or the net worth of the company, but it is a temporary phenomenon not to worry about and as I said if this is going to be a bumper quarter for us, you will see that previous performance in March is going to be a much different scenario as compared to what you are possibly seeing now in December.

Nakshita Mehta: That you are confident of. Just one followup on this month, can you tell us what maturity schedule, how many years are still left to pay off?

Narayan Iyer: Every loan has been taken for a period of not less than five to seven years so some of the earlier loans that we had taken so that will be repaid as per the schedule so the first of the so-called and we are paying on quarterly basis because these are all two years moratorium or 18 months moratorium with a five year quarterly payments to each of the bankers in fact so every year I will have a repayment schedule of about Rs.30 Crores to Rs.45 Crores going forward for the next five years now.

Nakshita Mehta: Okay, great. Thank you so much and good luck for your next quarter.

Moderator: Thank you. The next question from the line of Dushyant Mishra from SageOne investment. Please go ahead.



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Dushyant Mishra: In the last call we mentioned that we are still 15 months from commercialization but I just want to check if there were some updates regarding that how the technology transfer was going if there were any hiccups from the company?

Narayan Iyer: You are trying to talk about Prigiv and the technology transfer?

Dushyant Mishra: Yes especially with Givaudan.

Narayan Iyer: That process is ongoing, the technology transfer is happening around, since it is a Greenfield process there is going to be a time consuming affair, the land has been acquired, we have already made an application to the environment commission or as it is known in India EC for the various products that we are going to manufacture in the so-called joint venture with Givaudan at Prigiv and this we expect could be about close to a 8 to 10 month affair before finally the environment commission gives us the approvals for all the products to be manufactured. Parallely we have engaged with a basic engineering company firm and an external agency to help us design the basic engineering with regard to the layouts and the requirements of the equipment for setting up the projects, so this way we are doing it in this eight month period or ten month period before finally we get the permission from EC so that we can start being onto the field immediately maybe just prior to the monsoon or so we can start the excavation work and start doing the civil work so that work is parallely going around. Of the set 42 products that Givaudan has asked us to work close to about 14 of them have been successfully met the standards of Givaudan at our R&D scale, our research lab have been able to manufacture these 14 products through the satisfaction of the Givaudan technical team, balance about 10 odd products are in the pipeline at the research and development because it is not that I have an R&D that I can completely stop doing the innovation work for the main parent company and only focus on the 42 products that Givaudan wants so it is a section by section in fact and we are doing it and we are confident that this technology transfer what is coming from Givaudan to us will happen in a very synchronized manner and we have no doubts that Privi will be in a position to manufacture these products to the likes of Givaudan themselves.

Dushyant Mishra: That is wonderful to hear and just a discussion on our research and development as well at a time how many products are we working on so this is apart from what we are doing with the JV partner just on our own self at a time what is in a pipeline in the research and development and I am sure not all of them end up seeing light of the day but just a ballpark idea?

Narayan Iyer: You want to know how many products we are currently doing research at both my research labs is that what is your question Dushyant?



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- Dushyant Mishra:** Yes that is correct.
- Narayan Iyer:** A difficult question to answer but close to about 14 to 16 molecules we are working of which we are fairly successful with five or six of them and a couple of them we have already started doing at the pilot level which is what our Chairman in our November 1, 2021 address to the investors, he happened to say that the launch of his most ambitious project menthol that Privi was successful at the research level to track the menthol, Levomenthol, biochemistry to manufacture the Levomenthol on the most noble technology so that is something that we have scaled it up to the pilot level, so this could be about 14, 16 products currently that we are working around.
- Dushyant Mishra:** Okay perfect and what is our quarterly run rate on research and development expenses?
- Narayan Iyer:** Close to about Rs.6.5 Crores.
- Dushyant Mishra:** Perfect that is all from my side. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Aashish Urganlawar from InvesQ Investment Advisors. Please go ahead.
- Aashish Urganlawar:** I just wanted to understand a lot of things are going around as far as a lot of activities there as far as Privi is concerned, so if you could enlighten us about the Givaudan tie up what is the roadmap for that overall in terms of certain numbers or what are we trying to build here with them and the main efforts of Privi because what we have been hearing in the last few interactions with the management is we are trying to basically over the next four, five years around Rs.3000 Crores of topline and stuff that we have got to know so if you could just help us understand that these aspects how they are working?
- Narayan Iyer:** Rs.3000 Crores of number what we have been talking about by us in the last one year or so is are going to be from products manufactured by the main parent company and it does not take into cognizance or account something that Prigiv is going to offer because the Rs.3000 Crores number has come in the AGM of 2020 itself and that was because at that time itself we had embarked upon the capex plan for three products that we are now in almost in the final stages so this is what our MD had talked about with all this Rs.550 Crores odd that finally we are going to spend around in finishing and completing the three main projects, the backward integration and some of the expansions on the dihydromyrcenol and Amber Fleur and the pine oil, all this put together will take Privi closer to the Rs.3000 Crores mark, depending on the price increase it could be up and down by 10% plus and minus or so. As far as Prigiv is concerned or Givaudan products are concerned, Givaudan continues to be

my very important customer to me, they all were always at the top two or top three customers and they have been so in the last 10 to 15 years Givaudan has been very, very important. Why Givaudan has come to us is not because they want some sort of comfort also it is only because they have seen Privi delivering quality technically sound products not just on the bulk volume but on the specialty chemicals also and Privi has the capability of turning around various reactions like the Grignard, the pyrolysing, the hot air insulations and all that sort of stuff, so we have been very, very good. Technically it is a proven thing that our products meet to their standards. Second we are a sustainable company having the backward integration into our fold, we are not left at the vagaries or mercies of the spot market which is what the Chinese players normally do in the pine space, so we have a backward integration plan and we have contracts from various CST mills across the globe. US, the Canada, Scandinavian countries, Russia, all of these countries where there are paper mills and where pine trees are cultivated to obtain the soft wood, craft wood. We have tie-ups with many of these mills and which where CST was obtained on tender basis between anywhere between six months and three years some of them are work on tracks firm price for a year or year-and-a-half or two and some could be on an annual basis the prices differ. So being a sustainable player completely zero liquid discharge in our unit two and very shortly for all our other units also going to be zero liquid discharge. Our Jhagadia unit or the Gujarat unit is already a zero liquid discharge we are reusing our water so there is an RO plant in place, there is an MEE, there is an insulator, there is an ESP for the chimney or the coal thing, they feel that we are amongst the top ranked companies following ethical practices in manufacturing chemicals and that is why they have come to us and looked around and stated you could possibly be partnering us to manufacture some of these low volume high value products and that is the reason we have entered into a separate JV because they wanted to ensure secrecy with regard to the technology transfer that they are doing for this 40 products which currently they are manufacturing themselves for their in-house consumption they do not sell it to anyone else. So this gives us aperture to prove our credentials that Privi means quality and Privi's technical capabilities none lesser than anyone else in the world and always having a tie up with the world's largest fragrance company it is a feather on the cap of any Indian company and that is why we have done and we have agreed for this JV with Givaudan which gives us our ability to showcase to the world yes Privi means quality and Privi means technically very sound company.

Aashish Uppanlawar: A followup on that basically this journey from 1200 Crores of topline to 3000 Crores was the kind of conservative topline the timeframe that we are looking at here maybe four years or five years?

Narayan Iyer: We are looking at another maybe two-and-a-half to three years.



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Aashish Uppanlawar: What would be the JV doing by then maybe another four years what the significance does that JV bring to us in terms of numbers?

Narayan Iyer: JV basically gives some sort of a comfort that Givaudan will continue to be one of my preferred customers so most of the profits or most of my volumes with regard to the major products on the pine space they are my largest consumer. So I also retain their share on my growth in those five big products because as we have been saying in all the investor meets and whoever investors have also come and met in that we will continue to maintain and retain the share of our volume on the pine space going forward also. If any pine like dihydromyrcenol keeps growing at a 4% on an yearly basis which means we are talking that from a 25000 ton volume of business if it is growing at 4% every year Privi will definitely want to maintain a 30% or 35% share of dihydromyrcenol going forward also and where will this increase be sold it will be definitely sold to all my customers and especially the top 15 of the giants and top 25 global players. So we would want to ensure that we are in a position to keep growing going forward also, keep our customers very comfortable and treat us as a preferred supplier to them because going forward it is going to be a world of sustainable renewable raw material which is going to be a part of any sort of a blend this is a law which will start coming around some other countries have already taking it very, very seriously and it is only time that we will talk about that by following sustainable measures and a renewable raw material is going to be a prime importance and most of the products that we are manufacturing in the pine space are considered as renewable raw material and the processes and the technical know-how that we are adopting will make us fall under the renewable raw material sourcing suppliers and we will be at high demand going forward in that.

Aashish Uppanlawar: Okay thanks a lot. Thank you.

Moderator: Thank you. The next question from the line of Chintan Modi from Haitong Securities. Please go ahead.

Chintan Modi: Thank you for the opportunity. Sir my question is with respect to the other expenses going up very sharply during the...

Moderator: The line for current participant is disconnected. The next question is from the line of Tanush Mehta from Sanctum Wealth. Please go ahead.

Tanush Mehta: Firstly Sir Congratulations on a great set of numbers. Sir I have a few questions, so firstly because of in Q3 we have to have a planned shutdown so can you quantify like what sales could have been lost during that period?



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- Narayan Iyer:** Close to about 80 to 90 Crores.
- Tanush Mehta:** Out of all these facilities that we are having right now all of these facilities are zero discharge?
- Narayan Iyer:** Currently unit two in Mahad and unit six at Jhagadia are zero discharge and the other units one, three, seven we are progressing towards zero discharge.
- Tanush Mehta:** We can expect them being zero discharge in a couple of years?
- Narayan Iyer:** Maybe by March 2023.
- Tanush Mehta:** Basically if I was to just look at these speciality chemicals market when it comes to flavors and fragrances it is usually seeing that a few products when they hit the market for example it is musk or camphor based they have a extreme long shelf life in it and it finds this usage and different kind of products and varieties, so how does innovation play a role here because whenever the fragrance that hits the market it is usually such that the same product volume keeps on increasing and other players make the same product so how do we differentiate here or what is the key USP we have in this sector?
- Narayan Iyer:** The key USP is my technical capability to keep upgrading and innovating to manufacture these products to the satisfaction of each of our customers because every customer where could possibly be using the same musk, but they may have a purity level also almost on similar lines, but there is a nose perception which is known as node, a high node or a low node or a medium node so this is something that we are manufacturing and we have been able to control the temperatures when we are manufacturing this on a continuous basis knowing what customers requires which particular nodes and so, so the customers are comfortable with the products that we are manufacturing and delivering it to them and this could be the only differentiation that Privi has as compared to maybe some of its competitors because we are continuously innovating and improving on the processes and the technologies that goes into manufacturing some of these bulk aroma chemicals I am talking about and as far as the speciality aroma chemicals is concerned very few in India are having the technical capability to manufacture the speciality aroma chemicals most of these speciality aroma chemicals from some of the overseas competitors that we are having and the overseas competitors were having an Indian arm in that so there the competition is purely on the technical front and how we are able to surpass and do an edge as compared to some of our competitors, so beyond that even I cannot really visualize as to what could be a better answer than that the product quality that we deliver to them.



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Tanush Mehta: Yes I understand. When we come to pricing because everything boils down to that so our pricing is as competitive as that of the market in spite of having a better quality than them or how does the pricing go like on a like-to-like basis?

Narayan Iyer: Absolutely okay so on a like-to-like basis we still continue to be an Indian company and I am very proud of it; however, some of the global players still feel that we are not possibly white skinned so some of my global competition or competitors they still have an edge as far as the pricing is concerned but that gap has definitely come down what it was about 10, 15 years ago and what it is today and I am in a position to get maybe a premium as compared to some other Chinese players who are selling or competing with us in fact on especially the pine based space that we are operating on.

Tanush Mehta: So we said in the recent comments you spoke about that most of these may be Chinese companies or any companies into this segment they have these spot supplies being a major part of the topline taking advantage of maybe the pricing or inventory or whatever we call it, so as a part of our revenue what is long-term contracts as a part of our total revenue is it like our entire sales is based on basically what I want to understand is that out of the current topline that we have done how much would be towards long-term contract or how much would be towards spot because then our inventory is also structured in that manner?

Narayan Iyer: Broadly see the long-term contracts are only with the global MNC players or even here a company in India like the SH Kelkar or Oriental now known as Camphor so they though they are competitors but they are actually my main Indian customers also and of course a host of other companies in India. So no Indian company believes in giving long-term contracts so they all believe in peer based monthly or quarterly requirements or bi-monthly requirements. So the global players are the ones who enter into long-term contracts, 80% of the major global players go in for annual contracts, about 5% or 10% go for quarterly and about 5% to 10% go for the half yearly contracts. So contracts prima facie account for about 65% to 70% of my revenue so when we are formulating a budget we ensure that all the main products that we are into and on the pine space this can even go as high as maybe about 80%, 85% in fact so that the bulk of the volume of the pine and on the phenol if I am able to contract to the top 30 players of the world it gives me a great sense of relief to know that my annual budget for the next year will definitely be met or surpassed because then I am only left to a very limited number on the spot on the main products and as far as the speciality and the other products are concerned in fact having a very less competition or we being one of the better players in this speciality chemical definitely we will be in a position to sell even in the spot market if we do not have too much of long-term contracts. So having said that for this year also we are fairly insulated ourselves to ensure that the number that I



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just talked about have been contracted with all my 15 to 20 major global players of the world.

Tanush Mehta: Okay if i could just squeeze it on another question?

Moderator: Sorry to interrupt. Mr. Mehta may we request that you return to the question queue for followup questions.

Tanush Mehta: Okay and Sir all the best for the coming quarters and I hope that you achieved 3000 Crores topline before you targeted.

Moderator: Thank you. The next question is from the line of Chintan Modi from Haitong Securities. Please go ahead.

Chintan Modi: The question that I was asking was with respect to the other expenses whether there was any one-off in that during the quarter because if when we look at sequentially we have grown the cells by almost 95 Crores and we have not seen any operating leverage benefits slowing down?

Narayan Iyer: So you are only talking about the other expenses increased in this particular quarter?

Chintan Modi: Yes Sir.

Narayan Iyer: This other expenses increase in this quarter is on account of the phenomenal increase in the coal cost because in other expenses you find the operating expenses of electricity, coal for generating the steam so coal cost has shot off from about Rs.7 or Rs.8 to close to Rs.16 and Rs.17 a bulk of it was also purchased at 13 and 14 and 15 and 16 and coal forms a very important part of a raw material for me because I require steam in all my products, steam is a integral part of input to do my distillations or to do my chemical processes because without steam I will not be in a position to do any sort of a chemical reaction. The power cost in this particular quarter has been over the roof so that is one major increase of close to about 3.5, 4 Crores in this quarter itself I spend on power that is on coal cost. The second increase has been further increase in the freight expenses on the export freight, what you are not able to see is the freight expenditure on the RMC which is actually coming as a part of the cost of raw material consume and that also is a part mainly contributing to the increase in the RMC cost, but here in the other expenses you have export freight and selling and distribution expenses where if I had to compare on the June quarter because September quarter could be a misnomer because the volumes were not there so if I compare on June quarter or thus up to the September quarter rates this quarter further there has been a

deterioration in the rates on the export freight and export freight has jumped up by another 15% from the rates that we were giving in September and close to about 22% increase from the rates that we were giving in June because we at Privi believed that it is customer who comes first and we go all out to ensure that the products reach my customers on time every time and for which we do not mind even paying a little bit of extra expenses on the freight this we have absorbed it in the second and third quarter, but having delivered the products to my customers on time most of the customers have ensured that there is an increase, they have also allowed us an increase in the freight expenses when we have quoted for the calendar year 2022 many of them have also agreed to foot the bill on the increased freight expenditure.

Chintan Modi: Okay Sir got it and second question is with respect to the mix between exports and domestic whether there was any change with respect to that mix compared to our normal mix or it remain largely the same and any specific trends that you could highlight in terms of the various geographies which are picking up?

Narayan Iyer: No Sir, mostly it is all almost on the same lines there is not much of any change in the geography situation also and Europe continues to be my major customer followed by India and US is also very, very important market for us almost contributing about 16% of the thing so markets are almost same.

Chintan Modi: Okay sure and just one last one that for next year considering all the price hikes and that we have taken can we assume your EBITDA margins to come back to you have been guiding like between 17% to 20% kind of an EBITDA margin range can we expect it to bounce back to those levels?

Narayan Iyer: Absolutely.

Chintan Modi: Okay fine Sir. Thank you. That was very helpful.

Moderator: Thank you. The next question from the line of Amar Maurya from AlfAccurate Advisors. Please go ahead.

Amar Maurya: Sir thanks a lot for the opportunity again. Sir just to understand a little bit on this other income as you were indicating that this other income large quantum is basically a kind of operating income so how much percentage of this 10 Crores would be like kind of a operating income we can consider?

Narayan Iyer: 99648445.



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- Amar Maurya:** So this large part is like operating income only?
- Narayan Iyer:** Absolutely.
- Amar Maurya:** Secondly Sir like just to understand as you indicated like 3000 Crores kind of our revenue in let us say two-and-a-half to three years so is it like this will be more front-ended let us say considering 2023 will be the first year or it will be more back-ended kind of thing like coming in second or third year?
- Narayan Iyer:** No I am not able to follow your question.
- Amar Maurya:** So basically what I am saying here is that reaching the 3000 Crores mark let us say in next three years right so largely let us say we will be closing the year at let us say around whatever number and assuming that 2023 will be the first year 2024 will be the second year?
- Narayan Iyer:** Yes, absolutely. So what you are suggesting is about two, two-and-a-half years from now that is correct.
- Amar Maurya:** Basically is it like linear kind of a number or like because as you said that first year will be like a 40% kind of utilization for the expanded capacity and the new capacity let us say speciality will pick up also in the second half so is it like the second year would be a normalized growth year or because when I divide this number into three years basically we see a very hyper growth in your company?
- Narayan Iyer:** You can expect that so if we spend a huge amount you should expect that sort of a growth also because this money what we have spent has to give me the returns also otherwise we are not interested in spending such 500 or 600 Crores and ensure that we do not grow.
- Amar Maurya:** Well then you are just talking about more than 25%, 26% growth every year basically.
- Narayan Iyer:** Possibly yes you have seen Privi growing at a CAGR of about 20%, 22% even the last 10, 12 years broadly, so here we are talking about and those time we were not embarking upon such ambitious projects as we are now doing around and of course our bandwidth has also improved, we have good investors like you, we have very good bankers who are ready to possibly fund us, we have some good set of private equity investors who have also helped us in this journey. So I really feel that growing at possibly anywhere between 22% and 27% on a yearly basis should not be a difficulty. There have been some bad years because the prices on some of the aroma chemicals fell very, very low so with markets realizing that



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what should be the correct value of the most of the aroma chemicals and the specialty chemicals I do believe some of these will come from price escalations and most of it will come from the expansion that we are doing on our capacities, the new products as well as going forward some of the existing products where we as I have been and as we in Privi keep saying that it is our zeal and focus to ensure that we maintain our market share on all the top five products as well as on the two phenol products at Jhagadia you would like to maintain the market share and if that keeps happening around 3000 Crores in the next two to three years should be definitely achievable.

Amar Maurya: Thank you Sir. Thanks a lot and best of luck for the future.

Moderator: Thank you. The next question is from the line of Rohit Nagraj from Emkay Global. Please go ahead.

Rohit Nagraj: Thanks for the opportunity and congrats on a very good set of numbers. Sir the first question is probably it might be a difficult question and if I am attending the calls for the first time we have said about 3000 Crores of topline now how are we placed from the business development team point of view for both our domestic as well as overseas markets have we expanded the team we are currently in terms of expansion and how are we placed from that perspective?

Narayan Iyer: We are not a B2C company we continue to be a B2B company prima facie so that is a reason that we may not require too much of people at the marketing or the business development level. Now having said that the new product that is now going to come about camphor so camphor is a product which is more Indianized I will say that it is a camphor has got a huge amount of relevance religiously and possibly even pharmaceutical wise also in fact for medicinally wise also and India is a huge consumer of camphor. I do believe that we may have to possibly look at selling camphor a little differently than what we have been selling on the aroma chemical other aroma chemicals per se in fact so that is a strategy that we have already evolved at the company level and our marketing business development people at the business development team has really strengthened up themselves to ensure to enter into the camphor market with all the zeal as much as they have been doing on all the other products. So that is the only change that will require how to sell camphor because this will not be a sale that can happen at a 60-day credit or a 90-day credit as you know most of the camphor manufacturers are in a position to sell this maybe across the counter in a seven day or a 10 day, 15 day, 30 day I think not beyond 30 day credit period not many manufacturers are offering today in fact so those could be some of the changes that we are gearing up internally in our company also and as far as the people and the structure per se for achieving almost double the sale that we will be doing in about two to three years time

the company already has a good two tiers and three tiers of top level middle level people all professionally qualified in most of the departments in most of the areas whether it is the starting from my own finance and I have a good solid two to three layer people, there is a VP Finance already in place, there is a GM Finance in fact and then you have Deputy GMs heading each Functional Head whether it is the banking per se or their taxation per se so those structures have been put across. Similarly in the production level each of the units are considered as SBUs and above them there is going to be a functional head then you have a VP at the sectional places overall in charge there is also at the very senior level and all these functions. Our business development also there is country specific heads then you have the CRM that is the customer relation managers most of the strategic and key customers that it is so and then you have the India head so that way those layers are put in place in fact and we do believe that what we have done in the last three, four years it should help us really go ahead and meet the target of 2x Privi in three years and possibly beyond that whenever we come out with various launches we should be in a position to handle that sort of a volume. At the operational level we will possibly require some new people some new thought process so that recruitment keeps happening around and HR is on their toes you know to ensure that those requirements are met as happens.

Rohit Nagraj: That was a really comprehensive reply. Sir just aligning to that in terms of the succession planning from the promoters any thoughts?

Narayan Iyer: As you are aware we are having two promoters the Rao family and the Babani family. As far as the Rao family is concerned his all three sons are in the Privi business basically so one of them is heading the US operations entire marketing and sourcing and procurement and etc. His eldest son is already into the technical front he has been serving Privi for almost more than now 15-20 years he is basically a chemical engineer and he is a part of the production gamut in fact and the elder son is a person who is second in line to the commercial head as of now in fact. So the Rao family is very much into the Privi business and the succession has been thought about and the main promoter Mr. Mahesh Babani who is the Chairman and MD. His eldest daughter is already is a finance professional and she has been into the company's finance and a little bit of the marketing operations, etc., and she does help us in getting an overview of that so training has already been imparted so that the succession planning for Mahesh bhai to pass it on to his eldest daughter Snehal Babani happens around and possibly at the right time a few announcements will also be made up.

Rohit Nagraj: Got it that was very helpful. The second question is in terms of R&D you explained the process in terms of the number of products in pipeline so generally what are the criteria that are used to screen the new products in terms of market size margins or return ratios

competition how do we usually screen on those once these are successfully done in the lab as well as pilot testing and we want to go in commercial?

Narayan Iyer: Excellent question and I am very happy that someone from the investor fraternity has asked this question like we keep talking about R&D, R&D, R&D a very beautiful question and the answer to that is also very interesting. All our new products that we look in at R&D are basically customer driven so as we say that we give a huge importance to most of our customers and Mr. Mahesh Babani who takes care of the R&D as well as the marketing in fact in his various visits to the customers or in various seminars and conferences across the globe that we attend on the pine space as well as on the aroma chemical space. The hunt is always that is to what could be the new molecules that Privi can manufacture to grow apart from of course growing in the space that we are already into and these ideas culminate from various of the customers across the globe or sometimes it also eliminates comes across from our competitors who try to talk about and look into it, so this hunch is picked up from there then and study of the market is done. Then we come back and try to find out what could be the source ingredient and the technical capabilities that it will be requiring to manufacture such products is it within the so called purview of Privi that we are doing it and if not how different it is from Privi's own vision of the four main key space that we are into whether it will be possible or not possible.

Rohit Nagraj: You were talking about you get those connects from the customer competition and then you come back and you start working on the drawing board in terms of sourcing the raw material, etc.

Narayan Iyer: In some cases it is also market driven as I said as was so in the case of Galaxmusk in fact and we do our own introspection. First and foremost we do it at our lab scale and as you all are aware that both our R&D centers are recognized by Government of India. Post doing it at that lab and getting a clear picture as to what are the products and what are the ingredients that are going into manufacturing this product we also do a very dipstick study on with regard to the market for the product, how it could be, what could be the margins, what could be the IRR potential market for the product, who are our competitors currently, how good are their relations with our customers, where they are selling it across and how many of our customers are ready that if at all Privi looks at manufacturing these products we shall be in a position to get a share, what could be the share that we can look and tap it and finally what could be the growth potential going forward once we enter into this market in the next 3, 5, 10, 15 years. So honestly speaking all this is done about a complete IRR is done, a feasibility study is undertaken, a delta deviation study is also undertaken what if it does not happen if there is a 10%, 5%, 15%, 20% deviation to what we are thinking about on being a practical and an optimistic level and then thereafter we go in and look in to

invest into this particular capex and we have a robust capex committee and we have a beautiful independent board where all these projects are put forth, the IRRs are calculated, there is a beautiful discussion that happens around and a consensus is owed around and then only we go ahead and take the step of actually starting spending money on commercializing a project.

Rohit Nagraj: Right Sir that was really helpful and comprehensive answer. Thanks a lot and best of luck to you.

Moderator: Thank you. The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.

Aman Vij: My first question is on when we reach that 3000 Crores sales number what kind of volumes will we pay as well as what kind of gross profit we can achieve gross profit margins?

Narayan Iyer: So volume could be closer to the 50000 ton mark so that is the expansion that we have already put in and it is going to be there by March 2022 and my existing is around 37000 tons plus and minus 10% here and there I think that is what we are looking between 47000, 48000 to 52000 tons we should be in a position to touch closer to the 3000 Crores mark and gross margins I will not get into too much of net increases, but as we have kept repeatedly telling the investors and all of you, you should be looking at a margin anywhere between 17.5% to 20% on the EBITDA level.

Aman Vij: Sure Sir, if you can briefly talk about we have four segments speciality, pinene, citrol and phenol if you can talk about where are the gross margins the highest if you can give it in order?

Narayan Iyer: Definitely specialty the gross margins are the best there because these are highly, high, high specialty products very less competition so the margins are beautiful. The second one could be on the pine base because we are now backward integrated ourselves so we have isolated ourselves from the vagaries of the Chinese and the spot market players so that is going to be my second space. The third will be the citral and the sandal-based products and last but not the least is the phenol. Phenol is something which is bulk volume very lesser margins in fact but it is required in every blend. So this is how I could possibly tell you how the gross margins work about.

Aman Vij: So just one clarity the three projects which we are doing what is the peak sales we can get in camphor, phenol and Galaxmusk respectively?



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Narayan Iyer: If we are able to sell all the three to its full potential you can expect a sale of anywhere between 700 to 1000 Crores.

Aman Vij: This is three projects combined sir I am asking individually if you can give a range?

Narayan Iyer: I will have to calculate and possibly maybe in my next presentation I will be ready with that calculation too broadly. If I have to get back into my numbers 4500 tons of camphor because it all depends as to what sort of a mix I will be selling the camphor because if I am going to sell everything on pharma grid my revenue will be different, if I am going to sell something on the IT grid the revenue will be different so I can only possibly tell the mix once I start manufacturing camphor and sell in the market so there could be a trend that maybe it is 50% perfume we grid, 25% industrial grid, 25% pharma grid fine so I know this could be an average. So those things are too early today for me to really state what could be exact turnover of camphor I can only talk about volumes when I am talking it is 4500 tons of camphor and 4500 tons of Galaxmusk so the permutation combination will be left as per the demand for those products from the market.

Aman Vij: Camphor if you leave out what is the peak revenue from phenol and Galaxmusk if you can talk about those things?

Narayan Iyer: I told you it will be about close to 800 Crores for all three products put together.

Aman Vij: Okay, thank you I will get back in the queue.

Moderator: Thank you. The next question is from the line of Zubeyr from Mondrian Investment Partners. Please go ahead.

Zubeyr: Hi Mr. Narayan, thank you very much for this presentation. One question I do want to understand so we are talking about the 3000 Crores for the next two three, years I know we discussed sometime beyond that I want to understand that the numbers beyond that figure does that include manpower or are we talking about manpower being an optionality there and the existing utilization of the top five products and the new three products would take you to the numbers beyond 3000 Crores?

Narayan Iyer: Manpower will definitely be in the story beyond 3000 Crores so as and when it happens it will happen around. The launch was done on November 1, 2021 and as our MD himself stated and I have personally also spoken to you and many investors it is at the pilot level at the research level we have been able to successfully crack the noble technology that we talked about and which is also there on our investor presentation so as and when it takes

about five to six months for the pilot to really do a simulation as to what is done in the R&D level for us to really take the next step of course whether we can go ahead and commercialize the so-called technology that we are talking about. As of now I will not be in a position to give you too much of details what is beyond 3000 so definitely up to 3000 it is very clear with all the capex with all the expansion that we had done 3000 Crores looks very much inside in fact in the next three years.

Zubeyr:

Just one other thing would be on the other expenses I know you have discussed the power and fuel and the trade which is very understandable, but one thing you see as you have grown that the other expenses have grown year-on-year even as a percentage of revenue so that is fine you have grown, but at what point can you expect a level of operating leverage where we do see some sort of reduction not even if not reduction but at least that expense flattening out or do you think the current power and fuel and the forwarding cost do you think they have peaked and we expect some normalization as we move into next few quarters and years and that broader number as a percentage of your revenue in a longer-term perspective?

Narayan Iyer:

You are talking about what could be the idealistic situation of the numbers with regard to the fixed expenditure mitigating the volume of sales so it is prima facie if you see my fixed expenses actually have not gone up even in this particular quarter it is the variable expenditure which has shot up in this particular quarter the quarter that has just gone the bygone quarter so whether it has been the fuel or the freight expenses or some of the RMC costs all this contribute directly to variable expenditure. The fixed expenses has been very nominal in fact it has reduced because there is actually very limited travel happening around because of the pandemic that is going around, the salaries have been frozen for the last one, one-and-a-half years there has not been too much of a hike within the company in fact and most of the expenses are under the tight scrutiny so the budget itself is very, very low. So I can only visualize that going forward from the quarter of January 2022 or the Q4 for Indians and Q1 for you and based in London you will see a change in the operating margin because the volumes definitely are going to increase so as the revenue that I am talking about and to also inform all the investors that the sale performance of the revenue performance that Privi has clocked in the third quarter that is December 31, 2021 is a record for Privi. We were not able to do the 400 Crores mark in the consolidated one, but however we are capturing the other income we have somewhere around 405 but it was a zeal that we do 400 in this quarter itself. Having said that we should be able to definitely clock much better revenue starting from this quarter downwards from our existing product streams itself and with new products coming in and most of the contracts will start settling from July and bulk of it will start coming from December 2022. I feel Privi is in up for good times and the



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variable expenses have already been considered while we have gone ahead and taken some of the price escalations from our customers and spot business definitely we look into what could be the best and how best we can absorb some of these expenses in the spot sales that is happening around so you will see normalcy getting restored from this quarter itself and better off it will start coming in from Q1 of 2022.

Zubeyr: Just a very quick question on the mix so would it be 65:35, 35 fixed and 65 variable cost for you?

Narayan Iyer: Overall variable could be about 70% and balance will be fixed so your fixed cost will be about 15% so your percentage of profit should improve around.

Zubeyr: Okay that is fine so 70:30 is the breakeven?

Narayan Iyer: Broadly yes.

Zubeyr: Okay that is fine. Thank you very much.

Moderator: Thank you. Due to time constraint that was the last question. I now hand the conference over to the management for closing comments.

Narayan Iyer: Thank you all of you investors. It has been a pleasure talking to you all and interacting with all of you. I can only say that Privi stands for commitment and deliverables as far as the aroma chemical space is concerned, of course now we have an added responsibility for creating wealth to our investors, but our track record and history says that whoever having our investors whether it was privately held or not publicly held investors have always been happy around because our promoters mean business, our promoters only talk sleep, eat and it is completely passion towards the aroma chemicals, so with such a strong focus from the key promoters and a very, very, very strong lineup of the professionals who run this business or run Privi here we are in for good times going forward and the next two, three years looks to be very, very prominent for Privi and all those people who are associated with Privi. So on that front a great weekend to all of you, enjoy the balance day of Friday and thank you very much and stay invested in Privi that is what I will say. Thank you.

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