



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



Date: 28 April 2022

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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 April 2022 post announcement of financial results of the Company for the quarter and year ended 31 March 2022.

The above information will also be hosted 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

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



Encl: As above

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“Tatva Chintan Pharma Chem Limited
Q4 FY2022 Earnings Conference Call”

April 25, 2022

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MANAGEMENT: **MR. CHINTAN SHAH - MANAGING DIRECTOR,
MR. ASHOK BOTHRA - CFO**

MODERATOR: **MR. ANSHUMAN GUPTA - INVESTEC CAPITAL
SERVICES.**



*Tatva Chintan Pharma Chem Limited
April 25, 2022*

Moderator:

Ladies and gentlemen, good day and welcome to Tatva Chintan Q4 FY22 Earnings Conference Call, hosted by Investec Capital Services.

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 this 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. Anshuman Gupta from Investec Capital Services. Thank you and over to you.

Anshuman Gupta:

Thank you, moderator. And good evening to everyone. On behalf of Investec Capital, I welcome you all for Tatva Chintan Pharma Chem's Q4 and full year FY22 earnings call. Today, we have senior management team from Tatva represented by Mr. Chintan Shah, Managing Director; and Mr. Ashok Bothra, CFO.

I will now hand over the call to Mr. Dinesh from Tatva Chintan. Over to you, sir. Thank you.

Dinesh:

Thank you, Anshuman. Good afternoon, everyone. We are pleased to welcome you all to our Q4FY22 Earning call. Please note that a copy of our disclosures is available on the investor section on our website as well as on the stock exchanges. Please do note that anything said on this call, which reflects our outlook towards the future or which could be construed as a forward-looking statement must be reviewed in conjunction with the risks that 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. Thank you.

Chintan Shah:

Thank you, Dinesh. Good evening to everyone who are present on our fourth quarter and year ending earnings call. A warm welcome and thank you for joining us. I trust everyone is doing well. With our year end results, coincidentally Tatva Chintan is also celebrating its birthday today, 25th April 1996 was the day of inauguration of Tatva Chintan's first plant at Ankleshwar. Today, we have completed 26 years.

I am taking this opportunity to thank the team of Tatva Chintan who have contributed to its success and to all its stakeholders. For Tatva Chintan FY21-FY22 has ended with lots of good memories and proud achievements. First time we crossed the revenue mark of INR 400 crore again for the first time we crossed a profit before tax of more than INR 100 crore. Also, over exports revenue crossed the mark of INR 300 crore for the first time. And in fact, our export revenue of FY22 has exceeded the total revenue of FY21. Last and most memorable was successfully getting listed on Indian stock exchanges. So, a big congratulations to all for making this as one of the most memorable year in Tatva Chintan's history.

As you are aware, we are an integrated niche Specialty Chemical company working in four product categories. We are leading manufacturers of Phase Transfer Catalyst with capabilities to offer the largest basket of PTC products. These products are used as catalysts in manufacturing of pharma, APIs, flavor fragrances, agro chemicals, etc. PTC comprised 23% of revenues during FY22. We have seen a revenue growth of nearly 20% year-on-year basis. We continue to maintain our leadership position in this area. During the past year, we got commercial approval from two well-known MNC customers in pharma and agro space each, who will start commercial usage from current year. We expect the revenues for PTC segment to grow at a historical pace.

Under our second category, we manufacture Structure Directing Agents SDAs, which are prebuilding blocks for manufacturing high precision zeolite, which finds application in automotive emission control, auto chemicals, continuous flow chemistries, etcetera. We have seen a very strong growth of 87% year-on-year in this segment. Large part of our SDA demand currently is coming from auto emission control application. I have explained earlier that the ongoing shortage of semiconductor chips availability is



leading to a subdued demand of SDAs. This is reflected in muted revenue growth of this segment during Q4FY22. The ongoing political crisis has further impacted the semiconductor availability leading into still further postponement of demands of SDAs into auto emission control area. We expect Q1 and Q2 of FY23, will see a weaker demand in SDAs, though the underlying demand of SDAs continues to remain very strong. We expect strong demand revival upon improvement of semiconductor chip availability. Despite subdued demands for the next two quarters, we expect to maintain the business with minor impacts in this segment. Despite of the short-term challenges, we are very confident of strong SDA demand growth over the next few years. And SDA will continue to be our growth driver for a few years. Now talking on the brighter aspects of SDA business. During the past year, we have got formal approval from two large customers. Commercial business with one of these customers has been negotiated and supply is to begin from Q2. Commercial business with a second customer is under discussion and expected to begin supply from January 2023. Also, we are undergoing approval process with yet another important customer for which we expect to finish the plant scale trials within 2022.

Under our third category, we manufacture Electrolyte Salts, which are used in super capacitor batteries, which find application in automobile, electronics and for energy storage devices. During FY22, this product category comprises 1.3% of our total revenue. And in absolute numbers, revenue grew by more than 87% year-on-year basis. During current year, we got formal approval from a new customer for energy storage device application. And we have been already awarded commercial supplier opportunity for 2022. We are also into pilot scale approval with one new customer and we have been given opportunities to begin initial approval process with another customer recently. Both new opportunities are coming from the new products developed in this application area during FY22. We are seeing a steady rise in applications getting into commercialization using super capacitor batteries and energy storage devices. The application of super caps EV and automobile application is gaining traction. Also, the application of energy storage devices in renewable energy storage systems is getting into commercialization. We expect multifold growth in this segment and a strong application growth is expected over the coming years.

Under the fourth category PASC, we manufacture Pharma and Agro Intermediate and Specialty Chemicals products. Under this segment, we have seen year-on-year growth of 12% and revenues have crossed INR 100 crore contributing 23.6% to the revenue. Under this segment, one of the products is bought into full screen commercialization and should start getting a good volume growth. One more product which was under the approval since 2020 has now been fully approved by the customer and we are beginning actual commercial supply from Q2. We shall see a ramp up of demand in this product over the next two years. Both these above products involve PTC technology in production. One more product which I already talked about earlier, we have completed development work and should be submitting our samples within 3.4 weeks. This product involves our zeolite catalyst based continuous flow chemistry application to achieve superior quality. We are simultaneously working on pilot setup of this product as well. Commercial supplies should take about 18 months' time to materialize. As informed earlier about monoglyme, Monoglyme continuous flow development work is completed, equipment designing is completed for pilot scale. And now we are finalizing the vendor for equipment supply. Plant scale commercialization by this new technique would happen in next financial year. Besides these ongoing efforts, we have developed and submitted our plant scale sample for a new product into area of metal extractions. We expect the commercial supplies to start towards Q4, we are progressing steadily with our development of continuous flow application in two products. We have progressed very well with development of a solvent into EV battery application area using continuous flow chemistry. We have been recently granted opportunities to develop two more products in agro space, which involves continuous flow chemistry. We expect a strong growth under PASC product category over the coming years. And we are also focusing strongly in development of various products under this category using specialized technologies to ensure continuity of growth.

I am pleased to share that our development team is successfully running pilot scale trials of a product in flame retardants category. We would undertake the full-scale plant trials from June post installation of the necessary infrastructure at the Dahej SEZ plant. We are beginning with one product and gradually intend to develop a portfolio of multiple



products under this category. This is a large product segment, wherein we are focusing on high purity and niche application area customers, we shall begin approval of our product with customers from June. We intend to report this as a separate product category.

Using our electrolysis technology, we are seeing good progress towards achieving ultra-high purity levels of products having application into semiconductors and electronic space. We have been offered an opportunity by a large MNC customer to take us into approval process with these high purity substances. This is an extremely high entry barrier region. With the current level of progress in development, we are very confident of meeting with the stringent quality requirements in this product. Commercialization can take about 18 to 24 months after the initial sample approval. Once successful, we would be the only Indian company in this segment and also among the select few companies globally.

Towards our effort of optimizing green chemistry concept, we have taken a task to reduce usage of solvents. In one of our large products, we are ending up with a mix of solvents which are difficult to separate. Hence, we are unable to reuse the solvent. Our development team has come up with a unique and brilliant solution enabling us to reuse the solvent. We have recently implemented this technique commercially in our Dahej SEZ plant. This will enable us to reuse the solvent to the tune of few hundred MTPA.

Also in similar direction, yet in another product, we are successful on lab scale to eliminate, to completely eliminate the use of solvent and instead make an equally pure product in water solution form directly. We are currently discussing with the customer to take up the product for requalification due to a major process change. If the customer approves the change, we will be able to further reduce solvent consumption by several hundred metric tons.

I am immensely pleased to inform you that on together for sustainability platform, we have drastically improved our audit score year on year basis from 54% to 78% last year and this year we have achieved 87%. This is a matter of pride for Tatva Chintan and it also demonstrates our genuine efforts in moving towards sustainable solutions.

During the fourth quarter, India was facing the third wave which spread profusely but was not as damaging as the previous COVID waves. Its effect on our business has not been much. However, the spread of Omicron variant and subsequent lockdowns in China and Winter Olympics had an impact on shipping logistics and availability of certain raw materials. Fortunately, we had anticipated this challenge well in time, thereby stocked enough raw materials during the end of Q3, which helped us to manage our production in a smooth fashion and adhere to customer demands on timely basis. Considering the escalated raw material prices even in the fourth quarter, we are thankful to our few customers who were mostly absorbed the increasing cost of freight and raw materials in certain cases, which has ensured that we could operate with decent margins during the quarter. The freight costs rose from 3.7% to 7.6% of revenue year on year basis, fuel cost increased from 3% to 6.2% of revenue year on year basis and packaging cost increased from 1.7% to 3.1% of revenue year on year basis. Despite of these challenges we were able to achieve an EBITDA of 23% in Q4 and 27% in FY22. I would like to highlight here, that the impact in demand in one product category is offset by subsequent demand in another product category. As our products find application in varied end industries across geographies. We continue to see good synergies between our products as we are seeing our clients consuming our products by the spends of all the good innovations and the great support we have delivered to them over the years. Also, please note that SDA is the largest contributor of our EBITDA margins, followed by PASC in electrolyte salts, and eventually followed by flame retardants and PTCs. So, varying demand in each product will have its impact on the margins for the particular quarter.

For the upcoming year, with new customers additions, and new products getting into commercialization, new product category of flame retardants being introduced, we will continue to grow at a good rate. Despite the change in product mix that we envisage for next year, we shall be able to maintain our EBITDA margins within our historic range for the full year. Our approach of being an integrated manufacturer, producing niche specialty chemicals, having leadership position across product categories diversified geographically with 79% exports as on FY22, focus on green chemistry by using cutting edge technology, in house



R&D facility with 24 employees, including 10 senior level qualified scientists, has helped us steadily grow our presence and more importantly, help grow the customers confidence in Tatva Chintan, despite the turbulent macro-economic situation of COVID lockdowns and geopolitical tensions globally.

Ongoing capacity expansion of setting up additional facilities at our existing Dahej SEZ and expanding our R&D capabilities at Vadodara from the IPO process is running as per schedule and we target to commission the facility by Q4FY23. With the increasing cost of construction materials & equipment cost, we expect to utilize the anticipated 10% cost overrun and still expect to finish the project within the budget.

Head-count ramp up continues, with total workforce strength of 471, during the fiscal we added 35 permanent employees which includes appointment of Chief Technical Officer. I want to take a moment and recognize and thank our employees for their unwavering commitment and hard work all through the year.

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 through the financial performance.

Ashok Bothra:

Thank you, sir. And good evening, everyone. I'll begin by summarizing financial highlights for the year gone by.

During the FY22

- Revenue from operations was at ₹ 4,336 million v/s ₹ 3,004 million in FY21, growth of 44% on y-o-y basis backed by increased capacity utilization and demand.
- EBITDA was ₹ 1,171 million v/s ₹ 716 million in FY21, growth of 64% on y-o-y basis
- Net Profit was ₹ 959 million v/s ₹ 523 million in FY21, growth of 83% on y-o-y basis
- EBIDTA Margin was at 27% in FY22 and 24% in FY21 on account of better product mix with increased sale of SDA which is a high margin accretive product category.
- PAT Margin was at 22% in FY22 and 17% in FY21
- For the full year, PTC constituted 23% of Revenue, SDA was 52%, ES was 1.3% and PASC 24%.
- During the year, exports stood at ₹ 3,405 million surpassing the entire years revenue of FY21. Exports were made to 25+ countries contributing 79% of the revenue.

During Q4 FY22:

- Revenue from operations stood at ₹ 985 million. As explained by Chintan sir in his comments, we saw 9% decline in Revenue Q-o-Q basis due to subdued demand of SDA during the quarter on account of semi-conductor chip shortage.
- EBITDA was at ₹ 223 million and EBIDTA margin at 23%. During the quarter, freight prices increased by 2.3% and packing expense by 0.8% coupled with higher raw material prices affected EBIDTA margins during the quarter.
- PAT was at ₹ 175 million and PAT margin at 18%
- During the fourth quarter, PTC constituted 31% of Revenue, SDA was 40%, ES was 2.3% and PASC 27% and rest was other operating income.
- During the quarter, our exports constituted 74% of revenue.

Installed reactor capacity was 294 KL and installed assembly line at 27 with the capacity utilization of 90% and 64%, respectively during FY22. That concludes my update on financial. And now we open the floor for question and answers.



Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from Sanjesh Jain from ICICI Securities. Please go ahead.

Sanjesh Jain: Good afternoon. Thanks, Chintan bhai, for taking my question. Few questions from my side. First on the SDA. Now we said that Q4 was weak, even Q3 was weak, now we are talking of Q1 and Q2 being weak for us. How does the full year look like? Can we do the SDA revenue in FY23, equivalent to FY22 or we still believe that for FY23, there will be a good growth over FY22 in SDA revenue? That's the first question.

Chintan Shah: Basically, what has happened is underlying demand still continues to remain strong. But these geopolitical issues have caused an issue with availability of a specific raw material required for semiconductor. This is leading to a further decrease in availability of semiconductors for the time being. So, the orders are getting postponed, demand continues to remain very robust, but only the offtake of demand is not happening. So as soon as the semiconductor availability smoothens out, which we expect to happen by August or September of this year, and we expect this demand to again come back. So, this is going to be kind of a pent-up demand that should come back because currently people are trying to consume their inventory pipelines and not trying to order more material as of now.

With all this we expect though Q1 is going to be subdued, Q2 we will see an improvement happening from those levels and Q3, Q4, we should see a very strong demand coming back. So, we expect to maintain the revenues of SDA what we have done in FY22, without much impact on the overall revenue of SDA in the coming financial year.

Sanjesh Jain: So, what we are telling that we will be at a flattish SDA sales in FY23 versus FY22?

Chintan Shah: Exactly, yes.

Sanjesh Jain: Got it. And are we prepared for that pent up demand? Are we keeping that much of inventory available with us to cater the pent-up demand? We don't have excess capacity at our end, right now.

Chintan Shah: So, we continue to produce the SDA and we are piling up on the inventory for that because we understand that when the demand comes back, this will come from multiple customers at the same time. So, unless and until we have that inventory, we will not be able to cater those demands. So, we have now indications from customers to begin certain supplies happening from August, but still, you know because of this uncertainty of the semiconductor issue, we are projecting that probably Q2 should also remain weak, but things may change if the semiconductor availability changes accordingly.

Sanjesh Jain: Got it. From the new product pipeline, you just highlighted so many of them. Can you give us the timeline for commercial production for all these products in pipeline? And what is the anticipated effective use of this products? Because it's means we are talking about is the flame retardants and then monoglymes then our PASC.

Chintan Shah: Yes, so see the upcoming products, the flame retardants we are just starting commercial production. So, this is a new range of products, which we are about to introduce. And we will start the production from mid-June. So, we are expecting certain equipment's to be installed at the plant, which we expect to happen, and we can start the plant scale commercial trials.

In terms of high purity substances for the electronics and semiconductor applications, we expect two years for commercialization period to begin. Here we will not have to invest anything major way because we already have an infrastructure. So, these products will be produced in using the electrolysis module. So, we have an enough capacity to take care of this product except we must invest in what we call is improving the air quality at the plant. So, controlling conditions at the plant, must be installed but this is not going to be a big expense in any case.

In terms of continuous flow chemistry, monoglyme is what we expect first in terms of commercialization from next year. The solvent for the EV battery is we are almost through



with the development part of it, we will get into pilot scale approvals from the customers probably within September or October of this year. In terms of intermediates, we have one intermediate which is now already going into full scale production demand from the customer and again potential to double that demand over the next financial year. The second product which we were waiting for an approval, now, the formal approval is in place and we begin commercialization of that product from this year. Then, besides the two new products which -- two already existing products which we are going on continuous flow chemistries, still we are at a mid-stage of development in terms of catalysts development. And the very important product which now we are ready with the process and about to submit the samples, here we expect commercialization to begin in next 18 months' time.

- Sanjesh Jain:** Got it. So, what is the capex for all these projects over? Because if I hear it all it is in next 24 month all these products will be commercialized, due to large part of it will get commercialized. We are doing a capex of INR 150 crore in the unit at Dahej. I think this does not include all that, right?
- Chintan Shah:** So, all these chemistries would require, one is your conventional facility, which we are already enhancing the capabilities so, that will take care of that. And another thing we require is in terms of continuous flow chemistry, so, this would require an investment of about INR 75 crore over the next two years of time.
- Sanjesh Jain:** Got it. So, basically additionally we will require INR 75 crore and we should be through it, most of the product commercial launch, right?
- Chintan Shah:** Right. Because major part of the expenditure is already being covered during this current expansion. So, as and when you have the equipment design ready, and those are the only missing points that you need to install otherwise rest of the infrastructure including distillation columns or the reactor plants, everything will be in place by November of this year.
- Sanjesh Jain:** Got it. And that means if you're launching so many products in simultaneously, we will need to plan for a new product sooner than earlier anticipated, right? Earlier we were talking of 3 / 3.5 years for this plant to fully utilize. With so many product launches, are we planning to now develop the units earlier than what we anticipated earlier?
- Chintan Shah:** That is what logically we will have, we will be compelled to do that probably over the next 24 months is when we should start doing that capex maybe 18 to 24 months' time.
- Sanjesh Jain:** Got it. And last question before I get back in the queue, can you explain the opportunity in the flame retardant, how big that could be? And what is the visibility and what is the capacity we are starting with now in the mid-June and what is the kind of opportunity we are looking? Because we are calling this out as a separate segment that means we are thinking that this can become an independently very big segment in its own. So, what is the anticipation in the flame retardant side?
- Chintan Shah:** Flame retardant is a huge market potential. So, it runs into few billions of dollars, but we are specifically targeting very niche segments having applications as high purity flame retardants getting into more into the electronics area and into certain specialized electrical applications. So, this area, with our existing capacities, we can probably hit up to a revenue, a large revenue and this is very scalable. So, this segment can itself become as good as Tatva Chintan's revenue as of today. So, this is a product category which can lead into large growth prospects. So, there are flame retardants in the category which can be sold at regular quality at a reduced price whereas you have the same product going into our niche application area, which can fetch you premium. So, this is the area where we are trying to focus and position our products into.
- Sanjesh Jain:** So, what is the current capacity we are starting within flame retardant right now? And is it the same process as previously and existing clients can be used for the flame retardant?



- Chintan Shah:** No. The existing plant in the upcoming expansion can be used for making this flame retardants. Currently, with our existing capacity, before the expansion is completed, technically we can produce about 80 to 100 metric tons a month. And with the expansion coming up online from December of this year, we can increase this capacity to about 4000 metric tons to 5000 metric tons per year, so roughly about 400 to 450 metric tons a month.
- Sanjesh Jain:** Got it. And again.
- Moderator:** Sure. Thank you, sir. Ladies and gentlemen, to ask a question, please press “*” then “1”. The next question is from Jason Soans from Ashika Stock Broking. Please go ahead.
- Jason Soans:** Yes, sir. Thank you all for taking my question. So, just wanted to know, I mean, you had alluded before that, you know, Q2 has been your best quarter, you know, in terms of an optimum utilization of the plant. And you will require more capex to bring in more revenues. So, just wanted to know, how was the capex, which is slated for November, December? Just an update on the capex, as is it on track?
- Chintan Shah:** Sorry, I didn't get your question. Can you please repeat that?
- Jason Soans:** Yes, sure. So, sir, I was telling you that, basically, you had mentioned that Q2 was your best quarter in this year. And you had mentioned that there is, very limited scope of beating that revenue in Q2, that's because of capacity constraints. So just wanted to know this capex, which you're planning the INR 1.5 billion, which is at Dahej, what is the update on that? And when is it slated to go on stream?
- Chintan Shah:** So, this capex is running on time, on schedule, And we expect to have this plant available for production from December 2022.
- Jason Soans:** Okay. Sure, sir. And you in the previous participants question, you did mention that now, with the heightened geopolitical crisis, you're looking at a flattish SDA sales for FY23. Right?
- Chintan Shah:** Yes.
- Jason Soans:** So, just wanted some sense from you. Because, you know, SDA has been our main product, main growth driver. So, looking at even beyond say, you know, FY24. So, do you look at growth being very backhanded from that perspective? I mean, you said the underlying demand is very strong. So, how do you look at it, and how do you look at the whole?
- Chintan Shah:** We continue to expect this segment to grow at the most rapid pace. This is just a small hiccup that is on the way because of this unavailability of the key raw materials for the auto industry. Once this is through, then we again are back into a very high growth situation with this product segment.
- Jason Soans:** Okay. So, we do look at it as growing at a rapid pace, as well.
- Chintan Shah:** Yes.
- Jason Soans:** Sure. So Yes, that completes the question from my end for right now. I'll join back the queue.
- Chintan Shah:** And again, currently this SDA applications in auto area is mainly going into the BS6 or the Euro6 application. So, going forward now, we are going to transition into the BS7 area which will again push up the demand. So, this growth rate has to continue in a very robust way that is what we are expecting
- Moderator:** Thank you. The next question is from Yash Shah from Investec India. Please go ahead.
- Yash Shah:** Yes. Hi, sir. Sir, my question was regarding flame retardants which is going to be your new segment. Can you throw some light what will be the capacity and having said that we'll be



targeting niche application? So, can you be a bit more specific and how is this going to be used?

Chintan Shah: Flame retardant are basically added into polymers to give them flame retardant characteristics. So, when in the event of fire, it holds up the fire and doesn't let it propagate. So, that is the basic application of this flame retardants. And we are specifically targeting the area into the electronics application. So, for example, just to give you an overview is when you have printed circuit boards, so, these also are polymeric substances and these also involve high purity grade of flame retardants applications. So, this is the area where we are currently focusing on. There are other commercial applications, for example, in your roofing sheets, or even in your electric cables. So, these are the applications where you don't require a very high purity grade of this flame retardants, but the electronic area is which commands for the high purity application area. So, this is the key segment where we are focusing. So primarily, we intend to sell these into the East Asia market, where you have a larger consumption of this kind, larger production of this printed circuit boards kind of stuff.

Yash Shah: Got it, sir. And sir, what about the capacity? Have we decided on the capacity?

Chintan Shah: With our new plant, we will have a capacity of producing about 5000 MT of this flame retardant. But of course, this is not going to happen overnight, this product, this segment will also scale up gradually over the next two to two and a half years to reach that kind of like capacity.

Yash Shah: Right. If I'm not wrong, you mentioned the capacity will be commercialized within 18 months? And that will be?

Chintan Shah: No, we are going to start commercial, we are starting the commercial plant trials from June, this June, two months down the line. And immediately after that we will start commercial production. But when we start from our existing facility, we will only be able to produce about 80 MT per month. So nearly about let us say starting with a capacity of 900 to 1000 MT a year. And when we have the new plant available from December this capacity automatically ramps up to about 5000 MT per year.

Yash Shah: Got it, sir. And sir, my last question, in continuation to the previous participant's question, you said that SDA segment will be flattish as compared to the previous year. So, are we able to, will you still be able to do revenue in FY22 and off course the INR 550 crore of revenue and if yes, which segment will it be recovering from?

Chintan Shah: Right. So, we expect the PTC segment to grow at a normal pace where we have been growing at about 20% in that area. The pharma segment where now the commercialization has begun on a full-scale commercialization, this is the area where we may expect about 30% to 50% of growth. Also, the electrolyte salt segment is where we will see a multifold growth maybe four to five times of this year's revenue is what we expect. And then we have this addition of flame retardants which will be our new revenue. So yes, indicatively we can still, despite a flattish SDAs we expect to grow at a significant rate even in this financial year.

Yash Shah: Got it, sir. If I may squeeze in one last question. Just wanted to understand, how do you manage the on quarter-on-quarter basis, how do you manage to increase our gross margin levels by approximately 300 basis points and an increase in raw material for this equation?

Chintan Shah: Sorry, absolutely could not understand you. Can you please repeat.

Yash Shah: Can you hear me now. Yes. My question was about the gross margins. If we see quarter on quarter, our gross margin has increased by approximately 300 basis points. So, just wanted to understand and an increase in pricing scenario, how have you managed to do that, is what my question is?

Chintan Shah: So, see basically what is happening is the customers, we have a very good pricing mechanism with the customer. So, most of the key customers is where we are able to pass on prices quite easily and customers are also happily reciprocating by way of accepting higher prices. And



recently, there is a scenario where we have approached a customer just in this current month of April, where certain prices have dropped, and we have approached the customer to reduce the prices accordingly. So, it's a vice versa mechanism that works very well. So, we can maintain our margins more or less in the trajectory what we are doing. And of course, the overall margins get impacted because since SDAs is the highest margin among all the four categories. So, with reduced SDAs, of course, our EBITA margins are dropping from quarter 2, to quarter 3, to quarter 4. But overall, we are able to maintain in the rest of the segments, we are able to maintain our pricing and margins comfortably. So, I explained you know, if you see on year-on-year basis, the increase in the shipping cost, increase in the fuel cost, and increase in packaging cost has been quite significant. But this we have been comfortable in passing on these prices to the customers and it has worked well so far.

- Yash Shah:** All right, sir. Yes. Okay. Thank you, sir. I'll get back in the queue.
- Moderator:** Thank you. The next question is from Vishal Biraia from Max Life Insurance. Please go ahead.
- Vishal Biraia:** Hello, congratulations on a good set of numbers. So, specifically on the margin side. So, my question is more on the glyme side, as to we were trying to reduce the moisture content in the glyme. So, where have we reached? And at what stage are we in terms of approvals from some of our clients or supply of this glyme? Thank you.
- Chintan Shah:** All right. So now in glymes, we are undergoing two stage of dehydration to achieve the required quality. So, now, we have decided that we go with this current ability to bring the product within the required specifications and start approaching customers for approval basis. But our eventual target remains to achieve this dehydrated product with a single stage of verification, which we are working on. We are very close, we are now hitting in the range of about 30 to 35 ppm of moisture, but we need to go down to below 20 ppm. We are not too far, and we are working hard in this area. But with two stages of dehydration, we are able to meet the customer specifications and now we are deciding that let us first start getting into commercial approvals with these customers. And simultaneously in the backdrop we continue to work to achieve the desired specifications using a single stage of dehydration.
- Vishal Biraia:** Okay. Sir, just to understand this better with the two stage of dehydration, you are able to meet the 20-ppm requirement.
- Chintan Shah:** Yes.
- Vishal Biraia:** Currently you are doing it via two stages. So, you need to get that from two stage to one stage, that is the issue.
- Chintan Shah:** Exactly. Because doing it two stage basically reduces my production capacity by 50% or I have to install additional dehydration. So, any stage of purification you typically lose about 4% to 5% of product along with the water that is going out. So, eventually your final target is to achieve these specifications using a single stage dehydration.
- Vishal Biraia:** Okay. Yes. And how big this market, this glyme market the one that you will be targeting?
- Chintan Shah:** So, the potential customers with whom we are talking right now, the market is big, I mean the overall demand for monoglyme could be anywhere in the range of 15,000 to 18,000 metric tons, but the customers which we are focusing right now can easily scale this up to a 3000 to 4000 metric tons of demand.
- Vishal Biraia:** 3000 tons you can supply, is what you mean?
- Chintan Shah:** Yes, we can supply.
- Vishal Biraia:** Okay. So, this will be 3000 tons of the 18,000 tons markets globally?



- Chintan Shah:** Right.
- Vishal Biraia:** Okay. So, you will be basically taking market share and so the market itself is expanding, no denying, but you would also be taking market share to some of the existing players?
- Chintan Shah:** Exactly, yes.
- Vishal Biraia:** Okay. And then just to get the sense in value terms of million dollars tons of value of this 18,000 tons of market could you help me with that as well?
- Chintan Shah:** Basically, it is roughly about product depending on the quality area when you're selling, it ranges between \$5 to \$7 a kg.
- Vishal Biraia:** Okay.
- Moderator:** Thank you. The next question is from Tanmay M from Mirae Asset. Please go ahead.
- Tanmay M:** Yes. Hi, thanks for the opportunity, sir. So just again a question on SDAs. As you mentioned that we'll be seeing a flattish number in FY23. But you also mentioned that you have added two customers, the commercialization for one customer will be starting from Q2 and other will be starting from Jan 23. But despite that you are guiding for a flattish SDA growth. So, any reasons apart from the auto slowdown that you are seeing?
- Chintan Shah:** Basically, we are going to see a quite low demand of SDAs in Q1 and slightly better demand in Q2. But this getting offset and coming to almost the same volume levels in Q3 and Q4 means very strong demand of SDA is in those two quarters. And when we say a new customer introduction typically takes about a year to two, when the customer test you in terms of your performance, consistency in your quality and in your logistics aspects. So, this is basically an area where you gradually ramp up your confidence with the customer and that also in turn ends up with a ramp up of your volumes going up. So, this is the same thing which happened with our three current large customers, where we started with probably a very minor volume of their overall demand. And now we are commanding nearly more than 50% of their demands. So, this happens over a period of two to three years where the customer confidence builds up and you start to get a larger volume share. Then, again, the change of source is also an equally risky proposition, right. Because as I have always explained, the application is such a sensitive area which is why it is such a high entry barrier area. So, when the switch or the change or an addition of a new vendor is happening or any kind of change is happening, that is always done quite cautiously. So, the ramp up in terms of volume will happen periodically year on year basis where you start to get in the larger portion of shares.
- Tanmay M:** Sure. But, sir, considering I mean Q3 and Q4 both being muted, don't you think I mean, on that base, we can see some growth starting Q2 onwards?
- Chintan Shah:** We already have the orders on hand. This was expected to begin supplies from May of this year and now customer has postponed the delivery to July of this year. This is all leading to because of the semiconductor uncertainty which is leading all this delays or postponements that are happening. For our largest customer also the May schedule has been postponed to end of July. So, these kinds of movements are currently happening purely because the demand is very strong, also disrupted supply chain is causing this delays or postponements of the markets.
- Tanmay M:** Okay. Because I was just wondering, I mean, if the auto industry will start recovering so, we should see sort of pent-up demand for our products as well. So that's what?
- Chintan Shah:** See, basically Ukraine is supplying a neon gas. So probably almost 70% of the neon gas which is required in the semiconductor production is coming out of Ukraine. So, this war which began in this February, has dampened the availability of semiconductors. Otherwise, we were expecting this strong revival happening from this first quarter to happen. But again,



we are seeing postponements, and this is purely becoming an output of the geopolitical issues that are currently going on.

Tanmay M: Sure. And if I understand correctly in FY23 we will be seeing a slight shift in the product mix. So, any impact on the margins because of this, we should expect?

Chintan Shah: We expect to maintain margins at Q4 levels, because see, overall, the revenue is going to increase, and SDA is going to remain stable. So, theoretically speaking, we expect that Q4 margin levels.

Tanmay M: Sure, sir. Got it, thanks.

Moderator: Thank you. The next question is from Dhruv Muchhal from HDFC Asset Management. Please go ahead.

Dhruv Muchhal: Hi, sir, thank you so much. So, just to reconfirm you mentioned Glyme market is about 18,000 metric tons and we are targeting about 3000 metric tons, is that right?

Chintan Shah: Right, sir.

Dhruv Muchhal: And the application I missed it?

Chintan Shah: Once this piloting is done, the first phase we intend to set up a continuous flow capacity with 3000 metric tons. And currently the customers where we are focusing their demand is higher than that, but we understand that over a period of two to three years, we will be able to take away almost 50% of their available business. So, therefore we are projecting 3000 metric tons. Actual available business with these existing, potential customer is already much larger, but we understand that complete switch will never happen in this case. So, we will just take a part of that business out of that.

Dhruv Muchhal: Got it. And so, the application is in pharma or is it in electronics and others?

Chintan Shah: No, see pharma already we are catering. So, pharma application we are already in the range of about 1000 metric tons a year, or slightly higher, but this is we specifically are targeting the EV segment.

Dhruv Muchhal: Okay. Because, sir, if I remember correctly, the current line was through the conventional route that you, I believe supplied to pharma.

Chintan Shah: That is what we are already doing. That is what we are already doing by the conventional synthesis. And now we will move into the continuation of synthesis.

Dhruv Muchhal: Okay. Where the conventional route does not work and hence -- for EV supplies only the conventional, only the continuous route works, is that fair?

Chintan Shah: No, see basically the conventional route also works for the EV application, but in production also you have to add one minor purification stage and then you have to go for the dual stage of the hydration process to achieve that quality. So, then theoretically, you know, your margins get eroded, if you try to do all those things, and try to sell the product. It is better that we wait for the continuous flow process to commercially start supplying the EV application medium and the logical decision why we took that let us at least get into the queue of approval, because that itself is going to take you eight to nine months at least to get a formal approval in this. So, for the time being you can always work dual stage of dehydration and extra purification to meet the quality, but eventually to make that business really a margin, good margin business, then this will happen only when we go through a continuous flow chemistry application.

Dhruv Muchhal: Got it. So, the two stage that you're currently doing is using the conventional route and getting the product approved?



Chintan Shah: Yes. Because producing by conventional itself has a larger raw material usage. So, that is one disadvantage and then you have to undergo an additional purification stage at the process. And, you have to do dual dehydration process. So that is also an additional cost. Then, we are left with very low margins to sell the product, but this we can do it for next eight to nine months, but eventually you need the continuous flow application.

Dhruv Muchhal: Sure, sir. And so, what are the application, specific application in EV of this glyme?

Chintan Shah: So basically, this goes as a mix. So, typically the electrolyte salts let us say LIPF6, LIPF6 is a solid, which typically is dissolved into a combination of solvents. So, the most prominently used is the dimethyl carbonate, but then with dimethyl carbonate they also add a few other solvents. So monoglyme is one of those solvents used as a mix combination with dimethyl carbonate or other solvents to dissolve the electrolyte salts. So, this becomes the part of the electrolyte solution within the Li battery.

Dhruv Muchhal: Okay. So, this market is already supplied by someone and we are developing our own independent process to make this and seek and capture this market?

Chintan Shah: Correct.

Dhruv Muchhal: Got it. So, the second thing was the flame retardant product that you mentioned. Sir, is there any, you know entailing between in the existing product that we do probably the customers or probably the RMs that we have that this on the flame retardant, I mean is there some integration benefit that we are leveraging on?

Chintan Shah: Basically, one of our multinational customers to whom we are supplying a catalyst, they use my catalyst to manufacture the raw material for the flame retardant. So, the catalyst what we are supplying is utilized in manufacturing of the flame retardant raw material. So, this is how we became aware of this business and we started talking to the customer. So, customer is also wanting a forward integration of what they are making. So, this forward integration is what we will do for them, one of the potential customers. So, this is how this segment has evolved. So, we have been working on this since last three, four years and now, the things have materialized.

Dhruv Muchhal: And there is reasonable confidence that in June the commercialization will be done. But, sir, how is the production approval process? Because, again, here, it's the electronic application where I mean, I think the semiconductor kind of thing where application the approval processes are very long. So, how do you think about the approval process, is it the same auto cycle where it takes four, five months sets?

Chintan Shah: It should take about four to five months at least from June to get a formal approval in place. And this would be a good timing to launch it in June. So, that by November, when you have a real plant availability for making these products by that time you are ready with the approval from the customers. So, June logically is the best time for us to launch this product. So that by November, when you have most of the application approvals in place, then you can really ramp up the product.

Dhruv Muchhal: Okay. I mean, I was wondering from the final approval, for example, for SDA that takes a very long time given the application is very specific.

Chintan Shah: Basically, just to give you an idea, this product, typically a customer would consume something in few 1000 metric tons a year. Right. So, the last three or four customers, each of them will be consuming at least few 1000 metric tons of this product. So, for getting into a commercial approval process would also require them to buy few loads of this product, few containers of this product running into a couple of 100 metric tons to go into final approvals.

And this is what we will be able to make from June to November. Now if any customer demanding 50 or 80 metric tons for approval process and this is max what we can provide



from our current plant. So, this is the reason why we are not going with, not waiting till November otherwise it will again take you another five or six months.

- Dhruv Muchhal:** Very helpful. Thank you so much, sir.
- Moderator:** Thank you. The next question is from Archit Joshi from Dolat Capital. Please go ahead.
- Archit Joshi:** Hi, sir, thanks for the opportunity. Sir, a few bits more on the flame retardant side. I understand that this is a category of some halogenated products and derivatives and largely on the bromination side.
- Chintan Shah:** Yes, correct.
- Archit Joshi:** So, just wanted to understand our technical expertise, also knowing the fact that there are some very large multinationals who have integration benefits also like Albemarle on the bromination side, so how are we looking at this other than what you mentioned earlier, that you know, we are forward integrated from our catalyst only to eventually manufacture flame retardant. So other than that, have we identified certain supply demand gaps? And other than that, if we can also throw some light on the technical expertise or the know how that we have in bromination? Thank you.
- Chintan Shah:** There is, see basically what has happened is a couple of years back, China went into a regulation where in certain cases, usage of flame retardants had been made mandatory. So, this has pushed up the demand of flame retardants drastically and this has caused a severe gap in demand supply. So, this is the reason why we find a good opportunity getting into this. Secondly, there are three large players globally in this area. LANXESS, Albemarle and ICL. They will have their own significant benefits in because of their backward integration into the raw material as well. Where we bring in value is to offer a consistent high purity of products, where the customers are still struggling to get it. So, this again, we are talking of impurity profiles of certain metal elements into this product being into low PPM levels. So, like our SDA applications, where we are producing substances with very low trace metal impurities, the same is the application where we are trying to position ourselves with the flame retardants.
- Archit Joshi:** Prevalence of bromine category this is by volumes one of the largest application areas. So, anything on the supply chain side as to how we are going to procure bromine?
- Chintan Shah:** Yes. So, we are working with a couple of large bromine suppliers in India as well as one internationally where we intend to have a tie up with them, tie up in terms of supply agreements consistency. Supply agreements are essential because bromine itself is in a shortage since last few years. And this is the reason why you need to have a good tie up with a couple of bromine producers, and that is what we are currently doing.
- Archit Joshi:** Right, sir. Sir, one last bit, I think you mentioned it's a \$3 billion market and out of which we are you know targeting niche applications within electricals and electronics. Just some broad numbers, I mean, how big would this market be, you know, specifically pertaining to any numbers on that?
- Chintan Shah:** This market is also quite large. So, running into a billion dollar plus market segment and we just need a small pie out of it, because this our existing new capex will only entail us to produce somewhere in the range between 4000 to 5000 metric tons a year. So, this typically product costs between \$6 to \$8 or \$9 and this is just the beginning flame retardant what we are so like in phase transfer catalyst, how we have a large basket of products, flame retardants, the commonly used flame retardant is the entry level product. And then you have other complicated products or other high-end chemistries to be involved to further have advanced stage of flame intermediate, flame retardants and that is the key area where we will eventually focus.
- Moderator:** Thank you. The next question is from Vishal Biraia from Max Life Insurance. Please go ahead.



- Vishal Biraia:** Yes. Sir, my question is again, on the gross margin side. Is there any of the segments that show a very sharp improvement in margins or any sharp decline in raw material costs or anything of that sort, which helped the sequential improvement in gross margin?
- Chintan Shah:** No, not really, any major impact, it's just the changing product mix or an independent product that being sold slightly higher than something else is causing this 1% or 2% of variation. But broadly speaking, there is no question of any kind of reduction in price or in relation to costs because everything has increased, right. But we are fortunate enough that customers are agreeing to accept the increased pricing and we are able to pass on those prices but more or less speaking, there is no change in individual products in terms of margins.
- Vishal Biraia:** Okay. And the freight scenario has it improved over the last few months.
- Chintan Shah:** No. The freight scenario has gone from bad to worse during the last quarter and it continues to remain at the worst level, it is good that it is not going from worse to worst. So, it is still at those levels, where freight cost is still not coming down. Fortunately, since last couple of weeks, availability of containers has kind of slightly improved, but still the destination port congestion is a big issue that we are facing, so, we have lots of containers in transit and probably today, we have four containers very close to Rotterdam port since last 30 days, but not being delivered on the Rotterdam port, and customer is also dying out with want of product. So that is the actual scenario that is happening in terms of logistics. So, from here, you are able to ship the product probably on time, but then it is not being delivered to the customer on time that is the key issue right today.
- Vishal Biraia:** Okay. And the last question is on the raw material side, a lot of them are imported. So, do we have some contracts in with these players, where they have also not been able to increase the prices with us and we have got the raw material at the other lower prices and which may have a reset in the coming few quarters?
- Chintan Shah:** Typically, the way we are working on most of the large products is that we do quarterly contracts for the raw materials and revise the pricing with the customers on a quarterly basis. This works in the best way for even my suppliers and for my customers. So, this is a key reason why we are able to sustain these margins for such a turbulent year and still we could absorb the increasing price from the suppliers and also pass on the increased price to the customer. So, that has worked well for the whole supply chain for us.
- Vishal Biraia:** Okay. Fair enough, sir. Thank you very much. This is all. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, we take the last question from the line of Nilesh Jha from HDFC. Please go ahead.
- Nilesh Jha:** Yes. Hi, thanks for the opportunity. Sir, my question is on the electrolyte salts. As you mentioned that these electrolyte salts you have, the chemistry and technology available with you and you are currently manufacturing those in the electrolyte side? Is my understanding correct?
- Chintan Shah:** Correct, sir.
- Nilesh Jha:** Yes. And sir, for particular electrolyte, there is a specific electrode that one can have right, or is it like that you can have the electrolyte for across lithium base any electrode, is it the one-on-one combination between electrode and electrolyte or one to many relation between electrode and electrolyte? Just clarification from your side, sir.
- Chintan Shah:** No, see, basically Nilesh ji, we are into electrolytes for the super capacitor batteries and energy storage batteries. So typically when you say energy storage batteries, these are again, lithium-based batteries and non-lithium-based batteries. So, people talk about sodium-based batteries or the zinc-based electrolyte batteries. So, we have nowhere into the lithium-based side of the battery application. But typically, just to answer your question correctly, so people /each company would have its own proprietary combination of electrolyte salts, and also its own proprietary mix of solvents or additives that they use to dissolve these salts and make a



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unit electrolyte formulation. So, these are all the added and patented technologies, where each company will have to come up with its own formulation of the electrolyte which has to be different compared to its competitor. So, depending on which electrodes you are using your electrolyte could change or keeping the same electrode again, still your electrolyte could be different from your competitor.

Nilesh Jha: Okay. Thanks a lot, sir. Thanks a lot.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments. Sir, you may go ahead.

Chintan Shah: On behalf of the management, I thank you everyone. for participating in this earnings call and for your continued support. We have tried to address all your queries. However, if we have missed out on any of your questions, please feel free to reach out to Mr. Ashok Bothra our CFO, or our IR Advisor EY, and we will connect with you offline. Thank you and have a great evening.

Moderator: Thank you very much, sir. Ladies and gentlemen on behalf of Investec Capital Services, that concludes this conference. We thank you all for joining us and you may now disconnect your lines.