“Chemcon Speciality Chemicals Limited Q4 FY22 Earning Conference Call”

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MANAGEMENT: **MR. KAMAL AGGARWAL - CHAIRMAN & MD, CHEMCON SPECIALITY CHEMICALS LIMITED**
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Moderator: Good morning Ladies and gentlemen welcome to Chemcon Specialty Chemicals Limited Q4 and FY22 Earnings Conference Call.

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I now hand the conference over to Mr. Kamal Aggarwal– Chairman and Managing Director, Chemcon Specialty Chemicals Limited. Thank you and over to you, Sir.

Kamal Aggarwal: Thank you very much. On behalf of Chemcon Specialty Chemicals Limited I extend a very warm welcome to everyone for joining us on our call today.

On this call we are joined with our Whole-Time Director and the CFO – Mr. Rajesh Gandhi, SGA – our Investor Relationship Advisors too.

I hope everyone has got an opportunity to go through the Financial Results and the Investor Presentations which have been uploaded on the stock exchange as well as Company's website. We will give you a quick snapshot of recent developments and then Mr. Rajesh will walk through the financial performances.

We are pleased to close our financial year on a positive note led by continued business momentum in the pharma chemicals and moderate recovery of the bromide business. All our products like HMDS, CMIC and bromides have delivered a noteworthy performance especially in the last quarter FY22.

We have registered a total operating revenue of Rs. 257 crores for FY22 whereas our total production volume stood at 1883 metric tons.

First, I would like to highlight on the product HMDS:

HMDS has contributed around Rs. 122 crores of revenue in the year FY'22. We would like to highlight that we have successfully commenced commercial productions in the plant P8 and have added a capacity of 2400 tons of TMCS annually. We are one of the biggest importers of TMCS and this capacity addition will help us make more HMDS at home thereby reducing TMCS imports to certain extent. We'll continue to source TMCS through imports for existing

HMDS production. We have healthy visibility of this chemical and are confident to carry the momentum in the coming year FY'23.

Now I would like to highlight some matters on CMIC which has contributed an amount of Rs. 68 crores of revenues in the financial year '22. In the year gone by, global supply chain has disrupted many pharma MNCs and their overall business momentum. The overall demand for the CMIC chemical is strong and we have healthy enquiries for the upcoming quarter. We have added an additional capacity of 1200 tons at P8 facility making us the world's largest CMIC producer with a total capacity of 3000 tons per annum. We have received certain purchase order from China and this material from current quarter onwards will start flowing to China also.

On oil well completion chemicals, I'd like to update you we have registered a revenue of 60 crores in the bromide business in FY22. Our oil well completion segment has performed marginally better as well as overall onshore oil and gas wells are growing gradually in the drilling and completion fluid's market. We have healthy enquiries for various bromides and expect meaningful contributions in the year '23.

Apart from these three products we also manufacture high purity HMDS, 4 CBC and 2, 5 DHT in our product basket. We have already started commercial batch of high-purity HMDS which we are supplying to rubber industry overseas and enquiries in the ongoing approvals for semiconductors are in process. They are a bit slower compared to what we had expected.

On the other hand, both 4 CBC and 2, 5 DHT are still in the early stages we expect these products to perform well in 2023.

We firmly believe that this chemical will create a value for the customers and in turn will drive the revenue and margin for the Company upwards significantly.

Commercial production of P9 have been delayed by couple of months and is expected to commercialize in Q2 2023. We'll add few existing products and a few new products at P9 unit. On other hand we're happy to announce that we have started mechanical construction our P10 at the same location for other pharma intermediate products. Commercial production of methane is expected to commence by the end of the financial year. Capital expenditure will be about 15 crores and that would be done from the internal accruals.

We are delighted to inform you that we have received a permanent revocation letter from the local pollution authority. We would like to reiterate that we have zero-liquid discharge facilities at Manjusar and adhered to all necessary protocols to align with the MNCs plants.

There's a tremendous growth opportunity for us as we penetrate deeper into the pharma space and suffice the requirements as chemical supplier. Growing needs of pharma MNCs will be a key driver for our growth where we are trying to amplify and capture import substitution products. Our role in this growth opportunity will be facilitating them to have a sustainable partner in long term. Parallel, we are also expanding our products basket to offer them.

Now I would like to hand over to Mr. Rajesh – CFO and full-time director of the Company to take us through the financial highlight, Rajesh, over to you.

Rajesh Gandhi: Thank you Mr. Aggarwal. Q4 and FY22 has been a health quarter for us as all key products witnessed robust demand Q4-22 performance is as follows:

Total revenue for Q4 stood at Rs. 89.1 crores a growth of 25% on YOY basis. Total production volume for the Q4 stood at 1883 metric ton.

Segment wise revenue is as follows:

HMDS revenue stood at Rs. 37 crores. CMIC revenue stood at Rs. 26 crores. Oil well completion revenue stood at Rs. 24 crores. EBITDA stood at Rs. 27.5 cores in Q4 FY22, a growth of 32% on YOY basis. Net profit for the Q4 FY22 stood at Rs. 21.3 crores a growth of 37% on YOY basis.

For FY22 performance:

Total revenue stood at Rs. 257 crores a growth of 6% on YOY basis. Domestic business contributed around 63% whereas international business contributed around 37%. Production volume for FY22 was at 6065 metric ton.

Segment wise revenue for FY22 is as follows:

HMDS revenue stood at Rs. 122 crores. CMIC revenue stood at Rs. 68 crores. Oil well completion revenue stood at Rs. 60 crores. EBITDA stood at Rs. 81.6 crores in FY22 which is similar to same period last year. Net profit for FY22 stood at 62.8 crores a growth of 11% on YOY basis. Our ROC and ROE stood at 19% and 15% respectively. Our net debt-to-equity ratio stood at close to zero.

With this I conclude the presentation and open the floor for the further discussion. Thanks.

Moderator: Thank you ladies and gentlemen we will now begin with the question-and-answer session. The first question is from the line of Viral Shah from Shah Investments. Please go ahead.

Viral Shah: I have two questions can you highlight more on a list of products that we will be adding in P9 and P10 unit and total capacity addition in terms of metric tons. Also, more detail on the end application and market opportunity?

Kamal Aggarwal: P9 and P10 the plant and the product what you would like to know I am sorry I won't be able to disclose on that.

Viral Shah: Sir can you tell about total capacity addition?

Kamal Aggarwal: Capacity addition will be about 1200 tons.

Viral Shah: Okay and sir my second question is how our peers performing in all three products HMDS, CMIC and bromides. Are we seeing any capacity addition or supply shortage in India and in global market?

Kamal Aggarwal: HMDS we do not have the peers or the competitors in India. Global market yes we have major manufacturers in China and some of them have recently added their capacities.

Viral Shah: Okay and sir about bromides?

Kamal Aggarwal: We are not facing heat of that. CMIC our peer is Paushak Limited. I am not clear whether they have added any capacity. So, whatever they have until now with the market information it is to that extent only. So, these are unconfirmed reports. However, the capacities that we have added has made us much more competitive because of the high volume play and we have started receiving orders even from China and started exporting to China also.

Viral Shah: Is there any supply shortage in India?

Kamal Aggarwal: No there are no supply shortages. It is the production shortage so the requirements were met from the imports.

Moderator: Thank you. The next question is from the line of Ayush Agarwal from Mittal Analytics. Please go ahead.

Ayush Agarwal: Sir congratulations on a good set of numbers for this quarter. Sir my first question is on a P10 construction that we have started. Have you received EC for this product and like how are we going about that?

Kamal Aggarwal: We are coming with up with a product for which we already have EC. So, it is only the change in the process or modifications but we won't be requiring EC for the expansion of that, we're going ahead

Ayush Agarwal: All right and sir what kind of asset turn are we expecting on the 15 crores CAPEX that we plan to do in P10?

Kamal Aggarwal: Normally we expect around four-fold of the investment.

Ayush Agarwal: Okay. Sir on our P9 key figures in the new product that we were planning guanine. So, do we plan significant scale up H2 when production starts?

Kamal Aggarwal: Yes, first stage when this Guanine production starts post that it is a modular plant, we will be multiplying that.

Ayush Agarwal: All right and also on our oil well chemicals do we see significant traction in FY23 given that the drilling has increased globally?

Kamal Aggarwal: In respect of the bromide the demands are coming well but commercially the bromine prices in the country has gone up like anything. We are banking upon the domestic bromine majorly. So, we are facing the heat of that. Still, we hope we will be able to achieve better results compared to what we have done until now. So, we hope we'll be able to have more than 3000 tons to 3500 tons of bromide in FY23.

Ayush Agarwal: All right. Also, on this expanded CMIC capacity now that we are at 3000 metric tons what kind utilization are we expecting in FY22?

Kamal Aggarwal: In FY22 we expect a utilization of around 200 tons per month say 2400 tons a year, 2100-2500 tons.

Ayush Agarwal: What will the prices currently and what was on FY22 average.

Kamal Aggarwal: The current pricing for the domestic market which is a major shift is around Rs. 500 a kg. That is 5 lakhs per ton.

Ayush Agarwal: So, these are elevated levels than past right?

Kamal Aggarwal: Yes these are elevated levels compared to the past. For two years when we had moved for the IPO the price was Rs. 340.

Moderator: Thank you. The next question is from the line of Bhavesh Chauhan from IDBI Capital. Please go ahead.

Bhavesh Chauhan: My question is from a little longer-term perspective let's say from next 3-5 years what sort of revenue or top line or profitability that we aspire to do?

Kamal Aggarwal: The long-term projection if I say we are working out for the inorganic growth also because we have availability of the liquidity. So, we're moving ahead in that direction we are on that as well as we are working on acquisition of adjacent land for further expansion. So, it won't be justified to give you any projections because inorganic growth can result into anything that can be a different working.

Bhavesh Chauhan: Yes but sir on the organic side anything, that can be a different working.

Kamal Aggarwal: Organic side you can expect around 4-5 years you can expect around 1000 crore top line.

Bhavesh Chauhan: Okay and what about the operating margins should be in a similar range that we have been doing in the last couple of years?

Kamal Aggarwal: If you see last four years they have been maintained and we hope we'll be able to maintain the same.

Moderator: Thank you. The next question is from the line of Manan Shah from Moneybee Investment Advisors. Please go ahead.

Manan Shah: Thank you for the opportunity and congratulations for a good set of numbers specifically for the Q4. I am fairly new to the Company so please pardon my ignorance. So, when I am looking at our Company from our past data so our margins have expanded significantly from FY18 onwards. So, if you can just help me understand what has led to this fantastic expansion in the margins from that year is it some sort of backward integration or is it the new product that we launched if you can just help me understand that?

Kamal Aggarwal: I would like to update you in the year 2017-18 we had undergone major modifications and technology upgradations in the plant which resulted into more than 7% of the raw material savings in one of the product and the other product to the extent of about 10%. The CMIC my raw material costing came down by around 30% and HMDS it came down by somewhere around 7-8%. So, that major changes resulted into increase in the volumes as well as this margin.

Manan Shah: Okay assuming that the current margins will be fairly sustainable in that case right?

Kamal Aggarwal: See since 2018 the margins are sustained. Such margins normally when we went to the market, investors ask us before about three years also whether this margins will be sustainable. Will the performance have the result that yes they are sustainable.

Manan Shah: Right. And sir then coming to our Q4 performance the growth that you're seeing in the Q4 how much of it is volume led and how much is pricing led?

Kamal Aggarwal: It is on both the sides the volumes have also grown and margins, this top line has also grown. There is a parallel growth for everything. We have done a total of 1883 tons. Financial year 2022 we have done a total of 6000 tons. So, if you see proportionate it is a minor growth as well as the value addition and value product both the growths are there.

Manan Shah: Okay then on our expansions. So, you mentioned that we would be setting up additional capacity P9 and P10. So, this together will add another 1200 tons right?

Kamal Aggarwal: Right.

Manan Shah: And post this expansion would we have additional land available and how much would you spending for these two facilities?

Kamal Aggarwal: These two facilities I'll be spending about Rs. 15 crores. We have the land. The constructions are ongoing for P10 mechanical working has been started and P9 also we'll be commencing the productions very soon.

Manan Shah: With P9 and P10 together we'll be spending around 15 crores?

Kamal Aggarwal: Right.

Manan Shah: And we are looking at an asset turnover of around 4x

Kamal Aggarwal: Will be for P10, for P8 and 9 we had done an investment of about 45 crores.

Manan Shah: Okay and post this expansion we would have exhausted the land that way?

Kamal Aggarwal: Yes we would ha. However, I'd like to update that we are in discussion or almost we have finalized still the documentation are on the verge of to be done. About 20000 m square adjacent land.

Manan Shah: Okay and I understand you cannot let us know what products would be manufactured but if you can just give some color on the opportunity of these products whether this will be import substitution or are we planning export-oriented products and also the new products will also be having a similar margin profile?

Kamal Aggarwal: Yes, I assure the new products are in import substitution and we have the similar line of margin.

Manan Shah: Okay and what sort of opportunity and what is the market size of this product and well suppose this capacities what sort of market share could we enjoy if you can just throw some colour on that?

Kamal Aggarwal: Say some of the products are not manufactured in India. So, it will be 100% import substitution will be a product something like HMDS wherein there are no other manufacturers in the country.

Manan Shah: Sure, sir and the cash that we have so based on the CAPEX plans that we have currently we would still have a lot of cash and plus you'll be generating additional cash in the current year as well and I see that we haven't distributed any dividends as well. So, do we have any dividend distribution policy and how do we plan to utilize this cash going forward?

Kamal Aggarwal: In respect to the dividend I should not say anything at present but well in case we have the surplus cash the management will take a call on that for the dividend distribution. However, as

I told you we are in the verge of acquiring the adjacent land of 20000 m square as well as we have plans to put up the expanded product on that land also. Third we are working out certain inorganic acquisitions. So, cash full we have the cash, we have the liquidity available to be utilized for this purpose. That would give a growth to the Company. Distribution is required, should be done but well we had undergone IPO just before about one and half year. So, it is too early to go for other distribution.

Moderator: Thank you. The next question is from the line of Dipti Kothari from Kothari Securities. Please go ahead.

Dipti Kothari: Yes sir. Thank you for the opportunity. My first question was how much CAPEX we have done on the new products like 4 CBC, 2, 5 DHT, are we seeing any traction in it?

Kamal Aggarwal: We had done a very minor CAPEX of somewhere around 3-4 crores on CBC and 2, 5 DHT. It was not a major one and I could not understand your second question.

Dipti Kothari: Sir are we seeing any traction in it?

Kamal Aggarwal: Yes we are looking at the traction in it definitely.

Dipti Kothari: Okay and sir my second question was that what would be the optimum revenue coming from P8 and what will be the capacity utilization expected in FY23?

Kamal Aggarwal: Capacity utilization in CMIC a collective capacity utilization I have already updated to the tune of 2400-2500 tons is the anticipated productions in the year FY23. In respect to the TMCS from flat number P8. It has a capacity of 2400 tons. We hope to utilize the near to the 100% capacity.

Dipti Kothari: Okay and what will be the revenue or volume target in FY23 in each chemical?

Kamal Aggarwal: Revenue on each chemical I won't be able to give you because you have seen the price variations are very high if we consider HMDS it ranges right from Rs. 700-1400, revenue keeps on moving. CMIC moves on from Rs. 450 to Rs. 600. So, look into all this variation in the prices. A top line commitment or anticipation sounds difficult. However, I had been always updating that Chemcon is working on the value-added basis that is on per kg margin basis and looking to that we hope we will be having a fantastic bottom line.

Moderator: Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

Ankit Gupta: Sir if you look at the volume number from FY18 to FY22, our CMIC volumes have grown from 1076 metric ton to 1295 metric ton while HMDS has grown from 1588 metric tons to 2068 metric ton. Oil field we can understand that given the cause of the crude prices there has been impact but even on HMDS and CMIC we have seen a significant decline in volumes in FY22 compared to FY21. So, what was the reason for that and how do you see the volume growth for FY22?

Kamal Aggarwal: There we had certain setback in the FY22. We had a production loss of more than 1.5 months because of pollution control matter issue and that has impacted into imports of lot of volume because the customers were not able to bank upon us during that period which resulted in drop in the volumes of both the products. However, if you see in the Q4 and further in the present position they have recovered very well and we hope we'll be able to have again more than 3000 tons of HMDS and 2500 tons of CMIC in the current financial year.

Ankit Gupta: P9 and P10 I know you'll not be disclosing the product but if you can tell us what can be the revenue potential from the products that you were manufacturing P9 and P10 at optimum capacity utilization?

Kamal Aggarwal: I don't have the figures offhand to update you on that. You get in touch with SGA and they will update you maybe after two days.

Ankit Gupta: Just how many products will they manufacture in the P9, P10? Like how many new products that we are planning to do?

Kamal Aggarwal: We will be manufacturing three products.

Ankit Gupta: Okay and which segments will they be covering pharma only or they'll be entering some new sectors as well?

Kamal Aggarwal: One will be an inorganic chemical that is zinc oxide so that will be covering the otherwise but the two other products will be on pharma sector only.

Moderator: Thank you. The next question is from the line of Rajesh Jain from NB Investments. Please go ahead.

Rajesh Jain: So, we hope and wish you that you will maintain the momentum in the current year also. Sir my first question is regarding the high purity HMDS. You had mentioned in the last call that we had started supplying this HMDS to rubber industry which are used for some heart implants or so but in the investor presentation no quantity is mentioned so where this quantity is accounted?

Kamal Aggarwal: I don't have separated quantities for that also. For that you'll have to get meet to me separately. I am sorry for that but there we have done lot of volumes on that high purity HMDS and it is about $25 instead of $17 which used to be expected price. Now we are selling it at more than $25.

Rajesh Jain: What would be the price for the normal HMDS sir at the same time?

Kamal Aggarwal: Normal HMDS in the present market is around $14.

Rajesh Jain: Okay so how much quantity can we expect in FY23 sir?

Kamal Aggarwal: You see the plant capacity tons per year, 50 tons per month for a high purity HMDS and we hope we'll be able to have about around 75% of the capacity we will be able to utilize on that.

Rajesh Jain: Okay that is very nice to know sir. Sir my second question is normally our exports used to be in the range of 25-30% of our revenues but in Q4 quarter it is at around 45%. So, any particular reason sir?

Kamal Aggarwal: See exports when we say it goes even to the SEZ and most of my customers also have the factories in SEZs. So, it contributes that also so if the customer require the material in the domestic DTA or SEZ it moves on to that also then the volumes of exports and domestic can change because of domestic DTA and SEZ.

Rajesh Jain: So, you mean to say the last quarter we have supplied more quantity to the customer in SEZ zone?

Kamal Aggarwal: Maybe yes.

Rajesh Jain: So, my third question is regarding the pharma companies having some supply chain issues for which we could not sell good quantity of CMIC in Q4 but our customers are HMDS and there we have done extremely well. So, I just wanted to know what is the clarity here.

Kamal Aggarwal: Okay HMDS is utilized for multiple application. It is not for particular one or two products only whereas CMIC is utilized for a single product that has impacted. See if the tenofovir if you are not getting one chemical the CMIC will not move. A manufacturer of tenofovir you require suppose 10 chemicals 7 are imported. If you're not getting one chemical in time the entire plant standstill and the CMIC will not move but for HMDS because it has gone multiple applications it does keep on moving.

Rajesh Jain: Okay sir my last question is sir we are coming up with two products in P9 and both of them will be commissioned by end of Q2 of this financial year?

Kamal Aggarwal: One will be done and the second may get extended to October.

Rajesh Jain: Since one of the products, you had mentioned in the last call Guanine for pharma industry. So, as usual for pharma customers you need to take the approval and all any sales possible of this product during FY23?

Kamal Aggarwal: See Guanine has the applications other than pharma also. So, this sales can get initiated with the other areas and pharma approvals can even if it is taking a longer period still the commercials supplies can be initiated during the financial end year FY23. One will be done and the second may get extended to October.

Rajesh Jain: For all our calculation purpose we can take the stable sales will start from next financial only from P9 plant?

Kamal Aggarwal: For the Guanine yes, the stable fields particularly to the industry sector that we will concentrating is pharma so that you can consider as FY24.

Rajesh Jain: Okay and sir small follow-up about the TMCS you say we can utilize 100% capacity utilization in FY23 unlike HMDS here there is no capacity constraint in utilization we can use 100% of 2400 metric ton?

Kamal Aggarwal: Yes we will be able to utilize that there are no constraints on that because this again TMCS is to be utilized for manufacture of HMDS. Of course, it is related to that and if that is no demand of HMDS no TMCS. So, things are interrelated products.

Moderator: Thank you. The next question is from the line of Anurag Patil from Roha Asset Managers. Please go ahead.

Anurag Patil: Thank for the opportunity. Sir on the Pollution Control Board issues, can we all the problems are behind now and there will be no further problems for us?

Kamal Aggarwal: As the document moves yes, it is 100% clear and the problem that we had been facing is 100% resolved that can be said. We are working on a zero-discharge area. We do not have liquid or we do not have solid or we do not have the air venting. So, we are managing everything within that and you can consider that yes all the issues have been resolved in total.

Anurag Patil: Okay sir glad to know that and sir next year you're expecting oil well volumes also to improve and which is a low margin segment for us. So, is it possible that blended margins can correct a little bit?

Kamal Aggarwal: No, I think what margins we are working on we have the satisfactions to the margin percentage and that should remain the same. The blended margin would remain the same in line. I don't expect a further growth in the margin percentage

Anurag Patil: Okay so current 30-31% EBITDA margins are sustainable in FY23?

Kamal Aggarwal: Yes we have been sustaining since last couple of years and we are confident that we will be able to maintain them.

Anurag Patil: Okay sir and sir on the HMDS and CMIC realization side do you see any reduction in the realization in the coming quarters and how is the trend for in the near term that you expect?

Kamal Aggarwal: In the current quarter or the next quarter I don't expect any major reduction in the product pricing because the raw material prices are stable. See it moves along with the raw material. If the raw material goes up the price of finished product goes up. Our margin percentage remains nearly similar not percentage but as an amount on per kg basis it merely remains constant.

Moderator: Thank you. The next question is from the line of Nairit Gala from TSG Capital. Please go ahead.

Nairit Gala: Yes good morning and congratulations on the wonderful set of numbers. My first question was so we are seeing a constant increase in debtor days. So, that's leading to a reduction in our ROCE numbers. So, can you throw any color on that why that is happening and what are we planning for the crunch down the working capital cycle?

Kamal Aggarwal: Working capital cycle I do agree it is growing or it has remained consistent or nearly as a range bound but we are working on that and respect to bringing it down. However, it has come down from 254 to 175 days.

Nairit Gala: Yes sir but that due to I think I believe reduction in inventory days rather than debtor days the decreasing. So, why are the debtor days increasing to so much because it's a constant increase since the last 3 to 4 years.

Kamal Aggarwal: So, that is a way of business, requires the funds to be in flow like this only. If it is a consistent moving system you can understand that very well.

Nairit Gala: Next question on where are we expecting the growths to come from is it domestic or exports or like what percentage of sales do we expect in 23 to be domestic versus exports?

Kamal Aggarwal: We expect to remain as a similar range as 1/3rd and 2/3rd. 1/3rd from the export and 2/3rd from the domestic.

Moderator: Thank you. The next question is from the line of Venkateshwar an individual investor. Please go ahead.

Venkateshwar: Sir my first question is regarding margins and realization. So, if I heard you correctly you said that in the future coming quarters or years we'll be able to maintain these kind of realization but in the previous call since we have backward integrated into TMCS so our realizations and margins should ideally expand a bit from here right or is the current margin is the result of those expansions already and there is no further scope for improvement in those margins?

Kamal Aggarwal: See if the margins are also based upon the raw material costing. As I always say we are working on a fixed margin of one per kg basis. The TMCS will have an independent margin as a value addition which will take care as well as the final product. We will remain more competitive as far as the global competition we will be facing as I updated you certain Chinese have added the volumes in the plant. So, we hope FY23 or '24 we will be facing a better competition as we move global. May not be for the country but maybe for the overseas. So, this backward integration of TMDS manufacture will help us maintain the margins at least as well as we will be more competitive to them.

Venkateshwar: Okay sir thanks. My second question regarding HMDS if I see your investor presentation there is indication that these have included an outsource capacity also for the production of this year. So, how much was that outsource production which is at this year?:

Kamal Aggarwal: No, we had not carried out any outsource production during this period.

Venkateshwar: My last question regarding trade receivables if we see it is slowly increasing for the past few years. I know Chemcon as a Company has never had any issues getting that. So, is it because we are taking any kind of other pressure now which we didn't face earlier or what is the reason behind it?

Kamal Aggarwal: The reason you see this market requires high volume of high delay or in the payments are always there because we have to compensate the Chinese who are expanding longer credit period to the competitive industry. So, this requirement of working capital has become a way of life. Well if you see we do not have any bad debts that is most important. Cost of finance can be taken care because we have surplus liquidity so that cost is not a major cost. If there is any security reasons we will definitely take an immediate actions on that.

Moderator: Thank you. The next question is from the line of Manan Shah from Moneybee Investment Advisors. Please go ahead.

Manan Shah: Sir can you just help me with what are our major raw materials and whether these are sourced locally or imported?

Kamal Aggarwal: For HMDS the major raw material is TMCS trimethyl chlorosilane which we used to import and now we have started our own manufacture also to certain extent. For CMIC the major raw material to be imported is methyl chloroformate MCF we call it and this manufactured now in India by Paushak Limited also and we do buy from them also to certain extent. To maintain parallel supplies, we have the overseas suppliers and we have the domestic supplier now as Paushak Limited and in respect to the bromides, liquid bromine is the key raw material and that is all 100% domestic .

Moderator: Thank you. The next question is from the line of Rajesh Jain from NB Investments. Please go ahead.

Rajesh Jain: I had two more questions one is regarding your HMDS you have given a target of doing around3000 metric ton in FY23 and we have a capacity of 4200 and you can run at 70%. So, that means 2940 so you'll be exhausting all the capacity available for HMDS and in high purity

HMDS also you're saying around 75% capacity utilization. So, going ahead are you looking for any expansion for this product in FY24?

Kamal Aggarwal: We have still not planned any expansion for HMDS.

Moderator: Thank you. Ladies and gentlemen due to time constraints that was our last question. I now hand the conference over to the management for their closing comments.

Kamal Aggarwal: Thank you everyone with this I conclude the call and thanks everyone for joining us today on the earnings call. For more queries, please get in touch with the SGA team our investor relation advisors. We wish all a good day ahead. Thank you.

Moderator: Thank you. Ladies and gentlemen on behalf of Chemcon Specialty Chemicals Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.