“Chemcon Speciality Chemicals Limited
Q2 & H1 FY2023 Earnings Conference Call”

November 14, 2022

MANAGEMENT: **MR. KAMAL AGGARWAL – CHAIRMAN & MANAGING DIRECTOR – CHEMCON SPECIALITY CHEMICALS LIMITED**
MR. RAJESH GANDHI – WHOLE TIME DIRECTOR & CHIEF FINANCIAL OFFICER – CHEMCON SPECIALITY CHEMICALS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Chemcon Speciality Chemicals Limited Q2 and H1 FY2023 earnings conference call. This conference call may contain forward looking statements about the company which are based on the belief, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risk and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Kamal Aggarwal, Chairman and Managing Director. Thank you and over to you Sir!

Kamal Aggarwal: Thank you very much. Good morning everybody. On behalf of Chemcon Speciality Chemicals Limited, I extend a warm welcome to everyone for joining us on our call today. On this call, we have been joined by our Whole Time Director and CFO, Mr. Rajesh Gandhi and the SGA, our investor relation advisors. I hope everyone has got an opportunity to go through the financial results and the investor presentation which have been uploaded on the stock exchange as well as on the company's website. We will give you a quick snapshot of our company and then Mr. Rajesh will walk you through the financial performance. We are prominent manufacturer of specialized chemicals such as HMDS, CMIC and inorganic bromide and are one of the top three manufacturers in the global market. Q2 FY2023 business performance has been slow primarily due to lower volume offtake from the pharmaceutical manufacturer. Most of our clients are facing challenges due to the adverse pricing scenarios across formulation and softening of the demand. For Q2 FY2023, we have registered a revenue of 58 Crores for the quarter and both HMDS and CMIC have underperformed in the domestic market. Our pharmaceutical manufacturers are major customers and are facing similar challenges as a leading supplier to them for the key raw material. We witnessed a slow pick up in volume, although the export market has been robust for us, which has partly negated the weak domestic demand. Also the inorganic bromide have been affected marginally due to inconsistent sourcing of the raw material bromine. I would like to highlight recent developments of the company. We have successfully commenced the production of bromobenzene in the plant P9 with a capacity of 2400 metric tonne per annum. This is significant achievement for the company as we have added the new product, which caters to agrochemical across the globe. We already have reasonable figures in inorganic bromide of calcium bromide, zinc bromide and sodium. With the expansion of bromobenzene we will be adding organic bromide to our portfolio basket. We already have healthy inquires of the product and expect meaningful business in H2 FY2023. I would like to bring to your notice that the outflow, the supplies of this product has already been initiated in the current quarter. We are evaluating further options to add new product guanine at the plant P9 unit. We are awaiting the necessary approvals from the local authorities and will notify the same once we get the final approval. At the P10 unit we will be adding a few other chemicals that are imported. Expansion is on track and we expect to commence the production in Q1 2024.

Now I would like to highlight on land parcels. We have purchased a land at Gothada near Vadodara with a future leg of expansion with an investment of 21 Crores and in line with existing circle rates for the similar land size. We do have permission to expand for the industrial purpose although we will apply for requisite permission for the chemical business. This land is distant from our existing unit at Manjusar. It is about 6 km away from the Manjusar factory. We are also in discussion to acquire the land near our existing Manjusar unit, will intimate the same once it has been finalized to expand the present land. The company has also made an investment of about 10 Crores for a 2.1 mega watt solar power plant at Dabhoi about 30 kms from Vadodara. This solar plant will be used for captive consumption which will reduce the dependency on non renewable energy. This has already commenced the production and the credit of unit have already been started receiving the invoice from MBVCL, the power supply company to Chemcon. Our company is ranked among the top three suppliers of HMDS and CMIC products around the world. We are the largest manufacturer of HMDS and CMIC in the country. We are focused on niche chemistry with a goal to achieve market leadership through economies. Over the years we have done reasonable investment in improving the product basket and adding meaningful capacity. We are excited to approach new clients and provide them with the new value added products. We are also expanding our global foot print with a diversified product mix. India imports many pharmaceutical chemicals which offers plenty of room for the well established manufacturers like us to become a long term trustworthy and sustainable domestic partner. I would like to handover to Mr. Gandhi to give you a glance of the financial performance.

Rajesh Gandhi: Thank you Mr. Aggarwal. Good morning everyone. Q2 FY2023 total revenue stood at 58 Crores as compared to 61 Crores Q2 FY2022, domestic market contributed around 29% whereas international business contribute the remaining 71%. Total production volume for Q2 was at 1352 metric tonnes as compared to 1420 metric tonnes same period last year. As highlighted by Mr. Aggarwal there was lower volume offtake on our key products. In terms of chemical revenue breakup, HMDS reported revenue of 29 Crores, CMIC revenue stood at 11 Crores. This was lower due to slow demand by customers. Oilwell completion revenue stood at 16 Crores. EBITDA for the company stood at 9.6 Crores in Q2 FY2023 with a margin of 16.6%. Net profit for Q2 FY2023 stood at around 7.8 Crores. H1 FY2023 total revenue stood at 147 Crores against 118 Crores of H1 FY2022. Domestic market contributed around 44% whereas international market contributes around 56%. Production volume was at 3403 metric tonnes for H1 FY2023 against 2849 metric tonnes of H1 FY2022. In terms of chemical wise revenue, H1 FY2023 HMDS revenue stood at 72 Crores, CMIC revenue stood at 28 Crores, oilwell completion revenue stood at 44 Crores. EBITDA for H1 FY2023 stood at 43 Crores against 37 Crores of H1 FY2022. Net profit stood at 33 Crores for H1 FY2023 against 28 Crores of H1 FY2022. We are a net debt free company as on September 2022. With this we conclude the presentation and open the floor for further discussion. Thank you.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. Our first question is from the line of Suresh Kumar from NB Investments. Please go ahead.

Suresh Kumar: Thanks for the opportunity. Just wanted to know how is the current demand for HMDS and CMIC, has it improved in Q3 FY2023?

Kamal Aggarwal: Good morning Mr. Suresh. The demand for the two products is stable compared to Q2. It is marginally growing. It is not recovering 100%.

Suresh Kumar: As per the current demand so how much we are expected to sell in H2 FY2023 Sir, these two products.

Kamal Aggarwal: I would not be able to give you that figures.

Suresh Kumar: Okay fair enough Sir. Sir then second is the methyl chloroformate which is the raw material for CMIC which we started procuring it from Paushak that has it been stabilized and we are regularly getting the supplies from there.

Kamal Aggarwal: Yes we are getting regular supplies from them and now most of this raw material we are procuring domestic only. The imports have been reduced drastically.

Suresh Kumar: So with that if you could tell us how much we are dependent on China for our raw material procurement Sir.

Kamal Aggarwal: For this MCF we are not at all dependent now on them. However about 10% to 15% only we are importing to maintain a parallel supplier.

Suresh Kumar: So that means for all the products around 10% to 15% of our total raw material we are procuring from China.

Kamal Aggarwal: For CMIC it is like that, for HMDS we are still 100% banking upon international supply and out of that around 70% from China and 30% from other countries.

Suresh Kumar: Okay that is clear. Sir next thing is that we were supplying CMIC to Chinese customers that is what you had mentioned in the con call so with all this current lockdown there and all any problem is there, are we supplying there or not.

Kamal Aggarwal: Even today we are currently supplying the CMIC to Chinese users. They are four major users in China two of them are our customers and we are putting our legs in the shoes of the rest two.

Suresh Kumar: Good to know that Sir. Sir regarding this bromobenzene you said we have commissioned so congratulation for that. Just wanted to know two to three things, one is do we need customer approvals there also.

Kamal Aggarwal: Every product requires a customer approval as far as the fine chemicals are concerned. We manufacture product with a purity of more than 99.9% hence some approvals are required. We have received the approvals and we have supplied more than 100 tonnes as commercial supplies to the customers.

Suresh Kumar: Okay. Sir is this margin profile similar to HMDS type of thing or is it what plus or minus where do we stand.

Kamal Aggarwal: Yes the margins works out similar with other products and it will be working in combination with calcium bromide, that will improve the margins of calcium bromide as well as bromobenzene or else overall if you see the margins of bromobenzene are better compared to others.

Suresh Kumar: For the bromine that you would require would you be utilizing the facilities of our inorganic facility or no.

Kamal Aggarwal: No this is organic bromide part of that we have to utilize the inorganic section and partly the new building which we have already done we are using in that. That is a combination of P8 and P9 plant.

Suresh Kumar: Sir how much we are expected to sell in H2 2023 and 2024 Sir.

Kamal Aggarwal: H2 FY2023 you can consider around 900 tonnes we will be able to sell this product.

Suresh Kumar: so in value terms how much this work out Sir.

Kamal Aggarwal: It comes around 40 Crores.

Suresh Kumar: Okay and in 2024 you are expected to ramp it up to full capacity utilization.

Kamal Aggarwal: We will consider 90%.

Suresh Kumar: This is exclusively for domestic or for the export market Sir.

Kamal Aggarwal: Majorly it was for exports.

Suresh Kumar: Majorly for export okay fair enough Sir. Sir regarding the guanine facility I think we were to commission that sometime back in FY2022 unfortunately it is getting delayed and now you have announced that it will be commissioned by Q1 of next financial year are you confident of doing that by then or is there any chance of getting delayed further.

Kamal Aggarwal: We are 100% confident to advance that although we have mentioned like Q1 2024, but we will be advancing it.

Suresh Kumar: Since it is for the pharma segment. I know again the customer approval it will take so can we expect some sales in FY2024.

Kamal Aggarwal: FY2024 should be full operational plant for this. Even in FY2023 part of the sales can be expected.

Suresh Kumar: Since we need to get the approvals still you are confident of selling it to nonpharma industry.

Kamal Aggarwal: It has multiple usages. It has non pharma usage also and there we will be able to penetrate into that market initially.

Suresh Kumar: So initially can we expect around 50% utilization from this product for this capacity.

Kamal Aggarwal: It will be the initial time. I cannot say that it will be 50% but well it will be a start up.

Suresh Kumar: Sir if I am allowed to squeeze in one more last question regarding the P10 when are we expected to complete and again do we have to take the environment approval to commission the new product there also.

Kamal Aggarwal: Environment clearance we already have for the product that we are working on P10.

Suresh Kumar: When are we expected to complete and commission P10.

Kamal Aggarwal: Around March 2023 we will be completing that plant so you can expect in Q1 2024 should have the product out.

Suresh Kumar: And whatever the products that you are planing to manufacture which you have not disclosed nothing to worry but since you said it is import substituted are they meant for pharma industries only.

Kamal Aggarwal: No they are for agro chemical as well as pharma. They are for multiple usage.

Suresh Kumar: Okay Sir I will get back in the queue thank you very much and wish you all the best.

Moderator: Thank you. Our next question is from the line of Aayush Mittal from MAPL Value Investing Fund. Please go ahead.

Aayush Mittal: Sir we have been tracking the company for some time and one end we see that we have been aggressively trying to put in capacity and we have more than doubled the capacity but this drop in volumes that we are seeing in our core products so how do you plan to like optimally utilize the capacity. What are you doing to utilize the capacity as of now?

Kamal Aggarwal: If you go through the graph. If you see the volumes I think this is the first quarter which has resulted into drop in the volumes otherwise the volumes have been consistent. The volume addition capacity what we used to grow that was based on our projection and are in line with that, one or two quarter can result into drop of the volumes. We do not expect that to run a longer time.

Aayush Mittal: Like we had plans to substantially increase the volume in both HMDS and CMIC will that still be possible in a quarter or two going forward. What are we doing for that?

Kamal Aggarwal: Yes definitely it will be possible. We are working hard on that.

Aayush Mittal: Can you give some insights like are we trying to get more customers, more geographies or how will it happen because we have a high penetration with these pharma companies and many of these companies themselves have seen a big volume drop in their segment.

Kamal Aggarwal: Still if you see there are imports by this companies and we would be hammering them for stopping the imports as far as the total stoppage is concerned. We will be attempting to go ahead with that and hope we are quite confident. We will be successful on that.

Aayush Mittal: Second like if you see currently the product basket is small and perhaps that is why we see quite a bit of volatility also in the numbers so what efforts are we making to increase the product basket further?

Kamal Aggarwal: Product basket used to be limited to the pharma sector only. By adding bromobenzene we have moved to agrochemical also. By increasing the expansion of utilization of HMDS in sectors other than pharmaceutical that has also been done. Our exports if you see we are growing larger and that is the part of diversification with the existing portfolio. The new products that we are adding we will not be banking purely upon the Pharma but we will be banking upon multiple sector products so that will take care of volatility. That one sector is affected so entire business of Chemcon is affected. That will not happen in the coming time.

Aayush Mittal: Okay and Sir like our stock prices are also quite down from the IPO time are you also considering some kind of buyback or something going forward?

Kamal Aggarwal: No we are not working on that and we cannot comment anything on that.

Aayush Mittal: Okay thank you.

Moderator: Thank you. Our next question is from the line of Dhiral from PhillipCapital. Please go ahead.

Dhiral: Good morning Sir. Thanks for the opportunity. Sir just wanted to know Sir why there is a sharp drop in gross profit per kg?

Kamal Aggarwal: There is sharp drop in per kg margins because of the purchases were at a higher price as the market started dropping. Continuously it dropped for the final products and of course the prices of raw material also dropped but then there was a mismatch and which resulted into this. It is covered up from the current quarter that should care of it.

Dhiral: Okay so we will not see any inventory loss or something in Q3?

Kamal Aggarwal: We have already absorbed that in Q2. We saw the inventory benefits in Q1. We saw the inventory loss in Q2 and now it is a stable one.

Dhiral: Sir what are the current realization of HMDS and CMIC Sir as compared to Q2?

Kamal Aggarwal: Compared to Q2 is it about 10% to 12% lower.

Dhiral: And Sir if you can quantify in terms of numbers?

Kamal Aggarwal: In terms of numbers there is a range. I will not be able to give you the exact number.

Dhiral: Approx will be okay?

Kamal Aggarwal: Approximately you can consider Rs.650 for HMDS and Rs.450 for CMIC.

Dhiral: Okay and Sir lastly as you have stated that there is a shortage or supply issue of inorganic bromide in the market and your new product bromobenzene also required liquid bromine so how are you looking to address the issue?

Kamal Aggarwal: See it is a basket of raw material as far as the business is concerned and then it is your ability how well you are able to manage that. That always gives you benefits of the shortage or the benefits of lower competition. We would be always happy to have the shortage of raw material if we are able to manage the volumes that would be the best period. That is the philosophy of Chemcon.

Dhiral: So at least for us there will not be any issues to manufacture bromobenzene as well as the guanine product?

Kamal Aggarwal: No to us the manufacturing of bromobenzene as far as benzene, guanine raw material is concerned we do not see any major problems with that.

Dhiral: Sir Q3 onwards do we foresee may be our EBITDA per kg or may be gross profit per kg again moving to the normal level?

Kamal Aggarwal: 100%.

Dhiral: Okay thank you so much Sir.

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

Anurag Patil: Thank you for the opportunity. Sir based on the current indications from your customers when can we expect the volumes to normalize? Is it possible by Q4 volumes should get back on track?

Kamal Aggarwal: Good morning Mr. Anurag. The volumes are stable in the Q3 also. Q4 we should be able to achieve about 85% to 90% of the recovery that is our hopes as far as the discussions have been done with the customers. The recoveries we will be able to do in Q4.

Anurag Patil: This power plant we have commissioned how much savings are possible per quarter on the power cost?

Kamal Aggarwal: Per quarter it should be about Rs.50 lakhs to Rs.60 lakhs.

Anurag Patil: Okay Sir that is all from my side.

Kamal Aggarwal: We have worked out an IRR of about 18% on this. The investment has been done the basis of an IRR of 18%.

Anurag Patil: Understood Sir. Thank you very much.

Moderator: Thank you. Our next question is from the line of Keshav from RakSan Investors. Please go ahead.

Keshav: Good morning Sir. Sir are we seeing any indication from customers falling CMIC demands secularly going forward because in the ARV regimen TAS has been set to take up some market share of TDS and that would basically mean lower volume dosage requirements of tenofovir so are seeing anything like that because we are the largest global player and we should be the first to get feelers of a fall in demand if that happens?

Kamal Aggarwal: The fall in demand has started happening but it has not impacting much volume. You see the additional demand has stopped. The growth of the volume has stopped so existing volumes are stable and we will be able to cover up on that.

Keshav: Okay so from probably a three year period we should not expect a lot of growth coming in from CMIC is that correct?

Kamal Aggarwal: You can consider that the growth will be limited in CMIC yes.

Keshav: Okay and Sir we have mentioned earlier about difficulties in increasing 4 CBC suppliers so could you help understand if the Rs.100 Crores per product estimate for CBC and DHT still holds or should the expectation be lowered a bit?

Kamal Aggarwal: You can lower that. You can lower that to around 45% to 50%.

Keshav: For both the products or for CBC alone?

Kamal Aggarwal: Yes combined.

Keshav: Okay and Sir on guanine side could you help to understand the opportunity size what is the domestic demand and it looks like China is where the supplies are concentrated globally so on the cost side would we be generally competitive?

Kamal Aggarwal: Guanine, at present $23 price product. It is 2500 tonnes has been supplied by China our presence cost of plant will be 600 tonnes per year and considering $23 as an at par sales we should have a margin of nothing less than 35% so that is the possibility of competitive level.

Keshav: Sure Sir and Sir lastly for CMIC and HMDS the pricing formula that we have also given in the RHP that still holds right and like for the newer products that we will be scaling could be expectation of margins on product level be similar to what we are seeing in these two products with easy cost pass through formulate pricing?

Kamal Aggarwal: The margins that were given in the RHP still holds valid and they are in line with that.

Keshav: And for the new products would we be having a similar arrangement or they would vary much more according to demand and supply?

Kamal Aggarwal: No new products are also in line with that.

Keshav: Okay sure Sir that is all from my side. Thank you.

Moderator: Thank you very much. Our next question is from the line of Priyanka Shah from NM Securities. Please go ahead.

Priyanka Shah: Thank you Sir for the opportunity. Sir can you elaborate more on the bromobenzene industry in India and how big is the market and what is the potential for the same?

Kamal Aggarwal: Bromobenzene market we have for around five big manufactures in the country. Majorly they are all exporting. It is an agro chemical usage products. This is majorly going to China. We have one of them. We have just entered into this product. We are you can say out of the country in present era we can deemed as third largest manufactures with the actual production of more than 200 tonnes per month. We have already supplied about 100 tonnes in the current month to China. It is a major going to be exports product. The present pricing of the same is around $5.7 to $6 per kg with a margin of about $1.2 and with a growth addition of about $1.7.

Priyanka Shah: Okay Sir and how much peak revenue is expected to come from bromobenzene and guanine?

Kamal Aggarwal: Bromobenzene 100% capacity utilization if we consider that can give us a revenue of about Rs.100 Crores however it is difficult to achieve we will put in all our efforts to do that.

Priyanka Shah: Okay and guanine chemicals?

Kamal Aggarwal: Guanine chemicals we are yet to start that. Let it be an operative one then I will be able to give the figures.

Priyanka Shah: Okay thank you so much.

Moderator: Thank you. Our next question is from the line of Suresh Kumar from NB Investments. Please go ahead.

Suresh Kumar: Sir thank you for the opportunity again. Sir for one of the previous caller you had mentioned we are selling 4 CBC and 2, 5 DHT as of now?

Kamal Aggarwal: We are selling 4 CBC as of now to some extent not 2, 5 DHT.

Suresh Kumar: Okay this 2, 5 DHT facility we have already converted to manufacture CMIC is that understanding is correct?

Kamal Aggarwal: Part of that is for CMIC and partly we have now utilized for bromobenzene also so that facility we are seeing.

Suresh Kumar: Okay so this 4 CBC is it exclusive facility and how much we have sold during this H1 Sir?

Kamal Aggarwal: That is not exclusive facility. It is multiusage facility. Now we have done that and sale of four CBC I do not have the figures across me. I will provide later.

Suresh Kumar: No problem Sir, Sir second thing is about the high purity HMDS I know you had some issues supplying to semiconductor segment but how about the other two to three segments you keep mentioning in our earlier calls are we supplying to that segment?

Kamal Aggarwal: Yes definitely we are approved suppliers to many industries across Europe for that and we are supplying regularly on that. We are also supplying it to Japan, HMDS for application in this is silicon rubber.

Suresh Kumar: Silicon so this silicon rubber is the margins are relatively better than the regular HDMS is that understanding correct?

Kamal Aggarwal: Yes the margins are better than that and we are at par with the semiconductor industry quality.

Suresh Kumar: Sir any idea how much out of the 600 odd capacity we had how much we are utilizing as of now?

Kamal Aggarwal: I would not be able to give you that figures also.

Suresh Kumar: Okay fair enough Sir. Sir just want a guidance on how much topline or bottom line expected for this current year?

Kamal Aggarwal: For high purity HMDS.

Suresh Kumar: No Sir revenues for the company?

Kamal Aggarwal: Revenues of the company cannot be given here, I am restricted. Please understand.

Suresh Kumar: Okay thank you very much Sir.

Moderator: Thank you. Our next question is from the line of Dhiral from PhillipCapital. Please go ahead.

Dhiral: Thanks for the followup Sir. Sir I wanted to know we were also looking for an inorganic opportunity so any concrete plan over there?

Kamal Aggarwal: We are inching towards that. Any moment you can expect some declarations on the basis of that?

Dhiral: Okay and Sir we were also looking for a long term tie up for our liquid bromide in one of our key vendors?

Kamal Aggarwal: No that is not working out.

Dhiral: Okay but we are still pretty sure that we will be able to get raw material at time right?

Kamal Aggarwal: Yes we are very much confident for that. The documents of that other supplier as far as plant possibilities are concerned we are not clear and acceptable to us. Legal possessions were not clear so we had to drop out that. That was in Bhavnagar and we had to drop out that.

Dhiral: Okay. Thank you so much.

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

Anurag Patil: Thank you for the opportunity again. Sir based on the revenue contributions you had mentioned, it appears that CMIC realizations are actually improved Q-o-Q in Q2 so am I correct in saying that?

Kamal Aggarwal: I am not clear on your question.

Anurag Patil: Sir my question is simple that CMIC realizations per kg have they improved on Q-o-Q basis?

Kamal Aggarwal: No it is at par. There is no betterment on this. As far as the sale pricing is concerned it is nearly similar.

Anurag Patil: Okay so can you just confirm the revenue contribution of CMIC for Q2 and Q1 so Q2 I think it was Rs.11 Crores and Q1 it was at Rs.17 Crores am I correct here?

Kamal Aggarwal: Yes Rs.11 Crores and Rs.17 Crores are the correct figures.

Anurag Patil: Sir volume numbers 151 metric tonnes 504 metric tonnes for this Q2 and Q1 is it correct?

Kamal Aggarwal: This CMIC volume I do not have across for the quarters.

Anurag Patil: Okay because in the presentation you have mentioned 151 and 504 metric tonnes so if you can just correct that part because the realization is actually showing different number in that?

Kamal Aggarwal: I will check and update you later.

Anurag Patil: Okay sure. Thank you very much.

Moderator: Thank you. Our next question is from the line of Darshan Chandra. Please go ahead.

Darshan Chandra: Sir are you still sticking to a target of Rs.1000 Crores revenue for the next five years?

Kamal Aggarwal: Yes definitely 100%. That is why we have acquired the land. That is why we are expanding. That is why we are putting in all the efforts. That is part of the business.

Darshan Chandra: This is from organic growth only?

Kamal Aggarwal: Be confident. We are not into real estate.

Darshan Chandra: It will be from the organic growth only know?

Kamal Aggarwal: Yes it should be from organic only.

Darshan Chandra: Okay Sir thank you.

Moderator: Thank you. Our next question is from the line of Keshav from RakSan Investors. Please go ahead.

Keshav: Sir thanks for the followup, if we try to put a number on the products we are coming up with so bromobenzene, guanine, DHT and CBC the full scale opportunity size seems to be around Rs.300 Crores combined so are we confident of scaling these all to optimal capacities by FY2025 and what is our margin expectations from the combined basket of these products?

Kamal Aggarwal: Bromobenzene you can consider about 2400 tonnes and guanine about 600 tonnes per annum. Yes this would be the 100% utilization in 2025.

Keshav: Okay and for the rest of the two products?

Kamal Aggarwal: Which two products we are talking about.

Keshav: The DHT and CBC?

Kamal Aggarwal: DHT and CBC will not be much. We hope we will be discontinuing these two products.

Keshav: Okay but the rest of two we will be scaling by FY2023?

Kamal Aggarwal: We are adding some other products in lieu of this.

Keshav: Sir what is the margin expectation from the products we already have in the public forum and the rest of the products? Will it be in line with the EBITDA margin currently we are doing as company?

Kamal Aggarwal: Definitely it has to be in line only. They will be chiefly in import substituted products.

Keshav: Sure Sir thank you.

Moderator: Thank you. Our next question is from the line of Gaurav Subadev an individual investor. Please go ahead.

Gaurav Subadev: Sir what are the EBITDA margins you are expecting now in Q3 since we have a great drop in EBITDA in the Q2?

Kamal Aggarwal: We never work on the percentage margins. We always work on the volume margins and that depends upon the pricing of the products. The margins remain consistent. I have been always talking when there is a drop in the price the margin percentage grows up. When there is increase in the price the top line goes up however the percentage drops down so I would not be able to give you the percentage margins of EBITDA or targeting of that. We work on volume not on percentage.

Gaurav Subadev: Okay and one thing Sir the promoters have sold their land to the company? How fair is this in terms of corporate governance basically?

Kamal Aggarwal: I do agree to you that the corporate governance can we consider like that but with the time yes just wait for a quarter you will understand the in principle reason of that. It is not the sale. It is a small amount of Rs.21 Crores involved in that however if you consider looking to the size of the liquidity available with the company, wage and salaries or the director remuneration given and all that this Rs.21 Crores works out to be a very small value for the 5 lakh square feet of land. It is lower compared to the market price that is one. Second we require an alternate location for working out. In the last year what the problem we have faced because Gujarat pollution control board has made the management sensible enough to work out with the new system of moving ahead with multi location working instead of a single location. Concentration of the promoter at one location one business would be more important compared to this and there are such many factors. Please wait for a quarter to have the announcements on that. That will justify the actions taken by the management to an utmost position.

Gaurav Subadev: Thanks for the clarification.

Moderator: Thank you. Our next question is a followup from Keshav from RakSan Investors. Please go ahead.

Keshav: Sir lastly do we expect any challenges in scaling our bromobenzene and guainine or we are 100% confident that we will able to do that?

Kamal Aggarwal: We are in the process of scaling up. We are in the process of taking further the volumes of bromobenzene from 200 tonnes per month to about 400 tonnes a month. We have already started working on that.

Keshav: Sir I am trying to understand that we were very confident on DHT and CBC as well so what went wrong and what can be the assurance that similar thing might not happen with bromobenzene and guanine?

Kamal Aggarwal: This commercial production has already been started and already it has been supplied to the market. The customers are different. They are not the Pharma industry. They are agrochemical industry. Pharma industry requires a lot of approvals directly and indirectly. It is the position or all the purchase policy of the management whereas agrochemical it is not so. It is international sales which have already been started. I already told more than 500 tonnes of the volume is already been exported out of the country so we are confident on that. We have to be moving and yes when you say the challenges, challenges are always there to be taken care by the management, there are always challenges and we have to come across with that.

Keshav: Sir I am trying to understand the DHT and CBC bit we are about to discontinue? That was purely because of key challenges in your ability to penetrate into the supply chain?

Kamal Aggarwal: Yes we could not penetrate into the supply chain.

Keshav: Okay but that will not be an issue with bromobenzene and guanine right?

Kamal Aggarwal: No because that has got multiple applications other than Pharma also. It is not purely related to pharmaceuticals.

Keshav: Right yes thank you Sir. That is all from my side.

Moderator: Thank you. Ladies and gentlemen, we would take that as the last question. I now hand the conference over to the management for closing comments. Over to you.

Kamal Aggarwal: With this I conclude the call. If you have any queries please get in touch with SGA our investors relationship advisors. Thank you everyone for joining us today on this earnings call. Thank you once again. Have a nice day.

Moderator: Thank you very much members of the management team. Ladies and gentlemen, on behalf of Chemcon Speciality Chemicals Limited that concludes this conference call. Thank you for joining and you may now disconnect your lines.