



“Chemcon Speciality Chemicals Limited Earnings Conference Call”

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**MANAGEMENT: MR. KAMAL AGGARWAL – CHAIRMAN AND
MANAGING DIRECTOR, CHEMCON SPECIALITY
CHEMICALS LIMITED
MR. RAJESH GANDHI – DIRECTOR AND CHIEF
FINANCIAL OFFICER, CHEMCON SPECIALITY
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Moderator: Ladies and Gentlemen, Good day and welcome to Chemcon Speciality Chemicals Limited Earnings Conference Call.

This conference call may contain certain forward-looking statements about the Company, which are based on belief, opinion and expectation of the Company as on the date of this call. These statements are not 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 that 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 dear. Good noon to everybody. On behalf of Chemcon Speciality Chemicals Limited, I extend a warm welcome to everyone for joining us on the call today. On this call, we are joined by our Director and CFO – Mr. Rajesh Gandhi and SGA, our Investor Relation Advisors. I hope everyone has got an opportunity to go through the financial results and the investor presentation which has been uploaded on the stock exchange as well as our Company website.

We'll give you a quick snapshot on the recent developments of the Company and then Mr. Rajesh will walk through the financial performance. We are leading manufacturers of organic and inorganic chemicals, which are preliminary used in the pharmaceutical and oil field industry. The organic chemicals include HMDS which is widely used in the manufacture of antibiotics and CMIC, which is mainly used as a key intermediate for anti-hepatitis B drugs and Bromo Benzene which is our newly launched and is used in agrochemical industry.

Organic chemicals have been under pressure for the past few years and the same have been reflected in our business performance amidst a slow pickup from the pharma manufacturers. Demand of the newly launched organic chemicals has improved marginally, and we expect this product to revive once the demand is restored from major agrochemical manufacturer.

Inorganic chemicals like bromide, calcium, zinc and sodium are mainly used in the completion fluids in the oil field industry. The inorganic chemicals business has recovered well and has reported a healthy performance for the quarter. Coming to recent developments, we plan to commercialize P-10 by end of FY24 and P-11 unit by FY25 is on track. We aim to manufacture a new range of pharma products in this facility which will help to widen our product baskets.

We have also acquired an adjoining land of about 25,000 square meters, at present it is 50,000 square meters so this is the 50% size expansion for the land availability to us. It is adjacent land to the existing facility at Manjusar and will be utilized for the future lag of expansion.



Going forward, we expect the growth to start kicking in FY25 with revival in demand from major Pharma players. We expect FY24 to remain moderate. We have huge growth opportunities as we move deeper into the pharma market and meet the need of chemical supply. Being a global leader in this pharmaceutical chemical and a net cash Company, we are well positioned to capitalize on future opportunities.

Our role in this growth opportunity will be to facilitate them to have a sustainable partner in a long term. We have done meaningful investments over the years to increase the product offerings and will continue to do so to create long term sustainable growth. Now I hand over to Mr. Rajesh Gandhi for giving you a glance at the financial performance of the Company.

Rajesh Gandhi:

Thank you, Mr. Aggarwal. Good afternoon, everyone. Q2 FY24 performance highlights. Total revenue stood Rs 75.2 crores as compared to Rs 57.9 crores of Q2 FY23, growth of 29.8% on YoY basis. EBITDA for quarter came in at Rs 8.3 crores with a de-growth of 13.2% on a YoY basis. EBITDA margin stood at 11.1% as against 16.6% in FY23 Q2.

The decline in margins was mainly due to pricing headwinds. Profit after tax came in at Rs 5.9 crores with a margin of 7.9% versus Rs 7.8 crores with a margin of 13.5% in Q2FY23. Domestic market contributed around 68% whereas the international business contributes the remaining 32%. Organic chemicals volume stood at 1,184 metric tons as against 677 metric tons in Q2 23.

Inorganic chemicals volume came in at 1,667 metric ton as against 1,273 metric tons in same period last year. H1 FY24 performance highlights total revenue stood at Rs 154.5 crores as compared to Rs 147.3 crores in H1 23. EBITDA for H1 24 came in at Rs 16.1 crores as against Rs 43.1 crores in same period last year. EBITDA margins stood at 10.4% as against 29.3% in H1 FY23. Profit after tax came in at Rs 11.8 crores as against almost Rs 33.3 crores in H1 23. PAT margins for first half up FY24 stood 7.7% as against 22.6% in same period last year.

Domestic markets contributed around 71%, whereas the international business contributes the remaining 29%. Organic chemicals volume stood at 2,398 metric tons as against 1,502 metric tons in H1 FY23. Inorganic chemical volume came in at 2,918 metric tons as against 3,273 metric tons in same period last year. With this, we conclude the presentation and open the floor for further discussion. Thank you.

Moderator:

Thank you very much. We will now begin the question and answer session. First question is from the line of Viraj Shah from Shah Investment. Please proceed.

Viraj Shah:

Sir, can you elaborate more on adjoining land parcel purchased at our existing facility at Manjusar?

Kamal Aggarwal:

Our existing facility is in the size of 50,000 square meters. We have extended the boundaries and made it by adding 25,000 square meters roughly the total becomes equal to or nearly more



than 75,000 square meters. We have plans to go ahead for the futuristic expansions in the same facility and hence this land was required. It's been recently acquired.

Viraj Shah: So on that question only, sir so how much CAPEX have we incurred in H1 and do you have any guidance for the full year CAPEX?

Kamal Aggarwal: That details will be provided to you by SGA.

Viraj Shah: Sir, could you also highlight more on bromide industry and how it has performed throughout this year?

Kamal Aggarwal: The bromide industry that was lying in a low profile has picked up. We are working on nearly 75% to 80% of the capacities at the present time. We have enough order books also.

Viraj Shah: And sir how do you see this chemicals performing the next year? Are we able to source the RM easily or we import it?

Kamal Aggarwal: Our major RMs are imported.

Viraj Shah: And regarding the same for the next year performance, any guidance or something?

Kamal Aggarwal: I won't propose to guide anything on that.

Moderator: Thank you. Next question is from the line of Akash Mehta from Capaz Investments. Please go ahead.

Akash Mehta: I had two major questions. Firstly, how is the HMDS and CMIC end user market being performing and if you could guide for the market dynamics for the rest of the year?

Kamal Aggarwal: Both the products are underperforming as on date or has underperformed even in the last quarter. The demands have come down drastically by the pharma manufacturer and has impacted Chemcon products like HMDS and CMIC also. Discussing with the clients, the pharma manufacturer,, there is a good hope to revive the things in the coming quarters.

Akash Mehta: And on the Bromo Benzene front, if you could just throw some more color on the end application market for the same?

Kamal Aggarwal: Bromo benzene is used to by agrochemical industries and major part of this is exports to China. I would say near to 100% of this is exports to China.

Moderator: Thank you. Next question is from the line of Yug Mehta from AB Capital. Please go ahead.

Yug Mehta: Where are we on our P-10 and P-11 plant? Can you throw some light on this?



Kamal Aggarwal: P-10 is almost completed. We have commissioned that and the final tuneups are going on. We will be achieving that very soon. P-11 is still under construction and installations are going on. We hope we'll be able to commission that in next year.

Yug Mehta: And what are the products we are targeting in P-10 and P-11 plant?

Kamal Aggarwal: We are targeting a mixture of products mainly for pharma intermediates substitution.

Yug Mehta: Where is the major demand traction coming from and also what is the ideal domestic export ratio one should expect going forward.

Kamal Aggarwal: It will be an import substitution. You can understand there won't be much of exports, but it will be a domestic market in major. We'll be substituting the imports from China.

Yug Mehta: Can you highlight more on Guanine products where we expect to commercialize the products?

Kamal Aggarwal: This all will be organic chemicals and they will be into the pharma as major as well as going to agrochemical.

Moderator: Thank you. Next question is from the line of Saurav Kataruka an Individual Investor. Please go ahead.

Saurav Kataruka: I'm going back to one of your earlier earnings calls after listening where you had said that you have applied for the testing of semiconductor applications for HMDS which is a time taking process. I just wanted to check if the Company's thinking towards the capturing, the semiconductor market where companies are setting up plant in India and is there any progress towards that, that is first question.

And the second question is about the land acquired in the vicinity around 6 kilometers. I think you had said in the last earnings call that it is an agricultural land and conversion approval for awaited to non-agricultural land, is there any progress on that?

And by what timeline or what period do you think there will be some utilization of that land?

Kamal Aggarwal: HMDS for the electronic applications. Yes, we are hammering hard into that field and we will be finding the applications of the same in the country also. It will be a grand success for the organization, but keeping the fingers crossed let the things materialize I would propose that.

As far as the land acquired around 7 kilometers, 8 kilometers away that is still an agricultural land, the conversion to non-agricultural process is ongoing. These are the government formalities, the normal time to be taken is 90 days that are the norms, but as it moves, it gets extended by 90 days every 90 days, that is the present scenario.



The land that we have recently acquired the adjacent land, this is already a non-agricultural land that we have purchased and can be utilized with the existing facility right from day one and even for the pollution control or other the permissions, it will be just an extension of the area. So, that is the going to be the biggest advantage towards the availability of scope for expansion.

Saurav Kataruka: One suggestion apart from the two questions which I asked. We know that the industry is going through tough times, and it would be good if there is consistency in earnings call after every quarter I mean after three quarters so that is one request if you can do it every quarter. Last time there was a last-minute change due to some exigency, but after that there was no update posted?

Kamal Aggarwal: I understand I welcome your suggestions.

Moderator: Thank you. Next question is from the line of Chirag from Aksh investment. Please go ahead.

Chirag: I just wanted to know about the Guanine product that we are talking in our earlier concall?

Kamal Aggarwal: Yes, there is news that our product gets approvals from some of the end users. We got that approval, the start of initial trials has already been initiated and within the next quarter, there would be a commercial supply also that is the status on Guanine.

Chirag: And sir the promoter of the companies is also associated with so many companies, other companies that are also into the same business like liquid bromide and MCF that are trading?

Kamal Aggarwal: There's no promoter is associated with any Company who is either using any of the bromide or is supplying any of the bromide to anybody interrupting the existing ones.

Chirag: Mr. Rajesh Aggarwal is associated with one Company which is selling the liquid bromine and you people are from new Company which is also dealing with MCF that is the raw material of CMIC?

Kamal Aggarwal: Mr. Rajveer Aggarwal is associated with Sang Froid Marine that is an upcoming plant for the production of bromine, Chemcon is not producing bromine. It is an upcoming plant, only the land is acquired in that plant and yes, it is coming up for production of bromine, which will be a raw material for Chemcon. So, he is not associated with any of the products manufactured or traded by Chemcon. Regarding the MCF can you update how the management is associated into the trade, where you find that data because none of the director or none of the stakeholder is associated with any transactions or any activity having similar interest in the business.

Chirag: Sir from the MCF site that you people have formed a new Company.

Kamal Aggarwal: What Company?

Chirag: Sir Sang Froid Marine Chemical?



- Kamal Aggarwal:** That I have already updated you. It is for bromine, not for MCF dear.
- Moderator:** Thank you. Next question is from the line of Preet an Individual Investor. Please go ahead.
- Preet:** As I have observed in the FY2022 in the June quarter the margin of 28% and in the current quarter year we have the margin of 7%, can you please elaborate about how there is a reduction in the margin?
- Kamal Aggarwal:** Dear, we work on value added basis, the prices of the final product and raw materials fluctuates drastically. So, if you work up to percentage, I had been talking all the concall that please do not evaluate Chemcon business on percentage basis because the raw material as well as the finished prices they vary drastically.
- Preet:** And can you please elaborate about how the cost of material consumed is getting costly day by day?
- Kamal Aggarwal:** How the cost of?
- Preet:** Material consumed is getting costlier day by day?
- Kamal Aggarwal:** It depends upon the product basket. If I am an X product if say for example bromide if that demand or the production is more the raw material consumption is more in that compared to the other organic products. So, there cannot be an overall idea for how it is taking because it is not a streamlined business.
- All products manufactured 100% equal quarter-on-quarter day-on-day. It depends upon the market, if the market is demanding an X product, the raw material cost is cheaper. So, it will go cheaper. So, there will be lower raw material consumption, if there is a demand for the Y product, the raw material consumption is more the demand will change accordingly. The Company will manufacture accordingly and hence the raw material cost may go up.
- Moderator:** Thank you very much. Ladies and gentlemen, as there are no further questions from the participant, I now hand the conference over to the management for the closing comments.
- Kamal Aggarwal:** Thank you everyone for joining us today on this earnings call. On behalf of entire team, we wish you all a very Happy Diwali and a prosperous New Year. If you have any queries, please get in touch with SGA, our Investor Relationship Advisors. With this I conclude the call. Thank you.
- Moderator:** Thank you. On behalf of Chemcon Speciality Chemicals Limited that concludes this conference. Thank you all for joining us and you may now disconnect your lines.