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The National Stock Exchange of India Ltd. Listing Department Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 Company Symbol: DHARAMSI	BSE Limited Department of Corporate Services Floor 25, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 Scrp Code : 506405
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Sub: Transcript of Conference Call held on May 26, 2022 with investors and analyst on the financial performance of Q4FY22.

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirements) Regulation 2015, we are enclosing herewith the transcript of Conference Call held on Thursday, May 26, 2022 at 2:00 p.m. (IST) with investors and analyst on the financial performance of Q4FY22.

The said transcript will also be made available at the website of the Company at www.dmcc.com under Investors>>Announcements>>Analyst Investor Meets>>Investor Conference Call

You are requested to kindly take the same on your record.

Thanking you,

For The Dharamsi Morarji Chemical Company Limited

Omkar Mhamunkar
Company Secretary & Compliance Officer
ICSI Membership No. ACS 26645

Encl : As Above

CIN NUMBER: L24110MH1919PLC000564



THE DHARAMSI MORARJI CHEMICAL CO. LTD.

The Dharamsi Morarji Chemical Company Limited
Q4FY22 Earnings Conference Call
26th May, 2022

Management Participants

Mr. Bimal L. Goculdas – CEO and Managing Director
Mr. Dilip Gokhale – Executive Director
Mr. Chirag Shah – Chief Financial Officer
Mr. Omkar Mhamunkar – Company Secretary and Compliance Officer



Analyst
Mr. Abhishek Mehra – TIL Advisors Private Limited

The Dharamsi Morarji Chemical Company Limited
Q4 FY22 Earnings Conference Call
May 26, 2022

Moderator: Ladies and gentlemen, Good day and welcome to the Q4 and FY 22 Earnings Conference Call of The Dharamsi Morarji Chemical Company Limited. As a reminder, all participant lines will be in a listen only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the conference call please signal an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhishek Mehra from TIL Advisors. Thank you and over to you Mr. Mehra.

Abhishek Mehra: Thank you. Welcome, everyone and thank you for joining this Q4 FY22 Earnings Conference Call of The Dharamsi Morarji Chemical Company Limited. The results and investor updates have been emailed to you and are also available on the stock exchanges. In case anyone does not have a copy of the same, please do write to us and we’ll be happy to send it over to you. To take us through the results of this quarter and answer your questions we have today with us Mr. Bimal Goculdas - Managing Director and Chief Executive Officer, Mr. Dilip Gokhale - Executive Director, Mr. Chirag Shah - Chief Financial Officer and Mr. Omkar Mhamunkar - Company Secretary and Compliance Officer.

We will be starting the call with a brief overview of the financial performance which will be followed by the Q&A session. I want to remind you all that everything said in this call reflecting any outlook for the future, which can be constituted as a forward-looking statement, must be viewed in conjunction with the uncertainties and risks that the company faces. These uncertainties and risks are included, but not limited to what we have mentioned in our annual report which you will find on our website. With that said, I will now hand over the call to Mr. Goculdas. Over to you sir.

Bimal Goculdas: Thank you Abhishek for the introduction as well as organizing the call. Good afternoon, ladies and gentleman. Thank you for taking the time to attend our call. I am Bimal Goculdas and I will give you a brief overview of the operations and then I will be open for questions that you may have. So in the last quarter, we did a little over 100 crores of revenue and the EBITDA was 13.68 crores, as you can imagine and as seen in most sectors, that top line growth is largely due to the price increase and also there is a moderate volume increase from our side, you may be aware that we have commissioned the Dahej Sulphuric Acid plant and we’ve been on partial operation there, the specialty chemicals and the downstream products are still not commissioned they are likely to happen soon. So, a lot of the business in Dahej is still commodity business. In terms of interest costs, there is an increase largely due to increase in borrowing both for working capital as well as for the capital expenditure and the profit before tax is very similar to that of the previous quarter, about Rs. 9.2 crores. You will see a big dip in the profit after tax because we have provided for a deferred tax liability on account of the differential depreciation on income tax and depreciation on according to the books. So that’s the main reason we have a lower profit after tax.

In terms of the projects, we also have a couple of updates for you. We’ve got two plants still to be commissioned at Dahej, we expect that to happen in this quarter and we expect that the next quarter will reflect the true performance of the company after this investment cycle is complete. So with that I’d like to open the floor to any questions that you may have.

Moderator: Thank you sir. We will now begin the question-answer session. We have the first question from the line of Prateek Chaudhary from Saamarthya Capital. Please go ahead.

Prateek Chaudhary: So, sir as far as whatever I understand our strategy historically has been like we target, niche products where the global market size is close to 100 crores and there's limited competition, and we try and gain a dominant market share in those product lines globally. So, this has worked well for us when we were say at a lower base of revenues, now with the new CAPEX coming on stream are you calm and confident that this strategy will work at higher revenue base as well or are you also looking at introducing some other products with a larger market opportunity?

Bimal Goculdas: So, thanks for the question. Yes, that has been our approach so far. And at the moment, we are continuing with the same, we believe that there is, we haven't exhausted or haven't come close to exhausting the business as per our existing model. So at this time, there are no plans to change it, there's enough head room available.

Prateek Chaudhary: Okay. And now that we are almost done with our ongoing CAPEX, and I am sure our energies would be to ramp up the capacity quickly and efficiently. But are there some further expansions on the drawing board as well or are we looking to go ahead with the sulfones, CAPEX or any other product?

Bimal Goculdas: So we will come back, we have some product ideas in mind. We haven't finalized yet and we'll come back to the investors at the appropriate time. But certainly our current objective is to digest the current investments we've made significant investment over the past couple of years and optimize the capacity and generate good cash flow before we do anything large again.

Prateek Chaudhary: And as the new CAPEX starts to generate operating cash flows for us would our target be first to reduce debt or to incrementally invest in other areas, what could be our way forward with the new operating cash flows incremental?

Bimal Goculdas: So it will be a combination, certainly we want to bring down the debt, we want to manage the cash flows and then we look at, there are some investments which we would like to make in terms of energy recovery and things like that which we'll go ahead with, but there will be no major CAPEX at this time.

Moderator: Thank you. We have the next question from the line of Parth Agrawal who's an Individual Investor. Please go ahead.

Parth Agrawal: Thank you for the opportunity. So my question was on the boron side of the business. So, recently, your commentary has been positive and my understanding was that the last two years raw material availability was a major challenge due to some macroeconomic factors. So what has changed in the last quarter and do you foresee to ramp up boron business in FY23?

Bimal Goculdas: Yes, the answer to both the questions is yes, that there has been an improvement in supply and based on that we expect to have better boron business in the coming quarters. And just to add to that, that this is one of the areas where we may do some debottlenecking as well for our own plants.

Parth Agrawal: Okay. And secondly, you mentioned in investor presentation that number of products have gone up from 34 to 38 that was mentioned previously, so can you please talk about this new products that you've introduced, whether they are on the bulk chemical side or on the specialty side and market opportunity, competitive dynamics about these products?

Bimal Goculdas: So they are on the specialty side and the new products are basically market introductions. So all of them have a potential of between Rs. 50 to Rs. 100 crores, but certainly it will take some time for approvals and things like that.

Parth Agrawal: Okay. But how do you expect them to ramp up or even realize their full potential?

Bimal Goculdas: So, I can't predict that at this time. But certainly, we will do our best efforts to commercialize and to ramp up as soon as possible.

Parth Agrawal: Okay. And just one last question from my side. So, in terms of more upon the margin front, so do you see EBITDA margin normalizing going forward from here?

Bimal Goculdas: So, on this if you look at the absolute margin, we have been able to maintain them in spite of the increased cost. So, whatever the cost increase, we have passed on or we have been able to pass on to the customers, even though as you may have seen from our earlier concalls, I have stated that our specialty chemical business particularly overseas is based on rolling contracts, which could be quarterly or half yearly. So, while we are facing the cost increases now, we would be able to pass them on only later on. And that also has an impact on quarterly percentage margin. Also, as the price of many of the commodities, all the commodities, I would say has gone up, our raw materials. It appears that the percentage margin has come down, although the absolute margin has not come down. So, I would request that you focus on the absolute number rather than a percentage number, because in an inflationary environment looking at the percentage would be slightly misleading.

Moderator: Thank you. We have the next question from the line of Naved Irani from Betsson. Please go ahead.

Naved Irani: A couple of bookkeeping questions from my end. So, firstly, as I see that we have a cash outflow of 98 crores in the cash flow investing activity towards your plant and equipment in financial year 22, while in the balance sheet item there is a 65 crores of capital work in progress. So, can you please give me some clarity on final CAPEX outgrow for the ongoing expansion. Have you also undertaken some expansion on other cost overruns. Can you please help me understand this better?

Bimal Goculdas: Sure. I have been certainly the numbers which we presented for the capital expenditure were, at least a couple of years old. So, there certainly has been escalations on that, depending on the projects, there would be maybe 25% or 30% because of cement, steel, delays during COVID all that. Also all the electronic components have gone up. In addition, we have also some other projects which are not major projects but things which we have to do, we are upgrading our fire hydrant system at Roha, we have a new fire hydrant system at Dahej, we also have expanded our effluent treatment facilities, we've made investments for other things on safety related and environmental things. So there's also those kind of projects which may not be covered initially in the presentation that we make. So what you're seeing is a capital work in

progress number which would include some of the existing projects, which are going to be commissioned shortly, as well as some of the other projects we have undertaken.

Naved Irani: My second question is on the working capital side. So strangely we say that working capital cycle has turned negative for this year, which is actually a very good thing. But I find it hard to understand that at one side of the prices of raw materials have shoot up as a result the inventory and debtors would have increased. But, that increase in trade payables is more for our company. Can you please just give some perspective here as well?

Bimal Goculdas: For surely we are taking some credit from our suppliers. That's an important part of our cash flow management at the moment. And, I'm happy to say that we have received good support from the suppliers as well. On the debtors side we are able to control because we are, the market as such has been good although the cost increases have put a lot of pressure, but there is good demand for our products. So, we've been able to maintain the debtors and therefore in spite of so much increase in the raw material prices, in the finished product prices, we've been able to manage the cash flow.

Naved Irani: So, finally what will be the peak debt long term plus working capital in this current year?

Bimal Goculdas: So, peak debt will go up somewhat, although we don't, a part of the CWIP will be funding internally, but we expect around 100 crores will be the peak debt. And working capital difficult to say because, again it depends on the movement of raw materials. If you looked at our numbers a few years ago, we had almost zero working capital, but with the increase in the prices and also the increase in our output we have a new plant at Dahej. So, our requirements of raw materials has gone up, therefore, we have an increase in the working capital requirements. So, I can't comment on that because I can't exactly predict the raw material prices.

Naved Irani: Sir, do we follow up on side can we assume that the working capital cycle which is there right now will be maintained over a two to three year horizon or it will be?

Bimal Goculdas: We hope so, but again I can't project that far ahead. The sales are going up, and as the sales go up the outputs of Dahej will increase, our requirement of working capital will increase, but how the prices will play out and all that is anybody's guess.

Moderator: Thank you. We have the next question from the line of Jeevan Patwa from Sahastra Capital. Please go ahead.

Jeevan Patwa: One question, someone has asked actually, I guess your cash flow statement that has been 98 crore cash flow investment, cash flow this year, last year actually, we did somewhere around 47 crores. So, all in all is 145 crore plus there is a CWIP of 60 crores so it's almost 210 crores and we have actually done a calculation for 110 crore CAPEX. So, there has been increase of above 100 crores. So, as you said inflationary, so 20%, 30% increase in project but apart from that also there seems to be a quite almost 50, 60 crores extra CAPEX?

Bimal Goculdas: So, this is also other projects and it is also some of the projects which should have been a work in progress in the previous year. And there are many things we are doing upgrading the

laboratories, upgrading the infrastructure and we are at Roha we are put in a zero liquid discharge system. So, all this is also part of our CAPEX.

Jeevan Patwa: Okay. But is there anything which is going to contribute to the revenue such as?

Bimal Goculdas: Surely.

Moderator: Thank you. We have the next question from the line of Puneet Mittal from Global Core Capital. Please go ahead.

Puneet Mittal: I just have a couple of questions one is when you say you have long term contracts with your customers, how long are these long term contracts and second, given the dynamic changes in the prices of raw material, would you be able to change these contracts for the price rollover of a monthly basis instead of quarterly or half yearly basis?

Bimal Goculdas: So, our contracts particularly for the specialty chemicals business are ongoing it's not that, for the products there are few suppliers, there are few customers. So we need each other, and reliability of supply, and things like that are as important now as the actual price. So we've proven ourselves to be reliable in spite of all the lockdown, and in spite of all the logistics challenges, we have been able to largely meet our customer requirements, we have missed out on some shipments. But in general, we are satisfied customer requirements, because we held stock either directly or through our distributors things like that. In any case, the contracts are almost perpetual so long as the customers need the product and we make the product, there will be formula based pricing. And it's a very transparent formula, which links the product prices to standard norms of ratios as well as links to published prices based on internationally recognized journals. So, right now it's quarterly or six monthly, I don't see the sense of making it monthly, because that would just add administration issues without any benefit as such, since both customers and suppliers are thinking long term, any increase or decrease in raw material will average out.

Puneet Mittal: Okay. And these customers would usually have one or two suppliers for these products the specialty product?

Bimal Goculdas: More than one for sure. Nobody would 100% depend on us, they will surely have an alternate supply.

Puneet Mittal: But do you have any sense of how much of that requirement are you supplying on average?

Bimal Goculdas: Varies from customer-to-customer but we are a significant supplier for our products.

Puneet Mittal: Okay. Now, the next question on the bulk chemicals, commodity chemicals as you have the sulphuric acid. Naturally, the raw material price have increased and the prices of the end product has not increased as much. So there's a delta and that's why naturally the margins have come down with gross and EBITDA. Can you explain why this difference, is it because there is an excess supply of sulfuric acid or how does the dynamic work in the market?

Bimal Goculdas: No, I didn't say that we didn't pass on the prices. If you look at the delta, between our raw materials and finished product pricing, you will find that we have passed on the prices. But, in terms of the bulk chemicals, we don't have much control the very fact that they're commodities means the price is not in our control, its market linked and depends on supply and demand

entirely. There are no contracts in place as such and price could change weekly, monthly, anything. So there's no, there's little or no control we have, but we react to and we anticipate market situations. And again we get some kind of a premium because of our reliability and sustainability.

Puneet Mittal: Yes, I understand that, I was just trying to understand that naturally you're right that because it's commodity chemicals it's driven by the market. But since the underlying raw material prices have increased and naturally the commodity chemical price has not increased to the same extent and that's why there's a difference, so the question is.

Bimal Goculdas: No, they have also increased.

Puneet Mittal: Okay. And also another question related, so you have actually backward integrated for your specialty chemical and that gives you cost benefit apart from other benefits, do you know how much of a cost benefit you get because of the backward integration?

Bimal Goculdas: Tough to answer that question, because it would change product-to-product, and it would change time-to-time. So for example, somebody who is not backward integrated would need to buy some of the for example, Sulfonating agents. But what is the price of that just now and what is the price of that in a different point in time, would define what benefit we are getting. It's also not just that it's also the safety issue, also the supply chain issue. So there's no absolute answer to your question. There is an advantage to having the raw materials on time for sure. Now, how much would you quantify that, and also whatever margin we would be making plus the logistics advantage which would be a disadvantage for somebody who's buying the same thing but difficult to quantify that.

Puneet Mittal: Okay. Finally, in your previous calls you had mentioned that you do not intend to increase any CAPEX on bulk chemicals going forward. So, as you increased your specialty chemicals and products, how much do you think you still have enough capacity to be able to be fully backward integrated, or you will need to start buying materials from external sources?

Bimal Goculdas: So, no, we've planned that at least for the next several years, we will have enough of our own raw material commodities that we won't need to procure anything.

Puneet Mittal: Okay, thank you. And my final question is, can you give a little bit more color on the intermediate project that you're putting up which goes live soon, what kind of products that you are planning to manufacture there and whether you will be, are these import substitution and whether you will be a competition, etc. in these products?

Bimal Goculdas: So, I can't disclose the product, but what I can say it is a single product, not a range of products, and a bulk of it will go to one customer but not all of it, I would say about 50% will go towards single customer and the rest of it would be to multiple customers and there are several end uses, so that one customer has one end uses, but there are other end uses for other customers.

Puneet Mittal: And this single customer is a long term contract with you for this product?

Bimal Goculdas: Yes.

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

Aman Vij: My first set of questions is on the specialty chemical side, if you can talk about what was the volume growth for the specialty segment in FY22?

Bimal Goculdas: So, while we don't disclose individual numbers, I can say that there was at least a 10% growth in the specialty chemicals, it could have been better have we had better logistics, particularly for the overseas market. But unfortunately the situation even now on shipping and all continues to be difficult.

Aman Vij: Sure. And this 10% kind of growth did it come from our old the top three molecules or the newer products?

Bimal Goculdas: So both, but mostly from the top three.

Aman Vij: Sure, sir. And we will be coming up with the new plant this quarter. So by Q2 do you expect the full utilization or do you think it will take maybe one, two more quarters?

Bimal Goculdas: So while we have market visibility, I am being practical and saying that when there's new plants commissioning and all there can always be some issues, but we will see a good impact in Q2 and surely after that we expect to ramp up.

Aman Vij: And on the sulphuric acid plant is it running at full utilization now because I think you will need to run at full utilization right?

Bimal Goculdas: Which plant?

Aman Vij: The new plant.

Bimal Goculdas: No, it's not at full, it will be at full only after our this investment cycle is complete.

Aman Vij: Okay. So from which quarter can we expect the full utilization?

Bimal Goculdas: So, Q2 will surely be better utilization.

Aman Vij: Sure, sir. And you talked about the increase in RM price, what we understand sulphur prices had gone up by almost 3x while maybe sulphuric acid price would have gone up maybe 2.5x to 2.25x. The delta, which we used to get the last one, two year there was abnormal delta. But if you look at historically, the delta, which we used to make in sulphuric acid, is it now at the same level, is it a 20%, 30% lower level, if you can talk about the same?

Bimal Goculdas: I don't really like to discuss sulphuric acid prices and all that, that being too specific. But in general, remember it's a pure commodity and even if I have a certain margin now and when I had a certain margin in the past, it doesn't mean anything for the future, so every year is different, every situation is different, every month is different, it also depends on competitors and things like that, it's very difficult to answer that question and give any kind of a meaningful answer.

Aman Vij: Sure sir. On the new product side so we have introduced like sulfones, amides and Thiols. So, if you can talk about the scaling of these products in FY22 and what are our targets in FY23, are we seeing very good demand in some products or maybe if you can talk about this?

Bimal Goculdas: Yes, so sulfones have been the best product in terms of growth and we expect that to continue.

Moderator: Thank you. We have the next question from the line of Mr. Jayesh Shah. Please go ahead.

Jayesh Shah: Okay. So my question was, in the intermediate plans that we are setting up, what is the chemistry that we are majorly going to focus on because it's majorly going if I may not wrong, then it's going into agro and pharma intermediate. So, what is the chemistry that we are focusing on sir?

Bimal Goculdas: It's sulphur chemistry our normal business.

Jayesh Shah: Okay, so as in like is it going to be more on the sulfones side or is it going to be a mix of boron and sulfones or only sulfones?

Bimal Goculdas: It's only sulphur chemistry.

Jayesh Shah: Okay. And can you give a picture, that how would the split be like, majorly going to agro or pharma or is it going to be distributed across industries?

Bimal Goculdas: It's neither of the above, but I'm not at liberty to disclose.

Moderator: Thank you. We have the next question from the line of Rohit Balakrishnan from iThought PMS. Please go ahead.

Rohit Balakrishnan: So, Bimal just two questions. So this financial year 23 will have all the CAPEX coming online. By the end of this financial year, do you expect all the CAPEX to be like fully utilized, all the plants to be fully utilized in terms of maybe on a run rate basis also if you could just maybe give some outlook on that?

Bimal Goculdas: So again, that's forward-looking, we would certainly like to be fully utilized by end of the year. Again, that will depend on a lot of developments including the logistics situation, couple of the products are going for who mainly to the overseas market. So again, let's see the logistics.

Rohit Balakrishnan: Okay. Just to press on this a bit further.

Bimal Goculdas: The market visibility we have, if that is your question.

Rohit Balakrishnan: Yes, got it that was my question. Okay, that's helpful. Second question was on the sulfones side. How much sulfones contribute right now broadly in terms of percentage, if you can just broadly share and what would be the volume growth if you have that number over FY21?

Bimal Goculdas: I don't know it offhand. But as I mentioned, it's been a good story for us. It's done quite well and we expect it still growing.

Rohit Balakrishnan: So, are we also adding any capacity on that side, on the one that we always, on the product that we were anyway producing, are we adding any capacity on those set of products?

Bimal Goculdas: Yes, more in terms of debottlenecking than having large investments.

Rohit Balakrishnan: Got it, okay. And just on the sulphuric acid side, so I actually missed your answer my phone got disconnected. Are we utilizing the capacity at this point of time fully, I'm asking for the sulphuric acid plant, the biochemical or that also we need to ramp up further in the coming quarters?

Bimal Goculdas: No, right now it's not at full capacity but it will, as we commission the downstream products we will ramp up this as well.

Rohit Balakrishnan: Got it and just to refresh my memory, how much of the output from this new plant will we actually be selling outside or how much will be consuming internally?

Bimal Goculdas: Roughly 50:50 almost the same like we have in Roha.

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

Aman Vij: Sir, I could not hear your answer on amides and Thiols.

Bimal Goculdas: So your Thiols still growing, I am not yet very happy with the way Thiols has come. We are looking to expand that further. In terms of the amides, I mentioned that it's become like a mature product for us, we have achieved good volumes and it will be more stable rather than growing.

Aman Vij: So, sir for this year, FY23 so one of the growth driver is obviously the new plant which will be commissioning. Apart from that where do we see the growth coming from in the specialty side?

Bimal Goculdas: So as I said, we are not going to make any major investments at this time until we fully digested our current investments. But looking forward, I believe that the sulfones, even the boron business will see an uptick. And of course, the new plants are going to add to our top line.

Aman Vij: Sure sir. And sulfones is still one major product right, because the second product there was issue in supply, demand and all those things?

Bimal Goculdas: Yes, but we are looking at both products now.

Aman Vij: So the demand supply situation has improved for the second product?

Bimal Goculdas: Yes.

Aman Vij: Sure, sir. On the boron side, we had achieved peak sales maybe three, four years back. So how much down is the current business of boron compared to what we had achieved in FY19?

Bimal Goculdas: So, I would say at least, I don't remember the number of FY19, but I would say 20% to 25% down for sure.

Aman Vij: And sir the decrease will be across both the boron commodity and boron specialty or boron specialty was more protected?

Bimal Goculdas: Not really, because we need that backward integration to have a meaningful business.

Aman Vij: So when you talk about the prospects improving as there was this law which was an issue, which was hindering the import, as there's been a change in the law or what has changed, which gives you confidence?

Bimal Goculdas: Well it's not a law, it's just a restriction on the import of technical grade boric acid that has not changed. But we are looking at alternative ways, making our own sourcing, the main thing that has changed is the availability of the raw material, which was really hampered in the past a year and a year and a half.

Aman Vij: If my memory serves rightly we do have a plant there so we were we are talking about debottlenecking that?

Bimal Goculdas: Yes.

Aman Vij: Sure, sir. Final question on the R&D side. So we have a team of 25 people, if you can talk about how much we are planning to scale in the next one, two years as well as the number of new products that we are planning to launch this year and next year?

Bimal Goculdas: Sure. So in terms of the overall strength, we don't have any major plans to add people at our main site at Roha, but we are setting up smaller setup in Dahej where we'll add a few people. And in terms of products, it's an ongoing thing if we are able to, it's difficult to see which products that we're working on, will finally get commissioned, we can't predict that, but I can say that we are working on several processes at this time.

Aman Vij: And as of now, it is still sulphur chemistry we are focusing on right downstream products of the Sulphur?

Bimal Goculdas: Absolutely.

Aman Vij: Just one question, the other expenses, there was a major ramp up this quarter. Any one offs in that or do you think this will be the number going forward?

Bimal Goculdas: The main increase is in terms of logistics and just to give an example the container cost for shipment to Europe they were about \$1,500 now it's around \$8000- \$10,000 so that itself is a major increase. Bulk of the increases is related to that.

Aman Vij: And has the situation improved a little bit or do you still see this high other expensive in at least one, two quarters?

Bimal Goculdas: No, it's not improved really. That is across Industry this logistics supply chain challenges is across all industries, across the world. And if you can go on any of these logistics websites, you will see that there is a whole bunch of ships outside of the Chinese ports and a whole bunch of ships outside of US West Coast ports like Long Beach, and they are just that bottleneck is causing problems for the rest of the world. So they're not enough ships and containers where they need to be.

Moderator: Thank you. We have the next question from the line of Niraj Gala from TSG Capital. Please go ahead.

Niraj Gala: So my first question was, where do we see ourselves with a long term so maybe five years later are we still looking to be 50:50 commodity and specialty chemicals player or are we looking to ramp up specialty chemicals to like major majority of our revenues?

Bimal Goculdas: So, the investment that we have commissioned recently in Dahej has been for commodities. So therefore, the number looks a little skewed right now, but if you look at what we had prior to this it was around 1/3 commodities and 2/3 specialty, once our investment cycle is complete at Dahej we will go back to that 1/3, 2/3 number. Right now, it's skewed because the commodities have increased. But the specialty has not, the plants haven't come on stream yet.

Niraj Gala: Right. So maybe a period of five to 10 years, we are looking to maintain that 1/3, 2/3 ratio, or are we looking to maybe go higher on the specialty side?

Bimal Goculdas: So our normal business was 1/3, 2/3, it will come back to that first, but over five to 10 years difficult to predict.

Niraj Gala: Okay. And my second question was, if you can give me any guidance on the export volumes growth that we are forecasting, maybe for the next couple of years, if any?

Bimal Goculdas: So that's too forward looking, but I can tell you that the investments we are making, right now for one of the plants at Dahej is primarily for the export market, the thing is that, situation is dynamic, what's happening is there's a lot of Make in India also happening. So sometimes, when we are selling to a customer in India, he's making a product which goes overseas, or we are supplying directly overseas. So for us, it doesn't really matter, while we in the past it used to be a big thing, because there were so many export incentives and all that. Currently there is zero export incentives so doesn't really matter what is the end destination, we look at them all as customers whether local domestic doesn't matter to us.

Niraj Gala: Wonderful sir, thank you. And just my final question was on the lines of the revenue mix, so if you can give me a brief export versus domestic revenue mix for this year?

Bimal Goculdas: So, we've given that it's around 1/4 exports.

Moderator: Thank you. We have the next question from the line of Praful from BPS. Please go ahead.

Praful: Just two questions on my side. One is the sales increasing Q4 versus Q3 of FY22. So like how much is the increase on account of volume versus price?

Bimal Goculdas: So as I mentioned, the volume increase, there was some volume increase in the commodity business, because we had the commissioning of the sulphuric acid plant at Dahej. And, of course, the price increases, but there would also be an increase in the specialty chemical business. I don't know the exact number, but it would be around 10% or so.

Praful: Thank you. And the next question sir is, since in the presentation you also mentioned about that we also make some products for the ethanol chemistry. So just wanted to know like, what are the nature of the product, and ethanol as a story is picking up, a lot of investment happening in the capacity. So just was, I was curious to know a bit more about the ethanol chemistry and what we're doing?

Bimal Goculdas: So we don't make ethanol, we use ethanol. And a few of our products have ethanol as a raw material. The whole story about ethanol in India is more linked to its use as a fuel. So it's being blended with petrol and also people are making investments in ethanol, largely due to that market. What happening is though, India is still an importer of ethanol. So chemical industry is not getting enough ethanol at the right price from domestic sources, so sometimes we have to import ethanol as well. But, we are not into the making of ethanol so all that doesn't really affect us.

Praful: Got it. I am assuming that even if the raw material ethanol as the capacity increase and the price kind of decreases like is it a material impact for us or is it like, what do you see?

Bimal Goculdas: So, there is no real benefit because all the increase in volume is going towards blending and fuel.

Moderator: Thank you. We have the next question from the line of Gignesh Iyer who is an Individual Investor. Please go ahead.

Gignesh Iyer: I just wanted to know, our capacity utilization at Roha plant as well as Dahej plant and also wanted to know what is the like Roha plant is like 300 MT per day. So, I wanted to know what is the capacity of Dahej plant pre CAPEX and post CAPEX?

Bimal Goculdas: Right. So, the capacity utilization is for our sulphuric acid plant in general is over 90%. At Dahej it is currently lower, because we are still ramping up some of the downstream products, but at Roha it is 90%+, Dahej it is low. In terms of other products, it varies product to product, but wherever we are making the investments, obviously because our capacity is insufficient to meet the demand.

Gignesh Iyer: Okay, but can you give me the size of as in the capacity size of specialty chemical as in how much maximum if you say production we can achieve?

Bimal Goculdas: I can tell you for sulphuric acid because that is the plant at Dahej will be in similar in capacity to the plant at Roha slightly bigger but almost identical. And the specialty chemical plants are not one plant, they are multiple plants. So difficult to list out each and every capacity and utilization.

Gignesh Iyer: Okay. So you mean to say the capacity would be as much as in Roha, that is post CAPEX right?

Bimal Goculdas: Yes.

Moderator: Thank you. We have the next question from the line of Rohit Balakrishnan from iThought PMS. Please go ahead. The next question is from the line of Neha Idnany from Minerva Investment. Please go ahead.

Neha Idnany: With the CAPEX coming fully on stream in FY23. If you can, assuming that prices remain where they are currently, can you give us an understanding of what kind of revenues that you can get to in FY23, given that your marketing plan plays out, as you anticipate this?

Bimal Goculdas: So, again this year we'll not be fully utilizing capacity for the entire year. So we expect some of the plants will start off in this quarter by next quarter we'll start having meaningful sales and ramp up, but certainly this year will not be a full operational year with the expanded capacity. But again, all I can say is that if you look at what our operations work before we started this expansion, and we should double that, and that is at those prices. So if there's an increase in the prices of raw materials, or decrease that would correspondingly change.

Neha Idnany: Okay, understood. And sir the second question on the specialty chemical baskets in the past, you said that you would like to make EBIT margins of 40% on the products that you enter, given that they are niche molecules. So just wanted to understand by when can we see that kind of margins on this product part for the specialty chemicals?

Bimal Goculdas: So whatever new products we are doing, we are achieving that margin. Now, the percentage margin is slightly misleading, as I said, because it also depends on the raw material pricing. So, a lot of our contracts are linked to raw material costs. If they go up, we can pass on the cost, but we can't add a margin on to that cost. So, under normal circumstances, and right now is not a normal circumstance, we would be making that kind of margin on all the new products, when we plan an investment, that's what we look at.

Neha Idnany: I understand, got it. Okay, sir then third question is on the CAPEX side. We have about 110 crores planned CAPEX that has gone up by assuming 25%, 30% like you said due to inflation that brings you to 150 crore, somebody previously asked it looks like the numbers somewhere in the range of around 220 odd crores of CAPEX that you've done. Also, the incremental CAPEX is 60, 70 crores, how much would that be revenue generating?

Bimal Goculdas: So, some of it is, I don't think the numbers which you mentioned are exactly accurate. But apart from the cost overrun, what we've also done is some debottlenecking, some statutory requirements, some investments in safety environment, R&D, things like that. So, all of it is necessary for the business. But I can't say for example, the fire hydrant system or the effluent treatment plant system would have a direct payback, but it allows, it will surely allow us to expand in the future, for example in Roha we've installed a zero liquid discharge system that surely will allow us to expand in future. So, while it may not be directly revenue generating or directly I can't link it to output but surely is essential for the growth of the business.

Neha Idnany: Understood. Sir, my last question, if you can give us an idea of why when can you expect the company to reach a 1000 crores top line?

Bimal Goculdas: I don't give such forward-looking statements, but our objective is to certainly grow the company, we made an investment of this scale for the first time in the history of the company. So, let us digest this and then we look beyond that.

Moderator: We have the next question from the line of Aman Vij from Astute Investment Management. Please go ahead.

Aman Vij: Sir, is there any shutdown planned for this year?

Bimal Goculdas: We will have a shutdown at Roha.

Aman Vij : In Q3 or Q2 sir?

Bimal Goculdas: No, it will be post monsoon.

Aman Vij: Either Q3 or Q4 right?

Bimal Goculdas: Yes, Q3 probably.

Aman Vij: Sure. And this year given we'll have Dahej so the impact should be much lower compared to historically?

Bimal Goculdas: That's what we hope.

Aman Vij: Sure, sir. And if you can talk about. So, you have like talked about due to the inflationary environment we should not assume 30% kind of margin for the new products. So if we assume today's pricing, this 30% margin goes to 20% or even lower?

Bimal Goculdas: Aman it's difficult to say all this because it will change, tomorrow if the prices go down again, the margin will look fantastic but we are at a situation of unprecedented raw material prices, in the history of the chemical industry. We have not seen such prices before. So, where it goes from here. Just keep in mind that for our specialty chemicals business, we have a pass through mechanism, and we have a sort of almost an assured return. So, let's keep it at that rather than looking at the percentage numbers, we can't predict anything on raw material.

Aman Vij: Sure, sir. Final question is on our top three products in the specialty basket, what was their contribution sir?

Bimal Goculdas: Still a significant number, but won't know the exact number.

Aman Vij: Will it be like 2/3 and higher?

Bimal Goculdas: Yes, something like that.

Aman Vij: And on these old products, these are the niche products which we are market leaders. So, what kind of growth are you seeing per se this year and next year?

Bimal Goculdas: So even for these products, we are seeing some growth. And it's not that they have plateaued or anything like that. So, we are able to either there is some new applications coming or we are replacing some of our competitors, there is something happening.

Aman Vij: So, sir it's difficult to predict the pricing, but in terms of general volume growth for the specialty, do we target like 15%, 20% do you think these numbers are achievable volume growth, so pricing nobody knows. But the volume?

Bimal Goculdas: No, it's difficult to project like that, because it for mature products, it would not be so much of course for our investment at Dahej we will see a big jump once the plant is commissioned. But again, that will be a onetime thing and then again it may be more stable.

Aman Vij: And peak sales from that 20 crore CAPEX is like 35, 40 crore or it is lower, is it higher?

Bimal Goculdas: Again, depends on prices, but could be in that range.

Moderator: Thank you. That was the last question. I now hand the conference over to Mr. Bimal Goculdas for closing comments.

Bimal Goculdas: Thank you all for attending. I hope I was able to answer most of your questions. I know, I don't you all know that I don't give forward-looking numbers and we will keep it that way. Let the quarter go by and then you're free to ask. We have made significant investments, it has been a difficult time to make the investments because of lockdown, et cetera. But we are coming out of that phase. And we are looking forward to the future growth. Thank you all for your support.

Moderator: Thank you. Ladies and gentlemen that concludes this conference. Thank you for joining us and you may now disconnect your lines.