August 16, 2021

To,
BSE Limited
Listing Compliance & Legal Regulatory
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001
Stock Code: 543233

To,
National Stock Exchange of India Limited
Listing & Compliance
Exchange Plaza, Bandra-Kurla Complex,
Bandra East, Mumbai 400 051
Stock Symbol: CHEMCON

Dear Sir / Madam,

Subject: Transcript of Earnings Call held on 11th August, 2021

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Earnings Call held on 11th August, 2021 post announcement of unaudited financial results of the Company for the quarter ended June 30, 2021. Transcript will also be hosted on the Company's website www.cscpl.com .

This is for your information and records.

Thanking you,
Yours faithfully
For Chemcon Speciality Chemicals Limited

Shahilkumar Kapatel
Company Secretary & Compliance Officer
Membership No.: A52211

CHEMCON SPECIALITY CHEMICALS LTD. VADODARA.

"Chemcon Speciality Chemicals Limited Q1 FY2022 Earnings Conference Call"

August 11, 2021

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ANALYST: **MR. ROHIT NAGRAJ – EMKAY GLOBAL FINANCIAL SERVICES**

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 Q1 FY2022 Results Conference Call of Chemcon Speciality Chemicals Limited hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during 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. Rohit Nagraj from Emkay Global. Thank you and over to you Sir!

Rohit Nagraj: Thanks, Margaret and welcome everyone to Chemcon Speciality Chemicals Limited Q1 FY2022 post results conference call. I thank the management for giving us this opportunity to host the call. The management is represented by a Mr. Kamal who is Chairman and Managing Director and Mr. Rajesh who is the Whole Time Director and CFO of the company. Mr. Kamal and Mr. Rajesh you can go ahead with your opening remarks and then we can follow it with a question and answer session. Thank you and over to you, Sir!

Kamal Aggarwal: Thank you, Mr. Nagraj. Good morning everybody. On behalf of Chemcon Speciality Chemicals Limited, I extent a very warm welcome to everyone for joining the call today. I hope you and your loved ones are safe and doing well. On this call, we are joined with our Whole Time Director and CFO, Mr. Rajesh Gandhi and SGA our Investor Relations Advisor. 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 company's website. We will give you a quick snapshot on our company and recent developments and then Mr. Rajesh will walk through the financial performances of Q1 2021.

We are a three decade old organization and a leading manufacturer of specialized chemical such as HMDS and CMIC, which are predominantly used in pharmaceutical industry and inorganic bromide, which are principally used as completion fluids in the oil field industry. We have registered a production volume of 1428 metric tonnes with a revenue of Rs.57 Crores during Q1 FY2022. With respect to the product performances HMDS has contributed about 51% of the total revenue which is Rs. 29 Crores. In Q1 FY2022 HMDS business was impacted a little bit due to the maintenance work at P7 unit where we are doing backward integration and linking up with the plant number P7 and P8. P8 and P9 are the two new coming plants and required to be hooked up for our key raw material that is TMCS, trimethylchlorosilane. So Chemcon would be going ahead with part of the facilities to be utilized in P8 for the backward integration of the basic raw material is TMCS also. TMCS is a highly toxic and corrosive chemical, therefore handling this chemical requires technical skills, experience and expertise for handling the same. Operations involving hazardous chemicals are to be undertaken only by the staff who are well trained, well experienced and well matured. Therefore, the production will be lower in Q2 as well due to the integration process between the P7 and P8. We will be inspecting and doing trial runs during this period to get better efficiencies and safe operations of the plant. We expect HMDS business to operate at optimum level from Q3 FY2022 onward and also with the some inputs in volumes due to the backward integration of TMCS. Thereby this would be reducing our dependency on imports from China.

CMIC for the quarter, CMIC has contributed around Rs.19 Crores which is about 33% of total revenue. We are trying to utilize the existing plants efficiently which will assist in improving the production capacities by 10% to 15% in coming quarters that would be running the plant capacity. Further we will be adding about 1200 metric tonnes at P8 unit on back of robust demand in the domestic market We do not have the latest data, but as per the estimates based on the overall demand of the country as well as the international demand as analyzed by us, Chemcon would be running with a global share of more than 40% in the current financial year and with respect to the oil well completion chemicals we produce various inorganic bromides which are mainly used as completion fluids in oilfield industry.

For the quarter, we have registered a sales revenue of 5.5 Crores in the bromide business. Due to slower capex by end clients bromide business has been lower than our expectations, however we have seen good recovery in Q2 FY2022. We have the order book executions ongoing. With the crude prices inching up we expect this business to restore growth gradually. Apart from these three products, we also have 4 CBC and 2, 5 DHT and high purity HMDS in our product portfolio. Earlier, we have put up the high purity HMDS facilities which can cater to semiconductor industry, rubber manufacturing silicon and pharmaceutical application, etc. The product approval is taking longer time than what we anticipated. We have started with the initial supply which is a positive sign and foresee good traction in the coming quarters. 4 CBC is widely used in pharmaceutical and agrochemical industries and in the preparation of pyrazinamide, a medication used for treatment of TB, it can also be used for weed control in maze and sugarcane. We are pleased to report that we have registered around Rs.2.5 Crores of revenue in Q1 2022. We expect this to grow steadily. The 2, 5 DHT is predominantly used in pharmaceutical industry in the preparation of potential antiviral and antitumor agent. It is the key starting material for lamivudine, we expect this product to perform gradually in coming quarter.

Our P8 and P9 unit are likely to commence production in Q3 FY2022, the delay is due to the late supply of materials and equipment. The expansion will increase our capabilities and strengthen our product portfolio of pharma chemical. Products added in these two units will be a mix of old and new product, P8 and P9 will be multipurpose facility which will give some flexibility to add new products based on demand. I would like to mention here that all the plants which Chemcon have till now from plant one to plant seven are dedicated plant and changeover from one product to another is difficult, however, within the portfolio some flexibility lies with us. We are serving all leading pharma MNC's and for some we have been their business partner for more than a decade.

Our continued business with them is testimony of our expertise. We adhere to all the necessary protocols to match global standard. Over the years we have established the organization with a lot of efforts to build technical expertise to handle these chemistries. We are confident that post our expansion we will have better product basket to offer to our clients. This is inline with our long-term vision to capture new business opportunities under the Make in India scheme. Now, I hand over the call to Mr. Rajesh Gandhi for giving you glimpse on financial performance..

Rajesh Gandhi: Thank you, Mr. Aggarwal. Good afternoon everyone. Q1 FY2022, had been a decent quarter for us as we continue to sustain a high growth from CMIC chemical managing our moderate performance in bromide business. Q1 FY2022, total revenue stood at Rs.57.2 Crores a growth of 25% on Y-o-Y basis, domestic market contributes around 70% whereas international market contributes around 30%. Total production volume for Q1 was at 1428 metric tonnes as compared to 977 metric tonnes same period last year. Segment wise revenue are, HMDS revenue stood at Rs.29 Crores, CMIC revenue stood at Rs19 Crores, oil well completion revenue stood at Rs.6 Crores.

EBITDA grew by 28% to Rs.18.3 Crores in Q1FY2022 on Y-o-Y basis. Net profit for Q1 FY2022 stood at Rs.13.4 Crores a growth of 52% on Y-o-Y basis. With this I 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. The first question is from the line of Varshit Shah from Veto Capital. Please go ahead.

Varshit Shah: Thanks for the opportunity and congratulation on a good set of numbers despite the maintenance shutdown. Sir, my question was to understand that had you not been doing this backward integration for P8 and the maintenance shut down, what is the approximate loss of revenue which is probably you would have done otherwise if these challenges were not there and is this loss of revenue recoverable from Q3 onwards or it is the permanent loss, that is my first question?

Kamal Aggarwal: Thanks, Varshit. We had a revenue loss of about Rs15 Crores to Rs.17 Crores during this period and this we will be able to recover in second half of the year. We hope we will be able to do a revenue of more than Rs.275 Crores for the financial year 2022.

Varshit Shah: So, the Q2 revenue loss also you will be recovering, so both Q1 and Q2 revenue loss will be covered?

Kamal Aggarwal: I would say the H1 loss we would be able to recover in H2.

Varshit Shah: Absolutely, that is really helpful and secondly, this loss of revenue would have an impact on your EBITDA margin well, if you could just quantify some bit of ballpark gross profit level which would have otherwise flown into the EBITDA because the cost is same and the EBITDA margin percent would have looked very different, is my assessment correct?

Kamal Aggarwal: No, the EBITDA margins are based on the value additions per kg basis that we are carrying out. They are not based on the revenues. If you see the history of Chemcon and if you go through the various presentations done in last more than a year you will be able to see that the margins are on per kg basis of the final product manufactured by Chemcon, so that it remains nearly similar, now what happens that in case of the price of raw material drops the final product prices will also drop and hence the revenue will drop, however, in terms of volume , the value addition would remain consistent and if you see in terms of percentage, the EBITDA, PBT and PAT everything will grow up in terms of percentage as the revenue will drop. If you can see in the current quarter also when you compare with the Q1 2021 with the lower margins, the revenue has come down but the EBITDA has remained nearly similar or it has grown.

Varshit Shah: Sure, Sir, actually my apology, I did not frame the question right, what I was trying to allude is that if you say 17 Crores of revenue you would have earned X or Y amount of spreads on that considering 300 per kg or spread?

Kamal Aggarwal: Right.

Varshit Shah: So, I was thinking that that Rs.300, the cost would remain still the same so that was directly flown to EBITDA, right largely?

Kamal Aggarwal: Yes, sure.

Varshit Shah: So, your margin would have been very different in this quarter had you have not seen the disruption?

Kamal Aggarwal: I agree that the margins would have been different if there had been no increase in integration , we were required to do the maintenance of the plant seven to eight, this has to be integrated because we are increasing the capacities of our boilers also we are putting up new steam generator with multiple capacity compared to what we have in present, for example, we have a boiler of 5 tonnes now we are going ahead with 16 tonnes which is a compulsion to be taken care of for the plant P8 and P9 and these are required to be maintained, so this sort of things takes time.

Varshit Shah: Sure, Sir, that is really helpful and if you could repeat that FY2022 guidance which you just alluded, I missed that line?

Kamal Aggarwal: FY2022, we hope we will be able to achieve a revenue of more than Rs.275 Crores.

Varshit Shah: And in FY2023, any guidance or any volume growth guidance if at all?

Kamal Aggarwal: I would not be commenting on that because that would be better, once the plant eight comes onstream, it would be a better projection which would be achievable because when we design the plant it is inhouse design, and not the external designers and once the designs are complete the installation goes on and once the trials runs have been taken off we will be able to give you the actual figures that we will be able to achieve it.

Varshit Shah: Sure and jut one last clarification on the backward integration, will the overall backward integration percentage will increase or it will maintain in the overall because your expansion is also coming up so it is difficult to maintain the level of backward integration or to increase further?

Kamal Aggarwal: There are two aspects, you see as our productivity will increase the requirement of raw material will go up, now we will have to concentrate on whether the part of the volumes will be generating here and maintaining the imports of raw material and had we not been able to do this, the import volumes would have gone up so this will make us self reliant to certain extent.

Varshit Shah: Sure, that was helpful.

Kamal Aggarwal: Of course the commercial reasons are always there for going for backward integration, I would not be adding the revenue growth, but that will be adding the bottom line.

Varshit Shah: Absolutely, Sir. Thank you so much for the clarification. All the best and I have a followup I will get back in the queue.

Moderator: Thank you. The next question is from the line of Kumar Saumya from Ambit Capital. Please go ahead.

Kumar Saumya: Sir, good afternoon. Sir, my question is regarding the raw material pricing scenario, so how has that panned out in the last quarter and what are your expectations going forward for that?

Kamal Aggarwal: I am sorry I am not clear on your question, can you repeat, please?

Kumar Saumya: Sir, the raw material pricing environment that we have seen because the gross margins have improved?

Kamal Aggarwal: The raw material prices in respect to the HMDS, is TMCS has remained constant or it has come down around 10% to 12%. In respect to the methyl chloroformate the price for raw material has remained consistent there is no variation in that, so the HMDS prices has also come down in proportion to the raw material price.

Kumar Saumya: And this passed on completely?

Kamal Aggarwal: We had been working on this principle since last couple of years that it is on valued addition basis, a value has been added on per kg margins and that has been nearly maintained.

Kumar Saumya: Sir, how do you expect these prices going forward for next one or two quarters?

Kamal Aggarwal: What we have seen is in the winters the prices goes up and summer the prices comes down that is the historical levels we can say.

Kumar Saumya: Why is that, Sir?

Kamal Aggarwal: It is the storage matter, the manufacturers are not able to store the material in summer, so they have to clear off their stock, they work with the minimum stock, well as in winter they are able to store it, so that should be one of the major reason as well as the demand of other products, the co-products manufactured may also be impacting.

Kumar Saumya: That will be helpful. Thank you.

Moderator: Thank you. The next question is from the line of Prasenjit Bhuiya from Kotak. Please go ahead.

Prasenjit Bhuiya: Thank you, Sir, for the opportunity. My question is regarding the backward integration which you are taking so will there be any margin improvement as such first and secondly what will be the incremental capex done for this backward integration and also currently we understand that TMCS is completely imported from China, so will it change going there?

Kamal Aggarwal: There will be an improvement in the margins because as we go for the backward integration there are two reasons, one dependency upon the Chinese suppliers will get reduced and second of course the margins would be improving. In respect to the capex, it is in within the plant eight and nine all the capex required for that was taken care through IPO, so we already have that it is about Rs 41 Crores to be invested in plant eight and nine. The plant eight and nine will be multi product so we will have the flexibility to manufacture TMCS or manufacture other products also.

Prasenjit Bhuiya: Sir, if I understand correctly after this backward integration we will be looking to manufacture TMCS also?

Kamal Aggarwal: Yes, we will be manufacturing TMCS also, but not up to the mark or not the total requirements of Chemcon, we will be maintaining the supplies from international supplier as well as domestic. Domestic supplier will also help for HMDS manufacturing, for example, we are importing as on date about 150 tonnes of TMCS we will continue to maintain that and whatever domestic production is there that will help us in increasing the productivity.

Prasenjit Bhuiya: Understood and we are confident of manufacturing this product inhouse?

Kamal Aggarwal: Yes, we have developed the plant, and the process, we have done everything that has to be done inhouse.

Prasenjit Bhuiya: Good to know and regarding the bromide so we have seen again sequential decline, so going ahead how do you see the demand improving and also when we can expect some uptick bromide?

Kamal Aggarwal: It is not declining in respect to that if you see last year it was almost nil and it has started growing up, and Q2 demands are very good, we have the order book, the executions are going ahead, we can say next 4 months we have the clear supply schedule, so the demand has already started.

Prasenjit Bhuiya: So we can improve the sequential growth from Q2 onwards?

Kamal Aggarwal: Yes, sure we can see the growth in Q2 also.

Prasenjit Bhuiya: And Sir, lastly on the HMDS volume which we have lost, we are confident that we can recover the entire volume by the second half of FY2022?

Kamal Aggarwal: Definitely.

Prasenjit Bhuiya: Thank you, Sir.

Moderator: Thank you. The next question is from the line of Rahul Veera from Abakkus. Please go ahead.

Rahul Veera: Sir, can bromide sales cross of 50 Crores kind of annual run rate from hereon?

Kamal Aggarwal: Mr. Rahul, bromide sales it should be Rs.45 Crores to Rs.50 Crores for the current financial year.

Rahul Veera: Sir, are you planning to launch 2,5 DHT and 4 CBC also this year?

Kamal Aggarwal: We have already launched, 4 CBC and 2, 5 DHT it is ongoing in process.

Rahul Veera: But in terms of the sales, are we expecting 25 Crores plus sales in the near term for these two products like in FY2023?

Kamal Aggarwal: We can expect around 25 Crores of volumes in FY2023.

Rahul Veera: Fair point. Thank you so much, Sir.

Moderator: Thank you. The next question is from the line of Kashyap Javeri from Emkay Investment Managers. Please go ahead.

Kashyap Javeri: I have just one question on our working capital, which is a cash conversion cycle which you have gone up from almost about 75 days to now about almost 200 days and about 260 Crores of turnover last year we needed a working capital which is about 120 Crores odd, what is driving that number and why it continues to inch up despite the fact that most about three years our top line would have actually declined from about 300 Crores to 240 Crores for a variety of reasons?

Kamal Aggarwal: We are talking about the total working capital cycle

Kashyap Javeri: Yes and what I am saying is that if you look at receivable inventory and the payables number we are at almost about 130 Crores on a top line of about 260 Crores, so which is considerably high compared to not just in a specialty chemicals, but you compare with any other industry?

Kamal Aggarwal: We need to look into this. We can take it separately or we maybe later during the Q&A.

Kashyap Javeri: That is all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Shanti Patel from Shanti Patel Investment Advisors. Please go ahead.

Shanti Patel: My question is what will be the PAT margin rough estimate for the current year in totality and secondly, what is our market share in respect of the various verticals in which we are, these are the two questions?

Kamal Aggarwal: So, I will take the second question. In domestic market, the market share, we have more than 80% of the market share in respect to CMIC, we have 100% of the market share in respect to HMDS, we being only manufacturer of HMDS in the country. The balances of volumes are being met from the imports only. For CMIC we have the other two manufacturers in the country as Anshul Chemicals and Paushak Limited both has less than 20% of the productivity compared to Chemcon. In respect to the PAT percentage , I would say we do not work on percentage, but we work on value addition per kg basis, now as the sale price increases, the percentage decreases and it is vice versa because our margin remains consistent and if I am selling HMDS at Rs.500 with a margin of Rs.100 it is 20%, if I am selling HMDS at Rs.800 with the margin of Rs.100 that will become 17%, so higher the revenue lower the percentage PAT that becomes the scenario in case of Chemcon working, so please do not work on percentage of PAT, please work out the volume of PAT.

Shanti Patel: Thank you.

Moderator: Thank you. The next question is from the line of Rajesh Kumar, a Shareholder. Please go ahead.

Rajesh Kumar: Good afternoon, Sir. I hope you and your Chemcon family are all safe.

Kamal Aggarwal: Yes, sure, everyone is fine.

Rajesh Kumar: Very great. Sir, I have few questions, the first question is, you had mentioned in the earlier conference calls that there is no competition or no one manufacturer 2, 5 DHT within India, is it possible to share as who will be the competitor for us in this product abroad and how big is the potential including the export markets?

Kamal Aggarwal: I would not be able to share you on this conference call in respect to other manufacturers globally, however, we can provide you separately the list of other manufacturers that we have for this product.

Rajesh Kumar: But how would be the potential?

Kamal Aggarwal: The potentials can be seen from the import data, you can very well go through that, it is available in public domain, please refer to that.

Rajesh Kumar: Fair enough, we were to convert since the approval from the customers for this product was taking a little bit more time than what it was anticipated, we were to covert this 2,5 DHT facility in P6 to make CMIC, has it been completed?

Kamal Aggarwal: Yes, it has been completed and we have been able to achieve better productivity during the last month that is in July .

Rajesh Kumar: How much revenue from that?

Kamal Aggarwal: July we have touched a production of 197 tonnes.

Rajesh Kumar: Of 2, 5 DHT?

Kamal Aggarwal: No, of CMIC.

Rajesh Kumar: From that facility?

Kamal Aggarwal: Yes.

Rajesh Kumar: Sir, we have this oil well chemicals capacity which we are not able to utilize due to slower demand of that product, is there any possibility to convert part of that also to make any other product where we have demand?

Kamal Aggarwal: It is an ongoing process, we have completed with , the bromide product, it is an organic bromide that we will be manufacturing and the plant is under conversion, so we will have the flexibility to manufacture either calcium bromide or the other organic bromide also.

Rajesh Kumar: I am asking whether we have provision to make HMDS or CMIC from that facility?

Kamal Aggarwal: No, it cannot be done, the bromide plant can be utilized only for other bromide which we will be converting it, it is ongoing process, hopefully within one and a half to two months or you will be able to see in the Q3 result with the new product on bromide.

Rajesh Kumar: Thank you, Sir, that was very useful. Sir, the third is as per the current scenario when will we start getting orders for both these two products, one is 2,5 DHT and the other is high purity HMDS?

Kamal Aggarwal: High purity HMDS, we have already started commercial supply, the volumes are low of course we do not expect a very high volumes in the initial stages, but we have already started exporting that product.

Rajesh Kumar: Sir, how much we get are expected to do in the current financial year?

Kamal Aggarwal: I would not be able to give you that figure because that will based upon the approvals and the ongoing system, for this application it will be very slow and very small volumes taken and the countries using these or the areas where we are concentrating are also getting impacted because of COVID, the working from home system has resulted into slowdown of everything. During this time period there were no new suppliers, the customers are interested to check for, so that is an impact to the expected business. I would not be able to comment on the volumes for this financial year.

Moderator: Thank you. The next question is from the line of Rahul Veera from Abakkus. Please go ahead.

Rahul Veera: Sir, in terms of HDMS different applications any indications from the different companies of batteries or semiconductors that you are seeing?

Kamal Aggarwal: We have supplied this to the rubber industry, we have still not been able to supply to the semiconductor industry and as far as the rubber industry is concerned, we have received positive responses and we hope will be able to do better and supply to US.

Rahul Veera: And what is exactly is the application if you can help us understand that?

Kamal Aggarwal: It is pharma application rubber particularly the body parts of the rubber or you can say that type of thing rubber that is going to be inserted into human bodies

Rahul Veera: And in terms of semiconductors, what will be the application?

Kamal Aggarwal: It is for coating of the semiconductors.

Rahul Veera: So, any of these large manufacturers, other TSMC or any of these guys have shown any interest like any indication there?

Kamal Aggarwal: I am sorry?

Rahul Veera: Any of this larger semiconductor manufacturers globally have shown any interest with us?

Kamal Aggarwal: Yes, definitely, we have their requirements and the interests that is ongoing with Thailand industry.

Rahul Veera: Fair point, Sir. Thank you so much.

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

Kamal Aggarwal: Thanks everyone. This is a tremendous growth opportunity for us as we penetrate deeper into the pharma space and suffice the requirements as chemical suppliers, our role in the growth opportunity will be in facilitating them to have sustainable partner in the long term. With this I conclude the call. If you have any further queries, please get in touch with SGA or investor relation advisors. Thank you everyone for joining the call today. Thank you once again.

Moderator: Thank you. On behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us. You may now disconnect your lines.