



Valiant Organics Limited

Date: August 12, 2022

To,
Listing/Compliance Department
BSE LTD
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400 001.

BSE CODE-540145

To,
Listing/Compliance Department
**National Stock Exchange of
India Limited**
"Exchange Plaza", Plot No. C/1,
G Block Bandra-Kurla Complex,
Bandra (E), Mumbai- 400 051.
NSE SYMBOL- VALIANTORG

Sub: Transcript of Earnings Call

Dear Sir/Madam,

Pursuant to the Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of Earnings Call held on Monday, August 08, 2022 on Audited Financial Results of the Company for the quarter ended June 30, 2022.

Kindly take the same on your record.

Thanking You,

Yours Faithfully,

For Valiant Organics Limited

Avani D. Lakhani
Company Secretary
ICSI M.NO: A47118





“Valiant Organics Limited
Q1 FY2023 Earnings Conference Call”

August 08, 2022



ANALYST: MR. AYUSH CHATURVEDI - EMKAY GLOBAL FINANCIAL SERVICES LIMITED

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**MANAGEMENT: MR. ARVIND CHHEDA - MANAGING DIRECTOR - VALIANT ORGANICS LIMITED
MR. MAHEK CHHEDA - CHIEF FINANCIAL OFFICER & EXECUTIVE DIRECTOR - VALIANT ORGANICS LIMITED
MR. MIHIR SHAH - SENIOR FINANCE MANAGER- VALIANT ORGANICS LIMITED**



Moderator: Ladies and gentlemen, good day and welcome to the Valiant Organics Q1 FY2023 Earnings Conference Call. We have with us today Mr. Arvind Chheda, Managing Director, Mr. Mahek Chheda, Chief Financial Officer and Executive Director and Mr. Mihir Shah, Senior Finance Manager. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not guarantees of future performance and involve risks 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. Ayush Chaturvedi from Emkay Global Financial Services. Thank you and over to you Sir!

Ayush Chaturvedi: Thanks Faizan. Good morning everyone. I hope everyone is doing great. I would like to thank and welcome the management for this opportunity and I shall now hand over the call to Mr. Arvind Chheda for the opening remarks. Over to you Sir!

Arvind Chheda: Thank you. Good afternoon everyone and welcome to the earnings conference call for the first quarter of the FY2023 of Valiant Organics Limited. Thank you for joining us today and hope everyone is keeping safe and well. I hope you had a chance to review the earnings presentations and our finances that we have posted on our website and exchanges. On a consolidated basis for the first quarter of FY2022-2023 the revenue from operations stood at around Rs.266 Crores which grew by about 9% on year-on-year basis and EBITDA was about Rs.32 Crores which degrew by about 37% year-on-year. With EBITDA margins reported at 11.99% the net profit for the quarter was about Rs.17 Crores which decreased by about 41% year-on-year with PAT margins reported at 6.35%.

You can see our Q1 FY2023 financials were significantly impacted primarily due to the unfortunate blast at our Chlorination plant in Sarigam on June 3, 2022 leading to complete plant shutdown for an extensive period. The blast was an isolated incident that occurred in one of our chlorination reactors which caused minor damage. Thankfully there was no loss to human life; however, a minor injury was reported to one person who received the medical treatment and has been recovered. The incident was reported to concerned authorities immediately and after extensive checks the extent of the damage has been estimated to around Rs.5 Crores which will be fully covered under the insurance along with LOP. The plant was given permission to resume operations on July 21, 2022 although it would take few weeks to restore operations to resume normalcy. Unfortunately last quarter apart from this unfortunate event at Sarigam we had a double whammy impact across some



of our other chemistries as the demand of our hydrogenation products which goes into dyes and pigment was subdued in the quarter and we also had to undergo a mandatory maintenance shutdown at one of our Ammonolysis plant. With regards to PAP that process is running as planned and have maintained average run rate of around 350 metric tons per month for Q1 FY2023. The pharma intermediates project is still awaiting approvals. Water runs have been done and the trial runs and the production in a phased manner will commence immediately once the approvals are in place.

Price volatility stabilized to certain extent in Q1 FY2023 of our key raw materials and the positive impact of this will be seen in the quarters ahead if the market dynamics continues to remain the same. Considering all these challenges we still able to post a small revenue growth in the year-on-year basis. As operations and raw material prices volatility stabilize we hope to see a positive impact in our financial performance in the coming quarters. With this we can now open the floor for questions and answers. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Parthiv Shah from Tracom Stock Brokers. Please go ahead.

Parthiv Shah: Good afternoon Sir. Thank you for the opportunity for allowing me my questions. First question I want to understand is that this unfortunate incident which took place which surely dented our results, going into Q1 in your presentation I saw it took almost July end for you all to get back to the production so how much of an impact it is also going to be in Q2 in terms of margins and in terms of revenue loss and also I want to understand that based on your previous guidance the PAP production in Q1 we were sharply targeting in terms of around 500 tons per month which despite stabilization, despite past commentary we have reported around 350 tons per month, so I just want to understand is there any link between this particular blast because as I understand your PAP, hydrogenation plant is separate, so could you throw some light on that?

Arvind Chheda: Chlorination we suffered this July production basically and this PAP at Jhagadia and this Chlorination is at Sarigam, the locations are both different, there is no link with the PAP production actually and regarding PAP we may reach by around 450 in the current month, August month.

Parthiv Shah: What has been happening at Valiant is the communication and what execution happens on the ground has been lacking because this is something that we are trying to achieve and in the last previous concall there is a lot of confidence from the management and now the stability has improved, the tilt issue has gone and despite that we were talking about run rate from Q1 of 500 which is an optimum run rate in the batch process and simultaneously



you were to work on those reactors, which also probably we are talking of Q4 of this year why is this delta because the loss of 150 tons per month in terms of your previous guidance versus what you have executed is a big loss, so where are we headed and where are we going wrong?

Mihir Shah: I think there is some understanding issue because last earnings call I said we will reach 500 in the second half, so you just probably may recheck we never agreed to 500 tons per month in Q1, so that is one thing that I wanted to clarify, 350 is what we had said anyway, in fact we exactly managed to what we have said we will be ramping up in Q2 and by second half of this year is when we will reach 500 or 550 so that is what I have said earlier.

Parthiv Shah: Fair enough, by Q3 we can expect run rate of 500?

Mihir Shah: We are hoping to be at around 500 by Q3.

Parthiv Shah: Will it be fair to assume that with continuous process the benefits will start accruing from only Q1 FY2024?

Mihir Shah: We are still doing the test runs, if all go well then that is what we assume it will be, but I cannot really give any assurance on the continuous side, but on the batch side we are hoping to be in the 500, 550 range for the year.

Parthiv Shah: If you could help me quantify the loss for Q2 based on this incident in terms of revenue and margins if possible?

Arvind Chheda: That working is going on with the insurance company; it is difficult to tell you right now the exact figure it is still in the process actually.

Parthiv Shah: In terms of the production because I think even in July month we were not able to ramp that plant post the incident, so I want to understand how much of an impact in our revenue and margins we will have in Q2 result?

Mihir Shah: About revenue of Rs.30 Crores, Rs.40 Crores may get impacted for Q4; we will have about Rs.20 Crores of loss on the Q2 on the revenue, not the profit.

Parthiv Shah: Fair enough. Thank you so much. That answers my question. All the best.

Moderator: Thank you. The next question is from the line of Sanjesh Jain from ICICI Securities. Please go ahead.



- Sanjesh Jain:** Thank you. Good afternoon and thanks for taking my question. This question I have asked even in the previous quarter, I just wanted to understand what is the margin on the PAP, my understanding is that that should be upwards of 60% on the gross profit basis, which clearly even after chlorination which is generally a low margin business has fallen we have not seen a material uptick in the margin, so what are we missing here because we know PNCB prices are around Rs.200, Rs.225, PAP prices till the date of mean which I track was upwards of Rs.600, so what are we missing here in terms of gross profit will you be able to reconcile and help us?
- Mihir Shah:** Just to correct you in fact chlorination is our higher margin revenue
- Sanjesh Jain:** It could be EBITDA; I am looking at gross profit.
- Mihir Shah:** Gross profit also, chlorination is a better..
- Sanjesh Jain:** You are telling it is more than 60% kind of gross profit margin for us?
- Mihir Shah:** No.
- Sanjesh Jain:** PAP and PNP is very clear, PNCB is 225..
- Mihir Shah:** I am talking about chlorination, your statement mentioned the chlorination was a low margin product and hence that impact should not have been there, but I am saying that chlorination is actually a high margin product.
- Sanjesh Jain:** No, on what level you are telling, high margin on the gross profit level or on EBITDA margin?
- Mihir Shah:** Gross profit.
- Sanjesh Jain:** Thanks, gross profit, my working says that it should be 60% plus for PAP, I am not sure on chlorination.
- Mihir Shah:** I am talking about chlorination because your statement when you made you said that chlorination was a low margin product so I am talking on the chlorination side, I will come to PAP.
- Sanjesh Jain:** Okay.



Mihir Shah: Chlorination is a high margin product and because of that our margins have got impacted because of the blast. Coming to the PAP side it is not a high margin product because it is not selling at Rs.600 we are at a lower it may be somewhere Rs.550 per kg, it is somewhere around that area and hence the margin on PAP will not be 60% it will be much lower than that.

Sanjesh Jain: Even if it is Rs.550 and PNCB price at Rs.225 that means we are making a very healthy margin upwards of 50% in this?

Mihir Shah: PNCB yes, there are other raw materials, there will be hydrogen, catalyst expenses we will have that cost as well then also this is in a ramping up stage correct, so there will be some fixed cost which will come to it where the margins will improve as the scales improve, but currently it is not at 60% I can say for sure and secondly we really do not get into the product level discussion because it is also proprietary, so we do not want to get into that, but since we are on it I am telling you that it is not a very high margin product on PAP, it was high when the pandemic was on and the prices were high, but once things are stabilizing it is not going to continue to remain a high margin product, it will be a normal 17% to 18% EBITDA kind of a product.

Sanjesh Jain: When can we say this 17%, 18% EBITDA margin to come, when we hit 500 metric ton, is that will be fair assumption in the second half of this year?

Mihir Shah: We are hoping we should be able to be reach there in the second half of the year by Q3, Q4.

Sanjesh Jain: Second on overall raw material side, we are seeing a deflation in the crude and we are heavily dependent on crude derivatives I think that is a benefit, so how should we think the recovery in the margin from here because from the base how margins have fallen quite sharply and we have been confident that we will be reaching 20% can you help us understand the journey from here to say 20% plus kind of an EBITDA margin?

Mihir Shah: Correct, we do pass on the thing, we do pass on the cost and it happens on a contractual level, so it happens quarterly, like Arvind Bhai also said in his speech that we will see improved margins going forward if the prices continue to remain stabilize and no volatility comes in, unfortunately because of the blast our high margin which is also like the chlorination impacted, so our margins went down because our cost that will continue to remain which are non-variable in nature, but once now that Sarigam unit is also up and that will come up. Second thing dyes and pigment market demand is low, so on the hydrogenation unit 1 in Jhagadia that we have worked out there we are underutilized to a



certain extent because of the demand issue, so if that also improves our margins will improve because we are currently running at a under optimized utilization for unit 1.

Sanjesh Jain: Two more followups one on the falling prices does that should release a lot of working capital for us because last year there was a built up of working capital because of price hike that working capital should get eventually released right?

Mihir Shah: Correct.

Sanjesh Jain: That is a fair assumption?

Mihir Shah: Yes, that is a fair assumption. Just a little bit probably somewhere in between the quarter we will have that ease of things because our revenues from Sarigam has got impacted so to that extent there will be some hit, but otherwise yes working capital will improve.

Sanjesh Jain: Last on this dyes and pigment, you have been mentioning of demand issue, can you elaborate that what is causing the weakness in dyes and pigment segment and one of the large pigment player did announce the result and again we could see that weakness there can you help us explain what are we hearing from the customer, what is reason for this weakness?

Mihir Shah: I think it is just market demand. I am not much into the market dynamics how it is working, but our dyes and pigment go into the textile dyes, so as long as the textile industry is weak our dyes and pigment product demand will also continue to be weak, so that is all I have on the market demand side, but let us hope this improves as the textile industry improves.

Sanjesh Jain: No, my worry is that textile industry as such have not done so bad, is it China dumping more product into India have we seen any of that kind of phenomena happening?

Mihir Shah: No, that is not the issue.

Sanjesh Jain: Fair enough Mihir. Thanks for answering all my questions and best of luck.

Moderator: Thank you. The next question is from the line of Aditya Khetan from SMIFS limited. Please go ahead.

Aditya Khetan: Thank you for the opportunity Sir. My first question was on to the current prices of the Para Amino Phenol and secondly by which quarter can we convert it from the batch process to continuous process?



Mihir Shah: The prices on Para Amino Phenol are on a downward trend, you can probably assume somewhere around Rs.500, Rs.510 somewhere in that range as of now, so that would be a fair estimation and on the continuous like I said we are trying, we are hoping that we will probably try getting it by towards the end of the year, but on a conservative side I think probably continuous can be considered from next year onwards.

Aditya Khetan: Secondly on to the Sarigam incident so how much revenue was contributing by the Sarigam plant on to the revenue and on to the EBITDA side?

Mihir Shah: On the revenue side Sarigam was contributing if I see Q4 of Sarigam it was somewhere around Rs.75 Crores, Rs.78 Crores, for this quarter it come down to Rs.40 Crores, Rs.41 Crores, so that is how what the delta is on the revenue side and on the gross margin or the EBITDA level it is one of our highest margin product, so that has some erosions coming out, I do not want to get into the specific numbers of our product wise units, it is proprietary, but just giving an understanding that the revenue has probably fallen to around 50% of what it was because of the blast.

Aditya Khetan: So, the blast was majorly into the chlorination business?

Mihir Shah: Correct.

Aditya Khetan: This is contributing roughly around 40% to the revenue?

Mihir Shah: It is not 40% of the revenue, I am talking about the drop in chlorination what it was in Q4 to this one it is about 50%.

Aditya Khetan: One more question, just after the blast we saw the promoter has sold heavily like, is there any connection between these two things like so there is a blast and then only the promoter comes in and they were selling like anything, so the promoter holding also has been reduced the loss from last quarter, can you highlight like what is actually happening and why this has happened post that blast only?

Arvind Chheda: Mr. Hemchand Gala was Managing Director earlier he is no more with the company and if he is selling in his personal capacity we have no control on it, it may be his personal reason we are not aware we are not in that business actually.

Aditya Khetan: It is classified into one of the promoter category, so can we do one thing....

Arvind Chheda: He was a promoter earlier, he is still in that category, but he is no more in the company now on day-to-day business I am not involved also now.



- Aditya Khetan:** That is not giving out a true picture like because he is classified as one of the promoters still and because he is selling so heavily, so that indicates that is there some fundamental problem into the business?
- Arvind Chheda:** He is still classified under the promoter I tell you he is still under the promoter list because it is not going to change in the immediate term, but he is no more with the company.
- Aditya Khetan:** He has sold just after that Sarigam incident only anything you can highlight on it?
- Arvind Chheda:** We have no idea about it. There is no problem in the company, but it may be some personal reform that we cannot know about it. Everybody has their personal problems.
- Aditya Khetan:** Yes, that I understand, but cannot we have done one thing like they were selling, so some of the promoter groups can buyback that promoter share so that could not have been done like?
- Arvind Chheda:** We are not aware when he is selling. He is selling in his personal capacity in the market, we are not knowing about his ideas basically.
- Aditya Khetan:** Got it Sir. Thanks.
- Arvind Chheda:** We cannot control him.
- Aditya Khetan:** Thank you. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Gaurav Shah from Harshad Gandhi Securities. Please go ahead.
- Gaurav Shah:** Thanks for the opportunity. My question is EBITDA margin, as you are saying, are you in a position to pass on the raw material increase on a quarterly like basis, but our margins are continuously falling, so I just wanted to check what is kind of price increase we have passed on in the last quarter? Thanks.
- Mihir Shah:** In the last quarter the prices are still increasing, so we definitely passed on wherever the contracts were getting renewed, where the contracts were not getting renewed it will only get passed on at that point, so even though the prices have stabilized in this quarter the benefit of it will only happen once our quarterly contract get completed and we do the renewal of that, so probably this quarter you will see some improvement in the margins, you have to take it as a pinch of salt because of the blast there might be some erosions there, but otherwise had that not been there we would have seen a better quarter in Q2 given that the prices are stabilized, so wherever there are spot contracts which is not really a big



percentage there we pass on immediately, but others are quarterly and few of them also six monthly, so that takes time.

Gaurav Shah: By FY2024 do we assume that we can achieve about 20% EBITDA margin, assuming all other things?

Mihir Shah: Yes that would be a fair assumption.

Gaurav Shah: Thanks a lot.

Moderator: Thank you. The next question is from the line of Srishti from Monarch Network Capital. Please go ahead.

Srishti: Thank you for the opportunity Sir. One question on that of Chlorophenol plant was shut for **(inaudible) 26:07** volumes are declined by 50%, are we facing any other issues there?

Mihir Shah: No, that is the issue, the only issue is the blast and the volumes have declined because it is entire month of production stopped so that is where it had a very impactful for the quarter.

Srishti: June month was impacted; however, our volumes has come down by 50% so I wanted to understand is June quarter seasonally heavy or are we facing some pressure from China?

Arvind Chheda: No, we are able to compete with China, there is no problem.

Srishti: Why was there like higher decline in volume?

Arvind Chheda: One was the blast and second thing there was issue of this HCL disposal. These guidelines have changed under the Rule 9 so for that we have taken some time, that is almost over now, so in the future there will no problem with HCL disposal also under Rule 9 because Gujarat government is very rigid on this hazardous waste now.

Srishti: Sure Sir that is what I wanted to understand. My second question was in a hydrogenation we are facing subdued demand for second consecutive quarter, are we starting to worry about that, are we trying to think of new avenues there?

Mihir Shah: We are upping our game on the marketing side in terms of the key product, the OA/PA which is the unit 1 product, so we are definitely trying to address this demand in that way, but given that it will improve.

Srishti: That was very helpful. Thank you.



- Moderator:** Thank you. The next question is from the line of Soumen Chatterjee from JRK Stock Broking. Please go ahead.
- Soumen Chatterjee:** Good afternoon everyone. Thanks for taking up the question. Due to the blast we lost around Rs.25 Crores, Rs.35 Crores odd in the last quarter right and now we have resumed the operations, but it will take some time as you have said in the presentation that it will take some time for normalcy to get back, so is it fair enough to assume that for the next two, three quarters also this contribution from chlorination unit is not going to be that much which was in Q4 of the last fiscal?
- Arvind Chheda:** Almost we have resumed around 60% operations in chlorination right now I think in the next 8 to 10 days we will be able to operate at around 75% to 80%.
- Soumen Chatterjee:** 75% will be the capacity utilization?
- Mihir Shah:** Yes.
- Soumen Chatterjee:** What was it during the Q4 last fiscal?
- Mihir Shah:** Last fiscal was around 85% to 90%.
- Soumen Chatterjee:** This quarter we will be that to around means we will recover around Rs.10 Crores, Rs.15 Crores odd right in the revenue side?
- Mihir Shah:** Correct.
- Soumen Chatterjee:** By the Q3 it will come to the normal level?
- Mihir Shah:** Q3 will be normal.
- Soumen Chatterjee:** Anything about the margin guidance you can give for the next three, four quarters, is it the worst means we have bottomed out in the margins part?
- Mihir Shah:** Yes, it has been the worst so far.
- Soumen Chatterjee:** If everything remains stable there will be a gradual recovery right?
- Mihir Shah:** Correct unless something unforeseen happens, but given that it is nothing of any of such incidence or market volatility also does not really change much and it improves then yes it will be an upward trend going forward.



Soumen Chatterjee: One more question. The question is from the pharma intermediate project right, now this is actually backward integration for Valiant right?

Mihir Shah: Correct.

Soumen Chatterjee: So you are waiting for some approvals to come?

Mihir Shah: Correct.

Soumen Chatterjee: What kind of approvals means approval from where?

Mihir Shah: From the authorities, we are basically waiting for CTO consent to operate; we are waiting for that to come in. This is the approval that we are waiting which will probably take a couple of weeks, about a month or so.

Soumen Chatterjee: This is completely for the backward integrations?

Mihir Shah: Correct.

Soumen Chatterjee: Okay, fine.

Moderator: Thank you. The next question is from the line of Ankur from Quasar Capital. Please go ahead.

Ankur: Good afternoon. Thanks for taking my question. On the promoter group front like obviously one can say that for a particular quarter there is no control, but like I have been seeing it as a very long term trend may be this is a time of listing that continuously promoters, promoter group, directors, related parties and the group people who were may be previously with the company and now may be they are not, they have been constantly selling shares in the market okay, one can understand that at a particular point in time suppose **(inaudible) 32:38** and it involves all the management people, can you address this question because I think this is a real problem where the investor community is not able to get enough conviction in the company because you said they are continuously selling and every quarter we talk about improving performance and we want the company with improved performance and all of that, but then again our understanding is that the promoter family and all of those people they are more private into the operations and still they are selling in spite of an improvement commentary, so how you address this question because this is becoming a real problem now it is a long term trend I can think about three quarters, what about the long term trend which I am seeing?



Mihir Shah: I understand your concern and we take your feedback also we have noted this also in the earlier concalls as well, but understand that it takes time for a common solution to arrive at, so we are taking that into consideration, we have had different people who are classified as promoters, they are of different age coming from a different kind of background where it can be old just like any other financial investors, they might want to move, diversify, so I understand your concern and we are really taking that into consideration and we are looking for solution also, but I can assure you that there is no problem at the company level and which is why they are selling. If you get into the details of who was selling you will know that these are all different promoters from different age selling their needs at different time, so rest assured it is all okay and your point taken.

Ankur: All the best. I really hope that EBITDA and business recovered well. I have been tracking it since the long time. Thanks.

Moderator: Thank you. The next question is a followup question from the line of Parthiv Shah from Tracom Stock Brokers. Please go ahead.

Parthiv Shah: Thank you so much for again giving me the opportunity. Sir I just want to understand like if I see yearly outlook past one year outlook due to lot of reasons and some reasons which were certainly not in the hands of the management the Ukraine war and all that our stock has corrected by almost 61% and I understand that there are a lot of management involved and you gave a very valid reason that it is not in control of everyone they might be holding, investors, etc., but what about the investors or the promoters who are currently having skin in their game for this company, why are we not witnessing anybody like wanting to latch up because if you see track record of lot of other chemical companies and chemical being a very highlighted sector has even corrected a lot and lot of other peers were seeing the promoters coming back, buying their stock, having good visibility for the long term, we are definitely having good visibility for the long term as communicated by the promoters at Valiant why are we not seeing that, that is a little proprietary element I understand that we cannot stop somebody from selling their stock they might be old investors but out of so many classified promoters why is nobody willing to buy the stock even at current levels and increase their stake and give that confidence to the market that these promoters are also having skin in their game?

Mihir Shah: Parthiv like I said even the previous person was also we were trying to give that assurance only that we are working on a solution having said that I do not have anything further to really share on this matter. We will look into it, we will see how we can rectify or have a better solution that kind of eases investors but again there is no problem with the company



and why we are selling but this is the only thing I can say there is nothing beyond for me to even share at this point.

Parthiv Shah: Fair enough Sir. Thank you.

Moderator: Thank you. The next question is from the line of Vikas Rajpal from Reliance PMS. Please go ahead.

Vikas Rajpal: Thanks for taking my question. So in your presentation you have mentioned about a lot of ongoing projects and the commission projects and many of them are either for backward integration or for forward integration and I suppose that these projects would better the margins going forward so currently in this quarter we had a margin of about 11% so as these projects come on board could you give us some color on how by FY2024 or by FY2025 what kind of a margin profile are we looking at the company level?

Mihir Shah: So on the presentation we mentioned some past projects also and the new ones also so in the new project it is basically Pharma intermediate and the OAP the two products that are awaiting and PAP is the one that we are ramping up so once all of them kick in yes there will be an improvement in terms of sales, volumes and as well as margins so OAP is one product which we are considering a little high margin, pharma intermediate is a small plant so even though high margin it may not have a significant impact on moving the needle at this point. If we intend to grow further on this pilot front then yes but otherwise it is a small. It is a 20 metric tonne capacity unit so that is not going to move the needle too much at this point but we are looking at a 20% to 22% EBITDA in the future so 2024-2025 onwards.

Vikas Rajpal: By FY2025 what is your topline target, currently you are at about Rs.1000 Crores?

Mihir Shah: On a standalone basis we believe we will be somewhere in the range of Rs.1400 Crores to Rs.1500 Crores in two years so that is our assumption that we are having at this point but a lot of it is dependent on the price realization which currently are at a higher level so for PAP they are at Rs.500 right now which probably could correct going forward but volume may compensate it, but having said that we are hoping somewhere in that range.

Vikas Rajpal: Sir just a feedback as other participants also on the call have mentioned about the promoter group thing so Sir we seriously wish that we do something about this because it has been happening over the last three years and it should not have taken us to talk to you about why the promoter is selling and now that you are looking for the solution so this should have been taken care long back because seriously having a small cap company with some promising outlook and having a promoter shareholding of less than 40% or if the selling



continues it should go beyond 35% as well so that does not instill too much confidence in the investors and that is probably people are staying away from the stock and all despite having strong commentary not wanting to participate in the whole thing so we feel that you take some steps as soon as possible on this front as well.

Mihir Shah: Sure thank you.

Vikas Rajpal: Thank you Sir.

Moderator: Thank you. The next question is from the line of Ankur from Quasar Capital. Please go ahead.

Ankur: Sir one question on PAP any worry from the recent competitor announcement specifically from Starline regarding the way they are coming, the technology which they have come up with, obviously their cost of production is going to be lower so any futuristic mindset change which has happened or which has been discussed which you would like to share where you feel that PAP may be let us say this particular project is done with and after that we would not be able to expand further because the competition is coming at much a lower cost and a technological barrier, any thoughts on that?

Mihir Shah: So it is too early to comment on Starline and we also would not like to talk about other companies on this call but having said that you must also realize that most of our PAP is captive so our subsidiary company Valiant Laboratories use it so up to 80% to 85% or so goes into that which is kind of a sure shot business for us, it is just the balance 10% to 15% of the PAP which we need to worry about and given the market, the market is pretty large so I do not think that should be too much of an issue.

Ankur: The question is more from a futuristic angle in the sense that okay let us have 100% we can call it captive but let us say because of their technology or what I understand is that from that part or production the cost of production is much, much lower than what we are producing okay so even if we call it captive but obviously from a ROI perspective you will eventually evaluate right whether this project is viable or not, there have been many companies and many investors which have set up backward integration units but they became unviable because someone else was manufacturing that at much lower cost and for them it became viable to procure from them?

Mihir Shah: It is lower cost if you look at it as the main key material which is nitrobenzene yes it is cheaper than PNCB but there is also a production of a co-product which is aniline so if the chemistries are working out fine and commercially also working out then that another



product market also needs to be addressed because if they are not able to sell that in the market in that case the product cost becomes much higher so the marketing of both the PAP as well as aniline because otherwise there will be cost of disposal of that co-product. In terms of PAP we do not have a co-product it is just common salt which gets formed in the process.

Ankur: Great. Thanks. Point taken.

Moderator: Thank you. As there are no further questions from the participants I will now like to hand the conference over to the management for closing comments.

Mihir Shah: Thank you all for participating in this earnings concall. I hope we were able to answer your questions satisfactorily and at the same time offer insights into our business. If you have any further questions or would like to know more about the company please reach out to our investor relations managers at Valorem Advisors. Thank you. Stay safe and stay healthy. Thank you.

Moderator: Thank you. Ladies and gentlemen on behalf of Emkay Global Financial Services that concludes this conference call. Thank you for joining us. You may now disconnect your lines.