



February 16, 2024

The Manager (CRD) The BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai- 400001	The Manager – Listing Department National Stock Exchange of India Ltd Exchange Plaza, Plot no. C/1, G Block, Bandra-Kurla Complex, Bandra (East) Mumbai - 400 051
Scrip Code: 530117	Symbol: PRIVISCL

Dear Sir / Madam,

Ref: Letter dated February 01, 2024, providing Audio link of the Analyst / Investors Meet

Sub: Transcript of Analyst/ Investors Meet held on Wednesday, January 31, 2024

In addition to Audio Link shared via letter dated February 01, 2024, please also find enclosed the transcript of the Analysts/Investors Call on the Un-audited Standalone and Consolidated Financial Results of Privi Speciality Chemicals Limited for the third quarter and nine months ended December 31, 2023, held on Wednesday, January 31, 2024.

You are requested to kindly take the same on record.

Thanking you.

Yours Sincerely,
For **Privi Speciality Chemicals Limited**

Ashwini Saumil Shah
Company Secretary



Encl: As above



PRIVI SPECIALITY CHEMICALS LIMITED

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PRIVI SPECIALITY CHEMICALS LIMITED

“Privi Speciality Chemicals Limited Q3 FY-24 Earnings Conference Call”

January 31, 2024



PRIVI SPECIALITY CHEMICALS LIMITED

ASIAN MARKETS
— SECURITIES —



MANAGEMENT: MR. R S RAJAN – PRESIDENT
MR. NARAYAN IYER – CHIEF FINANCIAL OFFICER
MODERATOR: MR. KAMLESH KOTAK – ASIAN MARKETS SECURITIES
LIMITED.

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY24 Earnings Conference Call of Privi Speciality Chemicals Limited hosted by Asian Markets Securities Limited.

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. Kamlesh Kotak from Asian Market Securities Limited. Thank you and over to you, sir.

Kamlesh Kotak: Thanks, Aditya. Good afternoon everyone. On behalf of Asian Markets, we welcome you all to the 3Q FY24 Earnings Conference Call of Privi Speciality Chemicals Limited.

We have with us today Mr. R S Rajan – President and Mr. Narayan Iyer – CFO representing the Company.

I would request Mr. Rajan to give his opening remarks and the business update following which Mr. Iyer will take us through an “Overview of the Financials” for the quarter and nine months, post which we shall begin the Q&A session. Over to you Mr. Rajan. Thank you.

R S Rajan: Thank you, Kamlesh and good morning to all our stakeholders, and we welcome you to this investor conference. And we are very grateful for your support as always.

As we have been having regular interactions with all of you, you will have noticed that some of the things that we have been anticipating and sharing are falling in place one by one. So, we continue to have a good outlook going forward. But we would like to remain cautiously optimistic in a VUCA world. So, I start by reiterating that our Chairman has a very clear vision on the way forward. And the vision has a team which is battle hardened and have been through many crises using it as an opportunity to succeed and grow. And the vision and ambition falling in line, we are governed by our values, which shape our culture, which is safety, sustainability, a sense of urgency, transparency to build trust, teamwork, and transform the results and finally, respect and care for all our stakeholders.

So, this chugging forward so far year to date, and the quarter that has gone by, has been going reasonably well for all of us to take an optimistic note of the coming times. The challenges continue. So, as far as our preparedness is concerned, on the safety front we have raised the bar being a chemical Company that is something that we constantly do. We have been having mock drills, we’ve been having wet drills, we’ve been having night drills. And as far as the people are concerned on the EHS front, we have been taking good care of them and motivating them. Because, if our people are happy they keep our customers and they keep our stakeholders happy. And we have left no stone unturned on that front.

On the sustainability front, which is this second value that we have, we have been making strides, we have EY as one of the consultants to take us through the sustainability path. We have had some achievements in the quarter that has gone by, we have FDA license obtained for the camphor plant, we have the RSPO certification, we have the Sedex audit with no non-conformities being repeated and the future goals we are going to improve our EcoVadis score to upgrade the same. Hopefully with your blessings, we will get the goal. We are upgrading our CDP score and the WHO GMP certification and in the audits conducted by some of our key customers, the TF has already scored 85% on the EcoVadis the Indian average is 42%, and we continue to grow at (+65%). So, these are all good markers for sustainability, and we are also chugging along to meet our targets we have already made modification to have at least 20% to 30% of our feed to be coal free. We are using briquettes and moving forward.

As far as the Company outlook is concerned, we have been facing some sort of slowdown and some challenges on the supply chain. But as far as the global outlook is concerned, this year continues, the calendar year continues to be moderate, but it's going to open out because the global economy is also very resilient and as I keep saying we are an anti-recessionary business, whether we have new technologies coming in or not, what is important is that whether the incense sticks we burn, the detergents that we use or the sanitizers that we use, or the fine fragments that we use, everything is here to stay.

So, your Company is in the right business and on the financial numbers, we will have Narayan talk about it more at this point of time, all I can say is we are on the right path. As far as our feedstock is concerned, 75% of our feedstock is renewable. So, we are doing fine. And we continue to retain all our key customers and we have increased wallet share with almost all of them.

And I conclude before handing over the baton and this initial overview, by quoting Douglas MacArthur who said, "*There is no security on this earth, there is only opportunity*". We believe in that, and we will continue to serve our stakeholders diligently, sincerely and competitively. Over to you Narayan.

Narayan Iyer:

Thank you. Thank you Rajan and thank you Kamlesh and a warm welcome, good afternoon to all the investors.

Well, I'm pretty happy with the way the Results have panned out for the quarter ending 31st December 2023. Though revenue has dipped, overall margins and margin as a percentage to the sale has gone up by almost 2.5 basis points. We are happy that we are back on track, all expenses under control, what was always communicated to all investors with regard to the lower RNCs to sync in, which will help get us back margins. September was a beginning and now you see that in the quarter ended December the raw material percentage to sales has further dipped down, which has helped really performed well, get the profit and margins into it.

Y-o-Y there has been a 17% growth overall, as compared to previous year and this particular quarter, and September and December, there's a slight dip in this quarter by about 1.2% or so as compared to the September quarter numbers that is why on the revenue front you see on the consolidated basis a dip, but margins have withstood because there has been a lot of cost reduction happening around the cost of power and basically the coal cost is under control, freight expenses is under control, most of the freight contracts also are at the lower cost. So, this really has helped the Company to turn around, from the additional quarter that we had in March 23, which left quite a few of the investors wondering as to where we are.

And the most important point is that, the sales coming from the new products of camphor, the Galaxmusk range of products and Prionyl all are picking up and this is really going to help us do better going forward. And as I speak to you the Calendar Year '24 contracts and orders are more or less in place, it looks to be a good year for Privi, outlook is definitely optimistic and the performance that we have been rolling and September and December I feel we should be in a position to sustain and improve upon that volume wise and value wise you will see the growth happening around as we go in the quarters to come by whether it is going to be this Q4 of 23-24 or the Year '24-25 Privi definitely is looking at a growth both in terms of volume, as well as in terms of value, you will see a growth happening around and I'm pretty sure that the bounce back has started which is what we have been trying to address all our investors that it was only a matter of time that we are able to turn around and the momentum will be kept it. On that note, I ask Kamlesh to take it over and we are ready for any questions that the shareholders or investors or potential investors or stakeholders would like to ask the management about it. Kamlesh all yours.

Kamlesh Kotak: Yes, Aditya we can start the Q&A session.

Moderator: Okay. Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Ashok Kumar an Investor. Please go ahead.

Ashok Kumar: I have heard all these points about the features of the Company. My first request is that, since long time the Company is not submitting this investor presentation, if that will be available it will be a good for the common investor because, for us to join the conference call and get more details about the Company is not so much easy, but if we can get handy something, so that whatever the Company's plans and all these things are there, we can get that one in our handy thing. So, we can be very well assured, how the Company is progressing.

Narayan Iyer: Noted Ashok and going forward we will try to possibly put in a presentation as we were doing in the past. So, you will be updated about it. So, this is a good suggestion, and we will try to implement the same once again.

Ashok Kumar: And now some more things which I have gone through the balance sheet and the details, first thing that it appears Company has gone for a long expansion and bought a lot of fixed assets.

And also the Company as per this auditor's report also some borrowings are also becoming big and all these things and out of our net profit, a lot of part is eaten away by the interest as well as the depreciation. So, Company can give some details about this expansion plan, what is the expansion plan, how the Company is progressing, I have gone through the credit rating report and from there, I have come to know that the Company is exporting 70% of the, revenue generating from the 70% of exports, as well as there are lot of raw materials are bought and the fuels and all these things are affected by this fluctuation in the dollar or the foreign currency. So, please share some details on this one.

Narayan Iyer:

Yes, Ashok all these details were already uploaded on our investor presentation. It is there on the website. But to keep you briefed, since this question has been asked now, Privi went about setting up at 800 crores expansion plan way back in September 2019. It's taken about three and a half years for finally all the capacities to be put in place and all the so called expansion mainly on account of three new products, with almost a volume of close to about 10,000 metric tonnes. These products are Camphor, Galaxmusk, and Prionyl. And all three products were capitalized somewhere around last year, we had some challenges and issues in getting the permissions from both the governments that is government of Gujarat and government of Maharashtra from the EC because all these were new products. And that is a reason why we had to borrow a little bit of money from debt and a part of the profit that we were earning. So, it was a combination of debt and equity. And these plans were capitalized respectively in the month of September 2022, June 2022, Prionyl and December 2022 somewhere around Camphor. So, finally the permission from the government, Maharashtra Government and Gujarat Government came in the month of January and February respectively. And the first full year of operations where we will be in a position to bid for the contracts is this Calendar Year '24. So, that's the scenario with regard to CAPEX we expect these products to really help gain the momentum to our growth story, apart from our existing products that we have. And we expect this momentum to really turn around and take the Company to a growth both in terms of volume and in value as I talk about in the quarter Q4 of '23-24. And also, for the entire Financial Year of '24-25 we expect volume growth of close to about 25% over previous year, and maybe value growth of about 10% from whatever we achieve in the period of '23-24 financials in fact.

Ashok Kumar:

Anything about this return on equity because return on equity has been falling down from ten years average of the 14% to 3%?

Narayan Iyer:

Yes, basically the fall you are saying is that we had two very bad quarters, December 2022, March 2023 and then the turnaround started in June 2023 onwards. So, when you see the trailing earnings and ROE, et cetera definitely it is bad. But, I can only assure you that basis, the performance and the turnaround that we have been able to pose, it started from June 23 onwards, and then September you have seen a good quarter, the margins have really improved December it is further improved upon as committed around, you can expect both ROE and ROCE to be in mid to high teens going forward by the year end in fact. When I talk about year end, it will be in the 2024-25 numbers. If I had to talk about only on the year, March 24 numbers, it should be in

the teens what it used to be in the past inside, we were trailing when you take the trailing 12 month period, in this trailing 12 month period we have had three bad quarters that is what is killing or hitting all by ratios, all my analytical, fundamentals because these three quarters were one of quarters where we had low sales, less margins and these have been communicated to investors on every quarter call that we were having as to why the margins fell down, why certain expenses have gone up and all but that's a thing of the past, I really do not want to harp too much about what was bygone and what was bad. I can only talk about that good times are here. And investors will really be happy as we progress, you have seen my commitment when I spoke to you post the June quarter call that September numbers will be better and then thereafter December will be better. So, I maintain that previous momentum about both growth in terms of volume as well as in terms of the margins percentage wise, value wise, we'll keep improving as we go about. And the momentum what we can see at Privi and definitely it is going to be good times going forward for the Company and all stakeholders and investors associated with Privi.

Ashok Kumar: Thank you. Only my one last suggestion as the Company has gone through all these bad phases and everything. Should Company had any plan to raise rights issue from its investors, so that the interest which the Company is paying, that can be controlled or can be minimized and in return the shareholders may with partners in the growth of the Company?

Narayan Iyer: Ashok, thank you for that question. But, we are closely monitoring the situation, as and when we feel that it is appropriate and there are some new things which we are looking at, we shall be coming into the market either with a rights issue or a QIP issue to bolster and possibly ensure that the ROC, ROE improves about but we are performing decently well, you have seen that the last two, three quarters have been on the right path, the growth trajectory is there, most of the ratios are getting back into normalcy whether it is a debt EBITDA or the debt to equity, these what were pretty maybe a little bad or as compared to what we principally believe to be a good one, we are getting into a better trajectory and at the appropriate moment, we want to consolidate our financials, we want to consolidate the numbers and once we feel that we are getting much, much closer and much better with regard to all the financial parameters, we come back to the market possibly with a fresh round of equity so that for future growth plans that we have maybe we can start with some sort of an equity funding. We will definitely keep the investors informed as and when we think that we want to raise equity from the market in fact. On that front, I believe we can go to the next question.

Moderator: Thank you. Our next question is from the line of Tejas Sonawane from Asian Market Securities. Please go ahead.

Tejas Sonawane: My first question is largely around the current market environment in key export regions of US and Europe, since we have a large export exposure to these key regions, have we seen any kind of impact owing to the destocking trends which you are witnessing, in these two key regions and has there been any kind of negative impact on our exports, so into the destocking which is happening in these two region?

- R S Rajan:** Narayan, I would like to address that.
- Narayan Iyer:** Yes, Rajan please go ahead.
- R S Rajan:** So, Tejas thank you for that question. And you are absolutely right in expressing and inquiring your concerns on the export exposure, because that's our salt and bread 70% of the business comes from exports. But as far as the current market outlook is concerned, especially in the recent past, couple of indicators which are evidence to the fact that we are in the right trajectory as my colleague Narayan spoke about, which in turn impacts the financial outcomes. We have already booked 70% to 75% of our order book for the calendar year, January to December. So, that should give us a lot of optimism that the order book is already 75% and right now we are in the month of January. Going forward, we would continue to ensure that the order book is not only filled up, we have also started getting POS and we have also started getting orders from our key accounts and customers. And all those orders that are coming in now are coming in, not on a pro rata basis, but slightly above the pro rata. So, that also augurs well. And let's hope this trend continues. Yes, markets will have peaks and valleys but those peaks and valleys in the market, they cannot be predicted beyond the point because war doesn't come announce, the conflicts in the Middle East doesn't come announce and neither does the piracy intrusions which are happening. But we are well equipped to face all these uncertainties and still go around it. And we are in very close communication with our customer as we speak also, yesterday also we had meetings with our key customers to form strategies to co create and work together to continue on the pathway of success.
- Tejas Sonawane:** Okay, that was very helpful sir. Secondly, my question is basically around our three new products which we came up last year. Could you provide some details regarding the current capacity utilization on these three products, namely, the Galaxmusk, Camphor and Prionyl and what is the timeline when we can expect to reach peak utilization from these three products. And also, if you could provide us some updates on our ongoing project mainly menthol and Givaudan and any broader timeline as to when we could expect the commissioning of these projects?
- Narayan Iyer:** Thanks, Tejas, good question with regard to the. I was put on hold or something on that. Can I possibly answer. So, Tejas to answer you. Good question in fact, as far as the three products that we talked about Galaxmusk, Prionyl and Camphor as just about informed to Ashok this is going to be the first year of my full-fledged contracts that I will be looking at. We are expecting the capacity utilization to be closer to about 75% to 80%. The order book position on Galaxmusk has been fantastic. And the capacities are really good being wrapped up and ramped up at a pretty decent pace, Camphor and Isoborneol capacity as we speak about. We had a good first season as far as volume is concerned and we expect that this year also we should be in a position to be close to about 75%, 80% at least on the Camphor Isoborneol, if not more and you are aware that season for this product once again starts somewhere around May and June onwards and right up to November, December. So, the numbers are definitely looking very promising as we go about, so I am talking that from quantity wise Galaxmusk is close to about 3600 to 4200 tonnes

is what we are expecting in terms of volume to be achieved for the year 24-25. Camphor also closes to about 3000 metric tonnes, Camphor and Isoborneol if I talk about 3000 to 3600 tonnes we should be in a position to achieve in the year '24-25 as I talk about and Prionyl also being a specialty chemical plant which is not doing too well has really picked up and Prionyl sales is also happening on an average of five to six metric tonnes per month in fact. So, these are really augmenting well, and this should add up to both our profit margins as well as value with regard to revenue, as we talk about not just in Q4, but the year ahead also.

Your second question with regard to our joint venture with Givaudan and also our dream project on menthol. So, first, let me answer the Givaudan joint venture that it's a complete greenfield project and the infrastructure is being set up, we expect the entire project to be completed at least about 60% to 70% of the commissioning should get over by June to September or so. And then slowly we start in phases, a couple of products. So, that's what we are going to do about setup the civil building, put up some of the plants and machinery and major equipment and so that we start out of the 40 products, five to 10 products we start by June, July, August water trials and all that. And as we progress we keep moving and completing the entire 40 products that we are supposed to do with regard to the joint ventures with Givaudan the Company which is a subsidiary and it gets consolidated in our financials on Privi Speciality.

Your next question with regard to any progress on menthol that we are talking about. Yes, menthol, we have working at our R&D and pilot lab. We have been successful at the research and the laboratory level, we have taken it up at a pilot plant, where we have spent a lot of money on piloting on menthol, where it's our dream our Chairman's vision of setting up a menthol nature like a natural like menthol something which is there, we are finding it good success at the pilot level and continuous batches and innovations are happening around and as you are aware, the day we feel like we have to come and set up a menthol plant or a menthol project will be something that we will come back to the market because it will augment almost close to about 400 to 600 crores of CAPEX depending on the capacity and the volume that we would want to set about. And if and when we feel we are right, for that moment to set up a menthol plant to answer Ashok add a lot of market speculation that's going about as to when we will be coming to raise some equity. I believe that will be the appropriate time to come to the market it's either a QIP or a rights or what will deem fit and balance once again our equity and debt to set up at establish that capacity expansion with regard to menthol or benzyl salicylate and a few other products that Privi have been talking about. So, we will announce to the investors, to all of you people, our next course of action which will enable the Company from its existing volume of close to about 48,000 metric tonnes to move to the next level of 60,000 or 70,000 metric tonnes annually. Yes, Tejas that's my answer to you.

Tejas Sonawane:

Understood, that was very helpful. Now thirdly, coming to the gross margin, which we have seen for the quarter we have seen a significant expansion in the gross margin. So, I wanted to understand broadly as to what are the major driver leading to the expansion in the margins, is it

only been driven by the correction in raw materials which we have seen, or are we also witnessing an increase in the realization of our products?

Narayan Iyer:

Okay. Tejas definitely the reasons are that the raw material inventory cost which did come down and as you are aware, we are importing CST and GTO from faraway countries like the Scandinavian, US and Canada. And all these are procured on exports basis and it takes a minimum period of 60 to 120 days for such materials to finally reach our factory. And then thereafter it is used by us. The first quarter that is Q1 of this year, we had the higher value inventory and as you are aware that my selling price all the contract prices for the calendar year '23 were lower. So, we were just coming out of the so-called bad year that we had of '22-23 and the profit margins slowly started improving. The high value inventory finally got mostly utilized by mid of August which is what we had also told the investors and that's why you saw an improvement happening in the quarter of September where some of the low cost of inventory and the sales and specialty chemicals moving up in Q2 all this led to a transformation and then improvement in the margins for Privi in Q2. Q3 we are completely left with the low cost raw materials all high value raw materials have been more or less utilized, some very low bits and pieces material could be here in some stages or some form of WIP or raw material. So, that's the main, main major reason why the gross margins have improved. Second, definitely a lot of improvements on the yield and on the processes where Privi spend money in the recent past out of the 800 crores CAPEX is by setting up VAM, by setting up some process changes and some engineering modifications, et cetera have also helped us to improve the margins in the last two, three quarters because we have been running the plant on full capacities. So, the moment you run the plant on full capacities you definitely get the advantage of the yield improvement on all the so-called modifications that we are done on the various processes in fact. So, these have been the basic drivers for the improved margins as far as increase in the selling price is concerned no Tejas, unfortunately the spot market prices have been coming down in fact, when I speak to you and as Rajan also state we normally depend huge volume of ours on the contract basis, contracts are frozen right at the beginning of the year. So, currently here also we are almost having about 70% of contracts which have been ascertained so this gives us a firm commitment to pick up the volume as well as at a particular price for the entire year. Whereas the spot market is something where, it depends on a number of factors including the Chinese players, some of the Indian players who are all selling at the spot market basis, where it's got a direct nexus on to the raw material input cost, the various geopolitical scenario that is happening around and the demand and supply ratio also. So, currently also, till about December or mid-January, the spot prices were really fluctuating and we are seeing a lower trend, but it's just been about a week or 10 days or so, where we find that spot prices are slowly picking up and going up. So, if this trend continues, in fact, and especially the Red Sea problem that has surfaced about we will find that stocks are not reaching many of the customers on time. So, there is also a spurt in demand because people are apprehensive that the so-called danger of the Red Sea may not be over very soon. So, there could be some stalking that may happen around which will help the spot market prices also to go about and if that happens it will help Privi to realize better on the spot market

sales which contributes almost about 25% to 30% of our overall sales in fact and with that Tejas back to you.

Tejas Sonawane: Okay, that was very helpful. Just speaking more on the margin. We have seen that the EBITDA margin has also seen growth and a kind of expansion during the quarter, we have seen that the other expenses have gone down on a Q-o-Q basis. So, can we take the margins which we have made for the quarter as a steady state or sustainable margin going ahead?

Narayan Iyer: No, Tejas. So, what margins we have shown in September and December, on an average, I believe this should be the margins going forward, maybe one, two basis point plus minus here and there, depending as to how the spot market prices evolve in the market in fact, but this should be a good steady state at least for the coming three, four quarters, if I'm talking about or for the Calendar Year '24 in fact.

Moderator: Thank you. Our next question is from the line of Nikhil from Perpetual Capital. Please go ahead.

Nikhil: So, first question is, can we know the volume for the quarter?

Narayan Iyer: Yes, as I told you, the overall volume for the first nine months has been about close to 25,000 metric tonnes. And strictly speaking, if you want to know the volume for this particular quarter, so for this quarter the overall volume has been about 8142 metric tonnes in fact.

Nikhil: Okay. And do you see any risks now I see that sea freight is moving up again given the prices in the Red Sea. So, is there any chance to witness a situation like 2022?

R S Rajan: I don't think that we are going to witness a situation like we did in the past. Because commerce unites and it has to go on. So, there are geopolitical initiatives to sort out those issues. And the customers and suppliers that also are in close touch, definitely that we will have a bump in this quarter. And it will certainly peter down by the time we get to the next quarter. That is our assessment and it's never going to go back to what happened in the past, because that was completely a different scenario. This is only happening in one spot; it is impacting the world. But let's not worry too much around it, because these are incidents and accidents which will happen, and we have to tackle it. See, ultimately we have to look at the big picture and our Chairman's vision is very clear. On the way forward we are using 75% renewable material, we are an anti-recessionary business. So, these bumps, peaks and valleys will come but it will chug along. Privi is, today, a juggernaut which will chug along no matter what and we are very positive about the outlook. Back to you Narayan.

Narayan Iyer: Thanks Rajan. And to add to what you stated, you're absolutely right. Nikhil, this situation is not just for us, it is only localized that there could be a little bit of additional cost because the voyage becomes about 10 to 15 days longer, as compared to what we were using the Swiss Canal, a lot of economies are already fighting and ensuring that this situation, this so called mini crisis what is evolved is come to an amicable solution and there is going to be an end very soon

it cannot last for too long and we are also hopeful on that. Definitely what you saw in 2021 and all was on account of pandemic era where freight went up, there were no vessels available, etc. Whereas unlike here this situation, it's only very confined to a particular way in which the transit has to happen around. It's not too worrisome a factor, but yes it's a wait and watch for us in fact.

Nikhil: So, actually what I meant to ask is, do you have any sort of a clause which you plan to revise the freight cost piece if they move up significantly. Do you have a chance to revise them during the year?

Narayan Iyer: Well, as far as the stock market and other customers, quarterly customers, half yearly customers is there, we will definitely have the scope to review the freight expenses and go as per the **(Inaudible) 39:49** terms and the current rate expenses, etc. As far as the yearly volume customers are concerned, Yes, we may or may not be able to go for that increase if it is going to be too high, but seeing what is happening and the additional expenses that are being levied and additional insurance charges are there, it is still under control and the Company should be in a position to absorb the slight increase that is happening on some of the voyages, where it has to be routed to the Cape of Good town in fact.

Nikhil: Okay. My next question is, in the last annual report there was a statement which mentioned that the Company is looking to add Christian Dior and Unilever India. So, has that already happened and started, come, has those been commercialized?

R S Rajan: Narayan I'll take that. Christian Dior has already approved our products. So, we will begin commercial transactions with them in the very near future. As far as the other opportunities are concerned. L'Oreal is another one which is coming on board. So, we have a line of fantastic opportunities and some strategic alliances coming our way. But at this point of time, we are bound by confidentiality. So, probably by the next quarter, we will be able to give you evidence of this bright outlook that we see before us.

Nikhil: Okay. So, Narayan sir you mentioned next year you expect volume grow to be at 25% and value grow to be at 10%. So, why is there a difference like do you see realizations coming down or why is there a big difference between volume and value growth?

Narayan Iyer: Yes, there has been a dip further on the contract prices as compared to what prices we earned in 23 almost what 12% to 14% or so, and this is a general trend overall in the market. Second, some of the product mix what we are entering Camphor vis-à-vis some of the other products which are there, there is a price difference to that and Camphor is going to be almost about +3000 tonnes of volume. So, this is basically the reason why you will see that though the volume is growing by about almost 20% to 25% value wise you will only see a 10% increase, in fact.

Nikhil: Okay. Is it possible to know the volume growth year-on-year basis, like you mentioned for this quarter the volume was almost 8150 tonnes so, what was it for Q3 of last year?



Narayan Iyer: I am readily not having that, but possibly maybe if you could send me a mail I may be able to answer but broadly if my memory serves me right, it should be around 7,500 tonnes or so in fact even in the previous year.

R S Rajan: That's right.

Nikhil: One question what is the current debt in inventory level as of end of Q3, I take it that you are looking to deliver and you're on a good course just wanted to know where are you end of Q3?

Narayan Iyer: Okay, good question. So, any which way I should have right at the beginning initiated and given that comfort to investors. We have improved upon both the things our debt has further come down and was around close to about 950 crores on a consolidated level when I'm talking about because we are talking about consolidated results and so, and as far as the inventory is concerned, we were about something like 690 crores on the consolidated level. So, this has really come down we have brought down the inventory from the peak that it has seen somewhere around September '22 at about 870 odd crores So, we are close to about 690 which is almost a reduction of 170, 180 crores of inventory and for the peak borrowing of 1145 crores our borrowing currently is around 950. So, which once again also talks about close to a reduction of about 200 crores in the last 12 odd ones. So, all what Privi and from Privi management, from Privi side and Privi as a Company we have been trying to seek your confidence and give you that confidence that let us not get perturbed by one or two or three quarters which were beyond our control. With the Ukraine crisis, the inventory piling up, the delay in some other permissions on account of starting the huge facilities that we had set about. We are slowly seeing a complete transformation and getting back into the growth path which is what Privi is known for, Privi over the last 20 years maybe barring the two years in between have been growing at a compounded annual growth rate of about 19% to 20%. It's profits have been going about, we feel there was a glitch in between for about a year or two. And we are now looking at sustaining and ensuring that we get back into our mold of growth, both in terms of volume, in terms of margins, you should see Privi progressing and gaining all the confidence of every stakeholder whether it is the equity shareholders, whether it is bankers, it is any other people who are having any sort of a say or stake in Privi. Better times are here, and it is here to stay for some longer period of time.

Nikhil: That's very assuring. One last question from me is, the Company was looking to set up solar capacity for up to 25% of its energy requirements. So, have the benefits of it already started flowing or it will happen going forward. And can you tell us in terms of margins and EBITDA level, how much does it contribute to?

Narayan Iyer: As far as the solar installation is concerned, yes, the final permission from Maharashtra government has been obtained. And the saving as we agitated in the last investor call also is that, the arrangement that we have made with radiance power energy, the Company with whom we are having we have come about for this solar is 25% of the overall power capacity that we consume for our unit two in Mahad. So, it will give me a saving of Rs.2 per unit that I consume

for that unit two, which is close to about 50 lakhs per month. So, on an annual basis it should be between six to six and a half crores you will see a saving on my power cost. And secondly, there have been some changes that have happened in the Maharashtra government overall thought process with regard to setting up solar power plants in fact. Initially there was a cap that you cannot go beyond the 25% of the overall power that you are consuming. I believe now there are some levy's we are studying those policies very, very minutely and if we feel that there is a scope that we can go beyond 25%, we will definitely look for certain opportunities to increase it, well surely there is a saving and saving potential is good, if it is completely owned by us the saving potential is much better, much larger. But at the time when we went for this sort of equity participation of 26% and most of the power cost, the project cost would be put to the other Company, Privi was not in a position as comfortable as we are today with the overall CAPEX of about 100 crores which is required to set up a 10-megawatt power plant of 25% of our capacity. We thought that, let us be prudent at that time when some of the ratios were not as good as it is today. So, if we feel that the so-called new policies that's been set in Maharashtra as well as Gujarat are favorable and we can increase beyond 25% we will definitely look at increasing our own solar dependence to a much higher than what it is. Yes, there is savings and those savings started from January 2024 onwards.

Moderator: Our next question is from the line of Rehaan from Sicomoro Advisors. Please go ahead.

Rehaan: I wanted to understand how the freight cost are affected currently due to the Red Sea contract, are we seeing significant rise for the quarter given that we have fixed price contracts, you addressed that those cannot be changed. So, what would be the margin profile of those orders now given this and what kind of percentage of shipments are going out in January, February say this quarter compared to the rest of the year, what is your shipment schedule for the orders that you have booked in the calendar year?

R S Rajan: So, we are managing our shipment cost on a quarterly basis, and we had kept a certain amount of cushion anticipating. And right now, we are well within the range, our customers have also been informed. So, it's too premature for us to have a detailed number discussion with them going forward. But by the end of the quarter, we'll make an assessment. And they are quite open to support us in the manner in which we seek. And of course, these are situations where you work as partners and that's why the key accounts that we work with, we have a deep relationship right from the Chairman downwards for the past two decades. So, these bumps will come, but we are more than confident of tackling them without eroding the margins.

Rehaan: So, wanted to understand what is the margin profile on of the products on the Galaxmusk, Camphor, Prionyl segments, when they are running at optimum utilization, and how long do you think it would take to reach optimum utilization in these new products?

R S Rajan: On the margin profile, we don't want to get into individual reflection of the margins because there are some proprietary information around it. But I can only tell you that our Chairman's

strategy moving from market share to share a wallet of our key customers, which has been conceptualized over the decades and we invested in the CAPEX they have started sweating now. So, as the product basket enlarges, we continue to have the same cost, but we are able to leverage the relationship by giving more products. So, the intent dependency and the opportunity fructification improves. So, therefore, our margins will always travel towards the positive side, because we have a mix in our product basket now, not only legacy products but we now have Speciality products, which always will enjoy a higher margin. And we have some unique technologies which give us an edge.

Rehaan: And what percentage of revenue would be coming from these projects say one year down the line and the orders are higher?

R S Rajan: Well, it's difficult to predict, but I can tell you that it's going to have a positive impact on the gross margins, because as the super Speciality products increase in the basket size, and the volumes will be slow to start with. But then as there is adaptability in the value chain, these volumes are going to go up. And since the margins are very good, I'm sure that it will have an impact and you will see those impacts and it will also cushion some of the erosion that may take place in the legacy products.

Moderator: Thank you. Our next question is from the line of Amar Morya from Lucky Securities. Please go ahead.

Amar Morya: So, sir first thing is about the margin profile. Like, normally we have a yearly kind of a contract and as you said that now low-cost inventory is behind. So, this kind of margin of 22% to 23% is now sustainable, at least for the calendar year?

Narayan Iyer: Yes.

Amar Morya: Okay. Secondly, you're talking about like a 25% volume growth, but a 10% kind of value growth. So, are we seeing some price decline even from this level?

Narayan Iyer: Yes, as I just answered an investor earlier, there's already been a downward revision in the prices on quite a few other products, when we have entered the contracts in the Calendar Year '24. That's a global reality, not just for us, but most of the chemical space and especially the aroma chemical industry, there has been a downward trend in the prices, including Camphor where prices have fallen down and some of the other chemicals that we are there. So, that's the reality going forward in fact.

Amar Morya: Okay. And thirdly, like this all-new CAPEX's which we did get Galaxmusk, Camphor or Prionyl. As you said that now basically you are eligible to bid for the coming business only in the end of the calendar year. So, are there any spot businesses which you can do or how the things are going to work for this business?

Narayan Iyer: Amar you actually got me wrong. What I was trying to answer someone else was, as we had commission the said capacities and final permissions what we got was January and February 2023. We were not able to bid for the contracts for the Calendar Year '23 then and we were doing the sales on the spot business for Calendar Year '23. However, for the Calendar Year '24 since all the permissions, all the approvals from our various customers with regard to Galaxmusk and Prionyl, and some other customers with regard to Camphor, were all obtained and as Rajan stated and as I also informed in my last investor call that I did it was just that day that we happen to receive the FDA permission on Camphor. We have been able to successfully bid for these products for the contracts for the entire year. And that is how, I also happen to mention that we are expecting a volume close to about 3600 to 4200 metric tonnes that we will be able to sell Galaxmusk in this calendar year, and Camphor also we are very Camphor and Isoborneol confident of pulling about 3000 metric tonne plus because the season is expected once again to start from June. And we are very, very confident and plus we have the FDA certification for Camphor also. And Prionyl also specialty chemical we are seeing that there is an upward trend, the demand is going up, most of the high-end Speciality chemical sales is looking upwards. So, these are good times back, I hope for Privi and all its investors associated with it

Amar Morya: But then the volume growth which we are guiding is very, very low because I believe all that volume growth we are talking about is largely coming from the new capacity, then the volume growth in the base business is not there, if you are talking about 20% volume growth?

Narayan Iyer: Amar, you are absolutely right when you say that, because already I have not increased any of my capacities with regard to the existing products, most of the existing products, the pine base at least we have been close to about 90% of the capacity we are selling around so, what we can expect growth is about 10%-odd balance remaining on it. And we are expecting the value to come from the so-called new products where we were not able to get the volumes and that's how you are seeing an increase in the volume as well as in value going forward Amar. And, still perplexed as to where you're leading and what your question is and what is it that you are looking at in fact Amar.

Amar Morya: No, so basically my question is simple sir, this year you are saying that your base business is not going to give any volume growth, large volume growth is coming from the new products and as you are also saying that base business largely you are at the peak capacity. So, then for the FY26 growth again you have to basically do CAPEX or because majority of this new capacity will also be at let's say minimal utilization of 70% or 65%. So, then again you have to do the CAPEX for the new growth either brownfield or greenfield.

Narayan Iyer: So, Amar what is it that you want to know from me in fact?

Amar Morya: What I want to know is that, basically how the growth, linear growth, consistent growth how it is going to come, because we did some CAPEX and now we are seeing growth. Again, we are saying that we have to do some CAPEX and then only we will see the volume growth. So, I'm

saying is there basically space available or into the existing facility by which we can show some 20% kind of volume growth at least for the next two years?

Narayan Iyer:

Absolutely. So, to now specifically answer you Amar with all my full, if I have to sell the entire capacities that I will have about close to 45 to 47,000 metric tonnes, you will still see a growth happening for the next two years or so. But as you are aware that if I had to get into year three, I need to start setting up some CAPEX or some product or some volume, which takes about 12 to 15 month period or so. So, that is the entire purpose what Rajan, I happen to mention earlier, that at the appropriate time we feel that, we are bouncing back there is a steady state of operations, margins are improving, financial parameters are in place. So, we will look for further growth, that growth can happen in some of our existing products, where we are the market leaders, and also look at growth for two or three major projects which our Chairman has also mentioned in the AGM and mentioned to the investors at large that Privi will be looking in at the appropriate time to set up the menthol plant or benzyl salicylate, or a few other products that concern. So, that's how Privi's growth will happen and of course, the erosion in the value what we are seeing on our existing products also, we feel that it cannot sustain for too long, so there will be a price increase and as I was speaking we are seeing that slowly the spot market prices are also forming up and going up. So, if that happens there will be definitely better revenue than the 10% to 12% I'm talking about, she I am a cautiously optimistic person. So, it is always better that be optimist, but be a little cautious rather than going overboard on that. So, important thing, are we able to sell our capacities that we set about. The answer to that is yes, Privi looking at selling up its capacities that we have set about because the moment you are selling volume at prices which are currently in vogue with the market and maybe a little better than some of the other players that we are having seeing in this field that we are in, we should be having a better number going forward. You are seeing it for the last two quarters, you will see it for the next four quarters. And by the time we enter into new contracts. Maybe we will come back to you, tell you some good news, inform you of some good news, announce some good news. It could happen around that, but it's a wait and watch sort of a scenario. And as committed by our Chairman in the last meeting and we have also been vetoing Rajan and myself, that it's time for us to perform, get the confidence from all our investors get the financial parameters in place. And the moment that happens, I believe that, going for next round of expansion and all should not be something which may be considered bad. Like your question actually took me a little aback from the person who has always been proactive, and some of the measures that we have taken in our expansion plans, to the mildly cautious sarcasm I felt in your question as to whether we need to invest further yes, Privi has been growing the last 15, 20 years with a very mixed balance of increase the capacity, ensure that your capacity is getting fulfilled. We are achieving about 80%, 90% capacity, going for the next round of expansion. And that's how we have been seen, we have been growing and we continue to grow further that way, in fact.

R S Rajan:

Just to add to what my colleague Narayan has just spoken about. We are also deep-down studying and initiating steps on the legacy products to debottleneck wherever there are opportunities to ensure that from batch we go on to continuous production also, which will also



help us optimize the assets already on the ground, and make it sweat more. As far as the new Speciality and super Speciality products are concerned. They are not only going to add to the volume, but the gross margin values they're going to add to the basket is also very important to keep a note of, so that's what I would like to tail up on what Narayan has just shared very granularly. Can we go to the next question?

Moderator: Our next question is from the line of Nitin Gandhi from InvesQ. Please go ahead.

Nitin Gandhi: This 800 crores expansion which you did, what is the maximum potential revenue based on the contract signed for Calendar Year '24?

Narayan Iyer: See it's just not the contract that we have assigned. It's also the spot market business that we do. So, we are expecting a potential, it depends on the prices that it pans about and all. We have given you the numbers, the volume wise what we are expecting it to happen if that happens around so we feel that the overall revenue should be to the potential tune of about 200 to 250 crores in fact.

Nitin Gandhi: So, that's it average 70%, 75% utilization. So, in best case this 400, 800 crores expansion will have revenue of only 400 crores?

Narayan Iyer: The 800 crores expansion that we did on these three products we have spent about 400 crores or so. The balance 350 to 400 crores that we spent about was also for enhancing the capacity of three main products that we had, the Dihydro Myrcenol, Amber Fleur and Pine-Oil where the capacities were increased by 1200 tonnes each, I'm talking about in 19-20 itself. Apart from that, we had also used the money for increasing our capacity of the backward integration plant. That is the CST plant to move from 27,000 metric tonnes to 37,000 metric tonnes, because if we are increasing the capacities of our forward integration products, we also need to ensure that the raw material availability for our manufacturing base are also safeguarded. So, when you are increasing so much your capacities on the finished products, you also have to ensure that you have the infrastructure to manage and maintain all these products and various cuts. So, the storage capacities, the raw materials, the warehouses, all those, also increased about. So, it is not just three products, three main products, and of course diversification of some of the existing products which is precisely what Rajan also happened to mention and answer Amar, that in some of our existing products also, we will be doing a little bit of continuous reaction so that we get better increase in the volume from our existing capacities. And going forward, we find that there is a demand for all these products, we would like to maintain our shares, our number one position of about 25% to 35% on each of these five products where we are the global leaders on these products. If the product growth is there, potential is there, it's been a scenario that Privi has ensured that every alternate year a one or two, three years we keep increasing the capacities of all our core products which are the bread and butter for Privi. We increase those capacities and take those additional volume or additional share in the market.

- R S Rajan:** Narayan, I just want to add to what you have granulated to share with our esteemed stakeholders that, we also are very compliant Company, and we are ahead of the curve as far as sustainability is concerned because that's the vision of our Chairman which has been continued for the past decade and a half. And we have invested a lot of CAPEX in the sustainability which makes us a preferred supplier for most of the key accounts because as world has more stringency and regulation around the sustainability, there are all the measurable marks whether it is a TFS rating, where we have scored 85% or it is a EcoVadis rating where we have scored 65, the Indian average is 42%. And we hope to graduate on all these markers on the sustainability front and even in the India. As far as governance is concerned it is going more and more intensive on the ESG front. So, sustainability is here to stay, and it will become prerequisite for companies worldwide who are in best practices to even source. So, that is another area where we put the CAPEX, it makes us future ready but doesn't necessarily sweat for us in direct manner.
- Nitin Gandhi:** So, my corollary of that question, in that case the operating leverage should kick in and maybe the margin should go beyond North of 30, when you have the best utilization?
- Narayan Iyer:** That's correct.
- R S Rajan:** May your words come true, we are all working towards that. But at this point of time, it's best to be cautiously optimistic in a VUCA world, but I can only tell you that the margins that we are showcasing right now as Narayan also reiterated are maintainable and we'll continue to put all the strategies in place guided by our Chairman to see that we never have margin erosions by introducing Speciality and super Speciality products which have higher margins.
- Moderator:** Thank you. Our next question is from the line of Deepan Narayanan from Trustline PMS. Please go ahead.
- Deepan Narayanan:** Most of my questions answered, one thing just wanted to understand with now FDA approval in place, what is the status on customer approval for Camphor pharma application and what is the kind of target scale up we have planned for next three years and what kind of margins we are targeting?
- Narayan Iyer:** The customer responses have been good. And we will have a capacity of about 2400 metric tonnes and as far as the pharma grade applications are concerned, we are focused on that and we are trying to get the US FDA also going and we are in conversation with the pharma companies. Some of them have already approved our samples and others are in the pipeline. So, we see a good future in the pharma sector for this product that we have introduced.
- Deepan Narayanan:** Okay, so, this will have a better margin profile than our normal Camphor sales for sure, right?
- Narayan Iyer:** Yes, most definitely
- Moderator:** Thank you. Our next question is from Rohit from Centrum Broking. Please go ahead.



- Rohit:** Sir first, in terms of the 400 crores CAPEX that you just mentioned for the key products, how would be the margin profile for individual product, I'm not talking about numbers, but in terms of chronology, which will be the highest margin product, and which will be the lowest margin product?
- Narayan Iyer:** Yes, so Prionyl will be the highest margin, followed by Galaxmusk and then Camphor. Currently, the Camphor prices are very low and so that's a chronology that I had to talk about.
- Rohit:** And just one more question associated with generally from a project perspective, what is the kind of ROC hurdle rate that we look at and what is the kind of payback that we look at for such individual products?
- Narayan Iyer:** Okay. When we went about setting up this plant, the overall IRR that we normally look in apart from the bidding up phase is about three, three and a half years or so. So, Galaxmusk definitely is on track, and we find that it is going to be very much in line because there has not been too much erosion in the prices of Galaxmusk from what we had planned, anticipated and what it is currently so, yes there has been a fall but not to that extent. However, Camphor as we talked about, we have seen that because of the so-called huge dumping of material by the Chinese player in India, on Camphor. Most of the Camphor manufacturers are finding it difficult to bear the onslaught of the Chinese inflow of material coming in, in fact and we also contemplating whether, we could look in at some sort of an anti-dumping measures on the products that China is putting in where India has been predominantly the main manufacturers and it is hitting the Indian manufacturers and Indian Camphor people that we are there So, we are contemplating, we finding maybe some support from other manufacturers to ensure that there cannot be so much of erosion in the Camphor market as what we have seen in the last 8, 10 months or so, in fact. And going forward, we expect our margins to improve. As I speak to you, as I was saying that spot market prices definitely are improving around here.
- Rohit:** Sure, that's helpful. Second question in terms of new projects. So, generally when we get an approval from the Board, we have certain projects in pipeline as you mentioned earlier, from the time we get an approval, how much time usually it takes to commission the project and the commercial production start. Thank you.
- Narayan Iyer:** Yes, to answer specifically, there are two kinds of projects that we take about, one could be a greenfield, which means absolutely new product, just like it happened in the case of Galaxmusk, Camphor, Prionyl. Two, project where it is an increase in the capacity for some of our existing products. So, if it is going to be a brand-new project and if land is already there, it takes about 15 to 18 months to set up and commission and then followed by a three month water trial and all and we've also factored in the permissions that are necessary from respective we see commissions so that's the normal period of brand new product or so. But if you are talking about increase or enhancement in capacities of existing products, then normally I believe it takes

anywhere between six months to about nine months in only some stress out cases it could be about 12 months or so.

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

R S Rajan: Thank you. And we appreciate the interest and the involvement of all our investors and stakeholders, we remain grateful. And we can only commit that we will do everything within our resource capital and our human capital and our knowledge capital that Privi has acquired under the leadership of Mr. Mahesh Babani. We happen to be leader in the industry of India, and we should be proud that Make in India concept is being fructified with major line share which are Fortune 500 companies, good times and bad times may not last. But in a Company's journey from good to great we assure that we will here. And we thank you again, and we remain grateful. Thank you.

Narayan Iyer: Thank you. Thank you Rajan and I would also like to thank Kamlesh and AMSEC, for consistently holding our investor calls and thank you all my investors, it's been great to talk to you. On behalf of the management, on behalf of all of us at Privi, it is a pleasure to interact with you. We are taking all the positives and all the questions in the right spirit and ensure that we ourselves improve upon and provide enough information. We have been always transparent enough, transparency is one of our core values. And we will, I'm taking it as a very positive that what we were doing of putting in some of the presentations before the calls, we try to set that process once again, and thank you. Thank you Kamlesh it's all yours, have been great associated with you for the last three, four years or so, sir.

Kamlesh Kotak: Thank you so much sir.

R S Rajan: Thank you.

Moderator: Thank you. On behalf of Asian Market Securities Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.