



Clean Science and Technology Limited

i n n o v a t i o n a t w o r k

01.08.2022

To,

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Fort, Mumbai – 400 001
Scrip Code: 543318

National Stock Exchange of India Limited
Exchange Plaza, Plot no. C/1,
G Block, Bandra-Kurla Complex
Bandra (E),
Mumbai - 400 051
Trading Symbol: CLEAN

Dear Sir/Madam

Subject: Transcript of conference call on the Company's Q1 FY22-23 Earnings.

Ref.: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations")

Further to our letter dated 20.07.2022 and in terms of Regulation 30 read with Schedule III - Part A to the Listing Regulations, please find enclosed herewith the transcript of conference call on the Company's Q1 FY22-23 Earnings held on 27th July, 2022.

You are requested to take the same on record.

Thanking You.

For Clean Science and Technology Limited

Mahesh Kulkarni
Company Secretary



NK

(Erstwhile known as Clean Science and Technology Private Limited)

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Clean Science and Technology Limited
Q1 FY2023 Results Conference Call

July 27, 2022

MANAGEMENT: **MR. SIDDHARTH SIKCHI - PROMOTER AND
EXECUTIVE DIRECTOR, CLEAN SCIENCE AND
TECHNOLOGY LIMITED
MR. PRATIK BORA - CHIEF FINANCIAL OFFICER,
CLEAN SCIENCE AND TECHNOLOGY LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY23 Post Results Conference Call of Clean Science and Technology, hosted by Axis Capital 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 this 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. Ankur Periwal from Axis Capital Limited. Thank you and over to you Mr. Periwal.

Ankur Periwal: Thank you Rochelle. Good evening friends and welcome to Clean Science and Technology Limited Q1 FY23 post result earnings call. The call will be initiated with a brief management discussion on the quarter performance, followed by an interactive Q&A session. Management team will be represented by Mr. Siddharth Sikchi, Promoter and Executive Director and Mr. Pratik Bora, Chief Financial Officer. Just before we begin a gentle reminder that, today's discussion may contain certain forward-looking statements and opinions with respect to the anticipated future performance of the company. Such forward-looking statements involve a number of known and unknown risks, uncertainties and assumptions, which could cause actual results or events to differ materially from those expressed or employed by the forward-looking statements. With that, disclaimer, I'll hand it over to Siddharth for his opening remarks.

Siddharth Sikchi: Thank you Ankur. Good evening everyone. I am happy to connect with all of you again, to discuss the performance of company in Q1 FY23. It's an interesting moment for us as we have completed one year of our getting into the capital market, we would like to thank all of you and the investing community for the trust they have placed in us. And we will keep continuing with the hard work to create more value for our shareholders. I'll quickly brief you about the business environment. I mean the current global macro environment continues to be challenging both on geopolitical front as well as persistent inflation environment, which we are seeing around. Prices of key raw materials, energy and fuel costs were quite volatile even in the last quarter. Despite of the persistent headwinds, we are happy that all our geographies and segments did extremely well. We had healthy growth on back of increased wallet share with our existing customers and gradual ramp up of new products, which were launched last year.

On financial highlights. One key highlight is that our revenue base has more than doubled over the last eight quarters from Q1 FY21 to Q1 FY23. Revenues for Q1 FY23 has reached INR 234 crore, which is a 60% growth over Q1 FY22. On a year-on-year basis our exports grew by 40% and domestic revenues have more than doubled. The revenue mix remains at 65% export and 35% domestic. The EBITDA of company increased to INR 91 crore as against INR 71 crore, which is an increase of 28% year-on-year, but the margins were impacted as operating leverage benefits were largely negated by the inflation pressure across the key raw materials and energy costs, particularly in the form of coal.

On standalone basis, profit before tax at INR 94 crore and PAT of INR 70 crore grew by 30% and 29% respectively as compared to Q1 FY22. On consolidated basis PBT at INR 85 crore and PAT of INR 63 crore grew by 18% and 15% respectively compared to Q1 FY22. Of course our balance sheet continues to be debt free with a cash balance of about INR 280 odd crore.

On sales profile, the sales improvement was led by a combination of good volume growth and improved realizations across all segments. Performance chemicals continued to be the mainstay with the segment contributing 66% of our overall revenues. The pharma and agro intermediate's share increased to 23% of revenues and FMCG contributed to about 10% of our revenues.

On capex front, in this quarter, we incurred a capex of about INR 23 crore. We have increased our capacities of our flagship products MEHQ and Guaiaacol by 50% in the month of April. And the plants are now fully operational. We also aim to increase capacity of a new product called para benzoquinone by 50% in the coming month. The construction of our two new facilities is on track in our existing Unit-3. These would be used for production of our initial HALS series. And our aim is to commercialize them in H2 FY23, technically by December, we should be able to commercialize these plants.

ESG remains as a priority at Clean Science and Technology. We are continuously implementing several sustainability initiatives across the organization. Our investments in renewable energy with a particular focus on solar power has helped us to reach a milestone contribution of approximately 50% of our electrical energy consumption from renewable source. We strongly follow the 3R process reduce, recycle, reuse - across all our manufacturing units. Our initiatives on constantly optimizing plant processes has helped us significantly reduce fresh water consumption. And we also target to bring down our GHG that is greenhouse gas emissions by another 5%. Under CSR the company focuses on major areas, such as education, vocational skills, environment, sustainability, healthcare, and medical relief. We are making a significant progress in these areas and strive to actively contribute to social and economic development of the communities in which we operate.

On the outlook we expect stable revenue growth from our existing business lines and incremental growth from our new capacities. Macro concerns like geopolitical tensions, elevated raw material and power and fuel prices continue to remain short term challenges. But as a company, we will continue to focus internally to further improve yields and operational efficiencies of our existing and newer businesses we get into. With our extremely strong R&D pipeline our endeavour is to continue de-risking our product portfolio and geographical presence. Thank you.

Moderator: Ladies and gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

Sanjesh Jain: A couple of questions, first on the pharma intermediate, you have also announced in your opening speech that you're looking to increase the PBQ capacity by 50%. So that tells that the response has been good. How has been your initial response for TBHQ and PBQ?

Siddharth Sikchi: TBHQ of course it's a market which goes into food industry, as an antioxidant. Of course, validation with customers are ongoing and as being a food product, it'll take a little time. However, we are still able to run our capacity at about 30-40% odd capacity. PBQ remains an agrochemical not into food segment and fortunately we have seen extremely strong demand because this product was only manufactured in China. Whereas the demand, I mean, we are catering to domestic customers. So with dollar touching about INR 80, I mean, that would help our domestic customers to look at us rather than considering China and we are trying to increase our wallet share with these existing customers in India and hence, the thought of doubling the capacity by 50%.

Sanjesh Jain: So how much are we increasing from, 700 metric ton to 1,400 metric ton?

Siddharth Sikchi: This is for which product?

Sanjesh Jain: PBQ.

Siddharth Sikchi: PBQ we are increasing from 500 tons to 1,000 tons.

Sanjesh Jain: Got it. Now the second question on the margin side, the phenol prices have been correcting. I know we get the benefit with the lag. Should we assume going forward the worst is behind for the margin and with falling phenol prices, our margin should only improve sequentially over next three to four quarters, assuming that phenol prices keep correcting, obviously?

Siddharth Sikchi: Of course, what happens is Sanjesh, as you know, last two quarters or last six months, there was an extremely volatile environment and we were more concerned of getting material on time. So we have quite a bit of phenol lined up. I think we will end these old contracts because this comes with a lag, as you rightly mentioned, if the prices would have gone up further, these would have also helped us. So yes you are right. The prices are lowering, but we really want to see, because we saw this similar thing happening few months ago, where the prices went down a little bit, and then again, it went up with the energy prices going up, in Europe. So I am seeing these prices reduced just over the last few weeks. I think it is little premature to confirm that these prices will continue to be soft, but if these prices now go softer, then I think we can expect better numbers. Of course, we have to keep in mind that since we are entering new product segment, where

we have to pass some benefit to our customers to get or start these validation process in that case, these will be a little drag because anytime you get into a new business line, you know, the yield efficiencies are not optimum. So these are a drag, but then over a few quarters, when these businesses also become little mature then these numbers again, become a little bit better.

Sanjesh Jain: My last question on competition in MEHQ and Guaiacol within the domestic market, how should we see rising competitive intensity now that we are sitting on a very healthy margin? When I compare to your peer, do you see a risk to your margin profile with competitive intensity increasing in our product of MEHQ and Guaiacol and BHA?

Siddharth Sikchi: So Sanjeshji, it is a very common perception that when somebody is making margins, other people have to look at that business. It is a very common perception in Indian environment. So we are always prepared for competition. Of course, fortunately, because we are inventor of these processes, we have started these processes. So we are further continuing to improve our yield, our processes. We have proven our track record with existing customers over the past several years, both in pharma, as well as these monomer industries where we are supplying. So I think of course competition is more than welcome, but I think we are on a very strong wicket, we have very large market share and we have proven customer track record over the past several years. And I think, we are quite prepared and ready for any new competition coming in.

Moderator: Our next question is from the line of Abhijit Akella from Kotak Securities. Please go ahead.

Abhijit Akella: I have a couple, first on the other income line, if you could please just help us understand the drivers of these, Forex gains and losses, that have been happening over the past few quarters. So what exactly drives it? How we should think about modeling it out, going forward?

Pratik Bora: So, in terms of forex, for the last four quarters, we have reported quarterly income of around INR 3 crore to INR 4 crore. This quarter, we reported a loss of INR 1.6 crore, basically the factor driving here is, whatever the outstanding contracts on the date of balance sheet, they get converted on the forward rate, for the booked rate, less the forward rate on that particular day. So it's a mark-to-market which hits us. And again, I mean this time, it was negative because the rupee depreciation was almost 4% during this quarter. So that's the reason, otherwise the usual income is INR 3 crore to INR 4 crore quarterly run rate.

Abhijit Akella: Okay. So, is it fair to conclude that, gradual and steady depreciation in the rupee is good for us, but sudden changes are what impact us?

Pratik Bora: Absolutely. Because our Forex hedging policy is that in the immediate quarter, the hedging is almost close to 80%, 90% and in the further quarters the hedging goes down. So Q2 could be close to 60%. Q3 could be close to 50% and hence, a sharp depreciation of rupee in a very short period of time. So it shows negative.

Siddharth Sikchi: Just to add here we are not in business of speculation of currency. Hence when a contract is made with a customer at say about INR 79. When we know the realizations are decided on a INR 79, we would, we tend to hedge that. It could go both ways, but we are, as I mentioned, we are not into speculation of currency. So we would book and this will be our trend even going forward.

Abhijit Akella: And, the second thing was just given some of these issues faced in Germany, where I believe we have some competitors based in that part of the world, but also some customers. Across your business portfolio, how would you think about the challenges and opportunities that are arising from that situation?

Siddharth Sikchi: See, the challenge always remains that Europe, if it gets into recession and people keep talking about that very heavily. And so could, I mean, United States as well, see these all economies are very related because I mean our biggest customer base is also in China, but China serves basically customers in Europe and Americas as well. So if there is a recession happening, it will impact, but also our competitors who are based out of Europe, would also be impacted by the energy prices. So their manufacturing cost will

keep on increasing. It's a double edge sword and I think because we work in these global economies, these are some things which it is very difficult to predict today, but we will have to see how these things really culminate over the next few quarters.

Abhijit Akella: And, just one last thing from me, on the expansions of various products that are happening in terms of capacity, any timeline you could help us with in terms of, by when you expect these to reach full capacity utilization across, the major expansion projects?

Siddharth Sikchi: So the major expansion now happening in the HALS series, which I mentioned, we should expect to start commercial production by December, which is like four months from now. So these are two large segments, which, I mean, the segment overall is quite a large segment and these should start. And then of course the next further expansion will happen in the subsidiary, which is Clean Fino-Chem Limited, where the construction will start in about two months' time from now. And we expect the commercial production to start in next year.

Abhijit Akella: And how about MEHQ and Guaiacol the 50% expansion also?

Siddharth Sikchi: That's already started. I mentioned in my opening speech that the plants have already fully commercialized and operational now.

Abhijit Akella: Yes, I was asking about possible full utilization, by when would you expect that?

Siddharth Sikchi: We are right now running at 50%, 60% capacity utilization and we will keep increasing as and when we see the demand in these products.

Moderator: Our next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: Siddharth just a couple of questions. So you did mention on the global slowdown being the key risk there. But just from given we are a large exporter to China, as well as Europe being a decent market for us, how has been the on ground sort of cost inflation there given the sharp rise in natural gas? And I'm also talking more, not only from our existing product portfolio, but also from HALS portfolio, wherein BASF is a larger player there. So does it enhance our competitive positioning, versus the global players and hence possibly a faster ramp up there?

Siddharth Sikchi: So of course I think, if you're competing today with a European producer, because they are going through a very high energy cost, which was not anticipated. They are under a lot of pressure and they have been increasing prices across all their product segment. And I know BASF has indeed announced price hike in these HALS series of segments. So of course we shall be getting benefit of that price increase because BASF still commands the prices of these products. So all in all, it is a good point for us that these prices will be at elevated levels when we are able to start. And secondly, I think because of these disruptions in supplies from Europe, not because of just sea freight, but also because of these energy prices, the customer base, which is based out of India would be more than happy to have a source in India. So I think we should have good advantage. And of course that is the whole point that we are trying to be as quick as possible so that we are able to get in these, it is a sweet spot for us. And if we're able to get in it at this time, I mean, the validation across the customer base should be little quicker than anticipated.

Ankur Periwal: Sure. And secondly, from a pricing strategy perspective, earlier we had focused on gaining more volumetric share there and hence relatively lower price hike for us, even in an inflationary scenario when phenol was sort of going up. Now with European gas effective cost of production being higher, and your positioning now, how should one look at the price pass through now, you will continue to work on those prices only what they were earlier to grab more market share, or there could be a mean reversion there as well?

Siddharth Sikchi: No, I think we will not increase prices for sure, because we are seeing that our customers are also not able to, ultimately I have to see if my customer is able to absorb these costs. It's not only about what am I thinking about my competition, because these are, again, times when I don't want to really exploit my customers. And as Sanjesh asked, how do you defend yourself with new competitors coming in? I mean, these are the times where we need to prove to our customers that we are loyal suppliers and we are not opportunist,

we are here to play the long game. So I don't think we are in this thought of increasing prices. We are making decent margins. So we would always be able to raise prices I mean, but we will not raise prices. We'll try and gain customer confidence because of the ongoing competitive environment, which we will see in the coming few quarters in India.

Moderator: Our next question is from the line of Rohit Nagraj from Centrum Broking. Please go ahead.

Rohit Nagraj: My first question is, you mentioned that we have about INR 280 crore of cash. And if I recollect correctly, this year and next year put together, we have a CapEx plan of about say INR 250 odd crore, given that we have and we are generating very good profits as well, this quarter was about INR 60 crore plus. So are there any incremental opportunities which we are looking at organic or inorganic space? And, what is your view in terms of utilizing this, significant amount of cash in the books?

Pratik Bora: So, of course, as a prudent policy, we always want to have a one year profit with us. I mean, it gives us quite a bit of comfort, but barring that, of course we have increased our R&D strength from 50 people to 70 odd people. We are looking at a lot of intermediates in pharma and agro as a great opportunity moving forward. I'm talking about HALS that's a big segment, but we are also trying to get into some interesting pharma intermediates, which were not made in India so far, some, monomer industry, different products, which have not been made in India before. So some of these products will also go online, we'll start commercializing these, so all this will need more CapEx. So all this will be there. And of course, with new products in pipeline, new things coming up, we might need this cash, in our new subsidiary going forward.

Rohit Nagraj: Got it. Second question is, in terms of the pricing, you mentioned, quite elaborately, but in terms of contracts, if I recollect, clearly, after Q2 results, you had mentioned that, you did not increase the price, last year Q2 results you did not increase the prices because normally the contracts are on a yearly basis and they will get renewed. So this year also based on the last year's cost increase, we have renewed the contract from January and if the phenol or the raw material prices subsequently come down, probably, we will be able to get the benefit. Obviously we are not increasing the prices as you clearly stated but the other way round?

Siddharth Sikchi: No, of course these are running contracts. See the running contracts, whether the price goes up or goes down, we are locked in. So of course, wherever there are running contracts, we will get a benefit if the phenol prices further starts going down, which is absolutely a taken. But I also mentioned that if we start getting new inquiries, this is where I mentioned that I would not want to increase price because if I can myself see that the raw price trend is moving downwards, then we would need a very solid reason to justify it to my customer, why am I increasing price? And this is not a valid reason saying that the costing of energy has increased in Europe and my competitor cannot offer. So I'm increasing price, you know what I mean?

Rohit Nagraj: Got it. Yes, that's quite fair. Just a clarification on this, how much of our total revenues are contracted on a yearly basis in percentage terms?

Pratik Bora: Around 30%.

Siddharth Sikchi: Yes, 25%, 30%.

Rohit Nagraj: Right. And just one last question, we have seen about 60%, Y-o-Y growth, top line growth, how much of it was from volumes and how much because of the price increase?

Siddharth Sikchi: Yes. Actually, it was mix of both volume and realizations and you'd agree, I mean, on Y-o-Y basis, last year, the raw material prices were also soft. So there has been a realization contribution also.

Rohit Nagraj: Right. If you could quantify maybe 50%-50% or 40%-60%?

Pratik Bora: No, for competitive reasons, we don't want to share volume and realization data.

- Rohit Nagraj:** No worries.
- Moderator:** Our next question is from the line of Krishan Parwani from JM Financial. Please go ahead.
- Krishan Parwani:** I have just one question, sir. Since you would be commercializing HALS, my understanding is you could also sell the N minus 1 or N minus 2 products of HALS. So do you have any plans to do so or not at the moment?
- Siddharth Sikchi:** Of course we will sell. First, if you look at it, say for instance, HALS is a domestic market right now, if we're able to sell all of our forward integrated product the end product, then of course we will not sell the intermediates, but tomorrow I realize that the end product, which is 770 is not selling as quicker as I had anticipated and we are able to make the intermediate of higher capacity, then we would want to sell that out of India. Anyways there is no producer of HALS in India. So we'll have to only export it. So we'll do that.
- Krishan Parwani:** Okay.
- Siddharth Sikchi:** I mean there is no point in closing a plant when I can make a product out it and sale right?
- Krishan Parwani:** No, but I think, that probably one is TEMPO-OH, which can be used as an antioxidant as well right?
- Siddharth Sikchi:** Right.
- Krishan Parwani:** Or rather than sometimes probably, it's just one of the seven categories of products. So that's why I was wondering because, that itself can be used as a final product maybe, so that was my question.
- Siddharth Sikchi:** Yes. 4-hydroxy Tempo is an end product. It is a stabilizer for, polymerization inhibitor, it also goes into water treatment chemicals. So definitely we will sale, so we are coming up with two products.
- Krishan Parwani:** Okay.
- Siddharth Sikchi:** And of course the N minus 1, apart from these two products are also sellable.
- Moderator:** Our next question is from the line of Jay Shah from PMS. Please go ahead.
- Jay Shah:** I just wanted an overview on the business side, basically, since we just said that there's a lot of tailwinds and demand coming from the pharma and agro intermediates, I wanted to know, is this, I mean, how was the nature of the business? Is it like a two-sided development when people are coming for you even for, you know, specialty intermediates that are also not produced in India, or these are just maybe normal demands for the products that, these are available with you? So like, what's the nature of the participants, I mean, the customers that are coming to you are they innovators slash the guys who make the APIs or they make the?
- Siddharth Sikchi:** No, we are not selling to any innovator. These are pharma products, which we sell to API producers in India, some of our products, which are not made in India before. So we are, China plus one strategy types. And of course we export a major chunk where we are competing with some European brands.
- Moderator:** Our next question is from the line of Keshav Kumar from RakSan Investors. Please go ahead.
- Keshav Kumar:** Are we seeing any demand pressure signs in China due to the on and off lockdowns over there?

- Siddharth Sikchi:** Not really. I mean, last quarter or two quarters were really difficult times, I mean, China, there were zero COVID policies. They were trying to do, they closed so many ports, but we were able to find alternative ports. We were able to still cater to their needs. Of course it was not an easy game to sell, but the demand was never slowed now, honestly, and that is why you see these numbers right.
- Keshav Kumar:** Yes. Great sir. Sir secondly, a bit of a shot in the dark, I wanted to have a view on potential risks that can arise you to AI/ML driven catalytic discovery in the medium to long-term, because I'm seeing increasingly the publications are coming in the space and the value proposition is pretty much evident from how we've grown ourselves. So do you see it as a risk or are you yourself also thinking on the lines of having a multifaceted team with scientists and data scientists together, something like that?
- Siddharth Sikchi:** I have not understood your question, but I'm trying to answer. I mean, of course we are trying to, we have a lot of good scientists and we are increasing our strength in R&D because we are seeing a lot of demand, a lot of request of products to be made for lot of our existing and newer customers. So we are trying to address all of those.
- Keshav Kumar:** Sir basically what I'm trying to get to is that, do you see eventually what the technological progress we have, getting easier to be exploited by somebody due to just the technology being there because of, AI/ML?
- Siddharth Sikchi:** Okay. See, I'll tell you, this is quite common in India, as you might know. I mean, people try to poach people and you can see that happening very, very often in Indian industry, but, innovators I mean, we've invented these processes, we understand the knack of it. We understand the problem zones in this. We have been catering to these set of customers. It's not easy, but I think for us, it is better to focus on our business, understand where we can go with all these, what we have, try and increase our product basket and keep becoming better in our own game. So other competition will keep on coming.
- Keshav Kumar:** Yes, absolutely.
- Moderator:** Our next question is from the line of Shubham Thorat from Perpetual Investment Advisors. Please go ahead.
- Shubham Thorat:** So I have two questions before that one clarification. So you mentioned that, your PBQ facility is going to be doubled from 500 tons to 1000 tons. So, can you tell me by when it is going to be commercialized? I'm sorry if I missed that part.
- Siddharth Sikchi:** I think in the next one quarter for PBQ yes, in about three to four months' time, we will be able to double the capacity.
- Shubham Thorat:** So my question is that, can you provide the raw material prices outlook for the coming quarters?
- Siddharth Sikchi:** See, phenol is one of our very key raw material, I mean it corresponds to about 50% of our overall raw material and which is majorly imported, and of course produced within India also, and we have covered it for a significant portion of this quarter. So I think going forward, if we are seeing also a downtrend in phenol pricing, if this continues, then I think, we'll see in the quarter three and quarter four where the prices will come down I mean, based on crude oil prices.
- Shubham Thorat:** Second question is that, you mentioned that there is a capacity addition in R&D department. My question is that, you mentioned you have added capacity, added new scientists in your R&D department. So is there any product in pipeline for coming future?
- Siddharth Sikchi:** Of course if there is product in pipeline that is why we are adding people in R&D right.
- Shubham Thorat:** So I was looking for, a specific name. Is there, can you provide specific names?
- Siddharth Sikchi:** These are again in our current existing segments, performance chemicals, pharma agro intermediates, FMCG I mean, these are, our universe right, specialty chemicals. So we'll move around in the same segment.

- Moderator:** Our next question is from the line of Avinash Gupta an Individual Investor. Please go ahead.
- Avinash Gupta:** I am just trying to understand and have a view on what kind of margins we can expect going forward, because continuously we are seeing a decline in the margins? Now on one hand you're saying that you are the innovator, you have got a lot of advantages in improving the quality, improving the productivity and other things, but on the other hand you are saying that, we don't want to be seen opportunistic and we want to use the current advantage to gain the customer confidence. So I was really wondering where are we heading to I mean what kind margins we should model in?
- Siddharth Sikchi:** So I'm not going to give any absolute number to this question. You have to really understand that while running a business I don't look at one quarter or two quarters. I look at the business from three to five year horizon, number one. Number two, you have to understand that when we are adding new products, you cannot expect these margins. So when new products are added, you have to give little leverage to customers so that they try and validate you. So these also impact margins because otherwise you can never come up with any new products. So if you sum all of it, you can see what numbers we have presented to you.
- Pratik Bora:** Avinashji just to add that new products have now started contributing almost 15% to our top line. So it's a good product diversification, which is happening here.
- Avinash Gupta:** The new products are contributing 50% of your turnover?
- Pratik Bora:** 15%, one five.
- Avinash Gupta:** Okay. So that means whenever you're going to do this, a new product, we have some drag on the margins for some time?
- Siddharth Sikchi:** Obviously. Yes.
- Moderator:** Our next question is from the line of Sujit Lodha from Birla Sun Life Insurance. Please go ahead.
- Sujit Lodha:** Sir first question would be regarding MEHQ market share, where are we now and where were we say a year back?
- Siddharth Sikchi:** Earlier we were about 50%-52% probably, today we are more than 60%, 65% maybe.
- Sujit Lodha:** Okay. Sir and secondly, just a small thing, on the R&D side, what is the current cost for the R&D team as such?
- Pratik Bora:** Around INR 3 crore.
- Sujit Lodha:** Around INR 3 crore for the 70 people you said.
- Siddharth Sikchi:** No right now, we are about 40, 45 people. We are in the process to add another 20 people, but of course, I mean, our levels would be similar to these levels only. I mean, nobody is like exuberantly expensive or something of that sort.
- Moderator:** Our next question is from the line of Bala Murli Krishna. Please go ahead.
- Bala Murli Krishna:** Regarding this new capacity additions, what kind of revenue we can expect in upcoming quarter from the new additions? From the new capacity additions, which you had on last quarter and which you are going to be done this quarter. So what kind of incremental revenue we can expect from these capacity additions?
- Siddharth Sikchi:** No, we don't want to put a number guidance, but qualitatively speaking I mean, we have added the capacities of flagship products by around 50%, so we are optimistic of our revenue growth, but we don't want to put a number to this.

- Moderator:** Our next question is from the line of Saurav Tendulkar an Individual Investor. Please go ahead.
- Saurav Tendulkar:** So I just wanted to ask about this HALS series. So have you got all the EC clearances and everything is in order for launching this new product?
- Pratik Bora:** EC is not for a product it's for a land parcel.
- Siddharth Sikchi:** And we have it for our existing Unit-3, where these two lines are going to commission by December and for the new company, which is Clean Fino-Chem, we expect the ECs to come in the next quarter or so, or maybe two quarters.
- Saurav Tendulkar:** Okay. Sir because on the environmental clearance website, I can see on the name of this Clean Fino-Chem, TOR is granted. So I just wanted to ask about it.
- Siddharth Sikchi:** Right so once the TOR is granted, then I think we have to physically meet the committee and if they have any concerns or questions, we have to answer them, then the final EC is granted.
- Moderator:** Our next question is from the line of Kaushal Kedia an Individual Investor. Please go ahead.
- Kaushal Kedia:** Sir, sorry, I got dropped off in the call in the middle. What is the volume growth?
- Siddharth Sikchi:** Kaushalji, it's for competitive reasons that we don't want to share volume and realization data, but I mean, just to give you a directional view, there has been a volume and realization growth across the products in fact quarter-on-quarter basis also.
- Kaushal Kedia:** And sir with the current run rate that you've done, can we assume you can touch INR 1,000 crore of top line this year?
- Siddharth Sikchi:** No, we are guiding at about 25%, 30% growth over the last year.
- Kaushal Kedia:** Then the last year, same quarter, because of COVID lockdown, it was subdued, right so won't you also compensate for that?
- Pratik Bora:** No, no last year same quarter, we had a robust growth.
- Siddharth Sikchi:** There was no subdued or anything. I mean, we came into essentials and we were able to run all our facilities. There were no issues whatsoever.
- Moderator:** Our next question is from the line of Manu T, a Retail Investor. Please go ahead.
- Analyst:** Sir my question is actually say at any point right, with the plans that we have new products, as well as we are commissioning new areas, right? So what will be the maximum percentage contribution from the new products and also like at what rate those products will grow? As we know like this is 25% to 30% that we are guiding for the existing one for the new products what will be the range that you are asking sir?
- Siddharth Sikchi:** The range is, I mean, as we come up with these new lines, of course, as the market picks up and as we are approved by our customer segments, this is how the growth will come in the quarters. So, I mean, if you are setting up, if you are going to invest, how much are we putting in HALS?
- Pratik Bora:** Yes. So the asset turns for the new products could be in the range of 2.5 to 2.7 times.
- Analyst:** Okay. So what is the current plan sir what will be the maximum contribution of the new products at any point like say FY23 end full year?
- Pratik Bora:** So in the range of 15% to 20%.

- Analyst:** Okay. Alright. Sir current utilization rate sir like across at the ballpark eye level, what's the utilization rate?
- Pratik Bora:** For performance segment it's 65% for the other two segments it is in the range of 75%.
- Siddharth Sikchi:** So average is 70%.
- Analyst:** So there is more room to add more clients as well with the current capacity and in future, we are adding more capacities as well. So there's a lot of leg room for us to add more clients, is my understanding correct sir?
- Siddharth Sikchi:** Yes. In both existing and newer product segments.
- Moderator:** Our next question is from the line of Dharmil Shah from Marcellus. Please go ahead.
- Dharmil Shah:** So first one was on the capacity addition for MEHQ and Guaiacol. Would it be fair to assume that total capacity for the company would be somewhere around 24,000 metric tons or somewhere in that range?
- Siddharth Sikchi:** I think we are not talking on product wise basis capacities.
- Dharmil Shah:** Okay and the second question was on the competition getting into this product. So particularly, Vinati Organics has announced that they would be getting into MEHQ and Guaiacol via the same route that the Clean Science follows.
- Siddharth Sikchi:** Right.
- Dharmil Shah:** Although the margins for them would be lower, but, if we think about it, the customer would be willing to have two customers to diversify their supply base. So would it in any way impact our, demand for Clean Science?
- Siddharth Sikchi:** See I think it is a little premature statement now. I mean, somebody has announced to commercialize but to come in the market, to validate the products, to get into the customers. I mean, it's a game in itself and by that time, we would have further become better in our existing business line, we would have added newer capacities. So I think it's still premature just on an announcement to get into too much details. I think we will closely watch and see how things roll up.
- Dharmil Shah:** Okay. Got it. And just any earlier in one of the conference calls, you had mentioned that you are working on the product called phenothiazine, any update on that sir?
- Siddharth Sikchi:** Actually we are working but I mean, we are still stuck with the right form of the product. So I think, we have still not been able to successfully devise the right form. We are still working on it. We've not like totally lost hope, but, it's difficult. I mean, you can imagine if there are only two companies globally making that right form, I mean three companies globally and no one in China and of course nobody is in India. So there is some trick to the game. We are trying our best, but let's see where it goes.
- Moderator:** Our last question is from the line of Anthony Joy, an Individual Investor. Please go ahead.
- Anthony Joy:** I just want to know, with your suppliers, how long is your contract the minimum as well as the maximum period?
- Siddharth Sikchi:** It depends from quarterly to half monthly, somewhere even annual. So the supplier contracts also differ from product to product country to country, supplier to supplier, there is a lot of variety to it. So it's very, I mean, I would have to give a very generalized answer to that.
- Moderator:** Ladies and gentlemen, I now hand the conference over to the management for closing comments. Please go ahead.

Siddharth Sikchi:

So thank you so much for all of you to attend our earnings call and I hope I have been able to satisfy all your questions. If there are any further questions you can email us and we'll try and answer as suitably as we can. Thank you again and looking forward to your support in the coming quarters as well. Thank you so much.

Moderator:

Thank you very much members of the management team and Mr. Periwal. Ladies and gentlemen on behalf of Axis Capital Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.