Camlin
Fine Sciences

May 27, 2024

To, **BSE Limited**, 25, P. J. Towers, Dalal Street, Mumbai – 400 001 **Ref:** Company Scrip Code: 532834	To, Listing Department, **National Stock Exchange of India Ltd.**, Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai- 400051 **Ref:** Symbol**:** CAMLINFINE || Series: EQ

Sub: **Transcript of the earnings call on the Audited Financial Results (Consolidated and Standalone) for the quarter and year ended March 31, 2024.**

In continuation of our disclosure dated May 8, 2024 & May 21, 2024 respectively and pursuant to Regulation 30(6) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR"), the transcript of the earnings call held on May 21, 2024 on the Audited Financial Results (Consolidated and Standalone) for the quarter and year ended March 31, 2024 is attached herewith and available at the Company's website at https://www.camlinfs.com/investor-relations/home/investor_call_recording.

The Management was represented by Mr. Ashish Dandekar, Chairman & Managing Director, Mr. Nirmal Momaya, Managing Director and Mr. Santosh Parab, Chief Financial Officer.

Discussions were based on publicly available information. No unpublished price sensitive information (UPSI) was discussed during the interactions.

We request you to take the above on record and the same be treated as compliance under the applicable Regulations of SEBI LODR.

Encl. a/a.
Thanking You,
For Camlin Fine Sciences Limited

Rahul Sawale

Digitally signed by Rahul Sawale
DN: c=IN, o=Personal,CID - 6936121,
pseudonym=20231124120211345,
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serialNumber=135c0bee894849d2afa044f6b08812148dc146ae18fd
209897eaeebb28cf8aa7, cn=Rahul Sawale
Date: 2024.05.27 14:31:02 +05'30'

Rahul Sawale
Company Secretary
& VP Legal

Registered Office:
Camlin Fine Sciences Limited, Floor 2 to 5, In G.S. Point, CST Road, Kalina, Santacruz (East), Mumbai 400 098.
CIN: L74100MH1993PLC075361

+91 22 6700 1000 +91 22 2832 4404 corporate@camlinfs.com www.camlinfs.com

"Camlin Fine Sciences Limited Q4 FY24 Earnings Conference Call"

May 21, 2024

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MANAGEMENT: MR. ASHISH DANDEKAR – CHAIRMAN & MANAGING DIRECTOR, CAMLIN FINE SCIENCES LIMITED
MR. NIRMAL MOMAYA –MANAGING DIRECTOR, CAMLIN FINE SCIENCES LIMITED
MR. SANTOSH PARAB – CHIEF FINANCIAL OFFICER, CAMLIN FINE SCIENCES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Camlin Fine Sciences Limited Q4 FY24 Earnings Conference Call.

This conference may contain forward-looking statements about the Company, which are based on the beliefs, opinions and expectations of the Company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to the Management at Camlin Fine Sciences Limited. Thank you and over to you, sir.

Ashish Dandekar: Thank you. Warm welcome to you ladies and gentlemen to our 4th Quarter Earnings Call. I have with me here Nirmal Momaya – Managing Director and Santosh Parab – CFO.

We will begin by Santosh giving you a brief synopsis of the quarter and the year after which Nirmal will be there to answer your questions, so I hand over to you Santosh.

Santosh Parab: Thanks, Ashish. Good afternoon and thank you for joining us today.

As you know, this call is being recorded and it will be made available, the audio and the written transcript on our website in due course. You would have seen the results and you would have also observed us the struggle of global chemical sector which is reflecting in our results for the quarter and the year. We have seen unprecedented demand weakness across all sectors in which the Company is operating. Predatory pricing and excess supply by Chinese producers have also put extreme pressure on the margins and has also resulted into geography and all the anomalies in the business. The price headwinds have hampered our topline. In all verticals except that of Aroma, we have hold on to our market share and in some cases we have in fact increased our volumes. The corresponding fall in raw material prices have to some extent helped our margins, but the fall in prices did overshoot this benefit.

As you have seen, the consolidated revenue was Rs. 402 crores, which is 4.1% higher than the sequential quarter, but it's less by 6% than the corresponding quarter. The gross margins stood at significantly lower percentage of 34.9% owing to the prudential mark-to-market provision of inventory of catechol and its down streams of around Rs. 36.81 crores. The adjusted margins after adjusting this prudential mark-to-market stood at 44%. Thus, the other products mainly hydroquinone and down streams and blends have seen marginal fall in margin. The highlight of the quarter has been revenue from blends which clocked Rs. 190 crores, though lower by Rs. 10 crores, the growth momentum is expected to continue in the coming quarters.

Increase in performance chemicals mainly due to sale of catechol in the current quarter, but due to the low prices thereof the sale impacts the margins negatively. Looking at the current environment and the progress of the down streams of catechol, it is more than likely that a large part of stock of catechol held as on 31st March 24 will be sold in the open market. This has triggered the recognition of mark-to-market loss in the current year, which I just mentioned.

Coming to Aroma business:

We have liquidated the major portion of legacy inventory of vanillin amounting to about Rs. 17.5 crores in Quarter 4 and the continuous fall in prices have forced us to recognize the mark-to-market provision for vanillin in Quarter 4 as well, which I just mentioned. In the current market month, we have now started the campaign of production of Methyl vanillin. In the interim, we have stabilized the production, improved the quality further to match it with the main competitor and are planning to have consistent production to optimize the cost. Production of vanillin augurs well for the Company as the impact of cost of catechol is well absorbed in the cost of vanillin and hence we don't foresee further mark to market on catechol. The validation for approval is an ongoing process and we have approved our product with significant customers in flavours and fragrances and foods and beverages. We are envisaging a capacity utilization from 40% to 50% in FY25 and are confident of ramping up the sale to match the pricing trends and market demand.

Our plant in Italy as you know remains under shutdown; however, as mentioned in our last call, we are planning to repurpose the plant to produce alternative products such as MEHQ and Guaiacol. We are in the process of completing the designing of the repurposed plant and it is in the process of achieving financial closure. We'll keep you apprised on the progress of this in the future. Since we have arrived at a decision to repurpose the plant, the erstwhile inventory which mainly consisted of internally manufactured catalyst for production of Diphenol has been rendered as unusable. We have prudently recognized the one-time provision or mark-to-market for these inventories amounting to Rs. 22.8 crores. Since this does not form part of operations and being material, it has been appropriately disclosed as an exceptional item. It is a one-time impact on the financial statements; however, we see no impairment on the investment in CFS Europe as in this quarter on the basis of the circumstances we are at present.

Operating costs other than foreign exchange loss have remained stable as can be seen from the results. The consecutive consequent operational EBITDA stood at Rs. 4.47 crores only in Q4, but if this EBITDA is adjusted with the provision of inventory of catechol, it would be 10.28% of the revenue. Considering all the one-time impact including that of financial loss, the adjusted PAT would have been positive 5.6% of the revenue.

Coming down to China, Wanglong:

Our JV partner in CFS, Wanglong has reached a settlement with the litigant in the IP infringement case. This has finally paved way to produce by repurposing the existing plant to manufacture a new aromatic product, Heliotropin, which is also catechol derivative. As an abundant caution, we have recognized an impairment provision of Rs. 24 - 27 crores on the exposure of CFS Wanglong. At present, we contemplate to refurbish and reset the plant for manufacture of Heliotropin in next financial year.

A bit of future scenario, we would reiterate that the fundamentals of our business remain solid, and our resilience is more straightforward with an effective addressing of legacy issues, we are in driver position to focus on the levers, which are within our control by striving to protect margins, calibrate costs and optimize our product mix. We are hopeful that the microeconomic indicators will ease out and will help us in our growth. The name of the game is to be resilient, remain relevant, and be ready for the growth thereafter.

I will now transit back to the conductor to open the floor for questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Abhishek Navalgund from Nirmal Bang Equities. Please go ahead.

Abhishek Navalgund: So, my first question is on vanillin, so you indicated that we are eying for almost like 40%-50% utilization in FY25 and you also mentioned that on the validation of the client approvals, which are underway. I mean, could you please help us in terms of the current pricing of vanillin, is it like $8 per Kg or even lower than that the current pricing, let's say post March?

Nirmal Momaya: Yes, so the current pricing of vanillin, it's different in different markets. In some of the markets, we see pricing of $8, we see pricing of $9, we see pricing of $15 depending on end use application in the market that we are in. I think average price as we see it going forward in this year should be in the range of between $9 to $9.5.

Abhishek Navalgund: Sure. So, I mean broadly we are talking about some Rs. 150 odd crores of revenue, if you go by let's say around?

Nirmal Momaya: Yes. So, I think if you estimate about 2,500 tons at $9, so 2,500 x $9 would give you a little more than.

Abhishek Navalgund: That's almost close to Rs. 190 crores if we go by 50%.

Nirmal Momaya: Correct.

Abhishek Navalgund: What proportion of let's say this Rs. 190 crore, you can say you have visibility, I mean over next 2 to 3 months or there will be a element of spot orders also because I know that we have enough capacity and pricing also we have made the assumption that from demand visibility standpoint, how confident are we in this?

Nirmal Momaya: For the 2,500 tons?

Abhishek Navalgund: Yes.

Nirmal Momaya: This we are pretty very confident to get to this 2,500 tons not only production but also of selling in this year.

Abhishek Navalgund: Next question on margins. So, if I remember correctly, earlier we used to say that if the pricing of vanillin is let's say below $10, then it is difficult in terms of clocking at 15%-20% margin. So, what sort of margin one should be aiming at considering the realization we just talked about?

Nirmal Momaya: Yes, so currently if you look at what we are doing with catechol, we have a negative of almost Rs. 100 per kilo on catechol. When we convert it to vanillin and we typically end up at a $9 selling price at 45% capacity utilization, the cost should be around $7.5 to $8, so we have a 10% margin there, it's about a dollar there and Rs. 100 negative turns into Rs. 80 positive there. So, the delta is about Rs. 180 for us even if we were to sell the vanillin at $9.

Abhishek Navalgund: Sure, okay, and my next question is Santosh sir, if you could highlight the subsidiary wise EBITDA margins for full year FY24, is that possible?

Santosh Parab: EBITDA margins, we generally don't share, but you can find the revenues in our earnings release. The EBITDA margin gets knocked out because it's an elimination, the companies are interconnected, so it becomes difficult because it can show wrong EBITDA margin.

Nirmal Momaya: But to add to that, Abhishek is that our subsidiaries in Americas, that is US, Mexico and Brazil, all three, which are in the blends business are positive and strongly in high teens the total EBITDA margin between all these subsidiaries, the drag really is from Italy where we have the large negatives that have come and partly these write downs in India on the inventories, but other than that, if you look at our blends business, we are in high teens margin.

Abhishek Navalgund: Okay, so even in Brazil and US, you're saying we are in high teens.

Nirmal Momaya: Yes, totally. Not in Brazil, it will not be in high teens, but when you add up all of it, there will be in the high teens.

Moderator: Thank you. The next question is from the line of Surya Patra from PhilipCapital, please go ahead.

Surya Patra: Sir, my first question is on the European unit as well as the China unit where we are thinking about repurposing the plant, so what is the likely investment in these two projects separately, Sir?

Nirmal Momaya: So, in Europe, it's probably in the region of between $2 million to $3 million and in China, it would be in the region of about Rs. 25 crores or so, another $3 million.

Surya Patra: So, what is the nature of this investment, Sir, there is no official CAPEX, is it just some adjustment CAPEX or something like that.

Nirmal Momaya: Yes, it is just some balance equipment and piping and repurposing some equipment.

Surya Patra: Okay and if we have decided that way, any inventory that is still lying in European Unit?

Nirmal Momaya: No, the inventory is all more or less being sold.

Surya Patra: Second question is about the vanilla. **S**ee if we are anticipating about 2,500 ton kind of this thing, around 40% kind of utilization we are anticipating, so is it driven by the long term contract or here we are also considering the spot business?

Nirmal Momaya: It's a combination of both. Yes, so the long-term contracts would probably start kicking in now some of these and but it's a mix of both.

Surya Patra: And so if vanilla would be around 40% utilization level, so will that restrict our utilization of the Diphenol plant at certain level or should not be any restriction that way?

Nirmal Momaya: No, I mean, you're right, we can't run it at 100% capacity because there would be a pile up of catechol, so we will calibrate it to a level where effectively we don't carry too much stock of catechol. So, based on how much we can sell in terms of catechol, but ideally we want to convert as much as we can into value-added products. But of course we'll have to sell some surplus catechol till we go up to 100% in vanillin. So, I think operating levels will be between 80% to 85% again subject to vanillin, if vanillin takes off and gives higher utilization, this can go up.

Surya Patra: Okay and given the pricing situation remaining suppressed only because of the Chinese factor, at least in the catechol and HQ, those kind of pricing scenarios. So, how long or this suppressed pricing situation can sustain and there could be a possibility of we taking further M2M on our inventory or does that situation is over?

Nirmal Momaya: There's no further M2M, I think whatever inventory we are holding today currently is at market price. How long will the market price be subdued is a very good question, difficult to answer, but the sense you're getting is that towards the end of this year, I think demand situation also should improve, the destocking that has happened or is happening currently in some of the markets would be done by then and whatever commentary we are seeing from other companies and from other markets as well, is that towards the end of the year, there should be some improvement in demand and then obviously consequently improvement in pricing.

Surya Patra: Okay, another question about the blends business, see in fact for the full year if I see, it is more than Rs. 700 crores kind of blends revenue that we have seen and for the calculation sake, if I just consider it is a 20% kind of margin business, then the core EBITDA what we have seen this year is around Rs. 150 odd crores. So, that is what is coming from, let's say if it is blends. Then is it fair to believe that this year all the antioxidant operations including the Diphenol of India, Europe all put together has seen kind of no EBITDA contribution?

Nirmal Momaya: Yes, I mean, of course, Italy was negative. India also was very little contribution, all the contribution did come from the blends business.

Surya Patra: Okay, so then I think the delta from 24 to 25, so do we see a kind of meaningful delta with some normalization coming in the antioxidant space and the blends are maintaining its growth momentum and one-off charges in the M2M losses that we have factored this year, so considering all these negatives, should FY25 look really meaningfully different than the 24?

Nirmal Momaya: Yes, in a way, you're right. It would of course catechol on its own is a loss making business and we will yet be selling catechol in the market, so there would be a bit of a drag coming from the catechol business. However, the big drag which was there for us last year was of course the inventories which we cleared. So, the drag will be very limited to between 2,500 to 3,000 tons of catechol that we sell, there'll be a drag on our minus Rs. 25 crores roughly would be the drag. It really is to be seen is what happens in Italy because that is where the big losses were in this year, right in FY24. So, in Italy, our sense is that even if towards the end of the year we can start producing MEHQ and Guaiacol. I would say breakeven in this year maybe a little tough, but even if it's a minus of €2 to €3 million, we should be in a much better position in FY25.

Surya Patra: Okay and is it fair to believe, sir, this Heliotropin and Guaiacol and MEHQ may not contribute entirely this FY25?

Nirmal Momaya: In FY25, our assumption is that it will start only towards the end of FY25, so it will be in the validation phase and so it will be in FY26.

Surya Patra: Since it is the full year performance, so can you give some sense about what is the growth outlook that you are building for the full year because there are so many moving parts, and it is really difficult to build a number for 25?

Nirmal Momaya: So, you look at the blends business, we closed the blends business at about Rs. 780 crores odd, which this year we expect it to grow to at least about Rs. 1,000 crores plus. Then vanillin should contribute about Rs. 200 crores and our other business is HQ and the other down streams, our sense should contribute another Rs. 600 to Rs. 700 crores. So, Rs. 1,800 - Rs. 1,900 crores is what we are saying conservatively we should be looking at.

Surya Patra: Okay, so at least 10% kind of a growth visibility that we are having?

Nirmal Momaya: Yes.

Surya Patra: Before seeing a kind of improved performance in the following year.

Nirmal Momaya: Yes, and this is of course considering today's price.

Surya Patra: Yes, okay and do you really see sir price improvement, generally commodities price swings also, so can we think about some price upswing in the current financial year?

Nirmal Momaya: I think towards the end of the year, I don't think in the next 2 quarters we are seeing any significant price improvements, but what we are hearing from the market is that like say for example agrochemicals, where of course hydroquinone also plays a big role. There seems to be now a turn around and the companies have kind of got rid of their old stocks and now they're building new stocks and so all that activity is expected to start in the next month. So, like these there are some green shoots that may come, and I think I mean it's too early in the day, but I think towards the end of year, we should see some improvement, yes. Because you've had like literally almost 12 months of this kind of pricing and maybe another 2-3 quarters, but I think more than that unlikely, you will see some players then exiting the market or there would be some capacity downsizing.

Surya Patra: Sir, even if the price recovery to happen, then which are the segment or which are the product areas you think that okay that can see the price recovery first then other products, whether it is vanilla or it is TBHQ, BHA, or price should not be a problem for the blends, I believe.

Nirmal Momaya: Yes, blends is fine. I mean that is okay. My sense is that Hydroquinone and its derivatives will probably take price increases faster than catechol and its downstream. So, vanillin maybe in this range, but TBHQ, BHA going forward, HQ prices do firm up which, the first ones to firm up should be that, then that would possibly give us some uptick there.

Moderator: Thank you. The next question is from the line of Jatin Sangwan from Burman Capital, please go ahead.

Jatin Sangwan: Sir in FY24, blends did a revenue of Rs. 730 crores and you mentioned that the EBITDA margin on the product is around 20%, so that gives us an EBITDA of Rs. 146 crores and now if I look at the full year EBITDA, would be like Rs. 70 to Rs. 75 crores and of course, if I would have to include the losses for Europe and China and one-time inventory, could you just specify the amount for each one, I could look at blends, it's like Rs. 140 to Rs. 150 crores, but the resulting EBITDA comes out to Rs. 70 to Rs. 75 crores, so what led to losses. So, our antioxidant mainly shelf-life extension also are like 0% EBITDA level?

Nirmal Momaya: No, the negative has come from Italy and from India, it is the catechol downstream, it is not the antioxidant business that's where the two big hits have come.

Jatin Sangwan: Can you please provide some breakup, PBT loss of Europe is around Rs. 100 crores, but will the EBITDA loss due to Europe?

Santosh Parab: So EBITDA loss in Europe is around Rs. 63 crores.

Jatin Sangwan: Due to India are mainly catechol and how much would that be?

Santosh Parab: Rs. 36 crores is catechol and vanillin mark to market in India.

Jatin Sangwan: And now also for the next year, we are guiding for our revenue for blends to Rs. 1,000 crores segment, alone from blends would do Rs. 200 plus crores of EBITDA. Vanillin is like Rs. 200 crores that would give us Rs. 50 crores of EBITDA, so that would be like Rs. 250 crores of EBITDA. How much EBITDA loss would still come from Europe and China?

Nirmal Momaya: Loss from Europe and China would probably be about 3 million or so.

Jatin Sangwan: And this would be at EBITDA level?

Nirmal Momaya: Yes. And of course, in this year, we also had a hit in Argentina, currency hit of almost Rs. 15 crores. So, which was one time, which going forward will not be there. So, those minuses will come out or reduce.

Jatin Sangwan: Are my assumptions correct that blends would be like 200+ EBITDA level going forward in FY25?

Nirmal Momaya: I think it will be in the high teens like I've mentioned earlier. So, if you are at Rs. 1,100-1,000 crores, it will be Rs. 180 to Rs. 190 crores.

Jatin Sangwan: And also on my assumptions about vanillin, vanillin does Rs. 200 plus crores kind of revenue, the ultimate EBITDA could be Rs. 45 crores counting catechol and margin on vanillin?

Nirmal Momaya: Yes, about the negative of catechol is 100, which becomes positive, so delta on EBITDA would be yes, you're right roughly about Rs. 40 crores.

Jatin Sangwan: So, if I just combine these two, that gives me Rs. 220 crores of EBITDA and loss from Europe and China would be Rs. 25 crores. So, are we expecting Rs. 180 to Rs. 200 crores of EBITDA for FY25?

Nirmal Momaya: Yes, that would be in that region. Yes, correct. 10% to 12% would be a fair estimate.

Jatin Sangwan: And sir, any update on Negolyte, we had a contract with Lockheed Martin and there were talks that they could ask us to build a larger plant?

Nirmal Momaya: Yes. So, that talks are yet going on. We've supplied them large commercial lot which goes into their first battery that has been done shipped in this quarter and that will get installed in Q2 of this financial year by July, August and thereafter discussions will start on looking at a bigger facility.

Jatin Sangwan: And the facility that will come on board by Q2 FY25, how much then will it be?

Nirmal Momaya: No. We'll start the discussion of what tonnage and what is the capacity requirement are, the discussion will begin in Q2.

Jatin Sangwan: Just one last question around vanillin. So, why are we not selling in India? Is it because our plant is in SEZ, so by regulations, we are not allowed to sell in India or are there some other challenges because India alone is like 2,000 tons of market annually?

Nirmal Momaya: So, yes, I mean that is also a point that from the SEZ that there are some restrictions, but we've kind of overcome that we have enough exports to show out of there, of course we have to pay import duty on the goods that we sell from the SEZ. So, we are addressing the Indian market and in this year we will take decent market share in India.

Jatin Sangwan: And any kind of ballpark number you are targeting?

Nirmal Momaya: We are targeting about 400 to 500 tons at least.

Jatin Sangwan: From India only?

Nirmal Momaya: Yes.

Jatin Sangwan: And this will be in addition to 2,500 tons of orders that you are.

Nirmal Momaya: No. It's including that. That's part of it.

Moderator: Thank you. The next question comes from the line of Rohit Sinha from Sunidhi Securities. Please go ahead.

Rohit Sinha: So, one question from my side is that at what level we are currently operating at Dahej for our HQ and what is the market outlook we would be seeing for Hydroquinone considering the Europe is shut for some time**?**

Nirmal Momaya: Yes. So, right now we are working at about 80% capacity. It's not driven by hydroquinone market. It's more driven by the catechol market because since the joint product, we have to curtail the production. Hydroquinone, we can consume more of the hydroquinone if we produce more, but that leaves us with a problem with catechol. So, that's the reason why we are working at 80%. The outlook for Hydroquinone seems to be positive. The market, like I explained earlier on the agrochemical side, Agro-chem should start picking up. So, I think there would be some uptick in HQ consumption as well as towards the end of the year, even in pricing. Our European plant is shut. One of our competitors, American plant, is also mothballed right now. So, there is capacity which is being taken out of the market. So, I think it's a matter of time.

Rohit Sinha: And if I heard correctly, I think you said that Europe, we have ultimately sold out all the inventories that we have in Europe, so that from next quarter might be there would be no sales, is that correct?

Santosh Parab: So, Hydroquinone inventory has already been liquidated from Europe. There could be very small inventories, a few 100 tons, but mainly all the Hydroquinone and catechol inventory has been liquidated by this date.

Rohit Sinha: And if we look at the numbers, so we have done flattish kind of sales or topline despite the significant price correction last year. So, can you help us with what kind of volume increases was and roughly how much prices are down on this?

Santosh Parab: As far as TBHQ and BHA are concerned, our volumes have grown. The same volumes have grown by around 10% to 15% this year. If you see the sale prices in FY23, the average selling prices were in the range of $13 plus, which have come down to average realization in FY24 was $9-$9.5, but at the fag end of the year, TBHQ prices were as down as $8.5 because we started the year at high, we got $9.37- $9.5. BHA has also the same story. It was $13-$13.5 in FY23, which kick-started coming down. We realized around $10.5-$10.8 in FY23 a year or so. In FY24, we did $10.5-$10.8 and year or so. The fag end of the year, the prices are falling. At present, we are somewhere in the range of $9. So, we did gain on volume, but we did lose heavily on the pricing front because the prices went down by 20% to 25%, but the volume increased by 10%. So, we did hold on to our share in this two big market. As far as Hydroquinone is concerned, in FY24 we have hardly any production from Europe and as Nirmal was saying that entire Hydroquinone is manufactured is internally consumed. So, in market, we had almost entire US production of Hydroquinone last year and this year we only had three years. So, those numbers are not comparable and in any case, Hydroquinone prices have come down from $9-$10 in FY23 to average $7 last year and now the prices are at $4.5-$5. So, overall, the catechol is the only thing there also the price went down, it came from $2 to sub $1 in FY23 and it is further down now. So, the prices have been down, though we did get some hold on to our share and in some of the products we did increase our share.

Rohit Sinha: Lastly on the Brazil and North America side and there we have been gaining decent revenue. So, especially for North America, are we at EBITDA positive level this quarter?

Nirmal Momaya: Yes.

Rohit Sinha: And these price increases or whatever contract we have gained in Brazil and North America, should I think are gonna continue also going forward as the prices would slightly improve as we are expecting in the second half should be a decent growth in these subsidiaries as well. Am I right?

Santosh Parab: Yes, you are quite right in North America, as we have seen in the presentation, we have almost gone up by 200% and Rs. 85 crores turnover has become Rs. 255 crores. So, there is a growth, and we will be holding on to this sale and we'll be adding furthermore in Europe. And in Brazil also, the growth thing will remain. In Brazil, last year we did around Rs. 112 crores, we are almost more than Rs. 150 crores this year and here also the growth will remain with interesting market as biodiesel and other things. So, this growth is going to sustain on this growth and

Mexico is also growing, India is also growing in fact. So, all this growth will ultimately result into that Rs. 1,000 odd crores, which we are saying for blends in the next year.

Moderator: Thank you. The next question is from the line of Nitya from KamayaKya. Please go ahead.

Nitya: Hi sir, what are the names of the products which will be manufactured in Italy now in place of the earlier products?

Santosh Parab: So, we are contemplating production of MEHQ and Guaiacol.

Nitya: So, it's still not started yet.

Santosh Parab: As we also said in the presentation and in the results, we are on the verge of financial closure. We have already done the basic engineering thing. So, when the financial closure is done, we'll start the project and as Nirmal said, some time back, the stabilization and commercialization of this plant will be sometime in the fag end of this year. So, we'll really see the sale and everything in the next financial year FY26.

Moderator: Thank you. The next question is from the line of Pradeep Rawat from Yogya Capital. Please go ahead.

Pradeep Rawat: So, I would like to know why our performance chemical revenue was significantly down from Rs. 688 crores to Rs. 400 crores? Can you explain a bit about it?

Santosh Parab: So, as you know, last year our European operation was running and it was selling Hydroquinone and catechol which are termed as performance chemicals. We closed down the European plant because of the economic reasons in 15th of August, there was significantly lower production which we sold out. So, the main delta on performance chemical is lack of production of Hydroquinone and catechol in Europe.

Moderator: Thank you. The next question is from the line of Amit Shah, an individual investor. Please go ahead.

Amit Shah: So, I just wanted to know as an investor, what should I expect from this quarter? We'll see the positive numbers from the like profit making and all that.

Santosh Parab: Yes, I understand we can give you a guidance.

Amit Shah: I want the guidance only like we have seen Rs. 81 crores loss and the prices are like going haywire. So, as an investor see I'm not an analyst or anybody, but as an investor I just wanted to know what is your guidance like any positive come out would be there in the Company?

Santosh Parab: We can give guidance, so guidance is that we just said that we will be growing by 10% to 15% in next financial year and we are targeting an EBITDA of 10% to 12%.

Amit Shah: Including all the losses, what other chemicals are making that will be discounted in there, right?

Santosh Parab: So, this is a net impact of whatever initiatives are there and these negatives and other things. And this, of course, is as of today because the unprecedented economic something happens, which US can do war in Iran, then we can't do anything so. What is in the future, this is on the current prices.

Amit Shah: Current prices means it's positive, like there will be no any like hidden losses which will surplus in future like any unknown factors, see war and all is a different thing but.

Santosh Parab: There are no hidden losses, so these are all.

Amit Shah: Like chemicals and all, whatever the setbacks, we had to take it like one time hit and all. So, now they won't be there for next quarter. That's what I wanted to.

Santosh Parab: So, we have taken the legacy issues out and at the base of current basis, these are all our numbers. We cannot expand anything above this 10% to 15% of revenue, 10% to 12% of EBITDA.

Moderator: Thank you. The next question is from the line of Jatin Sangwan from Burman Capital. Please go ahead.

Jatin Sangwan: My first question is around that debt and now we mentioned that we'll be doing Rs. 180 to Rs. 200 crores of EBITDA and add to that we'll be doing like Rs. 30- Rs. 40 crores of CAPEX only and interest payment would be Rs. 60 crores. So, should we see some reduction in debt levels? Are you expecting that?

Santosh Parab: We don't expect significant reduction in debt level, but on a year-to-year basis, our long-term borrowing, we will be repaying around Rs. 25 crores of loan. So, if at all the reduction will be that we are not planning any fresh loans at this stage, of course some growth in the turnover may require some working capital, but I don't think it will increase any debt by the end of next year.

Jatin Sangwan: And you mentioned that TBHQ prices have decreased from US $13 plus to like $8.5 to $9 and also the prices of BHA also decreased from $13 plus to like $9. So, what are the sustainable level of prices for TBHQ and BHA and by sustainable level, what were the prices, let's say that TBHQ and BHA that were in 2019 or maybe 2018?

Nirmal Momaya: Yes, they were on similar levels in the past and anything below this would mean that Hydroquinone prices will have to go down further, which would mean that diphenol business is not viable. I don't think producers will continue to produce it. That is the situation. So, our sense is it will be in this region.

Jatin Sangwan: Okay, so these are sustainable prices or are these are bottom out prices?

Nirmal Momaya: Yes. I would say close to bottom out, I mean maybe some few percent here or there, but yes.

Jatin Sangwan: Got it. And are we expecting any further write-off in Q1 or Q2?

Santosh Parab: On which part?

Jatin Sangwan: Yes. For this quarter, you take a write down of let's say Rs. 49 crores that was related to your subsidiaries in China and Europe. And then there was a write down of inventory in this quarter. So, are you expecting such similar write-off going forward in maybe in Q1 FY25 or Q2 FY25?

Santosh Parab: As of now, whatever are the legacy issues and related to FY24, we have accounted for and whatever we have given you the numbers for the future thing, we are not anticipating any further write-offs or unaccounted losses or not there in the books. Of course, the write-offs are generally because of the economic conditions or uncontrollable factors. If there are any uncontrollable factors which come into the picture that would be event of that time, but as of now we have provided what was required by the law and by the current economic situation.

Jatin Sangwan: You mentioned in the earnings call starting that adjusted PAT would have been 5.6% of the revenue. Now since there would be no more write-off, of course you would be selling vanillin. So, should we expect the similar profitability to continue 5.6% or 6% type?

Santosh Parab: So, as Nirmal said, if vanillin is sold, we will be recouping the loss we sustain in catechol because it will get value added. So, if the guidance which we are giving should be happened, if we do a 40% to 45% capacity utilization of vanillin plant and 80% to 85% of Diphenol, I think we will not be having losses.

Jatin Sangwan: And what kind of capacity utilization are you expecting specifically less in Q1 and Q2 for the full year? I know it's 40-50.

Santosh Parab: With the same capacity utilization, only thing is vanillin, sale of vanillin is skewed more toward the last two quarters.

Jatin Sangwan: You mentioned that the sale would be skewed towards H2 of FY25, so I wanted to understand what will be the mix between H1 and H2 of vanillin sale?

Santosh Parab: So, traditionally our sale as in 40% to 60%, if you see first part does 40% - 45% and the next part does 60% - 65%. But as far as vanillin is concerned, it looks like we'll be doing 75% of the sale in the next half.

Nirmal Momaya: 25% - 30% in the first half.

Santosh Parab: 25% - 30% in the first and 70% in the next.

Moderator: Thank you. The next question is from the line of Amey Chheda from Banyan Capital. Please go ahead.

Amey Chheda: Just one question from my side. What would be the consolidated tax rate going forward especially this year?

Santosh Parab: So, see the tax rate looks very skewed because the uncertainty of adjusting of tax losses in Europe, they have not made any deferred tax assets. So, that's why it looks skewed. But if you see on a cash flow basis, generally the tax rates across wherever we are operating are between 25% to 31%. If everybody makes profit, their tax rate should not be more than 25% to 27%.

Amey Chheda: Okay, but like we know that you know Italy is not going to be profitable right this year. So, you would have made some internal estimates for the profitability this year, right? So, based on that, if you could just guide on the tax rate?

Santosh Parab: I don't understand your question because we have already said that we will be doing a $3-3.5 million loss of EBITDA, negative EBITDA in Italy and another $3.5 million in China. So, other figures as to it cannot be told on a basic basis. I can only say there are losses, tax losses, which will not be adjusted up to $7 million and then we can calculate the average 27%rate.

Moderator: Thank you. Ladies and gentlemen, that brings us to the end of the question-and-answer session. I would now like to hand the conference over to the management for closing comments. Over to you Sir.

Ashish Dandekar: Ladies and gentlemen, thank you very much for being present and giving your valuable time to us. We hope we have answered your questions satisfactorily and we look forward to interacting with you again at the next call. Thank you.

Moderator: Thank you. On behalf of Camlin Fine Sciences Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.