Clean Science and Technology Limited

innovation at work

08.08.2023

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

Subject: **Transcript of conference call on the Company's Q1 FY23-24 Earnings**.

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

Dear Sir/Madam,

Further to our letter dated 28th July, 2023 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 FY23-24 Earnings held on 3rd August,2023.

You are requested to take the same on record.

Thanking You.

For Clean Science and Technology Limited

Mahesh Arvind Kulkarni

Digitally signed by Mahesh Arvind Kulkarni
Date: 2023.08.08 17:58:35 +05'30'

Mahesh Kulkarni
Company Secretary

Encl: as above

"Clean Science and Technology Limited Q1 FY2024 Conference Call"

August 03, 2023

MANAGEMENT: **MR. SIDDHARTH SIKCHI - WHOLE TIME DIRECTOR**
MR. SANJAY PARNERKAR- CHIEF FINANCIAL OFFICER
MR. PRATIK BORA - VICE PRESIDENT, CORPORATE FINANCE

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY2024 Conference Call of Clean Science and Technology Limited. As a reminder, all participants' 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 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. Siddharth Sikchi. Thank you and over to you Mr. Sikchi.

Siddharth Sikchi: Thank you. Good evening, everyone. I am happy to connect with all of you again to discuss the performance of our company in Q1 FY24. Let us talk about the business environment. The current business environment is converse to what we witnessed last year. Last year was marked by high inflation, disrupted supply chain, leading to higher freight rates and geopolitical tensions. Due to these factors, raw material and end product prices were relatively higher. In rising price environment and interrupted supply chain, companies were stocking up their inventory up front leading to a higher sales volume and realisation. However, this year till date is marked by benign inflation, steady supply chain and relatively stable geopolitical environment. Consequently, raw material and end product prices are correcting compared to higher base of last year. In declining price environment, companies tend to go for destocking which leads to lower sales volume.

To summarize, last year was a seller's market, while current year is a buyers' market. Companies with better technology, backward integration and lean cost structure would continue to report higher percentage margins.

A quick on financial highlights. As alluded during last con call following key trends have played out during Q1 FY24 – A) Raw material prices have corrected across the board; B) With correction in raw material prices, there is a moderate correction in end product prices too; C) Led by demand slowdown and inventory destocking, volumes are impacted severely. Although, we do not believe there is any significant loss in our market share.

Revenues for Q1 FY24 declined by 20% to Rs. 185 Crores against Rs. 232 Crores during Q1 FY23. Revenue mix was 63% export and 37% domestic. EBITDA decreased to Rs. 77 Crores against Rs. 91 Crores during Q1 FY23. Led by better product mix, benign input prices and prudent operating cost structure, company could report higher EBITDA margin of 41.3% compared to 39.4% during Q1 FY23.

Higher EBITDA margins despite decreased revenue base underscores our unique technology progress and unequivocally prudent operating cost.

On standalone basis, profit after tax was Rs. 58 Crores against Rs. 70 Crores during Q1 FY23. It is worthwhile to note that last year company recorded onetime gain of Rs. 9 Crores during Q1 FY23, which got adjusted in the consolidated P&L. So, on consolidated basis, PAT is lower by only 6% at Rs. 59 Crores despite 20% decline in revenues.

We are pleased to report that PAT margins are higher at 31.6% during Q1 FY24 as against 30.4% during Q1 FY23.

Sales profile: Performance chemicals continued to be the mainstay with the segment contributing 67% revenues. Pharma and agro intermediates contribution decreased to 19% of revenues and FMCG chemical contribution increased to 13% of revenues. FMCG segment witnessed marginal revenue growth.

Capex update: we have incurred capex of Rs. 90 crores during this quarter. Of this Rs. 85 crores were invested in the subsidiary CFCL. All capex continues to be incurred through our internal accruals. Initial civil construction activity is completed at Clean Fino-Chem Limited, erection of equipment, pipe fitting, etc. has commenced at CFCL. The progress is on track as planned earlier.

Outlook: This could be a year of gradual recovery with demand bottoming out during the first half of financial year. Declining raw material and fuel price along with demand slowdown remain key short-term challenge, but as a company we will continue to focus internally to improve yields and operational efficiencies. With our strong R&D pipeline, our endeavor is to continue derisking our product portfolio and geographical presence.

Thank you so much. We are now open for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press * and one on your touch tone telephone. If you wish to remove yourself from the question queue may press * and two. Participants are requested to use handsets while asking questions. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

Sanjesh Jain: Good afternoon, Siddharth. Thanks for taking my question. I got few questions. First on the MEHQ and BHA, can you help us understand what is the volume decline for this quarter and how are you looking at the market because it appears that China's revenue for us has declined even more at 47%. What is happening on the China's side - is it just the destocking or you are also seeing few local players getting active in the China market now; so that is my first question.

Siddharth Sikchi: The revenue degrowth is on account of two third on volume and one third on realization. To the best of our understanding, there is no new producer in MEHQ or BHA in China, however, because of destocking and lower demand, the offtake has been lower than anticipated.

Sanjesh Jain: Is it purely because of the lower offtake. It is very clear to understand that there is no new local producer who just got aggressive or anything like that.

Siddharth Sikchi: Not at the moment.

Sanjesh Jain: Got it. Second question is on the pharma, agrochemical intermediate business that appears to have fallen even more sharply than our performance chemical, while the pharma companies are doing fairly okay compared to the agrochemical, we have not seen destocking or any of those things on the pharma company at least their commentary does not tell that, so what is happening on that side for us. Is it more of PBQ, which is hurting us on that segment?

Siddharth Sikchi: No. PBQ has no impact. There are two major pharma products and Guaiacol is a major pharma product, which goes into cough syrup. Now with these current issues, which happened in Indonesia, Iraq where cough syrups supplies from India had health issues on citizens of those countries. That is why all these regulations are impacting Indian suppliers of cough syrups and hence there is a sluggish demand for this product. On the other hand, our anti-retroviral product, which is DCC has almost peaked 80% of our plant utilization. So, this is really only in particular to this product i.e. because of these cough syrups issues, which I am sure you would have read in newspaper over the last few months.

Sanjesh Jain: Do you think it is a permanent loss for this player or somebody is getting replaced or will these guys come back because that if you read that news it appears to be quite serious.

Siddharth Sikchi: It is indeed. So, what Indian government is also doing is for those companies which are making in North India (few of those companies) have been banned, have been closed, but there are organized players in this business like Granules or Gennex, other companies, which will get those market shares from those banned companies. But of course, the customers sitting in overseas say in Indonesia, in Iraq on those parts will again need time and confidence to regain and come back to India, but definitely they have to come back because of the price benefit what Indians can offer compared to a European or a Taiwanese player.

Sanjesh Jain: Will this recovery be a slightly more back ended than the destocking one that will be fair assumption, right?

Siddharth Sikchi: Please can you tell again?

Sanjesh Jain: I am telling performance segment can recover earlier, probably pharma segment may take a little bit more time for us; will that be a fair assumption?

Siddharth Sikchi: It depends. On this particular cough syrups issue is little serious, so based on it, but we are very hopeful that performance chemical will rise quickly compared to the pharma, but then we are also trying to get more share of overseas customers like mainly in Taiwan and in China for pharma segment and we hope they will compensate for the loss of Indian customers, which we have accounted for.

Sanjesh Jain: Got it. The next on the HALS side of the business, we were expecting some revenue booking in the Q1, can you do some color on the health side of revenue?

Siddharth Sikchi: It is taking a little longer because of this lower demand of masterbatches producers globally, so the approval processes are there, people have approved product, we are getting repeat orders, but the volumes are low. So, if India was importing 2000 tonnes today the imports have also gone down by more than 50%, hence the demand has become slower, but we are quite optimistic that as and when customers try our product, the volumes will gradually increase. Today we are about less than 50% of our current capacity what we are running, we hope in the next two quarters we should at least touch 50% of our capacity utilisation.

Sanjesh Jain: In next quarter, we expect to reach 50% capacity utilization?

Siddharth Sikchi: Next two quarters.

Sanjesh Jain: Assuming by Q3 and or Q4, we should be ticking three thousand metric.

Siddharth Sikchi: In Q4 our new facility of HALS can also begin with other products lined up.

Sanjesh Jain: Okay fair enough. Couple of questions for Pratik. First, on the other income, it appears to have gone up again. Can you help us understand, what is driving the other income?

Pratik Bora: In other income, there are two items. First is Forex income where we have reported Rs. 5.6 Crores gain this time and the other is treasury income where we have reported Rs. 6 Crores gain. Apart from that there is no non-recurring item.

Sanjesh Jain: This 6 Crores is recognition because of the completion of the period of the investment or the it is only mark to market basis?

Pratik Bora: It is mark to market. Treasury investment is realized and unrealized gains both. Because yields have corrected during this quarter from 7.50% to 7.10%.

Sanjesh Jain: Okay, so that has led to some additional booking of the other income.

Pratik Bora: 80% of our investments are into debt mutual funds, so as yields correct, we get mark to market benefit there.

Sanjesh Jain: Got it. Second question is on the operating cost. Can you help us bridge the operating cost from last quarter to this quarter, what are the line item which is driving 20% sequential drop in the other expenses because fuel costs have largely been stable. Trade cost have normalized to pre-COVID level. I know volumes have fallen that will be one, but more color would be helpful.

Pratik Bora: No. In fact, year-on-year, power and fuel cost has almost halved. In Q4, we reported a power and fuel cost of close to Rs. 18 Crores, while this quarter we have reported a power and fuel cost of close to Rs. 12 Crores. That was a big impact and in other expense, there is a small CSR expense, which was sizable during Q4 and not much bigger in Q1.

Sanjesh Jain: There is no change in the freight cost I suppose,

Pratik Bora: No. Freight anywhere is not a very big cost concern.

Sanjesh Jain: Ok, but this explains only what Rs. 6 Crores and CSR and the fuel.

Pratik Bora: Ok that majority covers it.

Sanjesh Jain: No, it covers it. That is it from my side. Thanks for the time for taking all the answers and best of luck for the coming quarters.

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

Ankur Periwal: Thank you for taking the question. Firstly, on the pricing bit, you did mention one third revenue decline is led by pricing and you did mention in the initial remarks that some bit of pricing correction may still happen, so are we largely done in terms of pricing correction or is it moving in sync with the RM prices?

Siddharth Sikchi: Moving in sync with the RM prices, but I believe that this is the worst price levels we have seen in the history, so I do not see further erosion of prices, but unless there is again a sharp decline in RM prices, which at the moment are again on upward swing because of the increase in crude oil prices. So, all the raw materials are again started inching up, so the finished product prices should not go down further than this; it is my belief.

Ankur Periwal: Sure, and the bigger issue here is inventory destocking only or is there a significant cut in demand as well, which probably can take slightly longer time to recover?

Siddharth Sikchi: Both. There is destocking and as well as there is a slower demand globally, so both are contributing to the volume reduction. It is like minimum of one, maximum of two more quarters to get the business back on track.

Ankur Periwal: Ok and you did mention that we have not lost any market share in India or globally, so it is more of a market decline, which is where the impact is coming in.

Siddharth Sikchi: Yes, this is to our understanding, maybe little bit here and there but not on major percentage levels.

Ankur Periwal: With this given demand slowdown and probably another maybe couple of quarters there, considering the capex that we had already planned as well as the other product that Rs. 200 Crores capex there, any changes there that is one and secondly on HALS specifically we had launched only two products earlier. How do we see the new product launches going ahead? Will it be deferred, or you know kind of?

Siddharth Sikchi: For question one, the capex plan is still on. There is no deviation from that plan that is point one. Point two, on HALS, the new range of product as planned will start in December which are the other series product. So, the plan remains constant. There is no change in plan because of the change in demand scenario because these are market dynamics and things will move up and down, but our projections and our plans of projects will not be changed for this.

Ankur Periwal: The earlier two products were largely focusing on the domestic market. The newer ones will be both export and domestic.

Siddharth Sikchi: Yes, there will be both domestic and export. Again, first time in India. That's it.

Ankur Periwal: Ok, great. That is it on my side. Thank you.

Moderator: The next question is from the line of Rohit Suresh from Samatva Investments. Please go ahead.

Rohit Suresh: Good evening. Thank you for the opportunity. The first question I had is on the TBHQ part, so there is a listed competitor in India and they are comparatively larger than us, so what are our plans in terms of expanding the product line, do we plan to forward integrate into blends or anything or how are we going what that part of the market?

Siddharth Sikchi: Currently TBHQ is a decent market for us. We are not planning any expansion and the major goal of this TBHQ product was to cater to the demand of our existing customers of BHA and AP that is one and number two we have no intention in going into blends because those are B2C markets and I do not see our company is equipped enough to even target the B2C markets and we would rather like to focus on B2B businesses.

Rohit Suresh: On the hydroquinone, are we sourcing at domestically or on the international market.

Siddharth Sikchi: We are sourcing hydroquinone from overseas market.

Rohit Suresh: Great. Thank you so much and wish you all the best. Thank you.

Moderator: The next question is from the line of Nikhil Mishra from Five Start Investments. Please go ahead.

Nikhil Mishra: I just wanted to know about the performance chemical business, how is the demand in the China and how it is going to impact our company?

Siddharth Sikchi: As we just mentioned that 2/3rd of the reduction in our revenue is because of volume. China is slow at the moment and hence we are seeing volumes degrowth while on the FMCG segment we have seen stability because the current markets are quite stable. But of course, since the RM prices have come down, the prices of end products have also come down to that extent but otherwise those are decent stable business for us.

Nikhil Mishra: Ok. Have we lost any market client because of this scenario?

Siddharth Sikchi: Because of which scenario?

Nikhil Mishra: Because of this demand scenario and slowdowns scenario.

Siddharth Sikchi: If there is a slowdown and if the customer does not need the material, then we cannot force sell the material. So, to that extent, yes, we have a volume degrowth.

Nikhil Mishra: Ok. Can you please name the FMCG companies which you are supplying to?

Siddharth Sikchi: We are not providing customer names please. Thank you.

Nikhil Mishra: Okay.

Moderator: The next question is from the line of Arun Prasad from Avendus Spark. Please go ahead.

Arun Prasad: Thank you for the opportunity. Siddharth my first question is on the Guaiacol situation you are having with respect to the cough syrup, so would not this be a problem for you in ramping up in MEHQ also because without the ability to dispose Guaiacol in the future, MEHQ production and also is going to be difficult right?

Siddharth Sikchi: That is a valid point, but at the moment since even MEHQ is on slower terms so we are able to cater and manage both the products together however in longer run if we see that this is a permanent problem we will look for other outlet of Guaiacol, which goes into FMCG chemicals or we may think of manufacturing something ourselves so we can use our Guaiacol effectively.

Arun Prasad: Right. Will it be very capital expensive, or do you have a ready-made markets if you have to go for the plan B?

Siddharth Sikchi: If we go for a plan B then one is a ready-made market, while other is a market where we have to establish ourselves.

Arun Prasad: But the time taken to execute this plan, will it be weeks or months or years because till then the growth in MEHQ will also be difficult even if the end market turns around, right?

Siddharth Sikchi: In plan B also, we have two plans; plan B1 andplan B2 so plan B1 will be quicker and plan B2 will take a relatively longer time. Sorry you can call plan B and plan C then.

Arun Prasad: My second question is on HALS you have run this plant for last six months and a reasonable understanding and everything, the costing is at par with what you envisaged during the project conceptualization phase, is it better or?

Siddharth Sikchi: Yields are now more or less stabilized. What were anticipated and what we are getting are quite closer. Of course, the only concern we have is to enter the market at a time when the demand is suppressed, so the customer expects a little bit more discount compared to what is available in the market, so only that is a little tricky situation but otherwise the margins which we had anticipated are in line with which we are in currently.

Arun Prasad: Do you think even at these current low-price scenario, you will be competitive and able to substitute the imports into the country as far as the domestic market is concerned?

Siddharth Sikchi: We have no choice boss.

Arun Prasad: Okay now and I understand there are no choices, but we will be making money similar to the levels of the current business?

Siddharth Sikchi: The plants are still running at 40% to 30% capacity utilization. My fixed cost still remains the same, so that when I ramp these up these capacities and when we get prices equal to my competitor is when we will start making decent amount of money.

Arun Prasad: Right and the other part of this entire HALS is this you are integrated up to say acetone and ammonia and all, but sebacic acid is another raw material that you had to consume, any chance for you probably say two years three years down the line where you can backward integrate in this actually or you always have to depend upon the inside purchase?

Siddharth Sikchi: The sebacic acid what you are talking about right?

Arun Prasad: Yes.

Siddharth Sikchi: No. We are seriously contemplating on how to backward integrate. Because castor oil is easily available in India and it is a derivative of castor oil, so we are just trying to understand whether it makes sense to even make for our captive consumption, but right now we are currently buying from the domestic or even import markets.

Arun Prasad: You will be able to capture the chain margins if you are able to go back into that?

Siddharth Sikchi: Absolutely. If we are able to do further backward, I am sure we will have a better competitive advantage over our competitors because to our understanding no other producer of 770 is making sebacic acid himself.

Arun Prasad: Right. Understood. Lastly on PBQ, we have seen a lot of PBQ getting imported into this country, so is it like a different segment or a quality is different, or we are not able to substitute, or we do not have capacity. Can you just throw some light on this?

Siddharth Sikchi: Yes. There is a specific grade which is coming from UK. The basic issue is the color of this product we are still not there with the color, which is required for this particular customer but in lab and pilot we have understood what was going wrong and now we are planning to procure those equipments where we can get the exact quality which was currently imported from overseas so this is about a matter of time say probably about three months when we should be able to get similar quality which is imported into India.

Arun Prasad: What is the current utilization in PBQ?

Siddharth Sikchi: Sorry?

Arun Prasad: I was asking what is the current utilization in PBQ.

Siddharth Sikchi: It is quite low, it is about 20 odd percent, it is because of this particular factor that we need to improve the color of the product which now we have realized and probably in the next three months, we will be able to restart our supplies to the customers who are looking for this color.

Arun Prasad: You have to procure HQ from outside to manufacture PBQ, does it have any impact on this or is it irrespective of variable purchase you can still manage to tinker in our R&D and deliver this to this potential customer?

Siddharth Sikchi: If you buy from decent sources of hydroquinone, I do not think there is any issue with on that aspect.

Arun Prasad: Okay. Thanks for that and very helpful and all the best.

Moderator: The next question is from the line of Rohan Gupta from Nuvama. Please go ahead.

Rohan Gupta: Good evening and thanks for the opportunity for asking questions. Just one thing that our product basket is more dependent on China basically that we do the products which are first time in India and probably China was one of the key manufacturers. In the current environment, do we see that that the China coming back and absolutely putting the realization again much below probably and some of their product costs also. Do we see that any threat or underlying threat in our business model right now as long as the Chinese manufacturer remains aggressive or do we see that whether the new product development and the process, which will follow the lean chemistry will have an advantage even if the Chinese players dump the cost then also our product acceptance will be there in the market even at a higher prices?

Siddharth Sikchi: First of all, there is no higher price. We have to match what is available in the market so that is one. Secondly if you look at our Q1 numbers, that we have not anticipated any new Chinese player at the moment in our product segment because the demand is slower in China and because ultimately, they are also dependent on Europe and U.S and hence to that tune there is a volume degrowth. The volumes should come back to normalcy in Q3, Q4.

Rohan Gupta: Is it just only volume degrowth problem and not that Chinese players are producer dumping the material in the market. My question was that are we better in terms of cost curve than the Chinese player so that what we are hearing in many other products also that they are dumping the product and even willing to sell the product at a much lower cost or prices because of the government is focusing more on the manufacturing and they want to focus more on the GDP growth and also irrespective of their cost structure they may dump the product so just wanted to understand see if we follow a differentiated process, different chemistry does that give us some edge over the Chinese manufacturer where our cost of production is either lowered with them or since we follow the green chemistry that is why the customer still will prefer our products even if it is higher price so that you already answered that we have to match the cost in the market so there is no arbitrage opportunity there but do we have a lower cost cut than the other manufacturer because of the process which you follow.

Siddharth Sikchi: We are established over the long period of time we feel we have a cost benefit because these are depreciated plants, these plants have been working, we are approved that majority of the locations so of course but however when we come to newer product like the HALS or 770 where we have to compete with the Chinese players as well in the market and of course if they dump product below their cost then of course it is going to be a difficult not just for my industry but for any new startup of the product to compete with established Chinese players. But because of our in-house grown processes and products we are able to still complete and get higher market share wherever we can.

Rohan Gupta: Thank you Siddharth, that is it for my side.

Moderator: The next question is from the line of Abhijeet Akela from Kotak Securities. Please go ahead.

Abhijeet Akela: Good evening and thanks so much for taking my questions. The capacity utilization for our key products or maybe segment wise if you might be able to just share where we are running at right now across the business?

Pratik Bora: Hi Abhijeet, so performance chemical capacity utilization is close to 60% this is primarily because of addition of HALS capacity of 2000 tons, which is running below the average utilization level. FMCG segment has done really well, it is running close to 70% and pharma and agro is running close to 62%.

Abhijeet Akela: Got it. Thank you that is helpful. For performance segment, so it is weighed down by HALS it is not as if there has been a major slippage in the other mainstay products right like MEHQ or BHA?

Pratik Bora: There has been a degrowth in in MEHQ and BHA also, but because it is a 2000 tonnes HALS capacity, which we have added into performance chemicals and that got commercialized during Q3-Q4, so that is also weighing down.

Abhijeet Akela: Right understood. For the price erosion that we are seeing is basically like just weak demand and in that context or suppliers competing to sell out their material is that essentially the main reason, so in that context do you see it continue for another one or two quarters or are we sort of near the bottom now.

Siddharth Sikchi: It will extend for another quarter because we are already in August, so we can see that trend even in this quarter, but hopefully the market should rebounce and things should start looking upward in quarter three and quarter four is the hope.

Abhijeet Akela: Got it. From a margin perspective, Q2 could be a little bit more subdued compared to what we have seen here in Q1?

Pratik Bora: Abhijeet, it is very difficult to comment on margin outlook because this quarter closing stock prices were much lower than the consumption prices so there was a hit in that sense also on our margins. Margins could be at par, or it could be better also and we have mentioned that EBITDA margins are better by about 200 bps when compared on year-on-year basis.

Abhijeet Akela: The demand outlook for the new HALS that they are going to launch by end of the year you know the 15,000 tons so by say CY 2024 should we expect that things sort of move towards a little bit more of normalcy in terms of the demand scenario there?

Siddharth Sikchi: Assuming we start the facility in Q4, we expect to resolve teething issues, because it is first time this facility is installed, in about two or three months and probably another quarter might go in customer validation because this would be an entirely new zone of business or new products. So H2 FY 2025 is where we should start seeing revenues coming out of that facility in a reasonable way.

Abhijeet Akela: Right, but the target of trying to fully use up all the HALS capacity in maybe three four years that is still a target we are working towards?

Siddharth Sikchi: Absolutely.

Abhijeet Akela: Okay understood. Thank you so much Siddharth and Pratik. All the best.

Moderator: The next question is from Dhruv Muchhal from HDFC Mutual Fund. Please go ahead.

Dhruv Muchhal: Thank you so much. Hypothetically assuming this cough syrup, Guaiacol issue continues for longer, probably the cough syrup issue. I am just wondering the demand for cough syrups still remains right and if not from India somebody else will be supplying, so the

Guaiacol demand effectively overall should remain, so I am just wondering if not to India is it will be how easy or difficult is it to export these guaiacol for somebody who is making cough syrups outside?

Siddharth Sikchi: The best part is that we are approved with all the producers of Guaifenesin. Be it in China or be it Taiwan, so there are majorly three country producers - India, Taiwan and China. We are approved with all the customers, so if India loses some of the market share it will either go to these customers and we are approved at both the locations so it is not from India we will get this from outside. Hence, we feel and eventually that should come back and we should start seeing that growth again back in Guaiacol.

Dhruv Muchhal: But exporting it is not very difficult; there would be some freight cost element they would want to source it but otherwise?

Siddharth Sikchi: Freight cost is below 10 cents.

Dhruv Muchhal: Okay got it. Thank you so much.

Moderator: The next question is from the line of Daigin**,** who is an Individual Investor. Please go ahead.

Daigin: On your last question you mentioned that your volumes are 60%, 62%, 70% is that the production volumes you have, so it has not gone to market has it gone to inventory?

Pratik Bora: What we mentioned was if there is a 20% drop in revenue, 14% of that which is 70% came because of decline in volume and balance came because of decline in realization.

Daigin: Okay thank you.

Moderator: The next question is from the line of Rajashekar MS who is an Individual Investor. Please go ahead.

Rajashekar MS: Goode evening. Thanks for the opportunity, I just wanted to check out where you see your company in a five years' time from now on because I see the utilization is less, do you anticipate increase?

Pratik Bora: Please repeat your question, we are not able to hear you clearly.

Rajashekar: I just wanted to know where you see our company five years from now on because now, I see utilization is low, so what you anticipate in future, that is my question?

Pratik Bora: Utilizations are low during this quarter, and these are again temporary things. We do not see as a challenge for a five-year outlook and our outlook remains positive as we are launching products where we are probably first-time manufacturers in domestic market, and we have some advantage on the manufacturing process. As we have always been mentioning, we are process innovators, and we will continue to do that.

Rajashekar: Thank you very much.

Moderator: The next question is from Anil Kumar who is an Individual Investor. Please go ahead.

Anil Kumar: Last time, you had a mentioned that companies are being stocking because of this there is pretty slow demand in Q1 and Q2, so do you foresee that it will be over by Q2 or you think it is going to prolong considering the fact that China is now opened up and they are also trying to dump here stocks which they had earlier.

Pratik Bora: As of date, we are anticipating it could be one quarter as mentioned earlier, or it could be up to two quarters where this destocking or low demand phenomenon could play out and probably Q2 or Q3 it could bottom out.

Anil Kumar: The second thing probably the revenue realization will start from Q4 of this financial year right, how about other series that you will be launching and how it is planned?

Pratik Bora: Yes, so the plan remains same for subsidiary company. The revenue should start contributing from Q4 of this financial year.

Anil Kumar: Okay thank you.

Moderator: The next question is from the line of Nandini Maheshwari from Mirabilis Investment. Please go ahead.

Nandini Maheshwari: I wanted to know about the second phase of capex that you have mentioned about in the last quarter as well about the new performance chemicals so could you talk a bit more about a kind of products which could be entailed here?

Siddharth Sikchi: We are only mentioning the segments; we are not talking about the actual products name, so these are again in performance chemical intermediates for pharma and agro.

Nandini Maheshwari: So, it will be spread across the performance segment.

Siddharth Sikchi: We are already into.

Nandini Maheshwari: Okay that is all.

Moderator: The next question is from the line of Deepak an Individual Investor. Please go ahead.

Deepak: Great, actually I have a question regarding contract manufacturing opportunities. In Europe and in China, many factories are closing out at least in Europe I know and many of these customers are looking for a manufacturing partners in India or in other emerging countries where the labor cost is not that much so are you also looking for such opportunities or are you already working on them?

Siddharth Sikchi: Our existing set of customers have some ideas we are thinking on those lines, but nothing is concrete to discuss at this point of time.

Deepak: Thank you.

Moderator: That was the last question in queue. I would now like to hand the conference back to Mr.Siddharth Sikchi for closing comments.

Siddharth Sikchi: Thank you all for taking time out to discuss the performance of the company for Q1 FY24 and we look forward meeting you all again once we present our Q2 FY24 results. Till then have a good one and take care and good evening.

Moderator: Thank you very much. On behalf of Clean Science and Technology Limited that concludes this conference. Thank you for joining us ladies and gentlemen, you may now disconnect your lines.