17.05.2024

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 Q4 and year ended 31st March, 2024 Earnings**.

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

Dear Sir/Madam,

In terms of the referred Regulation 30 read with Schedule III - Part A to the Listing Regulations, we are enclosing herewith the transcript of conference call on the Company's Q4 and year ended 31st March, 2024 Earnings held on 15th May, 2024.

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: 2024.05.17 15:36:06 +05'30'

Mahesh Kulkarni
Company Secretary

Encl: as above

"Clean Science and Technology Limited Q4 FY24 Earnings Conference Call"

May 15, 2024

MANAGEMENT: **MR. SIDDHARTH SIKCHI – EXECUTIVE DIRECTOR AND PROMOTER, CLEAN SCIENCE AND TECHNOLOGY LIMITED**
MR. SANJAY PARNERKAR – CFO, CLEAN SCIENCE AND TECHNOLOGY LIMITED
MR. PRATIK BORA – VICE PRESIDENT, CLEAN SCIENCE AND TECHNOLOGY LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Q4 FY24 Earnings Conference Call of Clean Science and Technology Limited.

We have with us on the call Mr. Siddharth Sikchi - Executive Director and Promoter, Mr. Sanjay Parnerkar - CFO and Mr. Pratik Bora - Vice President. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Siddharth Sikchi for opening remarks. Thank you and over to you, Mr. Sikchi.

Siddharth Sikchi: Good evening, everyone. I am happy to once again connect with you all to discuss the performance of our Company for Quarter 4 FY24.

Let me brief you on the business environment to set the context for the financial performance: We continue to witness progressive recovery across all the product segments. The recovery is primarily volume driven. In fact, we have recorded volume growth on annual and sequential basis during this quarter.

Coming to the financial highlights:
Starting with Q-o-Q comparison:
On Q-o-Q basis, we recorded 16% growth in sales. Increase in volumes contributed 23% increase to sales, while lower realization offsetted sales growth by approximately 7%. The product mix and geography mix remained steady during the quarter gone by. EBITDA increased by 14% to around Rs. 99 crores during this quarter, while EBITDA margin remained strong at 44%. Profitability increased by 20% to Rs. 75 crores during this quarter. Key highlight of the quarter was volume led healthy growth in topline.

We are also pleased to announce the Board has recommended final dividend of Rs. 3 per share, so the total dividend payout ratio increased to 21.4% for FY24 versus 17.5% from FY23. Led by strong focus towards cash conversion, the cash balance continues to be meaningful at Rs. 340 crores despite increased payout ratio and significant CAPEX done during the financial year.

Coming to Y-o-Y comparison:
On Y-o-Y basis sales increased by 4% from Quarter 4 last year against this quarter. Improvement in sales is primarily volume led. Sales profile is more diversified compared to last year with contribution from principal products being 76% during this quarter as compared to 84% during the same quarter last year. Same quarter last year, the RMC percent was lower, led by relatively higher end product prices. Accordingly on comparatively basis EBITDA de-grew by 6% to Rs. 99 crores.

On sales profile, the revenue contribution from Performance Chemical, Pharma and Agro Intermediate and FMCG segment was 67%, 19% and 13% respectively. Performance segment profile diversified with the addition of new HALS (701 and 770 in particular), however, lower realization impacted the growth. Pharma and Agro segment de-growth was Guaiacol led which recovered in H2, while DCC contributed positively to the growth. FMCG segment contributed positively to the growth. The newer segments, particularly HALS 770 and 701 continue to demonstrate sequential uptick quarter-on-quarter with volume led increase in sales by 40%, of course the base was lower.

To summarize:
On full year basis 16% de-growth in sales was realization led. In fact, rebound in volumes during H2 led to positive impact. Steady volumes despite destocking and global slowdown underscores the client stickiness and goodwill towards Clean Science. We are indeed grateful to our customers for placing their trust in us. Further new product contribution increased to 23% from 18.5%.

An update on the CAPEX. We have incurred the highest CAPEX in the history of Company of approximately Rs. 235 crores during FY24; this includes investment in subsidiary of Rs. 215 crores. During March 24, the operations at CFCL were commercialized, which is in line with our earlier guided timeline. Further, we have also set up a state-of-art pilot facility operating at significant larger scale which will further accelerate timelines for our new process commercialization. We are on track to commercialize the capacity for Pharma Intermediate by Q3 FY25.

CAPEX outlook. we are progressively positive on our trial runs for our new products under performance segment and we are in process of firming up next leg of CAPEX as we analyze more outcomes of these trial runs. We will announce the capital commitment accordingly towards the new projects in due course of time.

On ESG. We look forward to outline the ESG targets set by us for the next 5 years in upcoming annual report. We are on track to keep the emission levels, share of renewable electricity and specific energy levels, consumption levels within the target levels. We have commercialized 1.6 MW maiden rooftop solar plant at our new subsidiary Clean FinoChem Limited.

To summarize, the key highlights of the year gone by –
The decline in revenue during H1 was primarily volume led. Progressively volumes recovered during H2, in fact, volumes have surpassed during Q4. The sales profile diversified product wise and geography wise. Despite decline in revenue and product diversification, Company reported steady EBITDA margin of 43% for the full year FY24, which is in line with FY23. On CAPEX front, the commercialization has been within cost and time guidance. Thank you so much.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Rajesh Mangal Agrawal from Rajesh Mangal and Co. Please proceed.

Rajesh Mangal Agrawal: I am a retail investor and I want to know whether this CFCL is only our subsidiary?

Pratik Bora: Yes, there are 3 more subsidiaries, but those are non-material in nature.

Rajesh Mangal Agrawal: And in our presentation you have shown this investment, this investment pertains to the investment made in subsidiary, I think?

Pratik Bora: Yes, in the current asset, the investments are related to the treasury book and on the non-current side the majority is into the subsidiary.

Rajesh Mangal Agrawal: Just tell me one thing boss, in this investment in the financial year 31st March 23, we have shown this position at Rs. 281 crores and right now we have shown it as Rs. 292 crores and we said that we have invested Rs. 215 crores in this CFCL?

Pratik Bora: Yes, that is what it is.

Rajesh Mangal Agrawal: How this how this figure applies?

Pratik Bora: So that is what I referred to. Please see non-current investments or long-term investments then you will see the increase which is investment in the subsidiary. The number which you are referring to is the investment in the Treasury book which is shown in the current asset side.

Rajesh Mangal Agrawal: And this CFCL is commercialized in March 24 okay, so how much we expect the topline growth and EBITDA margin from the CFCL?

Siddharth Sikchi: These are futuristic statements, so we would like to avoid making such future statements.

Rajesh Mangal Agrawal: But being an investor, I think the Company doesn’t have any problem to give this guidance?

Siddharth Sikchi: See typically if you see our past record, this is as per our past record, our asset turn has been close to 2.5 to 2.7, so based on the investment which we have already made, hopefully in the next 2 years to 3 years, the topline should be closer to Rs. 800 crores based on the investments which we have already made this is again as per our past records.

Rajesh Mangal Agrawal: And what is the order in hand right now?

Siddharth Sikchi: We don't work like a long-term contract on these businesses. These are quarterly basis businesses or monthly basis businesses because primarily our first markets are Indian market where these UV stabilizers will be sold, so these are decided on monthly or on quarterly basis.

Rajesh Mangal Agrawal: But from this revenue mix by geography, I come to know that the Indian market in FY24 is only 36%?

Siddharth Sikchi: I was talking about only CFCL, about the subsidiary what you are talking about, the Clean Science as a whole.

Rajesh Mangal Agrawal: Your market is wholly in India?

Siddharth Sikchi: No, it is not only India but our first go to market is Indian market because there are huge imports of these UV stabilizers into the Indian market, so hence these are our first target markets. We have already started exporting to Europe, but we don't have these long-term contracts for these businesses.

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

Sanjesh Jain: First help us understand ex of HALS what has been the growth in volume for this quarter? I think that the whole point is to understand whether the underlying growth in the volumes shall remain strong?

Siddharth Sikchi: No, HALS is a small portion Sanjesh because it is just recently commissioned, but the other products which we have like the antioxidant say DCC or TBHQ these products which were running at lower capacities have now started picking up and are running at decent capacity levels.

Sanjesh Jain: So, the growth in volume is across the categories across the product?

Siddharth Sikchi: Absolutely for all segments, all products.

Pratik Bora: Sanjesh there is no one off in this.

Sanjesh Jain: Second, on the HALS just wanted to understand now that we have ramp up and there has been a visible growth, can you Siddharth talks a little bit on 770 and 701 because I think 770 was more an Indian product, 701 was more of an export product. How has been ramped up in each of these product, customer approval?

Siddharth Sikchi: So, let me start with 701, so again as I mentioned, this has variety of applications, but majorly is into water treatment chemicals. The major market remains out of India and fortunately for us because these are export products, there are large customers who have never bought from India before, so we have now I can say that we are approved with almost all the major accounts globally, that is one good news. Second, we have now started giving trial orders or commercial shipments to all our customers and I think over the next 3 months to 5 months-time frame, we should reach a decent volumes of about a 1,000 ton per annum basis, so that remains in 701. In 770 as I have said that gradually the Indian market should start picking up for us, which has happened a slower than as we had anticipated, but currently we have at least I think 50% of Indian market is now supplied by Clean Science and I think over the next 3 months to 4 months period, I think this number from 50% should become 60% to 65%. With our other range which are now starting within the next 3 weeks to 5 weeks-time frame, the confidence of customers that we have more products into the basket, the pickup in Indian market should gradually again increase and our endeavor is to touch 70% to 80% of the total Indian market for all these HALS. Regarding export market for UV 770 in particular, because that is the product which we have commercialized, we have already shipped material to Europe, Middle East now we are already in discussions with customers and distributors in North America for these entire UV range.

Sanjesh Jain: That is super helpful. Just couple of clarifications here, first on the 770, we are already 50% market in 770 that is what you said, right?

Siddharth Sikchi: That is what I said.

Sanjesh Jain: It is only for an UV application, or you are telling entire 770 as a product we are 50% market share?

Siddharth Sikchi: No, India was buying between 200 tons to 250 tons, we are already selling roughly 100 tons-110 tons a month now to Indian market, so on that basis I assume we are already at 50% market share.

Sanjesh Jain: Pricing how much discount it would be today to the imported pricing?

Siddharth Sikchi: Typically, this product discount of 2.5% to 3% because we give that advantage of not letting them stock the material. We can do just-in-time supplies which our competitors cannot. I mean the European competitors certainly cannot and even the Chinese cannot and small buyers who are buying between 3 ton and 5 tons they have to typically buy a full container from competitor whereas in our case they can only buy what they need. These are additional perks which I am offering along with 2% to 3% price discount.

Sanjesh Jain: Second follow up on 701 Siddharth, I thought earlier we thought it was Agro Intermediate and that is where the large demand was there for 701 and now water treatment is an additional market. Where are we in that Pharma Intermediate as a product for 701 or application for 701?

Siddharth Sikchi: That was PBQ. I mean, 701 never had any market in Agro, that was Para Benzoquinone which has agro application. 701 has a big market in water treatment and some Intermediates which companies make which they don't want to disclose to us.

Sanjesh Jain: One follow-up on 770 because we are already 70%-80% of Indian market that means we need to incrementally place our product in export. You did mention that European Union, Middle East, and North America are opening up, how do you expect that ramp up to happen? And second is that we earlier said that by end of March we want to see 200 ton per month, do you think you can exceed that with this kind of already sales coming in?

Siddharth Sikchi: See first of all, I said 50% not 70% Indian market, so we are already at 50% Indian market that is one correction. Number 2, export market typically takes a little longer because the approval process then appointing right distributors, stocking the material in USA, so USA could take a little longer though I would love that things should move as fast as possible, but touching 200 tons by next March should be doable. I don't think it is absolutely non-doable, but you will have to give me a 2 more quarters to see how export market picks up.

Sanjesh Jain: And just one last question before I join back the queue, it is more numerical in nature. The other expenses today at Rs. 41 crores per quarter have we reached the peak cost in terms of operational in all the plants commissioned or there is more cost which is yet to come in the coming quarter?

Pratik Bora: At Clean Science level, it is almost baked in because the capacities are operating at optimal levels.

Sanjesh Jain: And for the subsidiaries?

Pratik Bora: For subsidiary, the overhead absorption rate will increase as the operation scale up. We had just one month of operations.

Sanjesh Jain: That I got from the margin perspective that will play out from the cost perspective there is more cost which is yet to be recognized in the P&L? This is more from modeling perspective how to build the cost?

Pratik Bora: Yes, additional cost will flow in as the new plants also commercialize.

Sanjesh Jain: So out of 17,000 metric ton of HALS which we were looking at how much of that capacity has already commercialized? And how much is yet to be commercialized?

Pratik Bora: We will share that in subsequent calls, and it is not 17,000, it is 10500, which we had announced to exchange for HALS. Only 770 is commercialized and further new products we will announce in due time.

Siddharth Sikchi: So, the capacity is all installed, but we are taking one product at a time, so we take one product because these are large capacities, so establish it, let it work, then go to the second product rather than starting everything together.

Sanjesh Jain: That is fair enough, but just that one operational question all these plants are dedicated plants or multi-purpose plants because they are all from the same family, right?

Siddharth Sikchi: Absolutely dedicated line. See, the main Intermediates are common which are the basic starting materials for all the HALS, but the subsequent lines are dedicated lines because every process is a very different process. Now UV 770 is a three-step process, but UV 944 is a seven-step process, so the raw materials are absolutely different, despite being in the same family.

Sanjesh Jain: So how many initial steps are common or how large is your common facility for the feedstock?

Siddharth Sikchi: There are only 2 common feedstocks, one is called TAA, and other is called TMP. So, these 2 feedstock are common for all the HALS, they are basically the building blocks. So those capacities are upward of 10,000 tons-12,000 tons, so those have been operational now of course to whatever requirement we have, we are only running to that, but rest lines are all individual lines.

Moderator: Thank you. Next question is from the line of Parth Mehta from Vallum Capital. Please go ahead.

Parth Mehta: So just 2, quickly questions I have, one is that we have a higher inventory of absolute value and number of days, so just wanted to understand what has led to this increase and how do we plan on reducing this?

Pratik Bora: So, for inventory, as you rightly pointed out on value basis, is almost in line with last year. But as you would have noticed quarter-on-quarter there is increase in sales and Q4 was a best quarter for this year. That is why the inventory shows up a little higher number apart from that the WIP stock is also little higher otherwise raw material or finished good inventory is less than 30 days, so there is no price risk there.

Parth Mehta: And just another one if you can help me with the capacity utilization for our MeHQ and BHA?

Pratik Bora: We share segment-wise capacity utilization, product-wise we are not sharing, so for this quarter performance segment the utilization was close to 70%.

Parth Mehta: And the other two segments?

Pratik Bora: For this quarter, Pharma was also in that range while FMCG was a little higher close to 75%, which is for 4 MAP.

Moderator: Thank you. Next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: First, continuing with the discussion on HALS amongst the other products that you are supposed to launch while 701 is domestic focused, how are the other products they will be largely export focused or there will be a mixture?

Siddharth Sikchi: First 701 is export driven and 770 is domestic as well as export. The next products which we are going to launch probably in the next 3 weeks to 4 weeks are 622, 944 where they have both markets, I mean domestic as well as export, but of course because now people are now more in domestic markets, so of course the first point of sales would be from domestic markets. Following this would be 119 and 2020 again they are partly domestic, but largely exports.

Ankur Periwal: Since you mentioned 50% of 770 is already being captured by us, what will be the total size of India across, let us say these 6 products or 7 products that we are planning?

Siddharth Sikchi: 770, 622, 944 volume wise I think it should be closer to 350 tons, 400 tons a month I mean, put together everything about 5,000 tons per annum 5% to 6%.

Ankur Periwal: So, these will be, so to say the earlier or the low-hanging fruit for us, which could be sort of in the captured in the near term and exports as you mentioned will take some time for us to ramp up?

Siddharth Sikchi: Absolutely. Just a little point there see originally when we started 770 also it was a very tricky to convince, but now that customers also overseas have heard about us, so I think going forward for 622, 944, it should not be as uphill as it was to start with 770 because there would be same distributors, same customers buying these products as well.

Ankur Periwal: So which was my question as well, so distributor-led network is already in place, but the core product approval which probably the client will take, how much is that time typically?

Siddharth Sikchi: 3 months to 6 months.

Ankur Periwal: And pricing wise, you mentioned India discount is only 2.5%-3%, how are we placing let us say 770 or maybe 701 in terms of pricing globally?

Siddharth Sikchi: See 701, I think again the discount is less than 5% because the advantage we have is 701 is typically made by only the Chinese Company, so we are the first non-Chinese Company producing 701, so that gives us a little advantage. In 770, again, the difference delta which people are asking is about 5% max globally.

Ankur Periwal: Secondly, on the revenue mix here, you did mentioned on the FY24 basis we are give and take flattish on volumes on a Y-o-Y basis, if I look at specific geographies, China and maybe Europe has seen a sharper decline year-on-year. If you can help us, get some sense on how has been the volumetric growth or performance across the international markets, China, Europe, and US largely?

Siddharth Sikchi: See, we are seeing increase in Indian market because of new products, 770 in particular and also our Pharma Intermediate also our antioxidant for food and feed industry. Hence, Indian market is growing for us. Europe, North America has been very steady for us; of course, Europe in particular with the UV HALS sales picking up should slightly increase. North America has been flat because there is no new product which we have sold in the United States so far.

Ankur Periwal: So Europe, you mentioned on the existing portfolio, we are flattish year-on-year or there is a dip in terms of volume?

Siddharth Sikchi: This is a gradual increase for new products, but in terms of our existing product because of the client demand, there has been a slight reduction, so net it should be flattish.

Ankur Periwal: And Europe will be a bigger market for HALS?

Siddharth Sikchi: Yes, that is the hope.

Ankur Periwal: Lastly on the margin front, now given as we ramp up let us say HALS or the other products also which we have seen a pretty healthy recovery overall in terms of volumetric growth, where do you see margins stabilizing on a blended basis?

Siddharth Sikchi: See on blended basis as on today because there is stiff competition from China and see any time when there is a new entrant in the business there is always a stiff competition. Customer also want to discount us on pricing plus it takes a larger time for approvals. So on blended basis for this year we are not targeting more than 15% for the subsidiary, for the new products in the subsidiary which is namely HALS.

Ankur Periwal: So my question was more on a medium term, not immediately this year, but let us say 26 or 27 once a subsidiary also sees some ramp up.

Siddharth Sikchi: Then I think we should touch about the 25% margin.

Moderator: Thank you. Next question is from the line of Arun Prasath from Avendus Spark. Please go.

Arun Prasath: I was asking the other grades which you will be obviously scaling up the end customer is same or is it different?

Siddharth Sikchi: No same, so only difference is difference in quantity. So there could be a customer who could be buying bigger quantity of 770 and smaller quantity of 944 and there are other customers whose requirement of 622, 944 would be higher than 770, so the customer base remains more or less the same.

Arun Prasath: So which means that you already, once you tap 770, that is the reason you are confident that you will be able to scale this up faster?

Siddharth Sikchi: That is the hope and that is what we also feel that because when we started 770 people had not even heard about Indian producer and people were not confident of our qualities and supplies, but now that we have been successfully supplying over the past one year, so that confidence has increased dramatically. So, now when I launch the other range of products, it should not as difficult as 770 was.

Arun Prasath: What is the price difference of these grades with respect to say 770? How premium these grades are?

Siddharth Sikchi: Suppose 770 is $5, 944 should be $9, 119 should be about $10-$12, so these are all expensive, I mean 770 being the cheapest.

Arun Prasath: Our capacity I heard you that the Intermediate is common, but downstream to the Intermediate that is then TMP and TAA is different, but how fungible are these capacities? The question is if tomorrow if you want to increase more of the high value grades, will you be able to do it or you need to put further CAPEX to this?

Siddharth Sikchi: As on today whatever I have installed, at least if I am able to use for the next 2years-3years I would be more than happy.

Arun Prasath: Our guidance of 30-30-30% utilization over the 3 years that stands same?

Siddharth Sikchi: Yes that stands the same still.

Arun Prasath: So that means by the year end we should be seeing 5,000 tons of sales on annualized basis right?

Siddharth Sikchi: Year end by March, right, we should see about 3,000 tons.

Arun Prasath: Majority it is 770, it will be?

Siddharth Sikchi: Yes, to begin with, yes, you are right, but the others will also start.

Arun Prasath: My next question is on the mix. Domestic export mix during this year obviously, the domestic has done very well. We can see that in terms of value term also it is good 9% growth, but export as a whole has been 25% reduction, is it more because of the competition or mix? How should we think about this? And what how we should we think about that the recovery, recovery will be again swifter in this export market?

Siddharth Sikchi: So overall the domestic market increased because of these Pharma Intermediates which we have mentioned, FMCG chemical and hence in that proportion the export percentage has reduced.

Arun Prasath: It is mainly related to mix what I understand because your voice was not completely audible.

Siddharth Sikchi: Yes, it is a mix you are right.

Arun Prasath: And obviously there is because of the destocking in this year, our overall volumes the yearly basis will be lower, so if we have to assume that this will recover, what is the potential volume that we can see on this lower base in this year?

Siddharth Sikchi: Quarter 4, we have seen a lot of volume growth coming back. Now next volume growth for FY25 will all be from the newer plants and the new Pharma Intermediate which will start in quarter 3.

Moderator: Thank you. Next question is from the line of Jason Soans from IDBI Capital. Please proceed.

Jason Soans: So first question is just wanted to know the other expenses this quarter have seen a sharp jump, so any one offs or anything in that respect?

Pratik Bora: You are looking at quarter-on-quarter, right, the other expense?

Jason Soans: Yes.

Pratik Bora: It is basically the CSR expense, which was not there in the earlier quarter. The other is these new products which were commercialized, so these were incidental direct manufacturing expenses, but primarily it was CSR expense.

Jason Soans: From a 146 million it has gone to 226 million, so basically it is because of CSR and new product expenses?

Pratik Bora: You are looking at console numbers, right?

Jason Soans: Yes, that is right.

Pratik Bora: In that case it is subsidiary numbers which are related to incidental direct manufacturing expenses. I was earlier referring to the standalone number. CSR is not applicable for subsidiary.

Jason Soans: And sir, next question, just wanted to know, there is a domestic player who has started a capacity in our principal products. Just wanted to know what your view is in getting up to fend off this competition just?

Siddharth Sikchi: So far we have not seen the product, if you have seen please let us know.

Jason Soans: Just wanted to know, you did speak about the progressive volume growth, so just wanted to know in terms of is it more of a market share gain led growth or is it that the end user industry growth is coming back? What is the exact reason for this volume growth coming in?

Siddharth Sikchi: See I feel H1 was such a washout because of destocking and I think H2 was volume recovering I would not say that we have increased market share or anything I think the best to describe would be that we have recovered whatever lost volumes we had in H1.

Jason Soans: Sir overall on a year basis basically revenue has de-grown by around 15% to 16%, so volumes must be flat on an annual basis on a ballpark number?

Siddharth Sikchi: Yes, that is flat.

Jason Soans: Volume is flat, so 15% realization roughly okay. Sir just wanted to understand, sir, for Mequinol, I mean, I understand that it is used to the polymerization Inhibitor, but I just wanted to know from you that of course that is also using skin lightening as well. So in terms of our product, does it require a Pharma grade Mequinol or if we are able to cater to that market or are we already catering, does that increase the scope of Mequinol as such for our product? Or we don't cater to the skin?

Siddharth Sikchi: No, we are not catering to any skin customer because it says it is a skin lightening agent, but I don't think it is recommended maybe, but I don't have any skin customer since I don't have a Pharma license.

Jason Soans: You don't have a Pharma license for the MeHQ.

Siddharth Sikchi: Because nobody has asked us, ever.

Jason Soans: My question was just from the perspective that if we do cater to that and we already have an expertise in that, so then it might increase the scope of our product or help us add more revenue.

Siddharth Sikchi: I know, but what happens is sir, Wikipedia gives lot of usages, but in practical life these usages are not there.

Jason Soans: You did speak about HALS 770, you basically having a discount of 2.5% to 3% as compared to the imported products, so just wanted to know in terms of the other HALS products which you just mentioned, do we have a similar pricing strategy for those products as well, of course 2% or 2.5% to 3%?

Siddharth Sikchi: I think so, sir. We should follow the same trend. The 3% discount plus inventory saving for these guys should decent incentive for them to look at the homeland producer.

Jason Soans: And sir, you mentioned 5,000 tons demand per annum that you are only talking about the new HALS products, right, which you are going to introduce? The 5,000 tons demand for HALS?

Siddharth Sikchi: When I say HALS, this is all including everything all put together.

Jason Soans: Just one final question, just wanted to know, this Pharma Intermediate capacity which is coming in Q3 FY25, so what therapies or what Pharma application will be going into?

Siddharth Sikchi: Antiretroviral.

Jason Soans: Antiretroviral all of that, majorly going to antiretroviral?

Siddharth Sikchi: Yes.

Moderator: Thank you. Next question is from the line of Abhijit Akella from Kotak Securities. Please proceed.

Abhijit Akella: So first of all, just a clarification on this Pharma Intermediate CAPEX, last quarter we had mentioned that maybe the Rs. 100 crores CAPEX we could perhaps start in April or May. I think there we are now still in the evaluation stage, so is there a timeline by when we expect to sort of start working on these couple of Intermediates?

Siddharth Sikchi: Rs. 30 crores is the CAPEX for Pharma Intermediate which will start in Q3, an additional Rs. 150 crores CAPEX is based on the pilot runs which we are running as soon as we are successful the additional Rs. 150 crores CAPEX will be made and announcement will also be made for the same.

Abhijit Akella: The other one was just to clarify with regard to what we said about HALS the volume ramp up by end of March 25, we are expecting 3,000 tons or so of volumes from our end?

Siddharth Sikchi: Yes, that is the hope, 3,000 ton March 25, so about 1/3 of capacity.

Abhijit Akella: And then progressively scaling up over the next couple of years and we are targeting probably because of the unabsorbed overhead not more than 15% margins in fiscal 25, but as it ramps up to full utilization, we are looking at maybe around 25% or so?

Siddharth Sikchi: Absolutely, when we reach the peak plus when we get all the premium customers globally, then I think we should target about 25%.

Abhijit Akella: And Pharma business also, would it be comparable in terms of margin profile, the one that you are looking at?

Siddharth Sikchi: I think that would be better, much better.

Moderator: Thank you. Next question is from the line of Sujit Lodha from Birla Sun Life Insurance. Please proceed.

Sujit Lodha: So when you were referring to that, the pricing for HALS is right now 3% lower to competitors, what we understood that there is some import duty benefit also which you get, so is it adjusting for that or that benefit will remain, there is an import duty which is there on this product side?

Siddharth Sikchi: See there are some customers who buy against deal license, so in that case, we are adjusting the price and when it is duty paid again, we are adjusting the price. So we have two prices of UV 770 in India, one is for deemed export and one is for regular business.

Sujit Lodha: And how much is that duty, sir, this?

Siddharth Sikchi: 7.5%.

Sujit Lodha: Regarding the HALS products wherein you get into the higher value products product, does that mean your gross margins as a percentage also goes up?

Siddharth Sikchi: Yes, absolutely, because my fixed cost will also start coming down because as you are aware, it is a large block, so my fixed cost will keep coming down as my volumes ramp up start happening.

Sujit Lodha: No, I was talking about the gross margins. So the gross margin is also higher?

Siddharth Sikchi: Yes, gross margins will also be higher.

Moderator: Thank you. Next question is from the line of Rohit Nagraj from Centrum Broking. Please go ahead.

Rohit Nagraj: So first question is you outlined the Pharma CAPEX 30 and 150 depending on the pilot studies, similarly for Performance and the FMCG segment, are their CAPEXs lined up? Given that these capacities are also currently operating at 70%-75% utilization levels?

Siddharth Sikchi: Rs. 30 crores Pharma Intermediates, Rs. 150 crores Performance Chemical.

Rohit Nagraj: And FMCG anything?

Siddharth Sikchi: Not yet, sir.

Rohit Nagraj: The second question is in terms of HALS, again, when we are exporting, what is the value proposition that we are providing to the customer given that the customer is currently being served by the competitor, so is it only based on the pricing or anything else that we are looking at?

Siddharth Sikchi: Geographical advantage, we are non-Chinese, non-European.

Moderator: Thank you. Next question is from the line of Aditya Gupta an Individual Investor. Please go ahead.

Aditya Gupta: Broadly, for HALS like are we roughly in the range of the $9 per Kg that we had guided earlier or are we operating much below that?

Siddharth Sikchi: 7 to 8 now on blended basis, so 770 cheap, 944 is expensive, 119 is expensive, so on blended basis it is $8 you can assume.

Aditya Gupta: And the second question is the basic bookkeeping question the new Pharma line of products that we are going to add that is going to be in the subsidiary or in the parent Company?

Siddharth Sikchi: Subsidiary, now everything is in subsidiary now as we have no space in parent.

Moderator: Thank you. Next question is from the line of Hussain Bharuchwala from Carnelian Capital. Please go ahead.

Hussain Bharuchwala: Sir, we had a tax rate of around 10% in FY24, so what is your tax rate we can assume in FY25 for our calculation?

Siddharth Sikchi: Clean Science is 25% while Subsidiary is 15%.

Moderator: Thank you. We have our next follow up question from the line of Rohit Nagraj from Centrum Broking. Please proceed.

Rohit Nagraj: Sir in terms of our standalone business across the segments, what is your understanding in terms of pricing, whether the pricing are stabilized? And in terms of volumes also the inventory destocking was more or less come to an end given that we have shown volume growth? On these two aspects what is your understanding particularly from the exports market?

Siddharth Sikchi: In export now volumes we are seeing back. As on today I assume the prices will not go below these prices. These are the lowest prices for all the products in all the segments.

Rohit Nagraj: And just one clarification in terms of China, so we have been hearing generally that China has added the capacities over the last couple of years across different set of chemicals, so have you heard anything from a competitive point of view in our range of products?

Siddharth Sikchi: So, China, you are right that they have added in all capacities in all segments including Indians have also done that. In our range, I have not seen any Chinese in this particular range and hence our volumes have remained intact in the China market. Of course, there is always a conventional process which the competitor can take to produce our products and hence we have to keep pricing in a manner that we are still more competitive for the buyers to buy.

Moderator: Thank you. Next follow up question is from the line of Parth Mehta from Vallum Capital. Please go ahead.

Parth Mehta: Just one clarification you had mentioned that we have a capacity utilization of 70%-70% in Performance Chemical and Pharma and 75% in FMCG, so are we at the optimal level or is there any scope for better utilization in these segments?

Pratik Bora: In Clean Science, yes, we are at optimal levels (these are utilization levels for this quarter).

Parth Mehta: So, we do not have any scope for incremental volumes from our existing products?

Pratik Bora: Largely yes.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Siddharth Sikchi for closing comments.

Siddharth Sikchi: Thank you so much everyone to come and attend our Earnings Call and I hope we have been able to answer all the questions well. If there is any further questions, you can e-mail us so that we can clarify if there is any further doubt. Thank you so much for your time again.

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