August 02, 2024

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

Dear Sir / Madam,

Ref: Letter dated July 30, 2024, providing Audio link of the Analyst / Investors Meet

Sub: Transcript of Analyst/ Investors Meet held on Friday, July 30, 2024

In addition to Audio Link shared via letter dated July 30, 2024, please also find enclosed the transcript of the Analysts/Investors Call on the Un-audited Standalone and Consolidated Financial Results of Privi Speciality Chemicals Limited for the quarter ended June 30, 2024, held on July 30, 2024.

You are requested to kindly take the same on record.

Thanking you.

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

ASHWINI SAUMIL SHAH

Digitally signed by ASHWINI SAUMIL SHAH
Date: 2024.08.02 13:13:19 +05'30'

Ashwini Saumil Shah
Company Secretary

Encl: As above

PRIVI SPECIALITY CHEMICALS LIMITED

"Privi Speciality Chemicals Limited

Q1 FY'25 Earnings Conference Call"

July 30, 2024

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 30th July 2024 will prevail.

PRIVI SPECIALITY CHEMICALS LIMITED

CHORUS CALL

MANAGEMENT: **MR. R.S. RAJAN – PRESIDENT – PRIVI SPECIALITY CHEMICALS LIMITED**
MR. NARAYAN IYER – CHIEF FINANCIAL OFFICER PRIVI SPECIALITY CHEMICALS LIMITED
MR. SANJEEV PATIL – SENIOR VICE PRESIDENT, STRATEGY AND BIOTECHNOLOGY – PRIVI SPECIALITY CHEMICALS LIMITED
MS. ASHWINI SHAH – COMPANY SECRETARY AND COMPLIANCE OFFICER – PRIVI SPECIALITY CHEMICALS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Privi Speciality Chemicals Limited Q1 FY25 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on 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 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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Ashwini Shah. Thank you and over to you ma'am.

Ashwini Shah: Thanks Manav. Good evening, everyone, this is Ashwini Shah, Company Secretary and Compliance Officer of Privi Speciality Chemicals Limited. Thank you for joining us on the earnings call Q1 FY25.

On this call, I am joined by our Senior Management Team, Mr. R S Rajan, President, Mr. Narayan Iyer, Chief Financial Officer and Mr. Sanjeev Patil, Senior Vice President - Strategy and Biotechnology. We also have SGA, our Investor Relations Advisor on this call. I hope that everyone was able to review our financial results and investor presentation which were uploaded to the stock exchanges and on our company's website.

Mr. R S Rajan shall provide a quick overview on the company and recent development and Mr. Narayan Iyer will walk you through the operational and financial highlights. Post that, we will open the forum for Q&A.

I now request Mr. R S Rajan, President to take this discussion forward. Over to you sir.

R S Rajan: Thank you, Ashwini and good evening, to everyone and thank you all for joining us on the call. I hope that everyone was able to review our financial results and investor presentation which were uploaded to the stock exchange and on our company website. The aroma chemicals have shown remarkable resilience in the industry despite multiple external challenges.

Demand for the key products which we manufacture remains strong, underscoring the segment's stability and the essential role they play in the industry. The demand for same is primarily driven by a behemoth of FMCG and Fragrance brands. They continue to seek these chemicals to deliver distinctive sensory or olfactive experience across all the product tiers.

From mass market to premium, it plays an important role in lifestyle products in different shape and size of home and personal products displaying and serving a perpetual demand. We are India's largest and one of the world's leading manufacturer of aroma and fragrance chemicals.

As a trusted partner and prime supplier globally, we produce over 70 aroma chemicals used in everyday products like soaps, detergents, shampoos, hand washes and fine perfumes.

We also produce custom made aroma chemicals as per the specific requirement of the customers and we cater to the world's largest fragrance houses and a list of marquee FMCG companies. We are delighted to share that we have begun the year on a positive note with a strong revenue growth YoY for the first quarter backed by an improved product mix and capacity utilization of our key products. Our growth momentum underscores the team's efforts to penetrate new markets coupled with our long-standing relationships with customers across industries which give us an edge for same.

This resilience highlights our capacity to meet market need even in a challenging environment. Our greenfield expansion under Prigiv project a JV between Privi and Givaudan in Mahad is at an advanced stage of implementation and is expected to commercialize by Q3 FY25. We will manufacture over 40 products exclusively which will further strengthen our association with the world's largest FNF player and build up our muscle in those formulations.

The way forward we have outlined strategy for future growth under the exemplary visionary Mr. Mahesh Babani our CMD and are poised to implement them confidently in the coming years. These include further improving product mix operational efficiencies and focusing on new product launches to seize upcoming opportunities. We are making noteworthy progress towards sustainable growth and have undertaken numerous initiatives over the past five to six years to build a more robust ecosystem.

Now with these words I would like to hand over the baton to Narayan here. Over to you Narayan.

Narayan Iyer: Thank you, Mr. Rajan and good evening, to all fellow investors, shareholders and all the people who are joined for this earnings call of Privi Specialty Chemicals Limited. To give you a brief overview and a quick highlight with regard to the financial snapshot, the total income for Privi Speciality on a consol basis stands at around INR467 crores which is a growth of about close to 13% on a YoY basis as compared to June 23 numbers.

The volume for this quarter has been an impressive 10,672 metric tons as against 7,541 metric tons that was done by us in the Q1 of June 23. I'm very happy to inform all of you that this is a second quarter continuous where we have been able to maintain 10,000 plus tons of volume, keeping in line our growth plans and also the expansions and all the new products also coming into the foray and contributing to this volume of sales.

Breaking up this further into our segment wise, pine as a space, you know pine-based chemicals, aroma chemicals have contributed 59% of the total revenue. Musk and speciality chemicals contributed about 24% of the total revenue. Citral-based aroma chemicals in this quarter has contributed 9% to the total revenue. Phenol-based chemicals have contributed close to 8% and the balance is from the value-added products of around 1% or so.

The split amongst the exports and domestic have been 68% on exports and 32% on the domestic front. With the sales that was clocked, the company has made an EBITDA margin of close to INR97 crores, which is a growth of about 60% over last year and the margin percentage for this year has been about 20.8% and as compared to 14.6% of EBITDA margins, which was there in June 23. The PAT for this quarter is about INR31 crores, as against last year's INR5 crores in June 23 or so. So this is a broad snapshot of the financial numbers.

Giving some more insights into how the volumes have panned out for our existing products and some of the new products per se. Volumes for our existing products are increasing and most of our product units are now working at almost near optimal capacity. In 2024-25, we are looking to sell 100% capacity with regard to our main products like the Dihydromyrcenol, Amber Fleur, Pine Oil, Terpineol, so that we are in a position to keep our market share and propel the growth opportunities.

As far as the new products are concerned, Galaxmusk is doing excellently well and we have good order booking for this product, as well as spot markets have also been taking up this product and we are almost about 80 plus percent sold out on this position. In fact some other months we are at near optimal capacity of our production. Camphor once again is around sold predominantly in the Indian market and this season has been very good.

Camphor sales along with Isoborneol and Isobornyl acetate has really looked up very well and of course as informed in my previous investor call, the company is one more step in the process of obtaining the U.S. FDA and we definitely are poised to get the U.S. FDA by this year-end or so. And Prionyl, definitely it is making in roads and the capacities are slowly increasing. We do understand that Prionyl being a speciality product it will take some time to get to the full optimal capacity, but we are doing well, this product has been received well by most of the blenders and we expect this momentum to keep coming around in fact.

It's a strong performance, the margins as expected have been good, all the expenses are under control and in fact there have been some savings on some areas of the expenditure. So going forward also we expect the momentum to be continued and we maintain the growth trajectory and are in a position to continue delivering good sales along with good EBITDA margins and at the same time ensure that all the balance sheet items are also kept within control. On that note I would like to open the floor for questions from all the investors concerned in fact.

Moderator: Thank you very much. We will now begin the question and answer session. Participants present on the audio bridge who wish to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

We have our first question from the line of Sudhir Bheda from Bheda family office, please go ahead.

Sudhir Bheda: Yes, good afternoon, sir and congratulations on a very good set of numbers and the Q1 being a soft quarter, I believe the numbers are very well delivered sir, so congrats to the entire team. Thank you. Sir, my questions are, we have clocked one of the best margin in many quarters and year to year there is a 600 basis point jump in the margin. So can we believe that this margin of 20.8% or 21% is sustainable on the back of new launches and new products for the coming year as well as next year?

Narayan Iyer: Yes, thank you, definitely as it has been indicated by us, the management and by all of us on the call, these margins are there to stay and we are very confident of our margin levels as we talk about at least for the year 24-25 that we are in. We have a fair visibility with regard to the next two, three quarters performance and we have very good order booking positions, our raw materials are covered, our sales are there, so we expect this momentum to go about.

Clarity with regard to FY25-26, I will be in a better position maybe somewhere around closer to the December mark when we really know how the contracts pan out for the calendar year 25 and we also do some sort of homework, we have better clarity with regard to the raw material inputs and all. But broadly if the global outlook and, the global foray is going to be as it is, you can expect the margins to continue even in the year FY25-26.

Sudhir Bheda: Great, great sir. And what kind of volume growth do you project for this year?

Narayan Iyer: As indicated in my last call also, we expect a margin growth of about close to 20%, definitely. It could inch closer to the 25% also in fact.

Sudhir Bheda: The volume growth?

Narayan Iyer: Yes, that's right.

Sudhir Bheda: Great. Sir thank you very much for giving me the opportunity to ask this question and all the best.

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

Ankur Periwal: Yes. Hi, sir. Thanks for the opportunity and congratulations on a good set of numbers. First question on the strong volume growth that we witnessed in this quarter, just trying to understand if there are any specific products which sort of led this growth and from a geography perspective, any clarity there in terms of which has been the growth driver and wherein, if at all, there is any slowdown continuing?

Narayan Iyer: Ankur, product sale has been across all the segments. It's not specifically related to one particular product, but as compared to previous year where Galaxmusk was just introduced, so Galaxmusk per se, the sales in this quarter has been higher as compared to previous year, so definitely that is one product.

Because last year we had just launched, we did not have the contracts, we got the permissions in between the year. Secondly, all products across on the pine space, the phenol space, there have been a growth in the volume because capacities are now almost up to full and definitely Galaxmusk is an adding cherry. Camphor sales have also been there, which is, contributing to the growth on the volume as well as the value-based growth in fact.

And geography-wise, I'll say that more or less it is in tandem as what Privi does. In this quarter we have done 32% in India as against normal average of 30% or so. Europe continues to be about 33%. So, I cannot really say that one territory has overshot the other or so, it's spread across evenly.

Ankur Periwal: Sure, just to follow up on that, from a competitive intensity perspective, where are we gaining market share from, as in some specific industry or player or it is again, broad-based?

Narayan Iyer: So, the industry itself is growing at about 5 to 6%, so which we are talking about some other space, that is the pine and the musk. Most of these products are 20,000 plus metric tons, which are annually sold across the globe. So, we are definitely, making roads onto this growth.

And secondly, some of our competitors, we are in a better position to deliver quality products. Our customers are pretty happy with the services, the quality and on-time reach, the logistics that we have developed over the years. So, maybe some of the shares of our competitors are also being passed on by most of our valued customers. And that's the reason that you see our growth happening much better than the industry growth and some of the growth that some of our peers or competitors are showing.

Ankur Periwal: Yes, just last question. On the pricing side, we are still seeing a decline on an YoY basis, while our gross margins or EBITDA margins, either way, are at historically, highest levels. How should one look at, both of them, margins as well as your realizations going ahead? And if theoretically there is an improvement in realizations, can the margins surprise further on the upside?

Narayan Iyer: Okay, Ankur, a thoughtful question to answer one by one. Definitely, we have back-to-back arrangements with regard to most of the raw materials that was covered. And so, we very much was clear with regard to the margins that we are going to clock during this year. And that's why, we have given that forward-looking statement also. Going forward also, as indicated in my question to the earlier participant Mr. Bheda, definitely if everything looks the way it is, our margins should be well-maintained at these levels.

We feel, with regard to certain specific things happening around on the spot market, we are seeing definitely a trend that the prices on the finished goods are going up. And we are able to, get those additional sales value from the spot market because prices on some of the raw materials are slowly moving up. There have been some shortages happening around, you know, on some of the products. And this is definitely helping us to get some better volumes and some better realization as far as the spot market is concerned.

On the contracts, most of our customers are giving us the whole volumes. And that's the reason that you see that our volume, that we have been clocking around in both the quarters, whether it was Q1, whether it was Q2, and fairly well on the next two quarters. We can continue doing and perform the way that we have been doing in this year.

Sanjeev Patil: I wanted to add something. That's why I let Narayan complete that. So, there are factors which have contributed towards and which are secular in nature, which are resulting into the better margins. So, some of those are, first and foremost, operating costs have been now much better controlled because of multiple things. I will just illustrate a few of those. For example, we have now installed a very large and extremely efficient boiler. So, by virtue of that, we consume quite a lot of coal and energy cost is significant in our processing industry.

So, now, since we have a very efficient boiler, the cost of steam per kg of heat has come down. We have also installed multiple equipments wherein we are able to, capture whatever heat that is going out of the reactions and, use all of that to our benefit.

Long and short, what we're trying to say is that in terms of operating efficiencies, we have come a long way by virtue of which the margins are definitely gone up and they will continue to be at those levels where the prices could go up, prices could go down, but this would continue. That's number one.

Number two, on the yield, that is the kind of produce that you get per kg of input, we also have seen improvements and we continue to do that. So, in the last three years, we have improved that on our flagship products. Number three is that on our flagship products, including Dihydromyrcenol and Amber Fleur, by optimizing processes, we have improved our output, which is also contributing to higher margins. So, it is as a result of these factors that we are now able to see that the margins are definitely looking and are going up and will continue to stay where they are.

Obviously, if the prices do go up, it helps us in a simple way that the advantage remains the same in terms of raw material consumption. It covers our Indian overheads because our costs are all in Indian rupees. Those overheads are much better and that is the reason why you are seeing a steady trend in which the margins have slowly gone up.

Ankur Periwal: Thank you a lot. Thanks a lot, Sanjeev. Very helpful there.

Moderator: Thank you. We have our next question from the line of Sriram R, an individual investor. Please go ahead.

Sriram R: Thank you for the opportunity. So, what is the contribution of value-add to our EBITDA, absolute number or margins?

Narayan Iyer: See, value-added as a thing has been going up over the last two, three years. You would have seen on our presentation also, what used to be about 1% or so has slowly now gone up to about 4%. On that very, very absolute number, I will have to work that out, Sriram. So, possibly, if you could send in a mail, I will have more details and clarity with regard to what VAP contribution is on an EBITDA number, in fact.

Sriram R: No, I think by value-add, I am also including musk & speciality. So, the current 25% to your top line, right? I think that is about 25%, contribution to your revenue right?

Narayan Iyer: Yes. It will almost be almost on the same parity basis if you have to split the EBITDA, close to about 24% should be contribution from this area also, in fact.

Sriram R: So, the margins are not different between, musk and the other chemistry?

Narayan Iyer: See, as I said, musk and value-added that you are talking about the specialty, it is clubbed under one group. It could be a percentage or two, and that is the reason that I asked you that, if you could send in a mail, maybe I will be in a better position to give you exact numbers.

Sriram R: I am not looking for a breakup between value-add and musk. What I actually meant was speciality, which is, put together 25% of top line. I just want the number for your bottom line contribution.

Narayan Iyer: That is all put together. I really do not have it off hand ready, Sriram.

Sriram R: Okay. I will write to you. Thank you.

Moderator: We have our next question from the line of Nikhil from Perpetual Capital. Please, go ahead.

Nikhil: Hi. Thank you for the opportunity. Congrats on a great performance again. My first question is around, what is the current debt level at the end of Q1?

Narayan Iyer: Total, you want to know. Okay. On a standalone basis, it is about INR868 crores. On a consol, including Prigiv, we are at about INR992 crores. Okay. Okay.

Nikhil: And secondly, I think Sanjeev already sort of touched upon that point. But what I have observed is your other expenses in terms of per ton has come down drastically. It was around, let's say, close to INR70,000 odd rupees per ton last year, versus now it is at INR50,000.

Sanjeev Patil: That is a very good observation. And that is what I have covered, in my earlier presentation, that our expenses have been controlled. And it is not just, containing the expenses, but it is increasing the efficiency, which is what we have been doing for the last three, four years, usage of very high and novel technologies across. So, I welcome you to come to our factory, we will, showcase to you what all we do in terms of reducing our power cost.

For example, now we also started using solar power, for our largest utility too. So, solar power not only adds green points benefit for getting things like ecovadis gold, but it also saves cost, because solar power is about three and a half rupees cheaper than the power that is sold by electricity board. So, that is how through all these steps we got the cost under control and reduced costs.

Nikhil: Thank you. Got it. So, Sanjeev, sorry, just a follow-up on this one. So, despite freight moving up significantly post the Red Sea crisis, I mean, I was sort of surprised to see these margins, so, how are you all controlling other expenses despite that?

Sanjeev Patil: Narayan you have to add something.

Narayan Iyer: Definitely, there has been, a better negotiation with most of the freight forwarders and logistics in this quarter as compared to immediate earlier quarter where Red Sea was at its peak issues in fact. So, we have been able to, to some extent negotiate and bring down the prices with most of the sea freight and freight forwarders. And hence, you will see a saving happening around on my other expenses front. Because I do believe that, on a comparison between the earlier quarter and this quarter, this has definitely helped us save some amount, some cost, both on the imports as well as on the exports.

So, good work happening around. And definitely, we have been trying to also push and see the Red Sea effect. Some of our customers have also allowed to pass on some additional freight cost which is being charged to them and try to recover to some element in fact.

Nikhil: Next question is around, when I see geographically, India is sort of leading the growth along with rest of Asia. But what I also see is Givaudan has seen the strongest growth in Latin, which was an area that you highlighted last year where you'll don't want to focus much because of, I think, it was around payment days or concerns around that. So, do you want to start refocusing on that region now?

Narayan Iyer: See, we are doing our best to ensure that those customers who are in a better position to pay us upfront or where they are in a position to open up with solid banks through US, we have been selling through our Privi US office which is our subsidiary in fact. There has been a little slight growth which we have witnessed in the Latin American continent as compared to some of the earlier quarters in this quarter. So yes, we are always looking for ways and means of increasing the sales in all geography.

Latin America definitely is looking up as we speak in fact. And some of the countries have also made some sort of an understanding with regard to the dollar availability and they have made some sort of a schedule as to how the government is ready to pass on this dollar on various number of days. And this is that our business development head is taking a call and we are trying to increase the sales and push up in the Latin American markets in fact.

Nikhil: Got it. So next is, I think you also pointed on increasing pricing for a few finished goods and which sort of because of higher raw material prices. How do we look at the spreads on camphor going forward? I think prices have started moving up but since you are backward integrated does that start adding to margins?

Narayan Iyer: It has already started adding margins, Nikhil. And definitely we have that advantage of the backward integration. And you know, God willing, the main season actually starting from this period July onwards where India consumes a huge amount of camphor. We are in for a good season in fact.

Nikhil: Got it. So next is on Privi Fine. You all announced an acquisition last month. So when do we see, when do you all expect the integration of this within Privi Speciality?

Narayan Iyer: Nikhil, you will have to wait and watch. We are still in the process of obtaining the shareholders' permission and the postal ballot is on. Too early for me to comment anything. Keep our columns being watched very closely and monitored. We will be announcing it as and when things develop.

Sanjeev Patil: After the shareholder approval is received, we already have a plan to integrate everything. So that going forward we are able to optimize on the cost also. Work on the synergies between the two organizations and optimize the cost as well and seamlessly implement it. We are waiting of course for the shareholder approval to come in which I think 12th August is the day. So after that, we will be share more details.

Nikhil: So last question from me. It's more on the capital allocation and the capability. I am just taking the menthol project as an example here. So I believe that the main feedstock here will be sort of a side stream. You will be using the side stream of one of your existing product or process. So how do we look at incrementally let's say in 3 to 5 years from here, how do we look at the return on capital employed and margins of the company? Does that move up significantly or it stays within the same around the same levels?

Sanjeev Patil: So margin, as you have very rightly studied that the menthol has been made based on the side stream that we get from CST as well as GTO processing. And therefore, it will be value of addition into the overall profitability.

And you will find that over the next 3 to 4 years, of course it takes 18 months to implement the project. So let's say if you look at a 3 year scenario, you will find that about 200 to 300 odd basis point increase in the return on capital employed and also corresponding return on equity also will increase. So obviously these projects will only help company to utilize its capital better and provide better returns.

Nikhil: Okay. Perfect. Perfect. Thank you so much.

Moderator: Thank you. We have our next question from the line of Tushar Vasuja from Yogya Capital. Please go ahead.

Tushar Vasuja: Okay. So thank you for the opportunity, sir. My first question is what's the utilization right now?

Narayan Iyer: It is upwards of 85% in fact.

Tushar Vasuja: Okay. I think you mentioned something about spot markets before so I just want to know how much percent of the revenue is from the spot market and how much of it is it from long term contracts?

Narayan Iyer: Okay. Normally our contracts are about 65% and about 35% is for the Indian markets and the spot market because Indian markets normally believe in not giving very, very long term orders or something. So you know most of the Indian customers would be giving orders on a monthly basis or place an order for two months or three months. So the balance 30%-35% is more with regard to these markets and 65%-68% is more on the contracts in fact.

Tushar Vasuja: Okay. And so I am a bit new to your company and this industry so I apologize if my understanding of the pricing dynamic is not up to the mark but as mentioned by the previous participant that your margins and realizations are at a historic peak right now so how long do you see these conditions lasting for?

Narayan Iyer: As informed to all my other two or three investor people you know we have very, very fair visibility. With regard to our margins you know sustaining this over at least for the next one year or so. And as also Sanjeev was trying to explain you know we have done a lot of improvements internally with regard to some of the ease to be improved some of the processes that need to be covered, some of the cost saving measures that we have taken. With regard to you know implementing the solar projects getting briquettes for the boiler consumption and boiler use streamlining most of the vacuum pumps and the pipeline connections and all.

All this you know is really giving us the returns we have spent and we have invested a huge amount in capex ensuring that these things start giving us desired results. And now that we are in almost full capacity utilization of our existing products and the new products have also started realizing revenue you are able to see all that transpiring into better margins. So you know if things continue the way and with all these improvements happening around you can expect Privi to continue to have these margins for a much longer period and maybe even improve as we go about it.

Sanjeev Patil: In addition to that you know what happens is if you see just the previous question was about renewable elements also it is being made from the side streams. So, for example, when we buy CST from the European source, we get a lot of – I mean about 20% material which is not used for making aroma chemicals. So, it can be sold as a solvent at about INR100 or something like that. But if you use that and you make renewable elements, there is a lot of processing of course, but then the margin increases. And that is how we have been looking inward the last six or seven years.

We started with products like 1-8-cineol and others, then we went to a product like Terpen-4-ol, and then subsequently last two years we have done products out of our musk category. So, all these efforts are looking at internal ways in which we can improve the cost and we can bring down the cost, make us more profitable, and that is how we add the value to various streams. Going forward margin will become more and more sustainable and robust.

Tushar Vasuja: Thank you for the elaborate answer. I have just one last question. I know it is not in the execution timeline yet, but on Privi Fine Sciences, so let us say the acquisition happens. So, how would it affect your top line and margins?

Narayan Iyer: As indicated and as also Sanjeev has informed, our request is that we will have to wait for a little while more. Maybe we will come back with all the details. It is too early and it is not appropriate that we really answer that before we are really mandated by the public and the shareholders to go ahead.

We will come with a complete fine print and blueprint. And quite a few things we have already put in our presentation and our website on the main parent company also. So, as things pan out, you will come to know more details. So, my sincere and humble request is just to bear for a little while more.

Tushar Vasuja: Fair enough. Thank you for answering all my questions. Thank you.

Moderator: Thank you. The next question is from the line of Jay Shah from JS family office. Please go ahead.

Jay Shah: Congratulations on a great set. I want a couple of questions I had on the business side. So, firstly, coming to the backward integration that we have done now with CST as well as Pinene that we can use to make our products. So, how is it that the company answers production as to when to use which RM?

Sanjeev Patil: So, can I answer that? Or okay. You have some other question.

Jay Shah: Yes. And would it in any chance affect our yield or, even the productivity in any which way?

Sanjeev Patil: We have been doing CST processing for now last almost 10 years. So, we, in the beginning of the year, we have a good idea as to what is our product mix. On a monthly basis, we plan the raw materials which are required, okay, Alpha pinene, Beta pinene, and also what quality of Alpha pinene we require, how much sulphur we have because if you have to make Dihydromyrcenol, you require a particular quality of Alpha pinene.

If you have to make other products, it requires slightly different quality of Alpha pinene. So, we have that clear visibility on a quarterly basis which we keep on rolling every month. And based on that, we optimize our plants and, feed based, whichever is the right constituent in terms of either the U.S. CST or the European CST so that we get the optimal output. And we also use, we also do gum turpentine oil buying on an opportunistic basis.

So, if we feel that the markets are weak, prices are low, we buy that as well. And because that conversion is faster and easier, so we use that as an opportunistic buying. And based on that, we have a very clear idea as to what will be our feedstock cost in a sense, Alpha pinene cost or Beta pinene cost or Beta. So, all of that, we have fairly good idea for a period of a quarter or two quarters. And that's how we work on this whole thing. And we ensure that none of these ever affect our either yields or all the processing costs.

Jay Shah: Okay, that's great. And so, second question, as you just previously mentioned that we are already at 85% capacity utilization on a blended basis, then, is it something that we have any more capacity that is coming on stream in maybe second half of this year or next year, so as to, meet the incremental demands?

Sanjeev Patil: Yes, good question. So, what we are trying to do is, we do a lot of innovation of processes, where in, for example, if I have a particular set of reactors and equipments, distillation columns and all that, and if I am operating on a batch basis, so batch basis versus, let us say, I convert those into continuous basis. So, in a continuous system, at the end of every batch, the reactor cools down, then I again hit the reactor and all that.

Against that, if I am doing everything on a continuous basis, then I'm able to extract more output from the same set of equipment with obviously some additional equipment here and there. So, that is what we have been doing over the last about 4 years or 5 years. And that's how we are steadily increasing, the capacities of our flagship products, like the Dihydromyrcenol, or Amber Fleur, or Pine oil, example of that.

So, that's what we keep on doing, and we are continuing to do that, because each product has four or five manufacturing steps. So, you start with making the first one continuous, then the second, then the third. So, that journey continues, and it not only gives us the higher output, but since it is continuous, therefore, as you know, when you drive a car on a highway, in the fifth gear, you get the highest mileage.

So, similarly, when you are running something on a continuous basis, it consumes the least amount of energy, because you have to only maintain the losses of. So, that's how, the yields, I mean, the costs also keep on increasing. So, this has been our focus, as guided by Mr. Babani. We do that, and we have a very good engineering team, which has helped us in implementing these things.

Jay Shah: Thank you so much. And then, this last question. So, because the nature of our business, and especially our products, is such that, in our customer's end product, basically, we are not less, more than 2% to 3%, or at the max, sometimes 5% of the total product. So, if I have to see strategically at Privi, what would be the management strategy to eventually reach, a good INR3,000 – INR 4,000 crores, or whatever, it's amount of top line, because, for us, volume growth, beyond a point, from the same customers, would also start off, plateauing.

And it's not that, we can continuously take on price increases, and we are not, like, a complete commodity player. How is it that we would transform ourselves from a INR2,000-odd crores company to a INR5,000-odd crores company?

Sanjeev Patil: Okay. Good. The answer is a bit long, but I'll highlight a few things that you must appreciate. First and foremost is that there is a volume demand for various products. If you look at the Annual Results of multinational FMCG companies, like Levers, if you take, the last 4 quarters, they have been growing, and even 2% growth at Levers level, it results into substantial demand for ingredients like what we make. Okay. So, that's the first driver for growth, number one.

Number two, second driver is that we are able to get, when we introduce, for example, how did we get to 85%, 90% capacity utilization for our new products like Galaxmusk, or for Camphor, or for Prionyl. That is because the customers have a significant level of comfort in dealing with Privi, and one factor that I think we beat everybody is our sustainability, and we bring zero liquid discharge and all of that. So on those counts, we are rated extremely high. On quality, of course, we are very good, but on sustainability scale, we are immensely high, and which is what is, resulting in customers preferring Privi.

So, that's how we will have steady growth in our existing products. Then we are introducing the new products, which will see the revenues climbing up over the next 3 years, and after that, as Narayan said, we will wait for the customer, the shareholder approval to come in, but after that, that is when the Privi Fine Sciences come in, and as a result of all these things put together, integrated, we see the entire growth going to the number that we talked about INR5,000 crores.

Jay Shah: Thank you for answering all the questions, and all the best.

Moderator: Thank you. We have our next question from the line of Suraj Malu from Catamaran. Please go ahead.

Suraj Malu: Sir, can you please share the volume split across the segments, across Pinene, Musk, Citral, Phenol?

Narayan Iyer: Yes. I'll just reiterate and give it. It is there in the presentation. It has been uploaded on our website as well as on the presentation, but broadly to just tell you on this call, Pine as a space for this quarter has been 7,065 metric tons. Phenol has been 1,408. Citral as a segment is 443 tons. Musk in speciality is 1,482, and value added is about 274 tons totalling to 10,672 metric tons of sales.

Suraj Malu: Thank you, sir.

Moderator: Thank you. The next question is from the line of Krishan Parwani from JM Financial. Please go ahead.

Krishan Parwani: Yes. Hi, sir. Congrats on good set of numbers. Just two clarifications from my side. So, I know you also highlighted the volumes, but just wanted to understand what is the utilization level of our new products that is Camphor and Galaxmusk in this quarter?

Narayan Iyer: It's been upwards of 85%. That's what I'm saying that Galaxmusk and Camphor have really done very well, and we expect in this quarter that it could be almost at 100% capacity as we talk about. The markets are looking good. We have got good order positions. Spot markets also we have been able to sell. So, you can expect almost close to 100% utilization going forward.

Krishan Parwani: So, basically, there is some headroom in these products, and besides this, I think in the presentation you have also mentioned Prigiv would be, let's say, a growth driver for us from third quarter of this financial year. Is that correct?

Narayan Iyer: What we have mentioned in the presentation is that Prigiv will start its commercial production from third quarter, more likely the fourth quarter. It's not really going to thrust a growth or so. We will grow. It will also add to our growth contribution. That's what we are trying to suggest.

Krishan Parwani: Yes, I mean, not a meaningful, but at least there could be some growth from these products. Absolutely…

Narayan Iyer: Absolutely. Yes.

Krishan Parwani: I've got your point, sir. Thank you and wish you all the best for the coming quarters.

Narayan Iyer: Thank you very much.

Moderator: Thank you. We have our next question from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

Vignesh Iyer: Congratulations, sir, on a great set of numbers and thank you for the opportunity. I was a bit late for the call. So, if my question is a repeat to your earlier answer, I apologize for that. So, I just wanted to understand what... So, we had two back-to-back strong quarters when it comes to the volumes that we have delivered. What is the utilization that we might achieve from our existing capacity by end of FY '25? Is that number in mind?

Narayan Iyer: Yes. Definitely, it is more in line with what we had suggested at the beginning of the year. We should be achieving an overall growth in terms of volume as compared to what we did in the previous year, upwards of 20%. It could be even 25% if there is going to be a good strong calendar year '25 also. So, we are very clear.

We are very focused. We have clarity with regard to our sales happening around in the next couple of quarters and more so the next four quarters. We feel growth is going to be there. In fact, momentum will be there and Privi should be in a position to deliver good numbers in fact.

Vignesh Iyer: So, if I get it right, you said 20% to 25% volume growth. That's right?

Narayan Iyer: That's right.

Vignesh Iyer: Okay. Right.

Narayan Iyer: That's what you asked, right?

Vignesh Iyer: Yes. So I just wanted to volume…

Narayan Iyer: So, 20% we have clarity. It could be more like 25% also as things pan out, markets are good as it is now. We can also possibly try to achieve that.

Vignesh Iyer: Absolutely. How has Camphor price spanned out in the last three to four months? How is the trend? If you could let us know.

Narayan Iyer: Camphor prices have shown an increasing trend. At least in the last one, one and a half month, it has been showing an increasing trend in fact. And we expect this trend to continue, momentum to be there. And it is good for all Indian manufacturers of Camphor, I'll say that. So, definitely it will help us as well as the Indian manufacturers to really get an improved sales, both in terms of volume as well as the value.

Vignesh Iyer: Okay. So, can you just put a number to that? I mean, what would have been like the percentage price rise that I've seen in Camphor in the last one, one and a half month?

Narayan Iyer: Last one, one and a half month, we have seen close to about maybe 7% to 8% or so in fact.

Vignesh Iyer: Okay. Okay. Right. And so, coming to...

Sanjeev Patil: As the season comes in, because it's a highly seasonal products and as the season comes in, next three days, it will start to go further.

Vignesh Iyer: Right. Right. Understood. And we have done a 21% margin in a relatively weak quarter, right? So, what would be our guidance for the entire year, FY '25 on the margin side of it?

Narayan Iyer: See, margins will remain at this level. It is more like the volume growth that should happen around. So, it is comparatively a weak quarter. We expect this weak quarter, the volumes to improve as we keep going about. Margin more or less should be at these levels. Maybe a little bit improvement can happen if volume improves, the fixed cost gets apportioned over a larger volume.

Vignesh Iyer: Absolutely. Right. The operating leverage comes into play.

Narayan Iyer: That's right. That's right.

Vignesh Iyer: That's all from my side and all the best.

Narayan Iyer: Thank you very much. Okay. I've been informed by SGA that there are a lot of participants, so I restrict all my fellow investors who are asking questions. So, please restrict only to two questions. So, it's my sincere request so that everyone gets an opportunity. Next question, please.

Moderator: Yes. We have our next question from the line of Siddharth Jain from IFC. Please go ahead.

Siddharth Jain: Congratulations on the number, sir. So, I have two questions. One is on the solar power project wherein the company has invested 26%. So, if you could add some color to that and the potential impact on the margins. And second question is on the working capital intensity. So, we have seen over the last three, four years the net working capital day to be in the range of 150 to 170 days. So, how does that stand out in Q1?

Narayan Iyer: Okay. Solar is an investment. As you know, we have done an SPV, a Special Purpose Vehicle thing and our contribution has only been 26% of the equity and all the debt is on that thing. So, it's a fantastic proposal as far as I know Privi is concern. This quarter also we have been able to get a savings of close to INR2 crores on the overall power cost because the arrangement is that for 25% of the unit to power consumption, we get a savings of INR2 per unit. So, broadly, the saving that has got panned out in this quarter is close to INR2 crores. It should be about INR1.98 crores or something of that sort.

Second, with regard to the working capital cycle, yes, there has been an improvement from the 150 to 170 days. We are close to in this quarter from in a moved down from 155 in the previous quarter to this quarter of about 147 days on a consol basis. And we expect to move around as indicated in the last call also. We expect, we could be at on 135, though it would be great if we are able to do 130.

Siddharth Jain: Got it. And just one last thing, if you could also share the split between new products and existing products from a sales value, like out of those INR467 crores, what is the sales value split across the two?

Narayan Iyer: I do not have exact details off hand. So, my request is if you could just email to me your question, I know I will be in a better position to answer the split between old and new products. So, you are asking me on the sales of Galaxmusk, Camphor and Prionyl. Is that the split that you are looking at?

Siddharth Jain: Correct.

Narayan Iyer: Okay. I think I have not kept that offhand ready. I will try to pass it on to you. Request is to send me an email, please.

Siddharth Jain: Sure. Thank you.

Narayan Iyer: Thank you

Moderator: Thank you. Ladies and gentlemen, due to time constraints, that would be the last question for today. And I would now like to hand the conference over to the management for closing comments.

Ashwini Shah: Thank you, Manav. Thank you everyone for joining us in this earnings call. We appreciate your time and showing interest in our company. The ethos of this organization revolves around the key core values which has been embedded over the years. This is not an effort of four or five people, but a dedication, hard work and sweat of thousand plus employees who are creating a building block for the organization at the ground level.

On this forum, I would like to thank each and every member of Privi for their share support, trust and dedication. The organization is governed and managed by professionals who are having more than an average of 20 years of experience with requisite qualification and their domain expertise. The entire team continues to work on creating additional growth opportunities on the waste to value journey. As you walk and live through each day, aromas from Privi touch your life with fragrances that create memories.

We will maintain our growth momentum without compromising on our core values and quality. We thank everyone again. In case of any queries, you can get in touch with us or SGA, our investor relation advisors. We look forward to meeting all of you over the next call. Thank you.

Moderator: Thank you. On behalf of Privi Speciality Chemicals Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.