Date: 09 August 2023

Ref. No.: TCPCL/SEC/2023-24/00044

To,

The General Manager,
Corporate relationship department,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai-400 001
Scrip Code: 543321

The Manager,
Listing department,
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block-G,
Bandra-Kurla, Complex Bandra(E),
Mumbai-400 051
Scrip Symbol: TATVA

Subject: Transcript of Earnings Call

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended, please find enclosed herewith the transcript of the earnings call held on 04 August 2023 post announcement of financial results of the Company for the quarter ended 30 June 2023.

The above information shall be made available on Company's website of at www.tatvachintan.com.

This is for your information and records.

Thanking You,

Your Faithfully,
For Tatva Chintan Pharma Chem Limited

ISHWAR RAMANBHAI NAYI

Digitally signed by ISHWAR RAMANBHAI NAYI
Date: 2023.08.09 20:46:45 +05'30'

Ishwar Nayi
Company Secretary and Compliance Officer
M. No.: A37444

Encl.: As above

"Tatva Chintan Pharma Chem Limited
1QFY2024 Earnings Conference Call"

August 04, 2023

ANALYST:	**MR. KUMAR SAUMYA - AMBIT CAPITAL PRIVATE LIMITED**
MANAGEMENT:	**MR. CHINTAN SHAH – MANAGING DIRECTOR– TATVA CHINTAN PHARMA CHEM LIMITED** **MR. ASHOK BOTHRA – CHIEF FINANCIAL OFFICER – TATVA CHINTAN PHARMA CHEM LIMITED**

Moderator: Ladies and gentlemen good day and welcome to Tatva Chintan Pharma Chem Limited's Q1 FY2024 Earnings Conference Call hosted by Ambit Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kumar Saumya from Ambit Capital. Thank you and over to you Sir!

Kumar Saumya: Thank you Nirav. Good evening, everyone. Thank you for joining us on Q1 FY2024 earnings conference call of Tatva Chintan Pharma Chem Limited. From the management side, we have with us Mr. Chintan Shah, Managing Director; and Mr. Ashok Bothra - Chief Financial Officer. I will now hand over the call to Mr Dinesh Sodani, GM Finance for cautionary statement and to the management for their opening remarks post which we will open up for Q&A. Over to you Sir!

Dinesh Sodani: Thank you Kumar. Good evening, everyone. On behalf of the management, I am pleased to welcome you all to TATVA CHINTAN's earnings call to discuss Q1 FY2024 result. Please note a copy of all our disclosures is available in the Investor Section of our website as well as on the stock exchanges. Anything said on this call which reflects our outlook for the future or which could be construed as a forward-looking statement must be reviewed in conjunction with the risk that the company faces. Now I shall hand over the call to Chintan Sir for his opening remarks. Over to you Sir!

Chintan Shah: Thank You Dineshji. Good evening, everyone and welcome to Tatva Chintan's Q1 FY2024 earnings conference call. We declared the results today and I believe you have got a chance to review the results as well as the investor presentation uploaded on the stock exchanges as well as on the company's website.

FY23 was definitely a challenging year. It would be prudent to be critically watchful in FY24 as well, as the year has started with loads of new challenges - Recessionary pressure in Europe, weaker global demands, dropping prices, increasing financial costs which has pushed companies into cutting down the inventory pipelines which is further hampering the demand, pricing pressure and very recently the US Sovereign rating downgrade. Despite of being in such testing times, TATVA CHINTAN expects a year of decent growth and also quite exciting as few of our product developments are getting into commercialization during current year. I am pleased to inform you that TATVA CHINTAN has begun this financial year on a quite satisfactory note. It is pretty much in line with our expectations, and we expect the improvement to gradually continue over the coming couple of quarters. The year has started with better take-off and also a favorable product mix which has translated into better numbers for this quarter. During this quarter, the company has reported revenue from operations of ₹ 1,144 million, a growth of 29% YoY from ₹ 884 million. EBITDA during the quarter was at ₹ 213 million, a growth of 40% YoY from ₹ 152 million. EBIDTA margins were at 18.7% v/s 17.2% in Q1FY23. The inventory (other than spares and packing materials) at consolidated levels have come down by nearly ₹ 125 million from ₹ 1,325 million as on March 2023 to ₹ 1,200 million as on June 2023. From the March, 2023 inventory of WIP & Finish Goods, we consumed nearly $2/3^{rd}$ of it during the quarter.

Interest costs continue to remain high largely on account of increased benchmark rates. The last scheduled repayment of existing term loans is in Q1 of next year. Our Employee costs has increased on account of new recruitments for our expanded facility at Dahej and we are still adding more headcount during Q2. The logistic costs have steadily reduced to realistic levels which has come as a breather. Also, the price reduction in chemical space seems to have lost pace and the prices have begun to stabilize since few weeks.

I am quite happy and in fact proud, to inform you that we successfully commenced commercial production from the newly expanded facility at Dahej SEZ. With this the installed reactor capacity increased to 500 kilo liters from 294 kilo liters and assembly lines increased from 27 to 39. We expect gradual increase in capacity utilization and reaching to the tune of 80% utilization within next year.

Now, let me highlight the segment-wise performance.

PTCs have registered revenue of ₹ 316 million in this quarter, contributing ~28% of the revenue. The offtake in PTCs is stable. We continue to work on new opportunities in this segment and we see a quite steady demand growth.

Electrolyte Salts have registered revenue of ₹ 13 million in this quarter, contributing ~1% of the revenue. The two new customers are progressing well towards commercialization. After successful Lab scale approval on Electrolytes solution, we are working towards implementing the piloting successful. Though quite challenging, we are confident to achieve the desired quality levels within this quarter. The off take from one of our large customers which was on hold, has resumed from June and we expect increased volumes to begin in Q3. We maintain that FY25 will be the key turning point in this segment and shall see robust growth over few years due to exponentially growing demand of energy storage systems.

Pharma and Agro Intermediates and Specialty Chemicals have registered a revenue of ₹ 310 million during the quarter, contributing ~27% of the revenue. After loads of struggle on various fronts, right from equipment to catalyst, I am extremely happy and proud to inform that we have overcome all the obstacles and are now starting the piloting of Monoglyme on continuous flow basis. Also, the commercial supply of products in area of metal extraction are starting from this month.

The plant scale production has been running very steadily for our second product on continuous flow basis. We are preparing the material for full scale plant trial material for the customer which we expect to begin commercial supplies in Q4.

We are producing plant scale trial material for yet another product and are schedule to supply in next month and post qualification expect to begin commercial supplies in Q4.

We are working on three new pharma intermediates. Currently we have ongoing plant scale production of two products going to the customer for validation. Post successful validation, we expect the commercial business to being in early 2025.

The development work on the important base material for multiple agrochemicals on continuous flow basis has progressed extremely well. Also, the work on downstream 2 different products is progressing well.

Besides this, we have 3 other active development projects on continuous flow chemistry and two projects on Electrochemistry.

SDAs have registered a revenue of ₹ 496 million during this quarter, contributing ~43% of the revenue from operations. For the new large potential customer, the plant trial material has performed well so far and the feedback is quite encouraging. We expect to receive formal approval in couple of months for 2 products and other two products approval by end of the year. The Heavy duty vehicle sales continue to suffer in the large Chinese market which is not letting complete revival of the demand yet. Having said that, still the demand for SDA is steadily increasing. We anticipate stronger demand ramp up in SDA by end of 2023.

The global demand of **Flame Retardants** continued to remain extremely subdued pushing the prices to very low levels. The price reduction bottomed out during the quarter and price have stabilized or marginally improved there on. We have multiple large customers approvals in place and now it seems to be a good timing to get onto this segment. We will make a slow start in this segment from September 2023.

Our development work on Ultra High Purity Chemicals for Electronic application is progressing steadily.

I take pride in highlighting that the company has always been forthcoming on technology upgradation and focused to manufacture products using clean and green chemistry. On that front, would like to highlight certain initiatives and developments undertaken by the company over time:

- Using continuous flow, we are successful in selectively removing the impurity and getting to the desired high purity levels in cost effective & environmental friendly manner.
- The newly expanded plant is designed to make efficient use of gravity and thereby enabling from production to packing with least human intervention.
- With successfully running dehydration system and selective adsorption systems, we are able to recover & reuse nearly 80% of the high volumes solvents being used in our plants. Similar facility installed in Ankleshwar plant.
- We are now beginning to use Natural Gas instead of LDO at our Dahej plant. We are already using Natural Gas at our Ankleshwar plant. This will help us to achieve reduction in emissions in a big way.

To conclude, I would like to thank the whole team of TATVA CHINTAN who have worked relentlessly on development, engineering, production & analytical side during the quarter as multiple new products have hit the production floor and are being running successfully. We will remain committed to develop products using latest technology and provide environment friendly solutions to our customers.

With this, I hand-over the call to Mr. Ashok Bothra our Chief Financial Officer for the quarter's financial highlights.

Ashok Bothra: Thank you Sir and good evening to everyone present on this call today. I shall highlight the financial update during the quarter. Revenue from operation was at 1144 million versus 884 million in Q1 FY2023 that is a growth of 29% Y-o-Y basis. Other income during the quarter was at 10 million a decline of 46% Y-o-Y basis. Basically this other income consists of mainly of interest on FD, which we kept in from IPO proceeds. EBITDA for the quarter was 213 million versus 152 million in Q1 FY2023, a growth of 40% Y-o-Y basis. EBITDA margin increased by 145 BPS on Y-o-Y basis to 18.7% in Q1 FY2024 due to decrease in other expenses by 7.53% Y-o-Y basis; however, the impact was offset by increase in COGS and other employee benefit expenses by 5.68% and 0.40% respectively. PAT was at 95 million versus 98 million in Q1 FY2023, a decline of 3% Y-o-Y basis. PAT margin was at 8.3% versus 11.1% in Q1 FY2023. The net profit reduction is due to high finance cost on account of increase in benchmark rates during the year as well as high regulation of working capital facility. The impact is also on account of increase in depreciation by 1.5% Y-o-Y basis. During Q1 FY2024 exports stood at 889 million comprising 78% of revenue from operation. On the working capital side we utilize 71% of the total sanction limits of 2200 million. Out of net proceeds of 2072.81 million, 2002 million have been utilized so far i.e. 97% of the funds have been utilized as on June 30, 2023. During the quarter we utilized 48 million. That concludes an update on the financial highlights of the company. I shall now request the moderator to open the floor for question and answer session.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sudarshan Padmanabhan from JM Financial Portfolio Management Services. Please go ahead.

Sudarshan P: Thank you for taking my question and congrats on great set of numbers. Sir my question is on the gross margins. If I am primarily looking at the gross margin there has been a sequential increase and also considering your commentary that there has been a fair amount of utilization on the high cost material is that primarily on account of the mix and high cost material or is it also because the end products the raw material prices come down eventually will reduce your realization as well, which is explaining that there is a probably flattish to lower Q-o-Q sales, but your gross profits have gone up because your gross contribution per kg remains fairly constant, is that the right way to look at it in that case your EBITDA and gross profit would grow in a substantially higher than your actual reported sales in terms of rupee million?

Chintan Shah: Yes, so Sudarshanji primarily your assessment is very correct. So had we not been sitting on the high cost inventory during the quarter the profits would have looked much more healthier. So typically we consumed almost two third of the inventory almost Rs.60 crore worth of inventory on FG and WIP was consumed out of about, I am not very precise on this number, but it was somewhere between Rs.90 Crores and Rs.92 Crores as on March 31, 2023, so this has definitely some impact on profit erosions. In terms of reducing prices this is a cyclical thing so not many orders have been executed at lower prices despite of having materials on higher value and then eventually after one-and-a-half months timeframe mostly the newly arriving materials were used for executing the balance orders so that has kind of balanced up. So, I would say yes so had we not been sitting on the high value inventory the numbers would have been better and the reason why we are seeing this healthy margin is the only reason for that is the favourable product mix that we have achieved during this quarter.

Sudarshan P: Sure Sir and below the gross margins and also a little bit on the depreciation pretty surprising and quite happy as an investor to see that the margins, other costs have reduced quite sharply despite of a negative operating leverage I would assume on Dahej because that facility just came on stream so one is your comments that the cost, the power cost, the transportation costs and things are completely reduced, going forward with the gross margins normalizing and also the cost getting rationalized and Dahej also starting to contribute more should not this be the base case for the margins for the time being and things would sequentially keep increasing going forward?

Chintan Shah: Right, that would be the case. So still the utilization of the newly expanded capacity is not very high and we expect to start utilizing at substantial levels potentially from December 2023. Currently, basically we are only executing one container each of plant scale trial material for the new products which are being sent to the customer for validation purpose and we expect to start actual commercial production somewhere end of November 2023 or early December 2023 that is when the plant will actually see very high occupancy levels and this will actually bring down your operational costs and reflect in the numbers, so as of now potentially until December we can consider this as a benchmark and then we can see an upward revision in the margins happen as plant gets better utilized/

Sudarshan P: Two things before I join back in the queue, I would assume that this is Rs.150 Crores facility the new capex and the depreciation on quarter-on-quarter is up by about 3.5 odd Crores so the earlier plant I would assume is depreciated at around 5 to 6%, but then your plant we are looking at the life to be about 10 years or is there anything else one-off sitting on the depreciation side that is one, the second is since the margins are surprisingly good would there be an upward revision in the margins or would you kind of keep this as a surprise for the investors at a later point of time?

Chintan Shah: Depreciation not on expansion of one plant, we capitalized around to the tune of 235 Crores for Dahej plant and assuming a lifespan of 20 years so this is coming to the increased amount and with regards to your second set of question as I have been saying that the qualification of our multiple SDAs has been progressing well with a very large potential customer and also the demand from our existing suppliers, our customers are also steadily picking up. So, this is my strong belief that the product mix will continue to shift in our favour and we may steadily see a rise in margins because of the favourable product mix to happen.. Potentially we expect the new customer to start buying supplies, so potentially if we get the approval by October 2023 then somewhere in December or January 2023 is where we will see the shift happening.

Sudarshan P: Sure Sir. Thanks a lot. I will join back if I have more questions.

Moderator: Thank you. Next question is from the line of Yash Shah from Investec. Please go ahead.

Yash Shah: Thank you for this opportunity. Sir my first question was regarding order book pipeline. As of previous quarter we had multiple products which were under pilot stage and we had received formal approvals; has there been any update on these products, have any of those converted to the commercialization stage during the quarter?

Chintan Shah: There are two products already on the floor on commercial scale, so not on commercial scale as in sense of commercial scale but we are producing at a plant scale to fulfill the demand for one container load of product for customer validation, so this activity has begun during the quarter and post approval of this product we expect the commercial supplies to begin by late December or early January 2023. These are two agrochemical products that are going on stream and then we have two pharmaceutical products on floor currently which again are going into validation for the customer and these two products would see commercialization happening in early 2025.

Yash Shah: The four products which you mentioned right now is it all over and above the two POs which we had received in the last quarter in the PASC segment?

Chintan Shah: Two are the same and so out of four two are the one which I talked about in last call and two are the new ones on the pharma aside.

Yash Shah: Alright, got it Sir.

Chintan Shah: This one has now hit the production floor. So currently we are producing these four new products on the plant for the first.

Yash Shah: Alright, got it.

Chintan Shah: Out of these four products one of the products is the one where we have successfully implemented our technology on continuous flow basis to selectively remove the impurity and get the product to a high purity level.

Yash Shah: My second question was regarding flame retardant. In the previous quarter as well that the prices had corrected 35% and as you mentioned that the prices have further corrected from there on as well and we have given a guidance that we will be able to do about Rs.20 crore by FY2025 so the guidance still remains the same or do we see one quarter of delay. We were supposed to start the flame retardant from this quarter itself, now we are starting it from September onwards, so does the guidance remains the same there as well?

Chintan Shah: So, we expect revenue to reap in anywhere between Rs.25 to Rs.40 crore during this financial year from flame retardants. The markets have bottomed out so your estimate of 35% price reduction is still way off. I believe the price reduction is to the tune of nearly 60%. So of course the raw material prices have also dropped significantly, which is leading to this and the key reason behind this is very weak demand but now we see that things have kind of stabilized and now customers are showing interest and that we should start. We already have formal approval in place from these customers so now they feel that it is a good time to introduce a new vendor for this product and that is where we are now contemplating to start production by late August, early September 2023.

Yash Shah: So, if it is fair to understand that instead of Rs.250 crore which we are going to do by FY2025 it will be somewhere around Rs.220 and Rs.230 crore by FY2025 from flame retardants?

Chintan Shah: With all the new product introductions we believe about 1200 metric tonnes is what we can produce currently without having any further expansions and considering a variable product mix. So, depending on price, I believe the prices have to rebound this is my very strong belief as these are unrealistically low-level prices. So, if prices rebound then definitely this estimate still stand stall.

Yash Shah: Got it Sir. One last question from my side on the SDA segment. Sir, in the SDA segment last quarter we had done Rs.68 crore and this quarter we did somewhere around Rs.50 crore even after China opening up majorly during the quarter what has been the bottleneck of not being able to ramp up the revenue in the SDA segment?

Chintan Shah: So exactly China is the problem. The demand of heavy duty vehicles in China is still not coming up back to full scale and that is what is keeping the market demand slightly depressed but things are improving and that is what we have been observing that interest from customers is growing, their volumes are steadily picking up and we have been also continuously producing these SDAs though not at a full scale, but utilization is very steadily going up since last two quarters so it is a good trend and we see that this is now going into a very steady mode and we shall see a very strong pickup in Q3 in this segment.

Yash Shah: Got it Sir. Thank you for answering all my questions and all the best. Thank you.

Moderator: Thank you. Next question is from the line of Nirali Gopani from Unique Portfolio Managers. Please go ahead.

Nirali Gopani: Thanks for the opportunity sir and congratulations on a very good set of numbers. Just to start with if you can just speak about the pricing pressure in general because you had mentioned that in April the raw material price reduction of about 15% which eventually obviously led to the pricing pressure on our final product, SDA also saw 20 to 22% price correction so is it stable now or you are still seeing some price correction?

Chintan Shah: So that is what I told in my opening remarks the prices seem to have bottomed out and since last two to three weeks we are observing that prices have remained quite stable or even we are seeing some upward movement in prices, very slight, but this is a different indication than what we have been observing since March 2023. Since March it was a continuous, continuous drop and now we see that this kind of bottom out and honestly speaking this is kind of an unrealistically low pricing level and it is not sustainable for a long time and pricing pressure in lot of product or segments though we are fortunate that in certain PASC products where we are working one-on-one with the customer or on SDA and electrolytes also had entry barriers are really strong but if you consider the PTC segment let us say where you have multiple competitors to face and it seems that people are just worried to have revenue and not really working on whether they are generating profit or not so that is the kind of dumping that we are seeing from domestic as well as Chinese competition but again in this segment we are fortunate that we have tied up this business on a raw material pricing based model with our large customers so that is keeping our margins pretty much intact.

Nirali Gopani: Great and you sounded very positive on SDA demand pickup should we see Q-o-Q improvement in the next quarter onwards like this quarter has also been very good, but do you see gradual improvement happening throughout the year?

Chintan Shah: I would say improvement should begin from November of this year. So, till that time this could be considered as a kind of a flattish thing until October kind of levels and then we should see a very good growth in this particular segment.

Nirali Gopani: Right and this quarter also there will be some operational costs from Dahej except for employee cost also so whatever the increase in employee cost that we are seeing that is largely because of the new facility?

Chintan Shah: Yes, yes. So that is a simple increase in headcount because we almost nearly doubled our production capacities at Dahej, so you require more manpower to run those plants so that is what is the impact in terms of employee cost increase.

Nirali Gopani: Right and like everything going in our favor so next year we see going back to our older margins of 23, 24% if SDA pickup plays out as we expect and the new plant also stabilizes, will you see that happening?

Chintan Shah: Yes, so if we see electrolyte salts picking up and SDA demand picking up then that is a true statement and that is what we expect to happen from the Q4 of the current financial year. We expect the favourable product mix to tilt in our favor and this could cause a favourable shift in EBITDA margins and by that time also we expect the Dahej plant getting pretty much occupied with this currently trial production going on, so those getting into commercial production from December or January 2023, so with the increasing occupancy of Dahej facility that will also have marginally additional impact on the margins. Basically not margins, but cost absorptions.

Nirali Gopani: Lastly just one point sir I know that we are going to raise funds for the next capex so how comfortable are we diluting our equity at this valuation like do we have any other option or this is how it is going to be?

Ashok Bothra: So, we are in the process of raising fund to the tune of Rs.200 crore by way of QIP. We have already intimated the stock exchange in this regard and we are in the process of getting the approval from shareholders. So, in the first phase of expansion say our capex would not be more than Rs.250 crore so we are pretty sure that there would not be any hindrance for future growth.

Nirali Gopani: That is, it from my side. Thank you.

Moderator: Thank you. Next question is from the line of Kumar Saumya from Ambit Capital. Please go ahead.

Kumar Saumya: Hi sir good evening. Sir my question is firstly towards the electrolyte segment if you could highlight any recent development that we are seeing because there were a couple of customers in the pipeline that we were planning to start supplying so please?

Chintan Shah: As I already mentioned, we have been dispatching a few 100 kg of product now to them and they are definitely going into the commercial sale. So we expect December 2023 is when they should start commercial activity so 2024 should be a good year, but 2025 so I am talking not in terms of financial year and but in calendar year. 2024 should be a good year, but 2025 is going to be a turnaround year in this particular segment and the demand for energy storage system with lot of renewable energy plants coming up and they definitely require energy storage system because they cannot put the generated electricity directly to the grid so this is causing exponential growth in terms of energy storage system demands and this is where we expect a very strong growth. So, we are in a very good shape with four customers already and we are still working with one new potential customer in Far East. So, all these things are pretty much in pipeline and now we are actually working on it. We successfully completed R&D, lab scale trials, got approvals on the electrolyte solution and now we are working religiously on getting this successful on the pilot. So that is our target to at least deliver the first trial order on pilot scale from the Dahej plant by October 2023 so this is what we are internally targeting and we are working towards that.

Kumar Saumya: Roughly how long does it take starting from the R&D stage to the final commercial stage?

Chintan Shah: We have been in this segment since 2013. It is a long-drawn process and again this is an equally strong entry barrier area for SDA because any change in quality parameters or any abnormality can lead to incidences with the battery. So, once you are qualified and the quality is accepted then it becomes really a very strong entry barrier area for the competition to get into it.

Kumar Saumya: These four customers you indicated, are these all four customer export market or domestic market also there?

Chintan Shah: All export. So we have one potential customer which is setting up a plant in India currently and they expect to get into commercial production by late 2024 if I am not wrong and we are already in qualification process with this customer as well but still the Indian market besides this one customer who is setting up a plant I am not aware of any other company in India who is getting into this side of supercapacitor or energy storage systems. So currently all the customers what I am talking of are on the export side.

Kumar Saumya: Lastly if you could share some developments on the new land that we were planning to get some approvals so if you could throw some light, is there any new developments?

Chintan Shah: For environmental clearance, our final hearing has been completed for the new land which we bought in 2021 so that final hearing on environmental clearance has been through. Now we are expecting the permission to be in place potentially anytime, if we are lucky then in August itself.

Kumar Saumya: Thank you Sir. I will get back in the queue.

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

Parth Mehta: Sir, Congratulations first of all on a very good numbers and thank you so much for this opportunity. I just had one question from my end. What is the current capacity utilization on the existing capacity?

Chintan Shah: So, by existing capacity you mean existing plus expanded capacity or only the existing?

Parth Mehta: No, only existing which we had previously.

Chintan Shah: That is near full utilization and since mid of July the new capacity is also almost fully occupied on the reactor side not on the assembly side, but the reactor side is also fully occupied but this is a temporary phenomena as we are executing this four new products on a plant scale so this will remain occupied until end of August or early September 2023 and then the occupancy will again drop down to about 30 to 35% on the expanded capacity on the reactor side.

Parth Mehta: On the assembly side?

Chintan Shah: On the assembly side still, we have not started utilization on the newly expanded capacity, but this we again expect as I am saying that the demand is picking up so we expect potentially up to 65% to 70% utilization happening from November of this year.

Parth Mehta: Thank you so much Sir.

Moderator: Thank you. Next question is from the line of Vipin Goel from Mirabilis Investment Trust. Please go ahead.

Vipin Goel: I have a few questions regarding PASC, wanted to know the kind of impact that you are seeing in this segment on the current base of products or the new products that are coming with, so what portion of that or what are the factors that are largely contributing, there is a component of China dumping, then this RM correction and then there is slower demand so if we are to segregate between these three factors, so which one factor has highest impact?

Chintan Shah: All the three reasons are true. I would not have an accurate estimate of in terms of what is the percentage contribution of each of these, but all the three reasons that you are putting forth are very much true for this particular segment as of today, but basically PASC segment came into existence because of our relationship with the customers on the PTC segment and that is where we got opportunity in developing products for the specified customers on a one-on-one basis. So this has kept our business pretty much protected so we are not seeing much erosion in terms of business and again when we say the recent suffering is coming from the agrochemical side, but on agro side also not all the agro actives are suffering so selectively there are certain product ranges on the agro side which are largely impacted and certain product side are pretty much still stable and by grace of God or maybe it is our good fortune that the part of PASC where we are catering to that is pretty much remains stable. So far as of now we have not seen any erosion in demands neither we have seen any postponement of orders except in one particular case where we are supplying PTC for the agrochemical where we are seeing postponement of demand by customer by a couple of months which is just recently happened, but apart from that on the PASC segment we have not seen that phenomena fortunately happening for us. It again depends on what kind of agro active your product is going on and fortunately we are on the side which is still not impacted by these adverse moments that is happening in the market. Of course, there is a price pressure so customers wants because they are also suffering so they want to equalize that margin pressure and pass certain pressures onto us. So that is one-on-one but pretty much the business remains stable, and it has been growing nicely. Actually, some of the PASC products have realistically picked up volumes in this adverse situation.

Vipin Goel: Much of the impact is largely on the realization on the volume side we are kind of stable.

Chintan Shah: Yes.

Moderator: The line for the participant disconnected. Next question is from the line of Parshwa Veer, an Individual Investor. Please go ahead.

Parshwa Veer: Well, I had this one question regarding the QIP will that be reducing your stake the promoters take, will they be giving the shares, or the new shares will be issued?

Chintan Shah: New shares will be issued basically this is we are bringing the capital back into the company. As you are aware we have this new piece of land which is on the verge of getting environmental clearance and as I already told that we should be hitting about 80%, 85% utilization of the newly expanded facility in next financial year and there are quite a few products which are in pipeline, so we are definitely looking for the next phase of expansion so the company needs the fund and this QIP is getting the funds back into the company.

Parshwa Veer: Well, that will also bring the promoter stake to below 75% if I am not mistaken?

Chintan Shah: Yes.

Parshwa Veer: By that way you will be adhering SEBI guidelines as well?

Chintan Shah: Yes, absolutely.

Parshwa Veer: On coming to the energy storage can you just throw some more light like really what is happening in the green hydrogen space and solar space, like the solar energy, solar panels so how do you see yourself in this particular space, energy could not be transferred through the grid without you guys right?

Chintan Shah: Basically we are not associated with hydrogen, green hydrogen or solar cells or things like that, but wherever we have renewable energy generation so you cannot feed that generated energy directly to the grid so now mandatorily you require to have a storage system so when the grid demands you put that energy into the grid or else you need to store it for the time being, so this is where the energy storage comes into picture and energy storage systems are nothing but batteries, so there are multiple types of batteries involved here. So, the most popular batteries are the lithium batteries then we have zinc batteries, then we have sodium batteries. The area where we have our products getting into are the zinc and the sodium batteries, so very specific segment of the energy storage systems is where we have over electrolytes having applications into those batteries.

Parshwa Veer: Well in that case if I correctly understand the green hydrogen, which will generate electricity or the solar panels or the solar energy, which will generate electricity and they have to store that electricity will not have a role to play through your electrolytes, right?

Chintan Shah: The electricity does not have anything to do with my electrolytes, the electricity which is generated must be stored into something and those something are the batteries where our electrolytes going.

Parshwa Veer: I understand so in that case this solar energy produced will that be using your products for storing that?

Chintan Shah: Yes, but not necessarily only my electrolytes so as I told there are multiple types of batteries available in the market.

Parshwa Veer: Okay.

Chintan Shah: So very specifically our product gets into the zinc and the sodium battery sides.

Parshwa Veer: Any customer currently of yours like your existing customer that have this kind of application using to store your electrolyte?

Chintan Shah: The customer whom I am talking of the large customer whose demand was on hold and they are expanding their capacity, now we have resumed supplies to them so in the last phase they executed one solar energy plant so the storage systems were supplied by them which are based out in California.

Parshwa Veer: This is going to be like great big thing in the coming years, this solar energy and green hydrogen, so just wanted to get your comments on that. You will also be playing a part especially in the solar segment, right?

Chintan Shah: Technically yes, not directly, but yes, we will be a part of that process.

Parshwa Veer: Anything in green hydrogen that you might be somewhere in the chain of the production, storage supply?

Chintan Shah: Nothing as of now.

Parshwa Veer: Thank you so much. That helps.

Moderator: Thank you. Next question is from the line of Godwin S Fernandez an Individual Investor. Please go ahead.

Godwin S Fernandez: Recently so many articles have been circulating in media regarding electronics manufacturing push and the semiconductor manufacturing push opportunity so do we have any of our products within those profiles?

Chintan Shah: Not as of today, but I talked about and I have been talking about one of our ambitious development projects of ultra high purity products which even I talked about it today in my opening remarks. So, this is the product which goes into manufacturing of semiconductors and also have applications into manufacturing of ICs so as of today we do not have anything commercial, neither we have anything which is already developed, but we are trying to get into that part and that is what I told that we have seen a remarkable progress in development of that chemistry. We are moving steadily and trust me these are so high purity products that still I continue to say that this is our ambitious project and I hope we succeed, but we are moving very steadily towards success and pretty much the confidence is slowly and steadily building up. This can actually if we do this potentially then we would be the only producer of this key starting material for semiconductor in India.

Godwin S Fernandez: Thank you. That is it from my side.

Moderator: Thank you. Next follow-up question is from the line of Yash Shah from Investec. Please go ahead.

Yash Shah: Sir just one clarification question, I am not sure if you clarified this earlier. Sir we had two products in SDA which were on hold from two large customers which were expected to start from July 2023 have they been started sir?

Chintan Shah: They have started.

Yash Shah: Ramp up has been back to the previous levels or have they been conservative in approach?

Chintan Shah: No still it is conservative, but they are gradually improving. We have the next dispatch scheduled in the September of this year. They are ramping up and the project is now moving quite steadily ahead.

Yash Shah: Got it. Thank you, Sir.

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

Parth Mehta: Thank you Sir for this followup question. Just had one question on the gross margin. I am not sure if this is asked before pardon me for the lack of my knowledge but we had a fall in our gross margins in the previous quarter and they have again ramped up, so was that because of any specific one-off or was that pricing pressure and have those prices come back to its normalcy?

Chintan Shah: See basically you might be following that we were sitting on pretty high inventory on SDA and suddenly the drop in SDA happened in beginning of 2023 or late 2022 and we were caught with very high inventory levels for almost a year and these inventories and by that time chemical prices started to roar and prices went up so any ancillary products which we were required to complete the production for example solvents or certain another ancillary stuff the prices skyrocketed and we are already sitting on a high pile of inventory that is what led to the disposal of SDA inventory happened but it could not generate realistic profit margin so that was the real reason why the margins have dropped on that front, so this is what we see today is normal, what we saw in earlier quarter was not normal.

Parth Mehta: Okay I get it. So from here on will this be in the range of 50% or can we expect it to go to 55% as well which we had a year or two years back?

Chintan Shah: As I told we are still in a process of clearing of that high priced inventory so we are nearly through, so we almost consumed potentially Rs.60 crore worth of that inventory in this quarter and we still might have about Rs.30 crore, Rs.32 crore of residual inventory, so this might have some impact, but yes we can look at getting back to the earlier levels quite soon. I believe October, November 2023 should be that point.

Parth Mehta: In Q3 we may see the comeback of our gross margins around 55%?

Chintan Shah: That is what I am expecting to happen yes.

Parth Mehta: Thank you.

Moderator: Thank you. Next question is from the line of Prashanth Kamath from JM Financial. Please go ahead.

Prashanth Kamath: Congratulations on great set of numbers. I think depreciation for the quarter has sort of increased to Rs.6 crore vis-à-vis I think Rs.2.3 crore last year and Rs.2.5 crore this year any color on why depreciation increased so much?

Chintan Shah: We completed our expansion in Q1 of this year and we roughly spend around Rs.235 crore in Dahej and we spend around Rs.20 crore in our Dahej facility in March 2023 so that translate into annual depreciation around Rs.24 crore on all fixed assets. We started commercial production in April of this year so this whole capitalization of the newly expanded facility has happened in this quarter so that is what is leading higher depreciation provision.

Prashanth Kamath: This is in that quarter only, right?

Chintan Shah: No, it will go on a quarterly basis. So, it will remain at the same level throughout the year.

Prashanth Kamath: Thank you.

Moderator: Thank you. As there are no further questions, I will now hand the conference over to the management for closing comments.

Chintan Shah: Thank you everyone. On behalf of management of TATVA CHINTAN I thank you all for joining us today on our earnings call. We appreciate your support and trust on TATVA CHINTAN. We commit to deliver and see the market for our products improve going forward. We hope that we have been able to address most of your queries in the last one hour. You may reach out to our CFO, Mr. Bothra or our investor relationship partner EY for any further queries that you may have and they will connect with you offline. Thank you Mr. Kumar Saumya for hosting our call and thank you everyone and have a great evening.

Moderator: Thank you very much. On behalf of Ambit Capital that concludes this conference. Thank you for joining us. You may now disconnect your lines.