03.08.2024

To,

BSE Limited
Phiroze JeeJeebhoy Towers,
Dalal Street,
Fort,
Mumbai – 400 001
Scrip Code: 543318

National Stock Exchange of India Limited
Exchange Plaza, Plot no. C/1,
G Block, Bandra-Kurla Complex
Bandra (E),
Mumbai - 400 051
Trading Symbol: CLEAN

Subject: **Transcript of conference call on the Company's Q1 FY24-25 Earnings**.

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

Dear Sir/Madam,

Further to our letter dated 18th July, 2024 and in terms of Regulation 30 read with Schedule III - Part A to the Listing Regulations, please find enclosed herewith the transcript of conference call on the Company's Q1 FY24-25 Earnings held on Thursday, 1st August, 2024.

You are requested to take the same on record.

Thanking You.

For Clean Science and Technology Limited

Sanjay Wamanrao Parnerkar
Digitally signed by Sanjay Wamanrao Parnerkar
Date: 2024.08.03 18:07:23 +05'30'

Sanjay Parnerkar
Chief Financial Officer

Encl: as above

"Clean Science and Technology Limited
Q1 FY'25 Earnings Conference Call"
August 01, 2024

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

Moderator: Ladies and gentlemen, good day, and welcome to Q1 FY2025 earnings conference call of Clean Science and Technology Limited. We have with us on the call Siddharth Sikchi, Executive Director and Promoter; Sanjay Parnerkar, CFO; and Pratik Bora, Vice President. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded.

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

Siddharth Sikchi: Thank you so much for the introduction. Good evening, everyone. I am happy to connect with all of you to discuss the performance of our company for quarter 1 '25. Overall, the business environment continues to be encouraging; and our quarterly business performance has been a reflection of encouraging business environment.

Coming to the financial highlights. Starting from Q-on-Q comparison. On a sequential basis, the revenues were steady. The geographical mix also remained stable during the quarter gone by. EBITDA remained steady at about INR98 crores, while EBITDA margins improved by 100 bps to 45.5%.

Coming to the year-on-year comparison. On Y-o-Y basis, sales improved by 16%, which was primarily volume-led. Improved sales led to strong EBITDA growth of 28% during the quarter, while EBITDA margins improved by approximately 4%. Consequently, the company reported 23% growth for the current quarter. On a consolidated basis, profitability was impacted due to sizable higher cost base vis-à-vis sales for the new subsidiary, Clean Fino-Chem Limited, CFCL, during quarter 1.

During the current quarter, at CFCL, we stabilized 770 HALS production and reported revenues only for HALS 770. During the month of July, CFCL commercialized three additional new products under the HALS segment, which are HALS 622, HALS 944 and HALS 783. Soon within a couple of weeks, we will also be commercializing HALS 119. Commercialization of new plants and scale up of existing capacities will aid higher absorption of the fixed cost and drive profitability.

Let me talk about sales profile. The revenue contribution from Performance Chemicals, Pharma and Agro intermediates and FMCG Chemicals were 69%, 18% and 13%, respectively. The Performance segment witnessed strong growth led by increased volumes. Pharma segment growth was led by improved volume and realization and FMCG segment growth was primarily volume-led. For this particular quarter, the HALS monthly sales volume scaled to 125 tons per month for the HALS series, which is 770 and 701 put together.

A little bit on the capex. We have incurred a capex of about INR100 crores during the quarter 1, which was primarily towards investment in subsidiary. We are on track to commercialize the production of the Pharma intermediates by Q3 FY'25.

Further on the new capex, we are very excited to announce that we have organically designed a novel process for manufacturing of Performance Chemicals segment product. Led by the positive outcome of pilot runs, we have started the construction of the production block. The total capex towards the production block at our subsidiary is estimated to be INR150 crores, and the plant is expected to commercialize by H1 FY'26 with the capacity which could address 15% of the market demand.

Let me speak a little bit on ESG, led by our resilient performance during the last year, amidst volatile business environment, CRISIL has reaffirmed long term rating at CRISIL AA-/Stable and short-term rating at CRISIL A1+. We are pleased to announce additional investments towards setting up 6-megawatt solar plant, which will moderate our power bill and enhance our green footprint.

Thank you so much. And we can now open the floor for questions and answers.

Moderator: The first question is from the line of Sanjesh Jain from ICICI Securities.

Sanjesh Jain: A couple of questions from my side. First, on the HALS volume, I think last quarter, we did a run rate of 200 metric ton and this quarter, we are at 125 ton. Is that right understanding?

Siddharth Sikchi: No, I don't think the understanding is right. We had touched about 80, 90 tons a month, which now we have at about 125 tons a month.

Sanjesh Jain: 200 tons is aspirational?

Siddharth Sikchi: 200 tons is aspirational. I mean, eventually, we want to reach 200 tons.

Sanjesh Jain: Okay. Okay. Sorry, sorry. I got confused between the guidance for March '24 and this -- that's fine. And second, on the -- on the CFCL side, if I console stand-alone, the number what I get is largely CFCL where we have done INR67 million of revenue and INR22 million of gross profit, which implies a gross profit margin of 33%. Is this a representative margin for the HALS series?

Siddharth Sikchi: This is for only 1 HALS product. See, right now, we have only commercialized 1 product, right; HALS 770. And that too is on a very limited capacity utilization. As I mentioned in the opening remarks, that 3 more products, 622, 944 and 783, we just commercialized over the last 2 to 3 weeks' timeframe. So now these will also start picking up. And additionally, 119 will commercialized by August 2nd week.

Sanjesh Jain: Fair enough. Siddharth, can you just talk about the application for all these 4 new HALS series? What are the applications for them?

Siddharth Sikchi: Today, there are wide variety of applications. These are called Hindered Amine Light Stabilizers. So the 770 would be usually used in master batches, whereas the 944 would be used in agricultural sales. So they have -- all of them have a variety of different applications. 292 would be used in coating industry. So depending on the price, depending on the application, all of them have a different application base. We can connect offline to give you the entire scenario of each product and their application because each one has a variety of applications.

Sanjesh Jain: Fair enough. That's fair. I will connect separately on this. Just on the America side, the revenues have been declining for the last 3, 4 quarters, while it was very strong in FY'23. What has changed in America?

Siddharth Sikchi: In America? Oh, in the U.S.?

Sanjesh Jain: Yes, in the U.S.

Siddharth Sikchi: There is nothing specific. Of course, overall, there was the highest destocking was there in the U.S. because of the geographical -- the transit time distances. So you know the destocking took longer compared to other parts of the globe. But other than that, there is nothing significant to pinpoint here. Like if you see our Europe business grew. So we were able to onboard some new customers. And some of the U.S. entities who also have offices in Europe probably prefer to produce more in Europe compared to the United States.

Sanjesh Jain: And Siddharth, on the two Pharma capex which we spoke about in the earlier call, we were on pharma -- so we said to 1 in August to May, the other 1 in September, each with the potential capex of INR1 billion, which is INR100 crores.

Siddharth Sikchi: No, no. So 1 is performance chemical segment, not pharma. Let me re-explain. So there are three capex - 1 underway, which is Pharma intermediate, which will start in by October, November.

Sanjesh Jain: INR30 crores?

Siddharth Sikchi: This is INR30-odd crores, correct. After that, another 1 is the Performance Chemicals segment, which I just explained, the construction has begun which has a capex of INR150 crores. Again we have -- variety of applications, but we will term it into a Performance Chemicals segment. The third one where the capex should start in September, the construction activity, again, could be about INR150 crores. And that has, again, probably will also fall under Performance Chemicals segment.

Sanjesh Jain: Okay. And the 1 we have started, we said that we will be to start with 15% of the market. You were referring to India market?

Siddharth Sikchi: Which one? So that is -- go again on that question?

Sanjesh Jain: So you said that you will be 15% of the market when you will start this capex. You were referring to India, 15%? Or the...

Siddharth Sikchi: Global capacities. Always global capacity.

Sanjesh Jain: Okay. We will be 15% of the global capacity. So what will be the total revenue from this?

Siddharth Sikchi: See, the total revenue should be closer to INR350 crores.

Sanjesh Jain: Okay. And major application will be?

Siddharth Sikchi: There is, again, a variety of applications, but you could consider performance chemicals -- I mean, the major bucket where we can put these products into.

Sanjesh Jain: No, no. I was more looking at what is the end industry application, agro, pharma, auto, polymers.

Siddharth Sikchi: These are, again, stabilizers. You can assume, and also intermediates for pharma.

Sanjesh Jain: Okay. So basically polymers and pharma?

Siddharth Sikchi: Yes.

Sanjesh Jain: And -- okay, okay. So this is a global. So for India, we will be the sole producer of this product, right?

Siddharth Sikchi: Not -- no, no. There are some companies who are manufacturing it.

Sanjesh Jain: Okay. There are already some companies manufacturing it. Got it.

Siddharth Sikchi: But it would be a differentiated technology.

Sanjesh Jain: When we say differentiated, we generally mean continuous flow, right?

Siddharth Sikchi: It means that the economics could be better. Commercially, it should be better.

Sanjesh Jain: Okay. Fair enough. Yes. That's it from my side. Thanks, Siddharth, for answering all the questions and best of luck for the coming quarter.

Moderator: Thank you. The next question is from the line of Ankur Periwal from Axis Capital.

Ankur Periwal: Congrats for a decent set of numbers. Just continuing with the capex bit, a clarification there. So there are 3 capex, all the 3 are in pharma products. Will that be right understanding?

Siddharth Sikchi: No, no, not right understanding, Ankur. First one, INR30 crores Pharma. Second one, Performance. Third one would be into Performance segment, but not Pharma.

Ankur Periwal: Okay. And...

Siddharth Sikchi: 1 in Pharma segment and 2 in performance segment to put it simply.

Ankur Periwal: Sure. And the third 1 is the one, which, if I'm not wrong, we alluded that wherein we are doing some work at the pilot and R&D stage and we'll decide whether we go ahead or not on that?

Siddharth Sikchi: Yes, now we have decided to go ahead.

Ankur Periwal: Sure. And any thoughts on addressable opportunity for that specific product or segment and where it is -- the end-use applications are?

Siddharth Sikchi: Again, it is a very large segment. And you could consider it into like a water treatment -- water treatment chemical.

Ankur Periwal: Okay. And any broad thoughts on revenue size opportunity, both at the global scale for these products? Just trying to understand the size and scale of what can they generate internally.

Siddharth Sikchi: I mentioned about INR300 crores to INR350 crores.

Ankur Periwal: On the INR150 crores capex, yes.

Siddharth Sikchi: From the third project, it is -- the working is still going on. So let me work a little bit more and get back to you with firm numbers.

Ankur Periwal: Okay, sure. And while the second -- the INR150 crores capex that you mentioned, there are other producers of those products in India. For the third 1 also, that is the case? Or it's -- sorry, I missed that part.

Siddharth Sikchi: Yes, there are producers in India.

Ankur Periwal: Okay. Great. Secondly, on the volume-led growth across more or less all the segments there, just trying to understand whether this volume that growth was led by 1 or 2 products or it was decently widespread across our portfolio?

Siddharth Sikchi: No, it was widely -- I mean, so spread across the portfolio.

Ankur Periwal: Okay. Great. And just lastly on the capacity utilization side, where are we now across Performance, Pharma and FMCG?

Siddharth Sikchi: Between 60% to 65% capacity utilization.

Ankur Periwal: Across all the segments? Sure. And just last -- yes, yes, got that answer. So just last bit, there was some pressure on the realization front earlier. And since last 2 quarters, we have been seeing a decent uptick there. Will it be fair to say that most of that pain is behind us and probably things are either improving or stable across the products?

Siddharth Sikchi: Stable. I am not seeing any increase in prices and it would be possible over the next 2 or 3 quarters.

Ankur Periwal: Okay. But demand is picking up? Or it is towards your market share gain that we are witnessing here?

Siddharth Sikchi: Yes, yes. Volume-led growth is happening. Realization, there is no growth. I mean, they are all steady numbers on Q-on-Q basis.

Moderator: The next question is from the line of from Arun from Credit Aspat. Please go ahead. Hello Mr. Arun, your line has been unmuted. Please go ahead with your question.

Arun: It is Arun from Avendus Spark. Good evening, Siddharth. Thanks for the opportunity. First, on the domestic front for the HALS, you said we are on track on 125 tons per month. What we understand is the domestic demand market for this is around 250 to 300 tons per month. Given that the market share in HALS is somewhere around 50 to 60. So does it mean we have saturated the domestic demand for this product?

Siddharth Sikchi: First of all, 125 is not domestic. It is -- I'm talking group -- I mean, India plus export, because export is a very small portion, but it is both. And no, I mean, there is still quite room and I think we still have to cover a lot of ground in India.

So I think it will take a little bit more longer because a lot of large players were also waiting for the other HALS product to start because I mean they always have this thought that they were only buying one from us and balance two or three from the competitor.

So once we have the full basket, they would be able to switch more or less everything with our quality is at par. So I think with the entire basket coming in, I have a feeling -- strong feeling that now the conversion -- I mean, customers converting to us would be far better chances compared to what we had with just 1 single product.

Arun: Right. So other grades should help you to scale up, but is it -- what is the target we are -- 100% import substation? Or what is it they can aspire to be? Has the customer indicated anything, like how much they will take it from us once all the grades come in?

Siddharth Sikchi: So no customer commit anything, but we typically aspire that we should have 70% to 75% of Indian market because of a variety of reasons compared to what people are importing. So the aspiration is to have 70% to 75% of Indian market. And of course, grow in Asia, in American and European markets which now has started picking up because, again, the same issue, a lot of customers were reluctant to only test 1 product.

Now with the basket, they have that confidence that, okay, now we can look at buying mixed container rather than buying just 1 single product. Because also, Arun, like all my competitors make the entire range. So we were the only ones, we had only 1 product. Of course, that was how we started. But the design is to have all the products in the basket so we are at par with our Chinese and European competitors.

Arun: And HALS, if I'm not mistaken, Siddharth, the range of product will include close to 10 to 15 different grades?

Siddharth Sikchi: Including blends, yes.

Arun: Okay. But on a -- excluding blends, how much is our coverage in terms of -- 5 out of how many products?

Siddharth Sikchi: It could be 9.

Arun: So we'll be still -- the remaining 4 is still working, work under progress or...?

Siddharth Sikchi: It is work in progress, but the 4 which we have commercialized 4 to 5, these are like the bulk products. Those that are after this, these are more very specific, niche, very high, means these are now upwards of $15, $13 products, which will now come up in the Phase 2.

Arun: Okay. So major roadblock that stopped us from scaling up is now clear with the introduction of these 3 products? That is my understanding, right?

Siddharth Sikchi: 4 products. Yes, you're understanding is right. So with these 4 products, we have covered a basic -- these are like the basic HALS which are needed by all the customers. Then it becomes very, very specific that some need this number, some need that number. But that also we want to start so that we can also target some niche customers, and these are also more profitable products compared to the regular HALS.

Arun: And what is the current -- from the current going rate? What is the premium realization for these compared to, say, 770 or 771, Siddharth?

Siddharth Sikchi: So that, let me -- I'll have to work once we held out the plant scale. But these are decently priced product. And see, the point is these premiums HALS are upwards of $15, but then the market size is also smaller.

Arun: No, no. Not -- when I say $15, it is for 622, 944 and 783 or?

Siddharth Sikchi: No, no. These are all below $10 products. But the newer ones after these 4 ones which will come up, which are -- I said are niche products. These are upwards of $15 products.

Arun: Okay. Okay. No, I was wondering about this 622, 944 and 783. It will be much higher than the 770 and 701, right? That differential I was inquiring?

Siddharth Sikchi: 622 is more or less similar to 770, but yes, 944 and 110 are twice the price of these products.

Arun: Understood.

Siddharth Sikchi: Upwards of $9.

Moderator: The next question is from the line of Jason Soans from IDBI Capital.

Jason Soans: Yes. I just wanted to ask you that the last time around on the call, you had mentioned that for HALS, we're looking at a 3,000 tons -- around the 3,000 tons sales volume for FY'25 with an average $8 realization for the entire basket. Do we still stick to that? I mean, that's sort of that ballpark guidance?

Siddharth Sikchi: No. Because see, our overall capacity installed would be around 9,000 tons to 10,000 tons, which I think over the next 3 to 4 years, we will ramp up to take it to 80% capacity utilization. So you understand this 8,000 tons would be the ideal capacity utilization, spread over 3 to 4 years.

So roughly 150 to 180 tons per month, we should start achieving now going forward. I mean, of course, let a quarter go because we these products have just started commercial production. But probably in the next 3 to 4 months' time, our target is to touch 150 to 200 tons a month of all those together.

Jason Soans: Okay. Okay. So for FY'25, probably 2,000 tons would be a fair kind of volume assumption?

Siddharth Sikchi: For all of them put together, yes.

Jason Soans: Yes, yes. Rough assumption. And for FY'26, would you like to -- I mean, any kind of rough growth where you can see HALS going, considering that we have a 10,500 capacity -- capacity I believe for HALS, we have at CFCL. So 2,000 tons starting with '26, probably what we can do in your view?

Siddharth Sikchi: See, in my view, being aspirational and of course, I have to push that. But we would be around 2,500 tons to 3,000 tons more. So 2 plus 3 sorts, 2.5, 3. So about 50% capacity utilization, which we should achieve by FY'26.

Jason Soans: Okay. And realization is probably at $8 is a fair assumption as of now? For the average of the entire market?

Siddharth Sikchi: Yes, $7, $8.

Jason Soans: Okay. Okay. Sure, sure. And Siddharth, in terms of -- I mean, when you look at HALS, you have, of course, said that you will also look to target towards the export markets as well. So how do you see the Chinese competition playing out in that? Or are we very cost competitive as compared to the Chinese players?

Siddharth Sikchi: See because today it's a very large facility and the base is too high, I mean, in terms of costs. Hence, until we reach a proper scale and size, it will be difficult to be cheaper than the Chinese because today, we are running at probably less than 20% capacity utilization, whereas I'm competing with people who have been in this business for 15-odd plus years. So you will have to give me a couple of quarters to reach a typical scale or volume where I can cover a lot of my fixed cost, and then I think the margins will start coming.

Jason Soans: Sure, sir. Sure. Sure, Siddharth. But roughly, you had said that probably when you start, you will come out -- probably margins will be around 15% levels. Then as the capacity ramps up, it can reach 25% levels. So that stands kind of?

Siddharth Sikchi: I'm still with that statement. But 15% cannot happen with only 20% capacity utilized.

Jason Soans: Right, right. Absolutely, absolutely.

Siddharth Sikchi: I have capacity utilization to come up with this margin. You are right.

Jason Soans: Yes. Sure. Sure, Siddharth. And I also wanted to note that, of course, we are focusing on looking at more growth from the non-primary products, which is MEHQ basically. So how has that growth been in this quarter? From DCC, TBHQ?

Siddharth Sikchi: See all the other products are now growing. I think the volumes have come back. I mean, individually, I cannot give you a number right now. But typically, all the products have been -- we are running at 70% plus brand capacity utilization of all the products, 65%, 70%. So we are decently covering up. And of course, if there's new products like DCC and TBHQ, which you just mentioned still, there are more new customers being onboarded as we move along.

Jason Soans: Okay. Sure, sure, sure. And just 1 -- last 1 from my side. I just wanted to understand the capex which you have said the last one, which you were starting in September 2024, I believe that's also CFCL. This is for Performance Chemicals, and that will basically cater broadly to the water treatment segment. Of course, the revenue projections we will give later, but this is broadly the thing. Is that right?

Siddharth Sikchi: Yes.

Jason Soans: The third capex which you mentioned. Of course, this Pharma intermediates is INR30 crores, then there's a novel process, which is going by Performance Chemicals, capex of INR150 crores and expect it to commercialize the 1H? 15% of the demand, and this is the third one, which will basically cater to water treatment. Right?

Siddharth Sikchi: So 150, 150 and 30 crores.

Jason Soans: Okay. This also is at 150. Okay. The third 1 also is INR150 crores capex. And this you are looking at INR150 crores -- and this is also probably -- the third 1 also you're looking at more import substitution demand. Would that be a right understanding?

Siddharth Sikchi: You could say that.

Moderator: The next question is from the line of Krishan Parwani from JM Financial.

Krishan Parwani: Just a couple of questions from my side. Firstly, I think that 1Q FY'25, you mentioned there is INR100 crores capex. So where was it spent?

Pratik Bora: Investment in subsidiary company by the parent company.

Krishan Parwani: Okay. Okay. Understood. And now with all the capex, what will be the gross block of -- I mean that was what INR330-odd crores, right? There's no incremental capex in the HALS?

Pratik Bora: Yes. So we have infused total INR435 crores in the subsidiary as of date.

Krishan Parwani: Understood. So that -- but the fixed asset that you have for HALS is 330 or so? Or is it 430?

Pratik Bora: Overall, as of now, the gross fixed asset could be in the range of INR350 crores.

Krishan Parwani: Okay. And just on Pharma intermediate side, so I think you've highlighted that the commercialization will be done by the third quarter of this year. So are the samples approved by the customer? Or is it still ongoing?

Siddharth Sikchi: Yes. The pilot samples are approved by some of the customers because not all pharma customers are okay testing pilot samples, they need commercial samples.

Krishan Parwani: Understood, understood. And just last bit on the legacy products, do you think you would have fully utilized your capacities by FY'26, of all the -- prior to the HALS, whatever products that you used to have? You still have?

Siddharth Sikchi: Some of the products, there is a possibility. But in that case, again, we'll make investment in subsidiary, CFCL, and rebuild those facilities. So I think that decision, we will make by end of December.

Moderator: The next question is from the line of Abhijit Akella from Kotak Securities.

Abhijit Akella: Just on HALS, so what about 701, I didn't hear much about that in our recent discussion? So any -- are we selling any of that? Or is that sort of not on the agenda as of now?

Siddharth Sikchi: 701, we are already at 70% plant capacity utilization. We are exporting to Europe, U.S., you will see very shortly. We have also exported it to China, where there are already, I assume 4, 5 producers. And India, of course. So -- I mean, it is a very good product for us, and we aim -- looking at this, if this continues, very shortly, we will have another facility to make 701 in our subsidiary.

Abhijit Akella: Okay. Okay. The reason I asked is I thought in the opening remarks, you had mentioned that this quarter, we reported sales only for 770. Is that only from CFCL? Is that what we meant to convey?

Siddharth Sikchi: In subsidiary, there is no 701.

Abhijit Akella: Okay. I get it. Got it. And second thing was just -- I'm sorry if I have missed this in the past, but just in terms of year-on-year and quarter-on-quarter, possible to help us with the breakdown between volumes and prices for the quarter?

Pratik Bora: Abhijit, on year-on-year basis, it's largely volume driven. In fact, realizations have offsetted the growth. And quarter-on-quarter basis, it's fairly steady. We have seen a decline in realizations, and that has offsetted the growth, but volume has pulled it up.

Moderator: The next question is from the line of Rohit Nagraj from Centrum Broking.

Rohit Nagraj: Congrats on decent set of numbers. First question is in terms of our product pipeline. So now that we have been completely tapped and there are a few more products for which we are doing the capex, how does the pipeline look like? And which in all are the areas which we are currently working on in terms of user acquisition?

Siddharth Sikchi: So in terms of future product pipelines, we just discussed 2 large capex totaling to INR300 crores. And again, the sector remains Performance, Chemical, intermediates for pharma, agro, water treatment and FMCG chemical. So the universe remains the same. And the INR300 crores additional capex is planned I mean, within -- which will be done within FY'25 and a little spillover to FY'26 first half. And in the meantime, of course, whenever there is more opportunities which come up. I mean, because we are working on a few more products in R&D and pilot. As and when these go ahead, I will discuss it during the earnings call.

Rohit Nagraj: Yes, I understood the first part. I was referring to the products which are currently in, say, R&D and pilot. So which areas we are looking at in terms of the user application? Will it be the same areas as currently we are working on? Or will it be different areas in terms of user segment?

Siddharth Sikchi: No, I think we are very similar to performance chemical, agro intermediates. Pharma intermediates in particular, is big for us. So I think the segment remains the same for us.

Rohit Nagraj: And second thing, in terms of the subsidiary, if I recollect properly, probably the pace that we have, we can accommodate INR1,000 crores of capex. Was that the number correct? And we are currently probably having maybe INR300 crores to INR400 crores of projects which are commissioned and which are in pipeline, just perspective.

Siddharth Sikchi: Yes, I think you're correct.

Moderator: The next question is from the line of Arun from Avendus Spark.

Arun: What is our current utilization in our core business today across MEHQ and BHA and other core products?

Pratik Bora: So Arun, I'll speak segment-wise, FMCG is higher, it's close to 80%. Performance and Pharma is in the range of 65%. Performance segment is a little lower because of HALS capacity, which is largely underutilized.

Arun: Just the other question is can you just break the performance into -- excluding this core -- excluding HALS and our traditional volumes?

Pratik Bora: No, that will tantamount to giving product-wise utilization, which we are not very comfortable with.

Arun: Okay. Ex HALS -- just wanted to understand how is our position?

Pratik Bora: Ex HALS -- it's in the range of 70%, which is basically the 4 products - MEHQ, BHA, AP and TBHQ.

Arun: Okay. So how long will it saturate this capacity? For 770, we can say, 85, 90. So what is the timeframe that we have in mind?

Siddharth Sikchi: So I think probably if -- see, I think we will have to really gather this information. And I said that probably by end of this year, we will evaluate whether there is a need to set up. I think 1 of the time it would be, but when should we would be the right time to set up additional capacities of these MEHQ, Guaiacol, anisole. People, I think, take a call in the next six months' time.

Arun: So basically, we will wait for competition? That is what I can -- wait for competition before the -- that's...

Siddharth Sikchi: I don't know. We are not waiting for any competition. We are waiting for our own evaluation to see whether the market is able to absorb these capacities. And what should be the capacity for the next installations.

Moderator: The next question is from the line of Surya Patra from PhillipCapital India.

Surya Patra: Yes. My first question is on the one of the costs that could be there because of the new capacities. So could you quantify that? Because my point is, in fact, on a consolidated basis, although we are saying that our new capacities are currently not optimally utilized. And hence, there would be the kind of impact that our consolidated business witnessing.

But despite that, we have seen a consistent improvement in the margin in the consolidated business. So that means something is really driving despite the kind of the business challenges that we are witnessing for the industry at this moment. So what is the another cost and what is -- in such a situation, what is on the core business front driving this margin sequentially?

Siddharth Sikchi: So basically, the -- I mean, the parent company is doing well. I mean, this is, again, on account of the new product addition, on account of improved yields, efficiencies, on account of reduced raw material prices. So these are the various factors why the parent company is still doing well. And of course, the subsidiary, as you rightly said, it's still -- I mean, of course, because this is the first working quarter is at loss because of the heavy duties, which we have already on net.

Surya Patra: Exactly, sir. Is it possible to quantify, sir, like what is, let's say, the EBITDA level, what would be the kind of hit that you would be facing for the new business?

Pratik Bora: So for subsidiary, apart from raw material, we have incurred employee expense, power & fuel cost, and also other expenses, which is in the range of INR5 crores to INR6 crores.

Surya Patra: Okay. Okay. And then for the existing business or continuing business, this margin expansion, you said on the revenue -- in the prices front, there is no sequential improvement that is flat. And on the cost front, sequentially, there is no reduction, rather, it is slight improvement or stabilized price. So then is it the volume growth that is helping out to showcase a slightly better margin?

Pratik Bora: Yes, because the increased cost is getting hedged off due to product mix. But at gross margin level, it's fairly steady. 34.4% was RMC for Q4, and this quarter is 34.1%. It's basically EBITDA which has gone up because other expenses have come down a little bit.

Surya Patra: Okay. And do you see really in terms of the demand recovery or demand for the existing product as well as the new product, it is a kind of sequentially, let's say, 10% kind of better, 20% better? Some sense in terms of the demand improvement that you can talk about?

Siddharth Sikchi: The demand is sustainable, you can see on quarter-on-quarter, the volume growth is happening. And of course, we are aspiring to take more and more volumes going forward.

Surya Patra: Of course, sir. Okay. I mean I wanted to also have a sense. So whether it is like -- what is the intensity of the demand recovery or, let's say, demand improvement that you are witnessing? It is sub 10% or better than 10%? Or any sense on that?

Siddharth Sikchi: On Y-o-Y basis, if you see the entire demand -- I mean, the entire revenue growth has only happened on volume increment. The prices has remained lower only.

Moderator: The next question is from the line of Dhara from ValueQuest.

Dhara: I just needed a better clarification on the third capex that you mentioned, which is towards the water treatment chemical INR150 crores is what you are saying? Could you just clarify the timeline for the construction and commercialization for this project?

Siddharth Sikchi: See, typically, it is a 10 to 12-month process for us from construction to plant direction to water trials. So assume if we start in September or October, you can add 12 months to that.

Moderator: Thank you. The next question is from the line of Jason Soans from IDBI Capital.

Jason Soans: So just wanted to understand 1 thing. Actually, I was under the impression that all the HALS products are coming through CFCL. But you just mentioned that in the subsidiary, there's no HALS 701. So how does that work out? Just wanted some explanation on that.

Siddharth Sikchi: So there were -- there were 2 typical HALS, 770 and 701, which we originally started in Clean Science, which we started in February '23. But of course, the capacities were very small. But that also helped us to build these large plants in the subsidiary.

Jason Soans: Okay.

Siddharth Sikchi: But 770, we have replicated, and 701, we have not replicated.

Jason Soans: Okay. Okay. Sure. So 770, you have replicated. So the sales which we see from CFCL is only 770, the 67 million which has come, right?

Siddharth Sikchi: Yes. Absolutely.

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

Siddharth Sikchi: So thank you so much, all of you, for taking time out to understand the company. That's all from my side. If there are any further questions, people can connect with me or Pratik or Parnerkar for any offline questions you might have. Thank you so much.

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