Clean Science and Technology Limited
innovation at work

11.11.2024

To,

BSE Limited
Phiroze JeeJeebhoy Towers,
Dalal Street,
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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 Q2 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 23rd October,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 Q2 FY24-25 Earnings held on Thursday, 7th November, 2024.

You are requested to take the same on record.

Thanking You.

For Clean Science and Technology Limited

Ruchita Vij
Digitally signed by Ruchita Vij
Date: 2024.11.11 18:55:53 +05'30'

Ruchita Vij
Company Secretary

Encl: as above

"Clean Science and Technology Limited
Q2 FY '25 Earnings Conference Call"
November 07, 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 the Q2 FY '25 Earnings Conference Call of Clean Science and Technology Limited. We have with us on the call Mr. Siddharth Sikchi, Executive Director and Promoter; Mr. Sanjay Parnerkar, CFO; and Mr. Pratik Bora, Vice President.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero 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. Good evening, everyone. I wish you all a joyful Diwali and a prosperous New Year. I'm happy to connect with all of you to discuss the performance of our company for quarter 2 of FY '25. The business environment continues to be encouraging. Our quarterly business performance has been reflection of encouraging business environment.

Coming to the standalone financial highlights. Starting with the quarter-on-quarter comparison. On a sequential basis, the revenue was steady. Domestic and international sales mix was 30% and 70%, respectively. EBITDA remained steady at INR95 crores, while EBITDA margins continue to be strong at 42%.

A comparison on Y-o-Y basis, sales improved by 26%, and this improvement in sales is primarily volume led. Improved sales led to strong EBITDA growth of 25% during the quarter. Consequently, company reported 30% growth for the current quarter.

As the subsidiary operations scale up, the consolidated profitability is expected to improve.

We are on track to launch the pharma intermediate during quarter 3 and look forward to volume scale up in the HALS series. A little bit about the sales profile. The revenue contribution from Performance, Pharma and Agro and FMCG Chemicals were 69%, 18% and 14%, respectively. Performance segment witnessed strong growth amongst all segments led by increased volumes. Pharma and FMCG segment witnessed similar growth, which was volume led.

For the quarter, HALS monthly sales volume scaled to 135 tons a month basis. A little on capex update. We have incurred a capex of INR155 crores during H1 FY '25, which was primarily towards investment in the subsidiary. We are pleased to announce commencement of construction activity for another Performance Chemicals segment, which is expected to commercialize by H2 FY '26.

On ESG, we are pleased to announce the company has secured a responsible care certification for three years. The recognition underscores our commitment to safety, health and environmental management. On the outlook, we are optimistic of the growth going forward, led by launch of pharma intermediate, scale-up of our new products under the HALS series and commercialization of Performance segment products. Thank you so much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

Sanjesh Jain: Yes. Good afternoon, Siddharth and Happy Diwali. Thanks for taking my questions. I got a few of them. First, you said that entire growth what we have seen both in Performance and pharma intermediate segment has largely come through volumes, which is very impressive, 30% plus, right? What current utilization are we running our plant right now in both this segment? And do you anticipate more capacity addition in the coming quarters?

Siddharth Sikchi: Currently, we are running at 70% capacity utilization in totality. And right now, we have more bandwidth. So right now, we are not looking for expanding on immediate basis.

Sanjesh Jain: Siddharth, can you break this between the legacy and HALS because HALS is something which is a newer product?

Siddharth Sikchi: No, I'm not talking about HALS at all. I was only talking about Clean Science. I mean, as it is an absolutely different volume, because the capacities are far larger, and we are probably at 10%-15% capacity utilization. So the ramp up has to happen.

Sanjesh Jain: So what we are telling is that even in the MEHQ, BHA and all those DCC and all those our existing products, there we are running only 70%. So we have a good headroom for growth. So there is no immediate need for capacity addition there, right?

Siddharth Sikchi: No, we have it. I mean, right now, it's not needed. I mean, we have debottleneck at various points. So now we are good for some more time.

Sanjesh Jain: That's very clear. Second, on the -- again, the parent business, which is the legacy business. The quarter-on-quarter, I see the mix of the business remains steady. Pricing also, you're telling us has been very stable. Any particular reason why there is 250 bps quarter-on-quarter dip in the gross profit margin?

Siddharth Sikchi: So, now, Sanjesh, what is happening is, the raw material prices have increased over the past few months due to the war scenarios. I mean, the Israel-Iran thing and all that. However, we have not been able to increase or pass the price increase right now to the customer. We are right now focusing on getting the volumes back compared to last year. That is one. Second, our product mix is also changing. I mean, the principal products are reducing and newer products like the pharma intermediate, the TBHQ. So those products are now increasing the basket. And hence, there is a little compression in the margins.

Sanjesh Jain: Okay. But on a like-to-like basis, MEHQ or BHA, It won't be so much, right? I can understand...

Siddharth Sikchi: Not so much, not so much.

Sanjesh Jain: Not to an extent of 250 basis points?

Siddharth Sikchi: Not that -- it's not there.

Sanjesh Jain: Got it. And do we intend to pass on the raw material pressure or we will now focus on market share gain?

Siddharth Sikchi: Right now, I think for the next quarter, I think I would like to focus on getting the volumes back, getting the business back on track because now I think the volumes have come back. And I think it's better not to increase the price, and we can see some competition might come up globally -- -- somehow if there is. So right now, our focus is to remain -- to have the same stickiness of the customer but get volumes as much as we can.

Sanjesh Jain: Got it. And was there any particular activity in America, the revenue sequentially doubled?

Siddharth Sikchi: See, now our HALS segment, the water treatment chemicals, those markets have opened up from the US. That is one. Plus general -- because of the last year slowdown, some of our customers of Performance Chemicals, which were not lifting materials, have now resumed that. And so those volumes have also now come back to the business.

Sanjesh Jain: So this is sustainable, right?

Siddharth Sikchi: Yes.

Sanjesh Jain: This is absolute revenue sustainable. I can understand growth, but absolutely sustainable, right?

Siddharth Sikchi: Absolute will also be sustainable.

Sanjesh Jain: Got it. Then the next thing on the HALS side of it, we were three products, 701, 770, 119, and we expected to launch 944 and 292. Where are we in that?

Siddharth Sikchi: So let me go back. 701 launched, selling no problem. 770, same case. Now there are three products, which is 622, 944, 119.

Sanjesh Jain: And 770?

Siddharth Sikchi: All three are now successfully launched. Now we have started receiving approval from the customers. I mean, the sales have also begun. And now I think, hopefully, quarter-on-quarter, the sales and the volumes should start picking up, which we will start seeing.

Sanjesh Jain: Got it. This 622 was the water treatment one, right, you spoke about?

Siddharth Sikchi: No. 701 was water treatment.

Sanjesh Jain: Okay. 701 was water treatment. That's what picked up in US?

Siddharth Sikchi: Yes, that's also picked up in US.

Sanjesh Jain: Got it. The next on the capex, you said that the INR30 cores pharma should be up and running next quarter -- this quarter, right, Q3?

Siddharth Sikchi: By 15th November -- 15 to 25 November is we expect to start putting raw materials in the system.

Sanjesh Jain: And this is what domestic or largely exports?

Siddharth Sikchi: Majorly domestic. China substitute.

Sanjesh Jain: So it is an import substitution?

Siddharth Sikchi: Yes, China import substitution, right.

Sanjesh Jain: Got it. And we have all the approvals in hand, right? So because it's a relatively smaller capacity, so ramp-up should be faster?

Siddharth Sikchi: There is no approval because pharma does not approve from your lab or pilot. They need commercial product for approval. I mean this is a very standard practice. But we expect the validation and approval should come between one month to five months to three months depending on customer to customer. But while the ramp-up happens -- I mean once the approval happens and we start supply, I think the ramp-up should be pretty much easy because the building is ready. We just have to add equipment and that is the capacity.

Sanjesh Jain: And how much India imported materials annually?

Siddharth Sikchi: Right now, our capacity is 50% of Indian imports.

Sanjesh Jain: 50% of Indian import. And we are competitive on pricing?

Siddharth Sikchi: That is the whole reason to put up the plant.

Sanjesh Jain: Yes. I'm just confirming. I can completely get that, just reconfirming that.

Siddharth Sikchi: Of course, I mean, tomorrow if China reduces the price by 50% then we don't know. But on current basis, I mean, what we have been tracking for the last three years, we should be able to catch up, no issues at all.

Sanjesh Jain: No issues at all. And you said that one more product we are launching in second half of '26, that's INR150 crores of capex what we announced, right?

Siddharth Sikchi: Yes. So that should start by June-July sorts.

Sanjesh Jain: June-July of '25?

Siddharth Sikchi: Of '25.

Sanjesh Jain: Got it. And this will be for what application?

Siddharth Sikchi: Variety of applications. I mean it's quite a versatile product. So it is like a stabilizer, inhibitor, performance chemical. So it has a lot of applications.

Sanjesh Jain: Got it. Yes. These are largely my questions, Siddharth. Thanks for answering all of them very patiently and best of luck for the coming quarter.

Siddharth Sikchi: Thank you so much, Sanjesh.

Sanjesh Jain: Thank you, sir.

Moderator: Thank you. The next question is from the line of Priyank Chheda from Vallum Capital. Please go ahead.

Priyank Chheda: Hi, Siddharth, and congratulations for a fantastic performance on volumes. Again, coming back to gross margins. So with the HALS mix further going up, it is not expected that gross margin mix will slightly deteriorate as well as EBITDA margin mix will slightly deteriorate. Now when we, again, prioritize volumes, should you think that this would further go down and hence further ramp-up in the mix?

Siddharth Sikchi: Sorry, I think there was a network issue.

Priyank Chheda: Hello. Yes, we can hear you, Siddharth.

Siddharth Sikchi: Priyank, we were not able to follow your question. If you can speak little slower and louder I mean, I think there is some disturbance in the line.

Priyank Chheda: Okay. Am I audible right now?

Siddharth Sikchi: Yes, you are. And put one question at a time.

Priyank Chheda: Perfect. The question is on the gross margins, with the HALS mix going up, it was expected that gross margins will slightly deteriorate on the lower side. Now when we are focusing on volumes...

Siddharth Sikchi: On consolidated levels.

Priyank Chheda: Correct, on consolidated level. And now when we are prioritizing volumes and we're not able to pass on slight price increases of the raw material, should we think and should we consider that this gross margin deterioration will further accelerate versus what we were thinking earlier?

Siddharth Sikchi: No, it is not like that. The margin and volumes, the price increase I was more or less talking about the parent company products. That is point number one. Point number two, with this HALS volume pickup, as they pick up, our overall process becomes more and more robust because the plants are -- when a chemical plant is designed, these are continuous processes, right? So running a plant at 10% and 15% capacity utilization is not a very optimum level of capacity utilization.

So as and when our capacity utilization increases, our gross margins will start improving, also due to the fact that our yields efficiencies will further start increasing or improving. So this will all account to increasing the gross margin. And of course, when we go to the fixed cost, because this is a very large facility, the fixed costs are relatively high. So when the volumes pick up happen, the fixed cost distribution on per kg basis will further improve dramatically and should start contributing more to the margin levels.

Priyank Chheda: Got it. That is clear. On the regional mix, China we have seen Y-o-Y for the first half going up by 38% and as well as in Europe we have seen a 34% jump. What should be the end market that we should track, end consumer products that we should think when it comes to China, Europe? And also, is there a seasonality in India with respect to the September quarter, particularly?

Siddharth Sikchi: No. There is no seasonality in our businesses. It is just that -- I mean, the demand which you see the last year was a real washout. So these were expected demand -- these were the demand already in place earlier, of course. I mean, there is an increase of 5% to 7%. And I think that is what has come back now in the system. So these are sustainable volumes.

Priyank Chheda: Got it. Any particular end consumer market in China that we should think? Any particular end consumer market that we should...?

Siddharth Sikchi: Acrylic acid producers

Priyank Chheda: Sorry?

Siddharth Sikchi: Acrylic acid producers.

Priyank Chheda: Got it. Perfect. And on the capex side, you did mention about a product -- another product of Performance Chemicals. I think that stabilizer where we are doing the capex of INR150 crores. You did not touch upon another product around the water treatment, which we are also again doing in the subsidiary company. Anything on that?

Siddharth Sikchi: That will also begin probably in the next two to three weeks, we'll start the construction and we expect that plant to commercialize by December calendar '25.

Priyank Chheda: And that's also INR150 crores of capex. So now we are doing a two 150 crores capex -- two products. One is Performance Chemicals with INR150 crores and one is water treatment product with another INR150 crores?

Siddharth Sikchi: Total capex INR300 crores.

Priyank Chheda: Perfect. In the same complex of the subsidiary, we have further room to expand. Anything from your R&D labs, any breakthrough that we have got about in terms of further expansion into new products in that line?

Siddharth Sikchi: There are a few, but let them crystallize and let us -- if we decide to go on commercial scale, we will make the announcement.

Priyank Chheda: Perfect. Now last question on the stand-alone utilization, the stand-alone business, the parent business, ex of HALS where we are at 70%. And we have -- we know the key plug-in that we need to do with respect to one that we know is PBQ where we had to do some product rectifications. Where are we on that? And the second one is TBHQ.

Siddharth Sikchi: One question at a time, Priyank, because it is easier that way, you are not clear. So PBQ, we have restarted the plant, okay? We have restarted after our successful pilot trial, and we have submitted the samples to some of the customers. Let us get a feedback and then we will know -- I mean, there has been a process or product improvement in terms of application at the customer then. So we will know the results probably in the next two weeks' time.

Priyank Chheda: And on TBHQ, where we were somewhere around 50%, 60% utilization?

Siddharth Sikchi: No, that has gone up to 70% now.

Priyank Chheda: Okay. So PBQ and TBHQ are the key plug-ins to be done in terms of stand-alone utilizations going up?

Siddharth Sikchi: No, TBHQ did quite well quarter 2 as well.

Priyank Chheda: Okay.

Siddharth Sikchi: So that is why revenue share of parent product came down. So TBHQ is more or less settled. PBQ is the one, which we have to work on now.

Priyank Chheda: Any other product in the parent where we need to work it on to -- for utilization to go up? Or is it a proper demand, which will drive the utilization going up?

Siddharth Sikchi: Right now, I think we are good. In case we see any demand coming up in any of these products, then I think the next stage will be to set up another facility for that.

Priyank Chheda: Got it. All my questions were answered. Thank you so much.

Siddharth Sikchi: Thank you so much, sir.

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

Ankur Periwal: Yes. Hi, Siddharth. Thanks for the opportunity and congratulations on a strong revenue growth there. Just on sales, while you did mention volume-led growth across performance and FMCG and Pharma, any Q-on-Q further decline in pricing or we are largely stable there across Performance as well as HALS?

Siddharth Sikchi: Absolute stable now.

Ankur Periwal: Sure. And the comment that you earlier made in terms of focusing on market share gains, with the RM prices coming down now, is there any price cuts taken by competition? Or they are probably still holding on to the earlier pricing and hence, more market for us to gain?

Siddharth Sikchi: Holding. We are holding at the same price now. And there is no real lowering of price. I mean, we are still in that range, plus/minus 3%, 4%. So sometimes it goes up, some news, again, it goes back. So it's more or less we are in the range -- I mean I would not say there has been tremendous reduction in raw material prices.

Ankur Periwal: Sure. Just curious, given that we have been consistently gaining volume-led market share here, any price tactic or any strategy being played by the competition? Or it's tough given the market environment?

Siddharth Sikchi: Very tough given the market environment.

Ankur Periwal: Okay. Fair enough. On the HALS side, we have seen -- last quarter, we were at 125 tons odd. This quarter, we are at 135 tons, so gradual uptick there. This uptick is largely led by higher growth in the existing products that we had launched 770 and 701 or the newer ones wherein we were waiting for the approvals. So the newer ones for which we were waiting for product approvals from global customers, where is the progress there?

Siddharth Sikchi: So you will see that first time -- I mean, of course, the material has been shipped to Europe, they have been shipped to the US. Now the customer base is increasing as we are moving forward. Fortunately, the next line of product, which completes the entire basket is also now fully commercialized, approved. So now I personally feel that going forward, the ramp-up should increase with existing as well as new customers. Plus, we are at a point where we are started appointing distributors globally in South America and United States, in Europe. So that also -- the reach is also increasing as we move on.

Ankur Periwal: Yes, that was the next question. So from a distribution point of view, we are there across the globe. So there are no building blocks there? That is already in place?

Siddharth Sikchi: That is already in place.

Ankur Periwal: So the only thing which you are waiting for is the approval for the newer as well as existing products, which are largely five now? Or have we started focusing on the blends as well?

Siddharth Sikchi: No. So basically, what is happening, of course, we are also making one blend already, which is called 783. And if needed, we can make other blends. So far, we have not received any other interest in any other blend. So 783 is a more prominent blend. So blend is not a very complex operation. It just needs mixing of two material at an appropriate percentage.

Ankur Periwal: Okay. Sure. And just last bit on the bookkeeping question. So this quarter, our tax rate had increased versus 25%, 26% earlier. Is it a one-off? Or should we read something into it?

Sanjay Parnerkar: It is only one-off, but there is no major increase in the tax rate. It is largely because of the other gains where the tax rate is a little more. The change in fundamentally, the change has happened because of the finance budget where they have changed the rates for capital gain tax.

Ankur Periwal: Okay. Fair enough. That's it from my side. Thank you and all the best.

Siddharth Sikchi: Thank you, Ankur.

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

Arun Prasath: Siddharth, thanks for the opportunity. My two questions, first on the -- our traditional Performance Chemicals business like MEHQ and BHA. You said on the -- you said on a Y-o-Y basis, it's primarily volume-led growth. On a sequential basis also is it a volume-led growth?

Siddharth Sikchi: Yes. On a sequential basis also it is volume-led growth.

Arun Prasath: Okay. Because I'm just wondering because in Q2, now price sequentially went up by 7 percentage, 8 percentage, which means that we have not increased price in MEHQ and BHA and other traditional products? We are not able to...

Siddharth Sikchi: It was a very short period-- I mean the price shot up because of the current news about the war between Iran and Israel. But within a week or two, the prices again subsided down. We are not in this one-off opportunist where we can increase the price so quickly.

Arun Prasath: Okay. So as of now, our price -- our procurement prices more or less come back to the normal rate in terms of…

Siddharth Sikchi: Yes.

Arun Prasath: Okay. And earlier you also said that you are going after the volume instead of margin, this is to the MEHQ and BHA or the other traditional Performance products? There is a new set of products...

Siddharth Sikchi: I was speaking more or less about our parent products, about the parent business where we are trying to gain those additional market share. In terms of HALS -- I mean, in terms of other performance chemical like per se HALS, and we are anyways too little in the market. So we have to only keep adding and growing the market share.

Pratik Bora: Arun, just to correct. We are not going for volumes over margin. We are conscious of not going for further margin dilution. Like we are conscious of ensuring EBITDA margins of 40% plus for parent company.

Arun Prasath: Great. Okay, which means -- is there any capacity additions in our traditional basket of products outside India? Because you said there is an increase in competition, and hence we are not able to increase -- pass on the prices immediately.

Siddharth Sikchi: Sorry, go again.

Arun Prasath: Is there any capacity addition outside India from your competition where they are also placing huge volume in the market?

Siddharth Sikchi: No. I mean, right now, there is no competition addition. Of course, the conventional route is always available for anybody to make the products which we are making. So we have to be conscious of the fact that we have to place our pricing in a manner that the competitor is not incentivized to add more capacity and go to the customers.

Arun Prasath: Okay. The spread between the MEHQ and the HQ, is it still negative, right? So we should still have some room to increase MEHQ to gain this arbitrage?

Siddharth Sikchi: No, we will look at increasing probably post the December period. Once we understand how the market is shaping up. So probably, we might look at it or relook at it going forward in quarter 4.

Arun Prasath: Okay. All right. Siddharth, can you also give approximately what is our current market share in MEHQ and what is our capacity share in MEHQ globally?

Siddharth Sikchi: In MEHQ, we think our market share would be 55% to 60%.

Arun Prasath: And on a capacity basis?

Siddharth Sikchi: Okay. Capacity basis, 60%.

Arun Prasath: Okay. And that means the actual volume share would be lower?

Pratik Bora: We mean, market share on the production basis, MEHQ could be a little lower because MEHQ is also captively consumed for BHA.

Arun Prasath: Okay. And anything you're hearing from your competition on adding MEHQ capacity on this alternate route, apart from outside India anywhere you're hearing about that?

Siddharth Sikchi: No, not at the moment that we are aware of.

Arun Prasath: Okay. So, which means largely this margin reduction in this quarter in the parent business looks like very temporary phenomenon? Is it the right assessment?

Siddharth Sikchi: Right, yes.

Arun Prasath: And any reason why in parent business, power and fuel cost is disproportionately higher in this quarter as compared to previous quarters?

Pratik Bora: Arun, it has gone up from 8.7% to 9.6%, primarily led by increased production activity, some impact of monsoon where we got lower net solar credit. And the third is also little bit alteration in the product mix, which had adverse impact on the power and fuel. That is from that narrowband of 8.5% to 9.5%.

Arun Prasath: Okay. Because what I'm seeing is sequentially power and fuel increased by 15%, whereas, volumes probably increased around 6% to 7%. That's why I was wondering if there's any onetime, one-off impact in the power and fuel.

Pratik Bora: Yes. There was a slight increase in the coal pricing also.

Arun Prasath: Understood. And finally, on the capex side, INR155 crores capex we have done on first half, there is an investment or actual deployment of the cash?

Siddharth Sikchi: Deployment of the cash.

Pratik Bora: Investment in the subsidiary by parent company.

Arun Prasath: Okay. Not as a deployment, not yet deployed, because our cash flow capex is...

Pratik Bora: Some part of it is deployed by the subsidiary company, and some part is still lying in the territory, which should get deployed in this quarter.

Arun Prasath: All right. Thank you very much, Siddharth.

Siddharth Sikchi: Thank you so much.

Arun Prasath: Thank you very much. All the best.

Moderator: Thank you. The next question is from the line of Jitesh Agarwal from Finvision Capital Markets. Please go ahead.

Jitesh Agarwal: Yes, hi. This is Jitesh from Finvision. My question is regarding the recent election outcome of the USA, how do we see this impact on your business, especially vis-a-vis to the exports that you do to China?

Siddharth Sikchi: I don't think there is any impact on our business per se, because I mean, we had Trump before also when there was a change. And again, so that has really not impacted much. So I think we are very neutral to this.

Jitesh Agarwal: So, which is tariffs and the trade restrictions, will it take any kind of problem, any kind of business disruptions or any kind of issue?

Siddharth Sikchi: The tariffs from India -- you're talking about tariffs from India to US?

Jitesh Agarwal: No, tariff of any Chinese product and your exports to China, something like that?

Siddharth Sikchi: No, no. The tariff between India and China has nothing to do with US elections. That is one. But the positive part is that US anyways has additional tariff of 25% for Chinese products, which anyway will be helpful to all Indian companies.

Jitesh Agarwal: Okay. So you see no impact as such by this election outcome?

Siddharth Sikchi: Not really.

Jitesh Agarwal: Okay. Thank you.

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

Jason: Thanks sir. Thanks for giving me the opportunity. I just wanted to understand that last time we had spoken around sales volume of 125 tons per month for HALS, and looking at an average of around touching to 200 tons per month going ahead in this year. So are we on track to probably have back to 2,00 tons of volume per month for HALS in this year? And if yes, then what are you talking next year? I just wanted a directional sense on HALS volumes?

Siddharth Sikchi: See, first of all, all the four products which are commonly used by the customers are all now in place. That is one most important because earlier when we were offering only one or two products, whereas the customer had to buy the balance from the competitor. So now we have that entire basket that is point number one. Second, because this was an absolutely new segment where Clean Science has entered.

So the lack of trust-- I mean, the first time entry barriers were already in place. But now that we have started supplying products already to them. So there is a very high level of confidence in these customers to test our balance three products which we have launched recently. So with all these things with basic approvals in place, with getting REACH registrations in Europe, with having distributors set up across the world.

I think now we are in a better shape than what we were earlier. So I mean, with this confidence, I think we should be able to -- going forward, to touch a 2,000 tons -- should be a target in 2025 for sure -- calendar year '25 I mean.

Jason: Sure, sir, financial year '25?

Siddharth Sikchi: Financial year. Yes.

Jason: Financial year. Okay, okay. And sir, about '26, I mean would you -- I mean, directionally, we have spoken about 4,500 tons, 5,000 tons.

Siddharth Sikchi: Right now, I think putting a number will not be easy, so maybe in the next call, I would have more further clarity on how things are. And maybe that is the time we can discuss on this.

Jason: Sure, sure, sir. And but realization Sir, on an average, taking the basic as well the premium niche products, will stay at around $8 level, I would assume.

Siddharth Sikchi: $7, $8. Yes.

Jason: $7, $8. Okay.

Siddharth Sikchi: These products are about $5, $4.5, $5. One is about $10, one is about $7 -- $7, $8. So yes, about $6-ish should be a decent number.

Jason: $6-ish should be around a decent number. Okay. Sure, sir. And Sir, just in terms of -- I understand that you've spoken about the capex, the two INR150 crores new blocks. Now I just wanted to just confirm my numbers to the water treatment on you said will commercialize in December 2025. And the Performance Chemicals will commercialize in when? Could you just reconfirm those numbers?

Siddharth Sikchi: June, July '25, about seven months from now.

Jason: Seven months from now and the water treatment shall commercialized by December 2025, okay?

Siddharth Sikchi: 13 months from now.

Jason: That's right. And sir, again, when you look at -- when you look at the last call, you had spoken about that the Performance Chemical, when you look at it at a revenue potential of around INR350 crores, up for the peak output. And you were probably going to give us a number for the water treatment in terms of opportunity size. So right now, would it be fair to give -- you would have a better assessment on the peak potential for the water treatment plant?

Siddharth Sikchi: INR300 crores to INR320 odd crores

Jason: INR300 crores okay. So you're looking at an asset turn of around two, two times. Okay. And sir, in light of the same. Yes, yes, in light of the same, just wanted to understand -- of course, this is INR300 crores capex. So how would we look at our capex guidance in '25, '26 at a consol level?

Siddharth Sikchi: The capex in parent company is hardly negligible because there is nothing coming there.

Jason: No, I'm talking about a consol level, on a consolidated level. I understand all the capex is happening in the subsidiary, which is Clean Fino-Chem. So on a consol level, I'm asking '25, '26, what is the capex guidance?

Siddharth Sikchi: So, I think apart from INR150 crores to INR200-odd crores.

Jason: Each year? Each year, right?

Pratik Bora: Yes. So this year, it would be pharma intermediate, INR30 crores. Part of the performance segment, it could be close to INR100-odd crores. And next year, it would be the residual part of the performance segment, INR50 crores and incrementally INR150 for the other performance segment, which we

Siddharth Sikchi: Water treatment, what you call it.

Jason: Okay. Sure. So this you probably should be on INR180 crores on the next year should be around INR280 crores. That's what the calculation said.

Siddharth Sikchi: Yes.

Jason: Sure. Yes. Okay. And sir, just lastly, I wanted to ask you in terms of PBQ, I mean, earlier participant did ask. So if you could elaborate so what -- is this the same thing whether color was an issue? Is this the same thing the PBQ -- is that the same issue? Is there some other issues we are working on. You did mention that there is some work on happening on the PBQ part?

Siddharth Sikchi: So, we started the plant again with some improvement -- as I said, it's a very delicate product. You need some approvals from customers to understand it if our product is suiting their application need because that was a problem . That is why we had to stop the facility to relook at the process. But after the new commercial plant, I mean after the new process has started, the customer again needs new samples, right?

That's what I mentioned that it will take us about two more weeks to determine if the new process, the product coming out of the new process is suitable for the customer's applications.

Jason: Sure. Sir, those are all my questions. Thank you so much.

Siddharth Sikchi: Thanks.

Moderator: Thank you. The next question is from the line of Shivani from Monarch Networth Capital. Please go ahead.

Shivani: Hi, thank you for the opportunity. Most of my question has already answered, but if I could chip in just one -- two quick questions. One is around the sustainable margin, HALS is low margin product, if I recollect. And going forward, what could be the blended margin for the company?

Siddharth Sikchi: Yes. So, parent company could be 40% plus at EBITDA level. And subsidiary has commercialized, it could be around 25%.

Shivani: Okay. Sure. And for the new Performance Chemicals, so that's coming up, the margin would be similar range of 40%, 42%, correct?

Siddharth Sikchi: I mean it's a differentiated technology. So, margins should be better than HALS, and it's adjacent to our existing products, but we don't want to comment on number per se, at this stage.

Shivani: Sure. And lastly, one more thing. We are also -- there a new high-margin, high product, which is also in the pipeline. So, could you comment on that?

Siddharth Sikchi: They are still in pipeline.

Shivani: Any update or any additional products? Or it's too early to ask the same?

Siddharth Sikchi: It is too early.

Shivani: Sure. Thank you.

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

Krishan Parwani: Hi, Siddharth Ji, Pratik Ji. Hope you had a great Diwali. Just three questions from my side. So, firstly, where are we in terms of approval for our new Performance Chemicals, which is supposed to be launched in the first half of FY 2026?

Siddharth Sikchi: Once the plant commercializes, then we'll send the samples across and it should take between one to three -- one to four months for the customers to approve.

Krishan Parwani: Okay. I mean, on the lab scale, are those approved?

Siddharth Sikchi: Our customers are such that, I mean, lab and pilot will not really hold too much significance in this.

Krishan Parwani: I get it. Okay. And secondly, on this HALS, the 135 tons per month volume that you indicated. So, is it entirely from subsidiary? Or is there any -- is there some volume from the stand-alone entity as well?

Siddharth Sikchi: It is console volumes. only HALS segments.

Krishan Parwani: Yes, I got it. Got it. And just a follow-up on that. That's the last question. How long do you think it would take us for a meaningful ramp-up of HALS, let's say, just to be EBITDA positive on the subsidiary side?

Pratik Bora: We expect this year to close on EBITDA neutral, I mean, breakeven basis, FY 2025 for subsidiary.

Krishan Parwani: You mean the closing rate should be EBITDA positive, correct?

Pratik Bora: Yes, we are hopeful for full year because as new products are getting launched 622, 944, they are more margin accretive compared to 701, 770. Apart from that Pharma intermediate launch will also help drive the EBITDA for the subsidiary company.

Krishan Parwani: Okay. And the depreciation of the, let's say, Pharma intermediate plant is already there in the numbers? Or it is yet to come in the coming quarters?

Siddharth Sikchi: No, it has to come. The plant begin operations just in the next two weeks or so. We expect the real production to begin. I mean, the final product to come out, say, by mid of December. And say probably one month to three-month approval from a variety of customers. So we expect revenues starting quarter four.

Krishan Parwani: Got it. No. This is very helpful. Thank you for patiently answering my questions and good luck for the coming quarters. Thank you so much.

Siddharth Sikchi: Thank you. Krishan.

Krishan Parwani: Thank you.

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

Rohit Nagraj: Yes. Thanks for the opportunity. First question is you already mentioned that now we have the basic products of bouquet of HALS products. In terms of our proposition to customers, what are we proposing to the customer? Is it primarily from the cost-effectiveness perspective or anything else in terms of availability or some other parameter? Thank you.

Siddharth Sikchi: First is price. Second is geographical location. I mean, today the dominance is between China and Europe. So we are the first player from India, so a little bit on geographical say China Plus One. So that was another parameter. So these are some of the reasons why we see we should be able to get. And we are -- I mean our -- with the entire capacity ramp-up, our global market share would only be sub 7%, 8%. And the market is already growing at 6%, 7%.

Rohit Nagraj: Fair enough. Second question is we have also indicated earlier that there are premium HALS products which are priced about just $15. So where are we in terms of the process on the lab scale and maybe putting up the...

Siddharth Sikchi: Labs and pilots are conducted. We have sent some of the samples to some of the customers. As soon as we get some results to understand, then probably we will think of how it can be manufactured in the existing setup.

Rohit Nagraj: Okay. For that, we may not have to put in separate capex as such, at least in the initial stage.

Siddharth Sikchi: Very little debottlenecking, some equipment here and there, but we have no intention to put-up any additional facility right now.

Rohit Nagraj: And that will take maybe six months, nine months' time or shorter period?

Siddharth Sikchi: Six months.

Rohit Nagraj: Got it. That's all from my side and all the best.

Siddharth Sikchi: Thank you.

Moderator: Thank you. The next question is from the line of Archit Joshi from B&K Securities. Please go ahead.

Archit Joshi: Thank you, sir. Good evening, gentlemen. Sir, I have a question on the HALS industry assets with respect to the competitive dynamics as we see today, especially in comparison to maybe a few years ago when we decided to have this entire product portfolio with us for realization for a few dollars higher, if I recall correctly.

And we've seen some bit of pressure on realizations in the entire pack, especially the newer ones that we are about to launch. What has changed, sir? And if you can also give a few signs of yours on what would be the drivers to these realizations improving? And mostly, sir, could you help us understand the competitive landscape within HALS as it stands today?

Siddharth Sikchi: So basically, I have said this, I had answered this earlier. So basically, the competition is from Europe and Chinese. We are the fifth company globally to be fully backward integrated. There is tremendous pressure because Chinese has scaled up capacities over the past 2 or 3 years. And that is why they have driven the prices down. And we have to be closer to the market prices. Nobody wants to pay the premium.

But at par with Chinese prices, we are able to get businesses. As things move up, as our capacity ramp-up happens, our yield efficiencies will keep improving, which will make us more and more competitive. As capacity utilization improves, as newer products ramp up in the subsidiary, the fixed costs will keep coming down, which will make the business more and more profitable as we move forward.

Archit Joshi: Sure sir. Sir, just sort of curiosity since some of our HALS are used in petrochemicals, mostly hydrolysis like polyethylene or maybe polypropylene, you mentioned acrylic acid earlier. You're seeing a situation wherein there is a decent bit of our petchem overcapacity. Is there any parallels between realizations being depressed and products where we are starting them -- with respect to the application area?

Siddharth Sikchi: Polymer -- Acrylic acids was a for our other products that has nothing to do with HALS.

Pratik Bora: Acrylic acid, when we mentioned it was for MEHQ. HALS underlying application is largely polymer industry.

Archit Joshi: Okay. I thought that would be a derivative of the petchem cycle. But anyway, got your point, sir. Sir, lastly, on these three capex, one of them, the pharma intermediate that is already underway and the other two with INR150 crores each. If you can just explain how different or similar are they from the perspective of technology, I think we've had great laurels on our shoulders with respect to the take that we have on an MEHQ and the products in the base business, if you can share some of your insights on how cost competitive we can be on the technology side? Thank you.

Siddharth Sikchi: So I will just comment on the performance chemical. I mean on the pharma intermediate as Pratik mentioned, it's a new technology, which we have incorporated. Of course, we don't know exactly how Chinese are making it -- but looking at the price point, we feel we have a decent margin going forward. That is one. In Performance Chemicals, yes, it's again, on newer technology. But of course, when the plant begins and it will be more and more clear to us and also to the market and how we have been able to improve the technology compared to our competitors.

Archit Joshi: Sure, sir. That explains a lot. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Abhishek Ranawade from Oakland Capital. Please go ahead.

Abhishek Ranawade: So I joined a little late. So I just wanted to ask you about the capacity utilization segment wise?

Siddharth Sikchi: We don't give segment wise, but overall, on parent company, it is 70% and subsidiary brand new, so there is far lower capacity utilization.

Abhishek Ranawade: Okay. And I would also like to know about the margin growth trajectory or the HALS?

Pratik Bora: HALS at optimal utilization, we expect EBITDA margin of close to 25%.

Abhishek Ranawade: Okay. And is it going to be same for the next few quarters? Or is it going to improve?

Siddharth Sikchi: It will keep improving as we move on.

Abhishek Ranawade: Okay, because the volume is picking up, it will increase, right?

Siddharth Sikchi: Yes. Hopefully.

Abhishek Ranawade: Okay. Thank you.

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

Arun Prasath: Thanks for the follow-up opportunity. Siddharth, just wanted to understand on HALS. Can you give us the -- what is the full potential revenue potential based on current prices of HALS and targeted mix at full utilization?

Siddharth Sikchi: So, currently, we are manufacturing the base products where the prices are closer to $4. Going forward, we are coming up with products which are closer to $8, $9. So if you do the math, we should be closer to $6.

Arun Prasath: Okay. $6 on the 10,000 tons of capacity. That is a revenue condition.

Siddharth Sikchi: Yes sir, on 12500 tons of capacity at consolidated level

Arun Prasath: Understood. Thank you. That's it for me. All the best.

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

Jason: Thanks for taking my question again. Just wonder to understand, sir, on the pharma intermediate space, the INR30 crores capex, what's the revenue potential of this sir?

Siddharth Sikchi: INR80 crores to INR90 crores.

Jason: Okay. Sure. And sir, just if I may, within this one last one. I mean one of our domestic peers has started their facilities in one of -- in some principal products where we also are large leaders. So sir, just if you could comment on some -- if we are seeing some more competitive intensity on the ground in terms of those products?

Siddharth Sikchi: As on today, sir, I am not seeing anybody on ground.

Jason: Okay. Sure sir. So those are my questions. Thank you, sir.

Moderator: Thank you. The next question is from the line of Neil Parikh from Orica Capital Advisors. Please go ahead.

Neil Parikh: Okay. So my question is with respect to R&D of the company. If I compare what happened in the last 6 years, in 2018, the count of scientist was 22, which by 2024, increased to 90. The PHD guys in your team in 2018 was a single person. In 2024, it increased to 9. So I want to understand what is the role? How critical are both of these positions in your company and the attrition rate of there?

Siddharth Sikchi: Very, very unique question. So let me start -- I mean the attrition rate is always higher on the chemist levels, which is a very low level in the company because of various reasons. Second, because there is a huge task force, hence, we are able to put up more capex quickly compared to what we were doing probably 10 years earlier.

So as you see, the capex of INR300 crores in HALS, additional INR300 crores, which we have to discuss plus a pharma of INR30-odd crores. So all the capex of about 650-odd crores probably in a period of 2 or 3 years, is the highest level of capex, which company has done in the last 19 years since the inception. So that is the role of R&D to keep churning more and more products and as early as possible to optimize and go to the commercial levels.

Neil Parikh: Okay. Got it. I have one more question. That is with respect to the pay structure for the scientists and the PhD guys? Because if I look at the R&D cost of the company, it's not getting reflected well, so that's why.

Siddharth Sikchi: So what is your question?

Neil Parikh: My question is, what is the cost of the scientists and the PhDs you employ? So for FY 2024, what portion of cost was it?

Siddharth Sikchi: So point is -- apart from salary, there is also ESOP given to these scientists. And I think that is the reason why they are still with us.

Neil Parikh: Okay. Got it. Thanks a lot sir. That's from my side.

Moderator: Thank you. We'll take the next question from the line of Hrushikesh Shah from Alchemy Capital. Please go ahead.

Hrushikesh Shah: Hello. Thank you for the opportunity. My question was relating to HALS -- you said that the reasonable margin is...

Siddharth Sikchi: Louder, louder, please.

Hrushikesh Shah: Yes, am I audible?

Siddharth Sikchi: A little louder.

Hrushikesh Shah: Yes. One second.

Siddharth Sikchi: Hrushikesh, you are there?

Moderator: Hello?

Hrushikesh Shah: Yes.

Moderator: Mr. Shah, please go to the question,

Hrushikesh Shah: Yes. My question was relating to HALS the sustainable margin that you spoke is of 25%. Is this margin at current realization of 4% or at 6%?

Siddharth Sikchi: What is 4% and 6%, sorry?

Hrushikesh Shah: The sustainable margin for HALS is 25%, right?

Siddharth Sikchi: **25%** EBITDA on 70%, 80% capacity utilization.

Hrushikesh Shah: And the realization that you assumes $4 or is it $6 overall $6 going forward?

Siddharth Sikchi: $6 average.

Hrushikesh Shah: Okay. Understood. Thank you. That's all.

Moderator: Thank you. The next question from the line of Neeraj, an individual investor.

Neeraj: Hi, Siddharth. Can you comment on the growth potential the rate at which our revenue can grow in coming few years, please?

Siddharth Sikchi: Which are apart from the capex we have done, the capex which is planned. I mean we should be closer to 2.5x of our current revenues.

Neeraj: In a period of how much time?

Siddharth Sikchi: Sir, we want to do it as early. But looking at the market scenario, I think fairly you should assume 3 years.

Neeraj: Okay. Any plans related to separate listing of subsidiaries, etcetera?

Siddharth Sikchi: No, absolutely no.

Neeraj: Okay. Any other capex is planned or lined up, apart from the mentioned three capex?

Siddharth Sikchi: Not at the moment, sir.

Neeraj: No. Okay. Right. Thank you. Thank you so much, Siddharth.

Siddharth Sikchi: Thank you, Neeraj.

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

Siddharth Sikchi: So thank you all of you for taking time out to understand the company to understand our quarterly numbers. Thank you always for your support and time. Thank you so much. Have a good one. Bye-bye.

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