03.02.2025

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 Q3 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 January, 2025 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 Q3 FY24-25 Earnings held on Thursday, 30th January,2025.

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: 2025.02.03 17:04:28 +05'30'

Ruchita Vij
Company Secretary

Encl: as above

"Clean Science and Technology Limited Q3 FY25 Earnings Conference Call"

January 30, 2025

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

Note: The transcript has been edited for readability and clarity

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY25 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 participants' lines will be in a 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. Good evening, everyone. I am happy to connect with you all in this New Year to discuss the business performance of our Company for Q3 FY25.

I would like to say these are difficult times for the chemical industry. Despite that, Clean Science has demonstrated robust cross cycle EBITDA margins and firm growth plans underpinned by its technology prowess and customer-first approach. Our business performance continues to reflect the enduring fundamentals and agility.

Regarding the standalone financial highlights:

Starting with quarter-on-quarter comparison: the revenues were steady with domestic and international sales mix being 40% and 60% respectively. Favorable product mix and utility cost increased EBITDA by 8% to Rs. 102 crores while EBITDA margin strengthened to 45%. Profitability of the Company increased by 10% to Rs. 74 crores with PAT margin being 32.5%.

Regarding year-on-year comparison: the sales increased by 20% and this was primarily volume led. Improved sales led to strong EBITDA growth of 18% during this quarter. Consequently, the Company reported 19% growth in profitability for the current quarter.

Regarding console financial highlights:

The Company recorded Rs. 240 crores sales for quarter 3, which is 23% higher on an annual basis and steady on a sequential basis. Consolidated EBITDA stands at Rs. 98 crores, which is 14% higher on an annual basis and 10% higher on a sequential basis. The EBITDA margin for the quarter came in at 41.5%. For the quarter, profitability was Rs. 66 crores, which is 5% higher on an annual basis and 11% on a sequential basis.

On business update, let me first discuss the progress on HALS. At the outset, I am really pleased to report that during the quarter, HALS sales volume scaled to approximately 190 tons per month while December exit rate was 200 tons per month. The HALS product offering continues to diversify with revenue contribution coming in from HALS 701, 770, 622 and the newly launched 944, 119 and 783.

During the quarter, Company commercialized 2 new products, DHDT, a pharma intermediate which is used to manufacture Lamivudine. Company is a key domestic manufacturer of DHDT, leading to import substitution led demand traction. With commercialization of DHDT, the value proposition of pharma segment further strengthened by creating cross selling opportunities with our DCC customers. Another product for the Performance segment which we added is BHT. It further strengthens Company's position in antioxidant segment as it is being synergistically sold along with BHA, TBHQ and Ascorbyl Palmitate.

Coming to sales profile. The contribution from performance, pharma and agro continue to be 69%, 18% and 13% respectively. During the quarter performance, the performance segment witnessed strong growth on an annual basis amongst all segments led by increased volumes. Regarding CAPEX, we have incurred CAPEX of Rs. 160 crores during the first 9 months FY25, which was primarily towards investment in our subsidiary Clean Fino-Chem. The construction of the new performance chemical product is on track and we expect to commercialize the production by H2 FY26.

Regarding an update on ESG: We have expanded our solar capacity by adding 400-kilowatt rooftop solar plant at our subsidiary. We have recently uploaded an updated sustainability report for FY24 on our website based on GRI standards. I am pleased to inform you that the Board has approved interim dividend of Rs. 2 per share.

Overall outlook, we look forward to increased growth in revenues led by scale up of recently commercialized HALS series and also the pharma intermediate. Thank you so much. We are open for Q&A now.

Moderator: Thank you very much. You will now begin the question-and-answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone. If you wish to remove yourself from the question queue, you may press "*" and "2". Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Priyank Chheda from Vallum Capital. Please go ahead.

Priyank Chheda: Yes. Hi, team, congratulations for great set of numbers. My question is on we were planning to take some price hike somewhere post December. Have you taken that? Is that the reflection of gross margins quarter-on-quarter improving or is it because phenol prices have slightly fallen down, so without price increase also is what the gross margin gains have come?

Siddharth Sikchi: The dollar depreciated to INR 87 levels. So, we have not increased prices, our prices have still remained at similar levels whereas we continue to see increase in volumes, but of course as you said, there has been a slight reduction in raw material price and of course the dollar impact naturally has given us the edge.

Priyank Chheda: Perfect. Now coming to MEHQ, P-BQ and TBHQ, MEHQ, what has been the utilization based on capacity? Has that improved slightly? P-BQ and also TBHQ, if you can highlight, in P-BQ, we were supposed to restart, in last quarter somewhere you had given some update. Update on that also will be helpful.

Siddharth Sikchi: So, on performance segment, our utilization is around 65%-70%. Pharma, agro is also around 65%, FMCG is around 80%. Regarding P-BQ because we are still struggling, and we are not able to achieve the quality which is needed by the customer so we have now decided to drop that product entirely. And in the same facility, we will be starting another product which is called as Barbituric acid, which is an intermediate used to produce pigment yellow. And this product is not made in India, it is currently imported from China. Our product from lab and pilot has been approved by large customer like Sudarshan Chemical and we expect to begin this production of Barbituric acid in the next 3 months. So, same equipment of Para Benzoqunone will be converted into Barbituric acid, so no CAPEX, a little bit here and there, but we will start with this new product.

Priyank Chheda: Great to know that quick decisions and quick improvisation, so Siddharth, anything on what would be the quantum size of the production and the realization from this product that we can expect?

Siddharth Sikchi: The gross margins are decent about 50%-odd, but on pilot scale, let me take it on plant scale to really understand how much production can be made. But the same set of equipments we have mapped, the same set of equipments can exactly be used to produce this new product.

Priyank Chheda: Great. And just the last question, did we have certain revenue contribution from the new pharma intermediate product in this quarter?

Siddharth Sikchi: Nil.

Priyank Chheda: Sorry?

Siddharth Sikchi: Samples are out to customers for evaluation, so I think for this quarter 3, there was nil contribution from the DHDT pharma intermediate.

Priyank Chheda: Perfect. Thank you all the best.

Siddharth Sikchi: Thank you.

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

Sanjesh Jain: Good evening. Thanks, Siddharth for taking my questions. First on the cost side, book keeping question, there has been a sharp decline sequentially. Is power cost decline can be attributed to the solar plant or is something else and why the other expenses have dipped sequentially by 10%?

Siddharth Sikchi: See, so the other income has come down because we booked forex loss.

Sanjesh Jain: No.

Siddharth Sikchi: Power and fuel came down because there was a slight reduction in coal prices.

Sanjesh Jain: Yes, I can hear you.

Siddharth Sikchi: Second was that out of in this last quarter, 5 days, we were off for Diwali. So, production was also stopped and hence the coal consumption was lower to that extent. So, that is why coal consumptions were lower by 7% because of these two parameters.

Sanjesh Jain: Got it and other expenses?

Pratik Bora: In other expenses, the major part is power and fuel. So, that is essentially driving the other expense lower.

Sanjesh Jain: That is the same thing. Got it.

Siddharth Sikchi: Yes.

Sanjesh Jain: And if I look at the subsidiary number, even today sequentially, they have come off while I understand there is an increase offtake in the HALS that should be from our existing client in the Clean Science, anything you want to talk about the subsidiary performance?

Siddharth Sikchi: So, what happened is during this quarter, we also produced 770 in our parent Company.

Sanjesh Jain: Correct.

Siddharth Sikchi: So, what we did is, Sanjesh, we made maximum 770 in our parent Company and in our subsidiary, we established this new product called as BHT. We didn't need so much capacity because the plant is still starting up. So, we thought why not use this facility to add on another product. So, with very minimal CAPEX of about Rs. 2-Rs. 3 crores, we entered into this new product BHT and we will be making this product on campaign basis for few of our customers who are also our current customers of BHA.

Sanjesh Jain: And how much capacity or revenue potential the BHT will have for us? Because I think it is a co-product of antioxidant?

Siddharth Sikchi: Of course, because it was taken for the first time, we had some teething issues and all, but now we are contemplating to produce about 2000-3000 ton on an annual basis.

Sanjesh Jain: And this would be the same?

Siddharth Sikchi: So, if the product of Rs. 300 so about 2000-3000 ton if we are able to make, this is about Rs. 60-Rs. 80 crores of revenue, but the best part is that there is no CAPEX needed, and it can be made in our existing HALS facility where we have enough capacity right now.

Sanjesh Jain: Got it. And the same capacity will come down for HALS? So, this was.

Siddharth Sikchi: Today, we have ample capacity because this ramp up will anyways take 3 years' time.

Sanjesh Jain: Correct.

Siddharth Sikchi: So, why wait for 3 years? In the meantime, we can start producing another product. And tomorrow, after a year or so, we feel that we can do about 5000 or 10,000 ton BHT, then we will go and set up an individual or independent block to make BHT, dedicated plant for BHT.

Sanjesh Jain: That is fair. That is actually very good capital allocation.

Siddharth Sikchi: Absolutely.

Sanjesh Jain: And second on the DHDT, this was a Rs. 30 crores plant, right?

Siddharth Sikchi: This is Rs. 30 crores CAPEX.

Sanjesh Jain: Rs. 30 crores CAPEX and this should yield a revenue of what, Rs. 100 crores?

Siddharth Sikchi: Close to Rs. 80-Rs. 90 crores.

Sanjesh Jain: Rs. 80-Rs. 90 crores of revenue and when do we expect this to happen? Say it will take 2-3 years, given our DHDT?

Siddharth Sikchi: See, typically we expect to get all approvals in the next 6 months. So, in two quarter, we expect that we should get some approvals from the large customer. Fortunately, this is very Indian market. So, in the next 6 months, we should get approval and following 6 months, we will finish all these trial requirements and all that. So, the following year, we should be a good year to get 70%-80% capacity utilization. So, you assume about 1-1/2 year to reach optimum capacity utilization. We will not need 3 years here.

Sanjesh Jain: This will be quite quick?

Siddharth Sikchi: Because all the customers know us.

Sanjesh Jain: That is good. And I get you that our last quarter was 135 metric ton, this year we did 190 metric ton and in this quarter, we did 190 metric ton in HALS.

Siddharth Sikchi: Yes.

Sanjesh Jain: So, we are on track to touch this 400 kind of a metric ton end of March, or you think it is more like 300-350?

Siddharth Sikchi: So, next year target we are targeting a decent number. I think by next quarter, we should touch about 300, not quarter-on-quarter we should, we should start expecting increment every quarter-on-quarter because now I think we have started getting, now that all the products are commercially approved and commercially started, now the only point is to grow our market, grow our distribution network and that is what we have been doing now. So, I think in the next year, we expect about 3000 tons sales of HALS in totality.

Sanjesh Jain: In FY26?

Siddharth Sikchi: Yes.

Sanjesh Jain: That is good. And then the blended realization should be higher now, right more than $5?

Siddharth Sikchi: Should be. It should be closer to $5.5-$6. This quarter is what close to $4. So, that should go to $5.5-$6 now.

Sanjesh Jain: Very clear. Thanks for that. Very helpful with all your answers and best of luck for the coming quarters.

Siddharth Sikchi: Thank you, sir.

Moderator: Thank you very much. Next question is from the line of Arun Prasath from Avendus Park. Please go ahead.

Arun Prasath: Thank you for the opportunity. Siddharth, first on this, apart from 770 in which of those grades we are seeing maximum kind of a good feedback from the customers or distributors, and which is likely to scale up faster where you have we are hopeful of utilizing the capacity?

Siddharth Sikchi: So, the deal is now that now see, all these products came one after another. So, first we started with 770, then we started with 622, then with 119, then with 944. So, as and when these products started coming in, those were the first products which we started selling. But when you start now that the entire basket is there, now we expect that based on our capacity on similar pro-rata basis, we should start seeing the market penetration. All the distributors whom we have appointed they onboarded us because they know that entire basket is going to be around. So, now going forward, the way we have, so I think 770, 622 is more Indian bound customers which are buying low range of HALS and then 944, 119 are products which are majorly be useful for Europe and American markets.

Arun Prasath: Right. And now big scheme of things, I think 119 and 944 will be out of much higher price is the right understanding?

Siddharth Sikchi: They are of higher price compared to 770, 701 and 622 which you are absolutely right. So, 944 is about $7-$8 and 119 is about $8-$9.

Arun Prasath: Right. And on these distributors who will be distributing our product, previously were they distributing Chinese or European products with HALS?

Siddharth Sikchi: No, some of them understand the market because they have been selling, say for instance or distributor of ours was selling phenolic antioxidant. He understands the customer, but he never had any opportunity to work with any HALS producer. So, these are some of the distributors who are very keen to work with us. So, that completes their basket also.

Arun Prasath: So, for some of the distributors for also the HALS is new?

Siddharth Sikchi: They have heard about it. See, is it new is like DHDT and DCC. So, we know DCC, we know DHDT is just about putting it together, so it is not new. They have heard about it. They know that product and that is why they quickly on boarded us, right. It is not that they don't understand what are these products? It is not that they don't know. They were aware, but they never had any chance to collaborate this because there are only four other producers who are fully backward integrated.

Arun Prasath: But what I understand is these distributors, their customers already consume HALS is understanding, right?

Siddharth Sikchi: Of course, absolutely.

Arun Prasath: And what is the current status of our direct sales to the say direct HALS consumers? Where we are in the whole customer acquisition cycle?

Siddharth Sikchi: So, samples are being given, it depends. Again, every customer is different. We have a long list of customers here because it is not like direct customers and this is a very long cycle of customer, long list of customers. So, at some scale, price negotiation is happening, at some product, qualification is happening. So, it is at variety of stages.

Arun Prasath: Understood. And specifically to 119 and 944, which are the end categories which drive these two one?

Siddharth Sikchi: So, 119 is majorly used in agricultural films, so very good market in Turkey, Europe and in North America, South America and 944 is into Polyolefins fields, so again very good market in these areas which I mentioned and also some markets in India.

Arun Prasath: So, none of the categories, these categories that you have mentioned is from the very end category perspective, is there any stress going on or the product itself or the category itself is doing well, anything that you have picked up from the distributor? Or is it still recovering?

Siddharth Sikchi: Just price war. There is China always in the market plus there are Europeans. We are the new supplier, right. So, people have to trust us, people have to believe our quality, but the advantage is that we have different geographical location. Customers who are looking for non-Chinese, non-European, we are the only source so and let us see how the US tariff thing happens because if China gets a large tariff, then I think we will get great opening in the US market. And now, we have multiple distributors in the US as well. So, who are also very keen to partner and to work with us.

Arun Prasath: Understood. And secondly, my second question is on the existing business such that if you see the alternate process, the spreads in the alternate process that is MEHQ versus HQ, it is kind of still comfortable for the alternate producers to produce. So, what will drive this, the alternate producers to actually stop producing and which will enable us to take a higher market share or take a prizing improvement. Any thoughts on that?

Siddharth Sikchi: Sir, I don't know which calculation you did, because if that was the case, we would never gain the volumes which we lost because of destocking.

Arun Prasath: No, I was talking about the..

Siddharth Sikchi: Entire growth has come only because of volume, so the spread again with the conventional process cannot lead market share still and is way off than the process which we are using.

Arun Prasath: I understand. I agree with that. In between the spread of MEHQ versus HQ was negative and it has once again become positive nowadays, but that is the reason are they once again started facilities side or do you see any reduction in their utilization? Along those lines I was questioning?

Siddharth Sikchi: That is what I told you. If that was the case, we will not have gained the volumes. So, I am not seeing that anymore, but we can connect offline to further discuss your calculations, to rectify the calculations again.

Arun Prasath: Alright, Siddharth, thank you. We will take it offline. Thank you. All the best.

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

Ankur Periwal: Hi, Siddharth. Thanks for the opportunity and congratulations for good set of numbers. First clarification, so apart from HALS, we were doing 3 CAPEX, Rs. 150 crores, Rs. 150 crore and Rs. 30 crore. Rs. 30 crores has already got commissioned and for the other two you mentioned, they both of them will get commissioned by H1 of the next financial year, is that right?

Siddharth Sikchi: No, the performance chemical one Rs. 150 crores starting in July.

Ankur Periwal: And the other one was December?

Siddharth Sikchi: The other one December, construction begins first week of February.

Ankur Periwal: Sure. And sorry, you said construction starts in February and the commercialization is December this year 25? So, let us say Q4 of next financial year. Fair enough. Secondly, again, just trying to understand, since you mentioned the focus on distribution network for HALS will be the key thing to look out for. Now, I am trying to divide it into India and global and India, largely, the distribution network is already in place or there is still scope for improvement here?

Siddharth Sikchi: Majorly direct. We are sitting here, so very few customers prefer distribution. India is majorly all the big ones are direct. In global, outside of India, there are big MNCs where we are talking directly to them, but like India, there is a tale of customers for this because there is combination. It is not one product; it is a combination of 4-5 products. So, now, we have established distributors across Europe, Latin, US, and also Gulf and South Africa. Because this business, Ankur, unlike our other businesses, there are customers who even buy small quantities like anywhere between 500 kilo to 2 ton material, so these people need domestic stock points. So, now we have appointed and signing contract with some of the distributors and now you will start seeing these distributors also getting active.

Ankur Periwal: Sure. And in the global market, North and South America will be a bigger market for our products right now versus the other markets that you mentioned, will that be right?

Siddharth Sikchi: North America and Europe will be large compared to South America.

Ankur Periwal: And the distribution network now is ramping up or probably will deepen further let us say over the couple of quarters?

Siddharth Sikchi: We have now set more or less, just few additions here and there. So, you can say 70% network is there, now business should start coming.

Ankur Periwal: Fair enough. Just trying to understand the competitive landscape here. So, as you mentioned China and Europe based players are the bigger ones here. The distributor is there an overlap or largely our distribution network is different which you highlighted that some of them are into phenolic based antioxidants, and they understand what they were not selling HALS right now. So, how should we look at that bit?

Siddharth Sikchi: You should look at it that they were not selling HALS before. So, there is no cross sell, so they exclusively will be our distributors now.

Ankur Periwal: All of them, or this is only a set?

Siddharth Sikchi: No, all of them. See, ultimately the deal is, Ankur this is also very performance driven product like approval takes time with some customers, so now if that is approved so the link has to be constant. Now, we also don't want to change the channels and even the customer does not recommend us to change the distributor. So, these are now relationship which will only develop over the next years to move on. So, we have taken some time to really work and understand whom we are working with. We had a lot of proposals in pipeline, but we have shortlisted whom we want to work. We have personally met them in their countries to understand their reach, and now we have appointed over the last 30 days.

Ankur Periwal: Fair enough. That is helpful. And just last bit on this, the end customers either on the plastic side or polymer side or let us say agri side is common whether it is for BASF globally or for these new distribution network or they are different sets?

Siddharth Sikchi: No, customers are customers. There is set of customers.

Ankur Periwal: They are already have a connect with that customer is where I am coming from?

Siddharth Sikchi: Sorry.

Ankur Periwal: This new distribution network that we are going through, they already have a connect with the end customer which is also consuming HALS.

Siddharth Sikchi: Of course. They know the market. They know whom they want to target first, whom they want to target second. They understand this business very well.

Ankur Periwal: Sure. Fair enough. And just one more bit on the overall growth front, sorry, overall realization front, are we seeing any further pressure versus let us say on Q-on-Q basis or maybe versus 6 months for our products or it is largely stable?

Siddharth Sikchi: I think the prices what we have today are like all time low prices in the chemical segment, be it HALS or be it performance or be it agro segments. I think these are the lowest prices we have seen in many years. So, I don't expect prices to further dip. It might not increase very soon, but we are comfortably placed. You can see from that our numbers, right.

Ankur Periwal: Yes, fair enough. And lastly, we were also thinking of or we are also supposed to launch blends of the core HALS products, the 5, 6, 7 product that we had launched, has it already started?

Siddharth Sikchi: 783 is the blend. So, we have started. We have also started selling it.

Ankur Periwal: So, that is the only one, but are there more in the pipe or probably let the distribution network get established and maybe over a period of time over the next few quarters we will start picking up over on that?

Siddharth Sikchi: The blends are not very complex. It is mixed into products. The European clients don't like to do that in Europe, so it is just mixing two products, it is not some rocket science. So, we will be doing it as and when the customer tells us. So, we know the 783 customers requested that we don't want to buy individual, you please mix it and give it to us. We did that.

Ankur Periwal: Fair enough, that is helpful. Thank you and all the best.

Siddharth Sikchi: Thanks.

Moderator: Thank you very much. The next question is from the line of Pankaj from Affluent Assets. Please go ahead.

Pankaj: Thanks for taking my question. Am I audible?

Siddharth Sikchi: Yes, sir.

Pankaj: Well, congrats for very good set of numbers. So, I am new to this Company. So, just wanted to understand that there a difference between the standalone consolidated EBITDA margins. Can you please help me what is dragging this because the difference in revenues is minuscule as compared to the margin difference and when can we see it converging down?

Pratik Bora: Right. So, Pankaj subsidiary was commercialized only last year March and it is a 34 acre greenfield capex which we have undertaken for tax reasons. Being greenfield capex, the fixed overheads are higher and impacting EBTIDA margins. The tax rate in the subsidiary Company would be at 17% perpetual. And hence the expansion is happening in the subsidiary Company.

Pankaj: So, when can we see it narrowing down? The difference?

Pratik Bora: Yes, as the scale up of HALS happens and as a new products scale up, which we have recently launched like DHDT and the performance chemical, we see EBITDA margins improving.

Pankaj: Can you give some timeline say this yearend FY26 or so?

Pratik Bora: We might take somewhere between 2-3 years. The gross block has already reached Rs. 376 crores for the subsidiary. So, as soon as it reaches optimal utilization.

Pankaj: Sure. Well secondly, the revenue to net block historically has been around 2. So, when can we see our sales picking up? Currently, our net block is around Rs. 700 odd crores? So, when can we see this reaching the sales reaching to 1400 or 1500?

Pratik Bora: Pankaj, it is similar to the first question which I just mentioned that the subsidiary undertook greenfield capex, that is why you see an increase in the net block but not a proportionate increase in the revenue which will start reflecting in as the scale up happens for the new products.

Pankaj: So, is it possible in by FY26 or it will be spilled over to 27?

Pratik Bora: Yes, it might get spilled over to 27.

Pankaj: Thank you. Thanks a lot.

Pratik Bora: Thank you.

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

Priyank Chheda: Thanks for the follow up opportunity. So, this year, Rs. 160 crore CAPEX 9 months is broadly for performance chemical and for next year we require that Rs. 150 crores of water treatment. That is the only CAPEX spend required for next year, right?

Siddharth Sikchi: I mean, unless we don't come up with something new, but yes, so far these are the numbers.

Priyank Chheda: Got it. Now, did I hear correctly that you said that you are looking out for something 4000 tons as a target number for HALS in FY26? Is that right that I heard?

Siddharth Sikchi: We are targeting 3000-4000. See that is a plan we want to pursue. So, we are keeping the bar a little higher, so let us see what we are able to achieve, but now that all the lines are ready, the production is ready, product is approved, customers or distributor network is set up and we think why we should not be able to do this.

Priyank Chheda: Exactly Siddharth, so if we are planning to reach somewhere around 300 tons per month in Q4 itself, I think we can at least achieve 4000 plus given the sale of that is happening. So, just was curious to know why just stick to 3000 tons or 4000 tons?

Pratik Bora: Priyank, you are right. I mean, last quarter we closed with run rate of 135 tons per month. This quarter we closed with run rate of 200 tons per month. But you should also understand that between last and this quarter, the product mix has also changed. Now we are coming up with advanced version of HALS which just now Siddarth mentioned that this quarter the average realization was $4.5. Next year, we are targeting an average realization of around $6. So, we want the distribution channel which is recently established to pick up these advanced HALS also which is 944, 119. So, that will help us with better realization and margins both. So, we will have a more clear and candid answer to the volume guidance for next year, probably in a quarter’s time as we see the scale up happening. Like for this quarter, we have almost 10% of our revenue coming from HALS at the console level. So, we are upbeat on HALS volume, but we want the product mix also to be favorable now going forward.

Priyank Chheda: Got it. Great. Just last question. On MEHQ, on the competition last time you did mention that you haven't seen any new entrants coming in plus I think one of the local competitors had an issue on the plant with respect to Hydroquinone procurement, so anything on the competitive landscape, would you like to comment on particularly for MEHQ?

Siddharth Sikchi: Sir, we are not seeing even till date. If you find out, please connect us offline and let us know.

Priyank Chheda: Thank you.

Moderator: Thank you very much. The next question is from the line of Jay Patwa, an Individual Investor. Please go ahead.

Jay Patwa: Hello.

Siddharth Sikchi: Yes, sir.

Jay Patwa: Hi, Siddharth. I have a like broad spectrum perspective I want to know that because your Company is like entering in a market where you have a few checklists like you should be a clean technology, it should be a unique process, then it basically it should be a import substitution and again if all this fulfills, then it should be a high margin product, but as a Company, how difficult for you to find such product in R&D?

Siddharth Sikchi: Very difficult, sir, but we are trying our best.

Jay Patwa: So, can we assume that in future if Company wants to grow then you have to compromise in this checklist either at the level of margin or at the competition will be there or something like that?

Siddharth Sikchi: We don't want to compromise on few aspects like green chemistry. We want to produce chemicals which are clean in nature. It is not that we are averse to making something which is made in India if we have a better tech, why not? If it is decent, good margins like we have been able to do, why not? HALS for instance absolutely new product never made in India very large TAM, we have been able to find this product; the pharma intermediate, again not made in India; We are China plus One, good technology we have developed; performance chemical one also the same. So, we have been able to find out. So, we will see as the quarter moves on, you and I will both see how things move along with us, but we are trying our best.

Jay Patwa: So, the reason why I am asking is because I think in previous call calls also you mentioned that the newer two CAPEX which you are doing Rs. 150 crore each for water treatment and performance chemicals, there are already competitors there in the Indian market, is it correct?

Siddharth Sikchi: There are Indian competitors, yes.

Jay Patwa: But the technology will be new or unique process will be there for?

Siddharth Sikchi: Yes, our technology will be better. So, we feel we will have that edge over the competition.

Jay Patwa: And even for this DHDT, currently commercialized product, we have this UPL Limited, I think selling it in Indian market. Again, we have any edge over there or something.

Siddharth Sikchi: You should re-check, because to whoever customers we are engaging with, we are not seeing UPL at all because I think they don't make it themselves. They get it toll manufactured somewhere plus there are quality issues. I think I have been hearing UPL for the last two years, but there is no product I think.

Jay Patwa: So, as per you, currently, there are no suppliers of DHDT from India?

Siddharth Sikchi: If you see the import statistics 200 tons per month was coming two years back and today also 200 tons per month is coming that is a clear indication that there is no entrance, otherwise that number should drop, right. That is a clear logic we apply.

Jay Patwa: That is great. And one more query regarding like 3 years ago, when you planned to go commercialize the HALS product in a big way, you assume that the gross margins will be similar of 25% at full capacity or things has changed in last 3 years due to the over capacity or something like that?

Siddharth Sikchi: I think we are still a little premature in terms of produce offering because now the advanced HALS are coming, we expect this to improve only. That was a very base minimum number we had, but I think it should be better than this only.

Jay Patwa: But the market dynamics has changed or something like that in last 3 years because of the over capacity or at the beginning itself we have assumed that the maximum margin level will be 25% around which you have indicated in previous concalls?

Siddharth Sikchi: Everything, the world has become so dynamic. Chinese are there, BASF is there, and we have to compete. I think with advanced HALS, the margin should be better only. You will allow us to one or two more quarter and with the whole picture and with the entire distribution network, we will have a far crystal-clear idea of this business.

Jay Patwa: Thank you very much and best of luck.

Siddharth Sikchi: Thank you.

Moderator: Thank you very much. The next question is from the line of Huseain Baruchwala from Carnelian Capital. Please go ahead.

Huseain Baruchwala: HALS, I just wanted to understand, how much percentage will come directly from the client level and how much we see from the distributor level?

Siddharth Sikchi: This is very difficult question because as I rightly said, it has just been a month that we have started appointing distributors. It is a very difficult question to tell you today specific percentage.

Huseain Baruchwala: And why it is not approved by the traditional distributor? You said you appointed new distributors on the HALS side who had similar products which you will cross sell in terms of that? So, you have not approached the existing distributors just wanted to understand that?

Siddharth Sikchi: No, sorry. Go again.

Huseain Baruchwala: We have appointed a lot of distributors who are new, who don't sell HALS. So, why don't we approach to the existing distributors of HALS rather than appointing new set of distributors? They were not selling HALS, but now they are selling HALS?

Siddharth Sikchi: If somebody is already selling HALS or suppose he is buying from China and selling, why would he buy from us? He has already taken that distribution from Chinese, right. These are not off and on relationships. These are 'long only' relationships actually.

Huseain Baruchwala: Got it. That is it from my side.

Moderator: Thank you. The next question is from the line of Abhijit Akella from Kotak Securities. Please go ahead.

Abhijit Akella: Good evening. Thank you so much. Sorry, I joined the call a few minutes late, so I might have missed this data point in case you shared it, but for HALS, what would the total volume have been that we have done year to date, if it is possible to share, please?

Siddharth Sikchi: Last quarter, we did 600 tons, Q3, which is the highest and exit of December was about 200 tons a month which I had discussed about 2 quarters ago that our first target of the first milestone is to do 200 tons a month which we have achieved. Now, going forward, we only have to increase these volumes. All the products are commercialized, quality is approved. Our product is in line with our competitors. So, now there is no problem there. A few quarters ago, people had this question whether our product is going to be approved or would be similar to BASF or a competitor, now those questions are behind us and now it is only about growing the market.

Abhijit Akella: Got it. So, on a full year basis, would it be fair to, just for modeling purposes I am asking, pencil in a number of say around 1800 or 2000 tons for Fiscal '25?

Pratik Bora: No, Q1 was 125 ton per month average, Q2 was 135 tons per month average this time it is close to 200 tons per month average. Quarter 4 would be probably in the similar range of 10%-15% higher.

Siddharth Sikchi: We will try and see, I think majority sales should start coming in FY26 because some of the products started coming September, October sorts, so network established January. Product, submission, sample, so I think large chunk of business, we will see in FY26.

Abhijit Akella: Understood. Thanks that is really helpful. And just the other thing I had was on the margin situation in the subsidiary, Acetone prices have corrected, so are we seeing an improvement in the margin profile there and should we sort of see that starting the fourth quarter or how are you seeing things over there?

Siddharth Sikchi: Absolutely. I think because of the main raw material, which is Acetone, once the price goes off, of course, we should start seeing that flowing through. And I think Q4 and onward, we will see that reflection happening.

Abhijit Akella: Great. Thank you so much and wish you all the best.

Siddharth Sikchi: Thank you boss. Thank you, Abhijit.

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

Jason Soans: Yes, sir, thanks for taking my question. My question is related to the previous participant also, so he didn't mention that on a quarterly basis, 1Q was around 125 tons and 135 tons and 200 tons. So, it does lead to a figure of around 1700, 1800 tons. Is that a fair volume assessment for HALS for FY25 are you saying?

Siddharth Sikchi: That is true. I mean you add this numbers with Quarter 4 of about 600 tons again, more or less 600-650 then you will arrive to that number only.

Jason Soans: Right, yes sir, and you did also mention that average realization for this year probably around 4.5 and with advanced HALS, you are looking to target \$5.5-\$6 for HALS, right?

Siddharth Sikchi: This quarter 3 was 4.5. Quarter 4 would be similar, but future on as we dive into FY26 with all these new products, we expect that next year say volume of whatever a few thousands or 3000-4000 tons with prices of \$5-\$6.

Jason Soans: Sure and, sir, in this definitely the depreciating rupee, the strengthening USD helps you because HALS generally is targeted towards the export markets. That would be a fair understanding, right?

Siddharth Sikchi: Well, even some raw materials are imported, right.

Jason Soans: So, that kind of gets netted somewhere. That is what you are trying to say?

Siddharth Sikchi: Yes.

Jason Soans: Got it. And sir, in the initial part of the call, you did mention that you dropped PBQ and you are diverting the production, yes to manufacturing Barbituric acid, so sir, just wanted to clarify this Barbituric acid, where do you slot it into the performance chemicals or I believe, or probably a pharmaceutical intermediate and what is the end use application for this if I may know?

Siddharth Sikchi: That is used to manufacture pigment yellow. This will be actually our first product which will go into a pigment industry. So, we will categorize this into FMCG segment.

Jason Soans: You categorize into FMCG.

Siddharth Sikchi: It is imported about 100 odd tons, Sudarshan Chemicals, Pidilite, Sargent, I think and such I think there are two, three large pigment producers who are importing this product from China. So, I think if that first will be a very domestic market for us.

Jason Soans: You are looking at targeting to manufacture around 100 tons per month you said?

Siddharth Sikchi: I don't think I said 100 tons. I just said that we are mapping the capacities and by end of next concall, I will give you exact tonnages what we think we will be able to achieve in a plant which was earlier build for Para Benzoquinone.

Jason Soans: Sure sir. And sir, I just wanted to understand one thing. Of course, you have mentioned the timeline for both the blocks of the Rs. 150 crores CAPEXs. Now, just wanted to know for the performance chemical bit, what could be the revenue potential? Would it be normal as in the general 2x kind of thing? And also would want to know the end use for this performance chemical, some color on that as in terms of where the end-use application for this performance chemical would be?

Siddharth Sikchi: So, for Rs. 300 core is the revenue expected on full runs, and this is performance chemical, so they find application in antioxidant, stabilizers and similar such businesses.

Jason Soans: And the timeline for the peak revenue hit probably around a couple of years or you would say 2 years?

Siddharth Sikchi: 2 years.

Jason Soans: Couple of years for the peak revenue hit, okay.

Siddharth Sikchi: Actually, a couple of years.

Jason Soans: Sure, sir. Thanks a lot for that. Thank you.

Siddharth Sikchi: Thank you, sir.

Moderator: Thank you very much. The next question is from the line of Rohit Nagraj from B&K Securities. Please go ahead.

Rohit Nagraj: Thanks for the opportunity and congrats on good set of numbers. The first question is, given that now we are expanding and appointing distributors domestically as well as outside, will it lead to the inventories and debtors being higher than the current levels?

Siddharth Sikchi: It won't have a very big impact because the revenues are also scaling up. So, we are not stocking a very high inventory and apart from these pharma intermediates and performance chemical segments which are coming up, they have sizable domestic market. So, the inventory or the receivable won't pile up. We would remain in that narrow range of 24%-25% of sales as a working capital.

Rohit Nagraj: Fair enough. That is helpful. Second question again on the HALS front, so currently I think you said that about 10% revenues came from HALS during this 9 month, if I am not wrong?

Siddharth Sikchi: During the quarter.

Rohit Nagraj: During the quarter, right, so how much of that has come from domestic and how much from export and in FY26, how are we looking at the overall revenues from domestic and exports in terms of just broader percentage?

Pratik Bora: For this quarter, as we mentioned earlier, the large contribution continues to come from our starting or the basic HALS which is 770, hence the domestic contribution continues to be dominant. And apart from that, revenue contributions came in from the USA and then some small portion from the rest of the world. For FY26, it will be a little early to comment on the geography mix given the evolving product mix, it depends on how much of 622, 944 will sell. So, that guidance we will be able to give probably by next quarter end.

Rohit Nagraj: Fair enough. Just one clarification, in terms of pricing, is there differential pricing for the domestic market and the exports market in terms of premium or discount?

Siddharth Sikchi: Because people have to import the product in India to sell it 7.5% duty, when we export to Europe, because there are European entity, our product has 6.5% import duty. So, we have to keep matching these prices and then selling to these markets.

Rohit Nagraj: Fair enough. That is it from my side. Thanks and all the best.

Siddharth Sikchi: Thank you.

Moderator: Thank you. The next question is from the line of Jash Gandhi from Dalal & Broach. Please go ahead.

Jash Gandhi: Hello. Am I audible? Hello.

Siddharth Sikchi: Yes, Jash.

Jash Gandhi: Hi, sir. Thank you for the opportunity and congratulations for a good set of results. Sir, my question is on HALS, sir you mentioned that next year you are looking to gather more share from 944 and 119 and that should improve the realization. And you also mentioned that that should the margins as well so what level should we assume because we used to say 25%, so any guidance on that?

Siddharth Sikchi: I think just wait for a quarter, we will give you more clear guidance in the next quarter call. The best important take away from this quarter is all the products are now commercialized, all quality issues, teething issues are over. Network growth is happening. So, now things should only revolve around selling of these products. So, this has supported to get all these numbers and get back to you.

Jash Gandhi: And sir, what should be the margins currently on HALS?

Siddharth Sikchi: 25% gross margin.

Jash Gandhi: And sir, on the new product, on the water treatment and the performance chemicals, those we entered through CAPEX, what should be the margin that we should work with?

Siddharth Sikchi: So, these are decently good margins compared to our HALS segment, so you should expect way over 25% for sure.

Jash Gandhi: Over 25%. Thank you, sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Srishti from Monarch AIF. Please go ahead.

Srishti: Thank you for the opportunity. I wanted to understand what China's market share in terms of capacity in HALS and who is driving the pricing pressure here? Chinese or BASF?

Siddharth Sikchi: BASF.

Srishti: And China's market share in terms of capacities or maybe market size of HALS?

Siddharth Sikchi: Maybe 30%.

Srishti: 30%, understood. And sir, we were talking about, what kind of savings can we expect in our power cost now that we are talking about solar coming in and has that fully materialized in this quarter?

Pratik Bora: We have just installed 400 kilowatt of solar capacity, not MW. Our utility cost is largely coal cost, which is essentially fuel cost. Power cost is hardly 15% of overall utility cost.

Srishti: Understood. And sir, there was this some noise about funding for the ARV Drugs, but that faded. So, what do our customer conversations tell us during that period where there was probability of the funding going away?

Siddharth Sikchi: Actually, our customers, I have no such idea because they have to produce Lamuvidine, they have to buy DHDT and that has been happening for years. You see imports of DHDT coming from China and we are just trying to replace from China to our main. That is all I have on this.

Srishti: Perfect, sir. Thank you.

Moderator: Thank you very much. Next question is from the line of Krishan Parwani from JM Financial. Please go ahead.

Krishan Parwani: Hi, sir. Congrats on good set of numbers. Just three small questions from my side. So, first, just wanted to understand of the overall HALS volume that you have done till now. So, just a ballpark number, how much would be like 770? Not the exact one, but just a range like 40%-50% or more?

Siddharth Sikchi: We are not sharing HALS' category wise volumes, we are talking about HALS portfolio in particular, in general.

Krishan Parwani: No, got it, fair enough. I don't want you to reveal confidential details. That is fine. Sir, just secondly, on this, do you expect large revenue contribution from BHT and Barbituric acid in FY26?

Siddharth Sikchi: I told you for Barbituric acid we are mapping the capacities, so even if you are able to, lets say 400-500 tons, we will have to really map it, again these are very approximate numbers. This is about a $4.5 kilo product. So, even if we do 400-500 tons you can do the math.

BHT, we estimate we will do about 300-400 tons of BHT in this year, in the next year. So, again that is about Rs. 300 of product. So, then you do the math. So, this is what we are estimating from BHT and Barbituric acid. So, both put together could be around Rs. 50-Rs. 60 crores.

Krishan Parwani: Got it, and just the last bit, given you have achieved a 200 tons monthly run rate in subsidiary else, I think you manufacture more in the parent Company, but just wanted to understand how far do you think the subsidiary breakeven is as in would it be at a 300 tons market under?

Pratik Bora: At Rs. 11-Rs. 12 crores of monthly revenue, subsidiary would break even. So, whatever we did quarterly that should come into monthly, we should see a break even in the subsidiary.

Krishan Parwani: Fair enough. This is very helpful. Thank you for patiently answering my question. Wish you all the best.

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

Arun Prasath: Thanks once again for the follow up opportunity. So, that my question is on the sales to the Europe, it seems to picking up a lot and especially this quarter. Is this something which is one-off or this is structural and will be more and more towards will be Europe oriented rather than Chinese, is that the way it will play out?

Siddharth Sikchi: We are trying to increase the market share. So, nothing is one-off now. Now the market should grow, we should start selling, 1 quarter come, 1 quarter goes, but things should now only start picking up. We have done all the REACH registration except one product so as and when reach registrations are also in place, we should start selling in the market. When we sell more than it is not one off, it is what we are trying to achieve, right?

Arun Prasath: So, fair to say that Europe will become the largest for us in a couple of years?

Siddharth Sikchi: There is US, there is Europe, there is also Latin. I am not saying that Europe will be the largest. I mean Europe will be important for us. So, 3 geographies, apart from India is Latin, US and Europe including Turkey. So, these are important market for us, so we have to target these customers very well.

Arun Prasath: Understood. Thanks for that. All the best.

Siddharth Sikchi: Thank you.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, that was the last question for today's call. I now hand the conference over to Mr. Siddharth Sikchi for closing comments.

Siddharth Sikchi: Thank you so much all of you for spending time to understand our Company in this late evening. Have a great week ahead and thank you and we will catch up again on the next quarterly call. Bye, bye.

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