



27th May, 2021

To,
The Manager,
Listing & Compliance,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001.

Ref: Scrip Code - 506405

Sub: Transcript of Conference Call held on 24th May, 2021 with investors and analyst on the financial performance of Q4FY21.

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirements) Regulation 2015, we are enclosing herewith the transcript of Conference Call held on Monday, 24th May, 2021 at 4:00 p.m. (IST) with investors and analyst on the financial performance of Q4FY21.

The said transcript will also be made available at the website of the Company at <https://dmcc.com/investor-information/announcements>

You are requested to kindly take the same on your record.

Thanking you,

For The Dharamsi Morarji Chemical Company Ltd

Omkar C. Mhamunkar
Company Secretary & Compliance Officer
Membership No. ACS 26645
Encl : As above

CIN NUMBER: L24110MH1919PLC000564



THE DHARAMSI MORARJI CHEMICAL CO. LTD.

The Dharamsi Morarji Chemical Company Limited

Q4FY21 Earnings Conference Call

24th May, 2021

Management Participants

Mr. Bimal L. Goculdas – CEO and Managing Director

Mr. Chirag Shah – Chief Financial Officer

Mr. Dilip Gokhale – Executive Director

Mr. Omkar Mhamunkar – Company Secretary and Compliance Officer



Analyst

Mr. Abhishek Mehra – The Investment Lab

The Dharamsi Morarji Chemical Company Limited
Q4 FY21 Earnings Conference Call
May 24, 2021

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY21 Earnings Conference Call of The Dharamsi Morarji Chemical Company Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhishek Mehra from The Investment Lab. Thank you, and over to you Mr. Mehra.

Abhishek Mehra: Thank you, Rutuja. Welcome everyone, and thank you for joining this Q4 FY21 Earnings Call for The Dharamsi Morarji Chemical Company Limited. The result and investor update have been e-mailed to you and are also available on the stock exchange. In case anyone does not have a copy of the same, please do write to us and we will be happy to send it over to you. To take us through the result of this quarter and answer your questions we have today with us Mr. Bimal Goculdas - Managing Director and Chief Executive Officer, Mr. Dilip Gokhale – Executive Director and Mr. Chirag Shah – Chief Financial Officer and Mr. Omkar Mhamunkar – Company Secretary and Compliance Officer.

We will be starting the call with brief overview of the company’s performance which will be followed by the Q&A session. I would like to remind you all that everything said in this call reflecting any outlook for the future, which can be constituted as a forward-looking statement must be viewed in conjunction with the uncertainties and risks that the company faces. These uncertainties and risks are included but not limited to what we have mentioned in the prospectus filed with the SEBI and subsequent annual reports which you will find on our website. With that said, I will now hand over the call to Mr. Bimal Goculdas. Over to you, sir.

Bimal Goculdas: Thank you Abhishek. Welcome to all of you, investors and potential investors to our quarterly conference call. My senior management team and I are here to answer your question. I will take a couple of minutes to brief you on the past quarter. As you would have seen the top line went up to about 64 crores and this was a combination of higher prices, as well as higher volume. And higher prices are also sort of a reflection of the higher input cost.

You may all be aware that over the past few months, a lot of the commodities have gone up, everything from steel and cement to petrochemicals, oil and gas, everything. And our raw materials were no exception. So that resulted in a higher raw material costs as well. As, you are aware we have a lot of our export business and long term business as contractual in which case we adjust the prices based on raw material inputs every quarter. So, during this quarter, we would have faced some pressure, because the prices of the finished product were based on prices of the raw materials from October to December. And with a sharp increase they will only be adjusted in the next quarter. So we will see that average out. And this is the case for our business, long term business, whether the prices move up and down. So we are insulated, but it does impact quarter-to-quarter performance. That has also resulted in EBITDA margin coming down slightly.

But overall, I would say it's been a satisfactory quarter. We've achieved good volume, the plants have run generally well. And our project there is progress, but as I mentioned in our investor presentation, that there has been delays largely due to the situation beyond our control. And I'll be happy to answer questions on the operations as well as projects and I will throw the floor open to you. Thank you.

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

Rohit Nagraj: Thanks for the opportunity and congrats on good numbers over the year despite being challenging time. Sir my only question is on our long term strategy. So how do we think from a three to five year perspective, where do you want to go, what would be the direction that we are going in, obviously we have the upcoming almost (+100) crore kind of a CAPEX plan. But beyond that, on a long-term perspective how do you foresee our company going in a particular direction. So, I understand we are very much involved in sulfur chemistry and master of the chemistry. But beyond that, what do you see as a five year future for our company? Thank you.

Bimal Goculdas: So, thanks for the question. Actually, today's discussion is more focused on the past quarter or the past year, but I'll answer what I can. Yes, you are right we are investing about 100 crores, the idea is that with this 100 crores we expect to have a top line, which should be double what we are doing today, so the Dahej plant and the Roha plant, both will be sort of identical in terms of output. A large part of the investment is going into Dahej. Beyond that, we haven't looked at any other major sites. So we're going to focus on these two sites. We're also going to focus essentially on sulfur chemistry for the foreseeable future. There could be some slight diversification, but nothing major. And as I mentioned before, we believe there is enough potential within sulfur chemistry itself to sustain us for several years to come.

Rohit Nagraj: Thanks a lot. Just additional question to this. So when our strategy be driven by domestic growth story or we will complement it with some kind of an export story. And given that currently, domestic and exports contribution is about 70:30, so will that see a significant change over the next four, five years. Thank you.

Bimal Goculdas: Sure. So, we don't really care whether the market is domestic or overseas. Yes, India is a growth story. And there is China Plus One working globally, they may not call it China Plus One, but we do see certainly more interest in Indian products compared to years ago. And keeping that in mind a lot of foreign companies may decide to source more products from India. So, while that may help us in terms of exports, it can also help us domestically because some of the products which we sell to other customers within India may be used for making products which are then exported. So frankly for us it doesn't matter domestic or export. And we will go wherever the business is.

Moderator: Thank you. The next question is from the line of Rajat from ithought. Please go ahead.

Rajat: So, with the process I have, the first question as you mentioned this 100 crores of CAPEX since first year, 200 crores of revenue, of this 200 crore how much do you think will come from specialty and how much will come from bulk?

Bimal Goculdas: So, we believe the mix will remain the same in the long term, that we already have about 65, 35 or something like that depending on the business side, depending on prices. But initially there will be a tilt towards the bulk chemicals, because the bulk chemical plant will get commissioned before the specialty. But in the long term, we expect the ratio to remain the same because we are creating a new site where we are investing in both commodities as well as the specialty.

Rajat: And, Bimal you have also mentioned in our presentation that we have some spare land after this CAPEX phase is over. And you also mention that, that CAPEX spend be it 100 crores, is the understanding correct, are we talking about that 100 crores for the current CAPEX or the CAPEX after the current CAPEX is over?

Bimal Goculdas: So, we are talking about the 100 crores which has already been mentioned, we're not talking beyond that. But even after this CAPEX is over, we will have spare land. And the reason we put that in the presentation, because many times we get questions about, the space available at our factories for further expansion and the idea is, the question is really whether we need to go for another greenfield site or not. So, at the moment, we don't need to.

Rajat: And for how many years we won't need the greenfield site?

Bimal Goculdas: So difficult to put a timeline, it depends on our growth, depends on opportunity which come by, so difficult to answer that question. But we have no plans on it, on another greenfield site at the moment.

Rajat: And is it correct to assume that the further brownfield expansion that we will do will not entail any bulk until, we won't need any bulk until CAPEX going in the future, is that correct?

Bimal Goculdas: You were not clear, the last part was not clear, sorry I didn't get you.

Rajat: At the end of current CAPEX phase will we need to put another CAPEX for the bulk chemical going in?

Bimal Goculdas: No.

Rajat: Okay. So going on wherever we get to use our land and all, we will only be putting up specialty projects?

Bimal Goculdas: Yes, that is correct.

Rajat: And how much will be the debt at the end of this 100 crore CAPEX phase?

Bimal Goculdas: So, we are expecting 2/3, 1/3 ratio. 2/3 of debt and 1/3 of our own.

Rajat: And how much of that has already come in your book?

Bimal Goculdas: So a lot of it will come in this quarter now, part of it has already come in. It came post April but the bulk of it will be now.

Rajat: Okay. And the two recent CAPEX that we have set to complete in June 2021, one Roha debottlenecking and one multiproduct plant at Dahej and both the locations we are spending 10 crore each. So, once these projects commence will how much revenue can we expect? The revenue will get reflected from this quarter itself if you give some timeline and how much will be the revenue generation from these together?

Bimal Goculdas: So, we can't predict exactly because as I mentioned, the commodities will start first and there have been delays in equipment supply which has made us push back our date. Therefore, I've mentioned that September, December, March like that. So, we will keep you informed if there's any further changes, we don't expect it but we won't see the full impact of the investment in this financial year. Apart from of course, the bulk chemicals.

Rajat: Okay. And the revenue generation could be like at a point for being too small CAPEX will be 2x or it will be more than 2x?

Bimal Goculdas: Roughly 2x. So, it changes a little bit less for the commodity, a little bit more for the specialty. But you have to see when exactly you achieve a full capacity for the specialty. The overall picture we expect would be 2x.

Moderator: Thank you. The next question is from the line of Ashil an Individual Investor. Please go ahead.

Ashal: Just one or two questions, Just wanted have some idea on the margins that you are expecting going forward after this new capacity online, and like on a consolidated basis?

Bimal Goculdas: So, as I mentioned this quarter was lower because of the sharp spike in raw material. And also the sharp spike in ocean freight, as I'm sure you're aware all over the world. But what we expect is that, all the products which we are currently putting in, we know the business, we are already doing some of those products or most of those products at our Roha site, a lot of it is expansion in business. And therefore we would expect similar margins to what we've had historically, but initially, I have said this before, I say this again, initially the commodity chemicals will come online, followed by the specialty, those the commodity chemicals generally have a lower margin, and therefore we could see initially a slide and then stabilization later on.

Moderator: Thank you. The next question is from the line of Sahil Kumar, an Individual Investor. Please go ahead.

Sahil Kumar: Actually, my question has been answered previously. I was just asking about margins. Thank you.

Moderator: Thank you. The next question is from the line of Prateek Kumar an Individual Investor. Please go ahead.

Prateek Kumar: Sir one question, you talk about fixing of underperforming business, can you talk a bit about that.

Bimal Goculdas: No, could you repeat the first question please?

Prateek Kumar: In your presentation you talk about one underperforming business, which is the boron business, right?

Bimal Goculdas: Yes.

Prateek Kumar: Which you would like to fix, I just wanted to know how much is the drag and the P&L this year and what is the prospect of that chemistry as well as how should we see that part of the business in the next two, three years in terms of what is your R&D pipeline, how many products do you have, how will you commercialize those. So just a broad overview of that business segment, because that doesn't get discussed, generally it doesn't get paid attention to so that's question number one.

Bimal Goculdas: Okay, so the boron business as you know is dependent 100% on import of raw materials, so we don't have much. There's nothing much we can do if the raw materials are not available. And right now, what's happened is that, in the major suppliers around the world are in a sort of a supply crisis. So availability is less, we can't supplement it clearly from anywhere else. And that's hampering our operations. Also, the second problem with the boron business, is the availability of technical grade boric acid. Our focus is on downstream boron products, we don't want to invest too much money on something like technical grade boric acid, for which we will never be globally competitive. Our idea was to buy that, now because of restrictions on imports of boric acid. This is not available to us at a competitive price and unless we get into our own manufacturing of technical grade boric acid in a big way, we won't be able to solve this problem. So, I don't have a solution right now, I am not very keen on putting about 10 crores which would be required for this. And because again, the moment we started if the global situation changes, then we would have wasted our investment there's no way we can compete in an open market. So, still I don't have an answer. As to when we will sort it out, ideally we should be doing much, if we have the raw materials supplies, smooth we could have done at least added four, five crores to the bottom line, at the moment because the market is highly inflated.

Prateek Kumar: Got it. And just to take this forward, I didn't understand, you said there were certain restrictions and import of technical boric acid, is it government owned or is it the antidumping?

Bimal Goculdas: No, it's government restricted. Imports are not permitted without licenses, you don't easily get the licenses and this has come somehow under the central insecticide board and they don't, they are not granting out licenses easily. So, what happens is that, when we are competing on our specialty products globally, we need globally competitive raw material. And we are not getting that.

Prateek Kumar: Got it. The second question was just one small clarification, the presentation says the company will invest 10 crores in two multipurpose plants this 10 crore is each as in it's 20 crore for the Dahej expansion of two multi-purpose plants. 10 crores for one multipurpose plant?

Bimal Goculdas: Yes.

Prateek Kumar: Okay, great. And lastly, I just wanted to understand your pipeline on this specialty chemicals for the sulfur part of the business. I saw you talked about you are putting in towards the sulfones project. So maybe if you can just help us understand what's the pipeline like and what kind of products are under development and how should we see this part of the business in the next two, three years? How much then can get commercialized, what kind of revenue you can get, and of late we have seen a lot of companies get into multiyear contracts for particular chemicals. Are you also seen that or is that something which can happen for the company, not in the next year, but in the next couple of years is that something which is possible?

Bimal Goculdas: Right. So we have the reason why we are putting up the multipurpose plants is also because we want to commercialize some of the products which we are doing in a larger way. So when I say the investment is x, and the output would be about 2x. That includes the output for our pipeline product. And you have specifically asked for the sulfone. So one of the sulfone we have taken a pause on investment. And that was largely connected to the global slowdown last year. And really, the market are extremely flat, because that product goes into a lot of the thermal paper applications. And thermal paper really took a hit last year. So, things like airline tickets, things like football stadium tickets, cricket stadium tickets, that just wasn't being sold. So, consequently we paused that investment and it was the right decision. And it doesn't mean that we won't look at it in the future. But other sulfone that we are doing are doing extremely well.

You also asked about the long term contracts. So a lot of the products we do are under contract either a written contract or an understanding with the customer. And that's why we have a price formulas, which is only applicable for our long-term business.

Prateek Kumar: Okay. And just one question, this multipurpose plant is it in a way some of these products might scale and then you would have to set up dedicated plant is that the way to think about investments and multipurpose plant that this is a, it's a one step before the end journey of basically setting up dedicated plant?

Bimal Goculdas: Yes, exactly the thing is that, we are looking at some products which have a small volume, and that would of course be higher profitability, but a lower top line. So, in that case, it may never get out of a multipurpose plant. But there are other products which have scale of 1000 tonnes, few 1000 tonnes a year, in which case we would take it initially to pilot plant, then to multipurpose plant, and then to dedicated plants if the volume and economics workout.

Prateek Kumar: And what are the end applications of these products, which basically then become a large scale in the sense from multipurpose dedicated plants?

Bimal Goculdas: So we are agnostic on that, we look at the chemistry side of it. We don't look at the end application.

Prateek Kumar: And if you can just help us understand what Thiols, you said it is a product under pipeline?

Bimal Goculdas: Yes, so these are also sulfur compound, they have an SH group, so it's a sulfur compound. It's a downstream from our existing business.

Prateek Kumar: Got it and one small question. In your commentary, you said that incrementally you would not need to set up sulfuric acid plant. My question is what happens to your 18 month shutdown, does that still remain or now you're over with it after this new capacity expansion, which is 300 billion tonnes?

Bimal Goculdas: So every sulfuric acid plant needs to put a shutdown, once in 15 months, 18 months sometimes. So that will continue, but having two plants we would be able to smooth out that impact, it doesn't mean we don't need to shut down, we just need to smooth out that, we would be able to smooth out that impact.

Prateek Kumar: Okay. So, the volatility historically seen in the results might not from hereon come up right?

Bimal Goculdas: Would be less for sure.

Prateek Kumar: Okay. And last, incrementally every investment would now, you said this but I am just confirming would be into downstream products, which means setting up multipurpose or dedicated plant right, just confirming?

Bimal Goculdas: Yes, for the next few years.

Moderator: Thank you. The next question is from the line of Ramakrishnan V from Equity Intelligence. Please go ahead.

Ramakrishnan V: Sir, if you can throw some lights on the capacity that what is the, that we have to go 300 tonne per day capacity of sulfuric acid, what will others capacity fully expanded capacity what will be the capacity. And next question is, we have seen that another competitor of yours like Amal, who has got 140 tonne per day capacity, who is putting up another plant of 300 tonnes. And wherein they have also mentioned that the sulfuric acid demand has gone up because of the closure of sterlite copper smelter. So we don't expect that to start, but what is the scenario of sulfuric acid if you can explain, that's all from me?

Bimal Goculdas: Sure. So we have 300 tonne per day plant at Roha, which we have now debottlenecked to about 350 tonnes per day. We are putting up the same thing at Dahej. So we are not expanding Roha sulfuric acid anymore. But it's a fully new plant so total will be around 700 tonnes per day of sulfuric acid. And this is a pure commodity and while the sterlite plant closure has some impact, but that is now past. And, you can't, whatever sterlite was making was a few 1000 tonnes per day, that has already been absorbed by either imports, or by other sulfuric acid plant putting up capacities, and so on. So, I don't see that as a factor and that was certainly not a reason for us to put in the investment in sulfuric acid. What we are looking at is, using the sulfuric acid plant to generate Oleum, sulfur trioxide, chlorosulfonic acid and then to react these with organic substrates to make specialty chemicals.

Ramakrishnan V: What will be the expanded capacity of the specialty chemical that also if we can?

Bimal Goculdas: So it's a range of products and we are not disclosing each individual capacity. But certainly as I said on overall basis, we expect to double the top line.

Moderator: Thank you. The next question is from the line of Rajat from iThought. Please go ahead.

Rajat: Sir what is the capacity utilization of the boron vertical as of now?

Bimal Goculdas: So, today it's around 50%.

Rajat: Okay. And the 4, 5 crores of difference in profit that could have been there if we had raw material supplies. Is this an annual number or it's like a quarterly?

Bimal Goculdas: Annual number.

Rajat: And in terms of our overall company level capacity utilization are we are (+90%)?

Bimal Goculdas: So, it depends on product to product and that in sulfuric acid we are (+90%), in some of the specialties also we are (+90%) close to 100% which is why we are putting up a second plant and some we still have some room to grow. So, it depends on product-to-product.

Rajat: Okay. And what is the tax rate that we have checked going in FY22 and FY23?

Bimal Goculdas: Sorry, I couldn't hear you well.

Rajat: Income tax rate that you expect for our business going in FY22 and FY23?

Bimal Goculdas: So, income tax. Currently we are still under MAT and because we have some accumulated income tax losses to absorb, but from the next financial year which is 22-23 we will be under the new tax regime.

Rajat: Okay. So, in FY22 our effective tax rate that we see in the P&L could be much lower like last two, three years 4%, 5%?

Bimal Goculdas: Yes, it will be MAT basically, MAT is still 22%, Chirag you may correct me if I'm wrong.

Chirag Shah: Yes sir, very correct.

Bimal Goculdas: And then it will go down to 15% or 17% whatever is the new rate. We will go for the new tax regime once we have absorbed these tax losses.

Rajat: Okay. When we absorb these tax losses, was there any cash outflow in terms of tax from our books or there is no tax?

Bimal Goculdas: So, there we have to pay the MAT so it is a cash outflow.

Rajat: Okay. The other question was on the, you mentioned 70 crore of debt we will have to take for the whole CAPEX, what is the rate of interest there?

Bimal Goculdas: So, typically when we do rupee borrowing, it's around 9% to 10%. But then, depending on our exports to visibility, we try to do an interest rate swap. And that brings it down to below 5%.

Rajat: Okay. So, that will happen during the year whenever we have such opportunities?

Bimal Goculdas: Yes, we expect that it will happen during the year.

Rajat: Okay. And sir on the bulk chemical side, you have mentioned that that next quarter Q3 will also be good for the bulk chemical vertical, so what gives us the confidence that bulk chemical will continue to well?

Bimal Goculdas: No, I didn't say anything about the future. I said about the last quarter.

Rajat: On this bulk chemical side like, how much of the sulfuric acid produced by us actually goes into our own captive consumption and how much do you sell in the market?

Bimal Goculdas: Roughly 50%.

Rajat: Okay. And so finally, whenever we are able to complete the CAPEX, some delays are happening because of COVID. But whenever we complete the CAPEX in how many years do we expect to touch the peak revenues like can it take two years, three years or more?

Bimal Goculdas: So, typically for the sulfuric acid plant, we expect to run at close to full capacity almost immediately. For the other products, there will be a ramp up time for some product, for other products, we have very high visibility that it will we have customers waiting for our supply.

Rajat: Fair enough. And sir at the end of the whole, so whenever we touch the peak of the revenues, whenever that happens, what kind of margins do you think the business can make?

Bimal Goculdas: So, a lot of the product what we are already doing and as I mentioned earlier, we should be able to in the long term, achieve the same EBIT percentage, as we have done historically, this quarter was slightly lower, because of the sharp increase in raw material input costs as well as the freight cost.

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

Rohit Nagraj: So, just one question. So, we have given the presentation that a couple of our projects will be coming through commissioning by June 21. So, do we have the visibility given the current circumstances and generally what is the teething period or the trial runs that go on for such projects before starting commercial operations, thank you.

Bimal Goculdas: So, as far as the specialty chemicals are concerned, the multipurpose plants will take time, because it's not only the settling of the plant itself, but also settling in the market. And since we are going from pilot scale to commercial scale, then we would expect some time delay while customers approve the product assessor. As far as, the bulk chemicals there should be no such issue.

Rohit Nagraj: Thank you. Just a concurrent question to this, so effectively March 21, all our plants will be up and running, sorry March 22 my bad. So effectively, FY23 we will have the entire capacity available obviously the utilization will depend on how the market shapes up, is that assumption right?

Bimal Goculdas: Yes.

Moderator: Thank you. The next question is from the line of Jayesh from ValueQuest. Please go ahead.

Jayesh: So, sir do we supply any chemical which is used to manufacture COVID vaccine?

Bimal Goculdas: No.

Jayesh: Okay, sir. And are we working on any of those in the future?

Bimal Goculdas: No.

Moderator: Thank you. The next question is from the line of Aman Vij from Astute Investment Manager. Please go ahead.

Aman Vij: My first question is on the Amide and sulphone business. So maybe if you can update us, so Amide we were doing decently well. In sulphone there were this customer, not issues but customer to and fro going on, so could you update us on scaling of these two businesses for the full year?

Bimal Goculdas: Sure. So the Amide is quite stable and in fact growing no issue on that. Thiols is still bit of a development but since it's a new, relatively new range of products that is what we expect. So we don't expect that it will immediately achieve a large scale. The one which we were going back and forth, you are referring to is the sulfone and the sulfone was really a market issue.

Aman Vij: Yes. Coming on the sulfone side, so you said the other sulfone which was doing well what kind of growth are we seeing in that category or that product?

Bimal Goculdas: So, it's difficult to put an exact number because I don't like to discuss individual product. But let me say that, that is now becoming a substantial business for us. And a lot of the growth in the future, particularly at Dahej will also be that product.

Aman Vij: So, from customer demand side you are seeing a lot of demand compared to what say two, three years back when we started this?

Bimal Goculdas: Exactly, there is very good visibility now.

Aman Vij: And in terms of geography for the demand, is it still Japan and U.S. focused or some new regions like Europe and all those things have also opened up?

Bimal Goculdas: So it's also Europe.

Aman Vij: Okay. And demand you are seeing from all three regions?

Bimal Goculdas: Yes.

Aman Vij: Sure, sir. The next question is on, you have been talking about the increase in raw material prices. So on an average for the company, this number will be around 15% to 20% or this was even higher than this number for the quarter?

Bimal Goculdas: So, if you look at the results, you'll see that it's gone up from 18 crores to 36 crores the raw material. And the turnover has not increased proportionately. So, it's been a substantial jump in this last quarter compared to the previous quarter.

Aman Vij: And the price hike or the realization increases like much lower than this number right?

Bimal Goculdas: Sure. So for some of the business like for, in the bulk chemicals this time, we could pass it on. But for the specialties particularly for our long term, large volume contracts, it will get adjusted in the next quarter.

Aman Vij: Even this much hike gets adjusted over the year?

Bimal Goculdas: Yes, because we work on formula with our long term customers.

Aman Vij: Sure sir. And the final question is on the multipurpose plant, the two new which we'll be setting up so are these the same kind of products, maybe the sulfone and the amides and Thiols, correct from newer products also in this?

Bimal Goculdas: It's a very similar products.

Aman Vij: Okay, and do you think in next one, two years we might need a dedicated plant of any of these three products?

Bimal Goculdas: So difficult to predict, and if it was that clear then we would have started investing already.

Aman Vij: But looking at the current demand, is there a chance?

Bimal Goculdas: Yes, but I can't make any projections on that.

Aman Vij: Yes, I understand, but demand wise all the two, three products, new products are doing decently well for us, right?

Bimal Goculdas: So, as I mentioned, there are some products which will never get out of the multipurpose plant. And there are other products which have the hope. And we'll have to take his product wise.

Aman Vij: Last thing, how many products are there currently which we are doing on an average?

Bimal Goculdas: So, there are about 20 products as such, 20 to 25 products, small and big.

Aman Vij: And this number say last year was how much?

Bimal Goculdas: There is no major change, we don't too many new products, there would be three, four new products. But, they might be initially at a very small scale then they would grow it's like that.

Aman Vij: And some also goes out?

Bimal Goculdas: Could be yes.

Moderator: Thank you. The next question is from the line of Vipin Taneja an Individual Investor. Please go ahead.

Vipin Taneja: Just wanted to know that specialty chemical division, the sulfone, where the new products are coming up and scaling up as well. Are we looking at like say 20%, 21% EBITDA margins there and the other commodity being a separate segment altogether. Are we working on those numbers as well?

Bimal Goculdas: Sure. Sorry, I missed you could you please repeat?

Vipin Taneja: Sir on the specialty side are we working, backtracking the numbers in a way that we are looking at 25% to 30% EBITDA margins, just in the specialty chemical for the new products or the products which we have introduced like one, two years before and which we are scaling up right now?

Bimal Goculdas: So, for the new products our target is always +30% but for our existing products, it is what it is we can't change that.

Vipin Taneja: Great, agreed. And sir in the boron Is it possible to deal with somebody who has already got a license and is eligible to bring that technical boron into the country and do some kind of contract manufacturing to utilize the, 50% remaining plant or maybe do some kind of clamps with some research and offer some solution, since we are not getting the import license, can that be a possibility going forward?

Bimal Goculdas: No, it's not that we are not getting but really nobody is getting. Few people are getting for their own internal consumption because boric acid goes into glass, ceramic, all that. But really the government has taken a view that protecting the boric acid producer is more important than protecting the downstream user. And we are challenging that, so far not successful.

But our argument is that the government is losing much more by way of value and revenue by holding back the downstream product especially since there is no raw material of boron available in India. But so far we haven't been successful.

Vipin Taneja: And sir one more thing that, since we are stuck at this 200 odd crore turnover, and that thermal paper chemical also we had to stop in between. So from this, you said that around the revenue will double once all these projects come up. So, in FY24 somewhere, can we see since sulfuric acid plant itself will be running at full capacity at Dahej, and can we expect like that full stream to be coming in by FY23 it's sir, 400 odd crores turnover?

Bimal Goculdas: So certainly that is our objective. But, I can't make any prediction on that part into the future. And generally, I don't even make quarterly predictions. But certainly our objective is, that we have these plants running at good capacity. Certainly the sulfuric acid plant, we know for sure. And a couple of the major products we know for sure. But the other smaller products we don't know.

Vipin Taneja: Okay, and sir anything you shed some light on anything on agrochemical and pharma products you have mentioned in the presentation, can you just speak more about them sir, if you wish to?

Bimal Goculdas: See, generally those segments are doing well and people come to us, the pharma companies, agrochemical companies, they come to us when they want anything with sulfur in it, and we are working with them, sometimes it's under a nondisclosure agreement. Sometimes it's under an exclusive agreement, it could be, they are mostly smaller volume products or specific products, except for those which we are already making. But both the sectors are doing genuinely well.

Vipin Taneja: Right sir. And can we look for a tie up of like say Rs.25, Rs.30 odd crore of molecule going through one customer and in that few multiple contracts, for which the capacity is upstream sir?

Bimal Goculdas: So, we do have contracts as I mentioned but, we are not able to make it public.

Vipin Taneja: But then you mentioned that customers are eagerly waiting as well for the capacity to come up, for the specialty capacity.

Bimal Goculdas: So, what I said was that there is good visibility for our specialty products at this time.

Vipin Taneja: Okay. But nothing sir, would we be looking for a contract like what Arti and all are doing like multiyear contracts like say a Rs.50 crore molecule per year or something, are we looking on those line as well?

Bimal Goculdas: So, we are not after a particular size of contract but, certainly we would not be averse to having such contract so long as it's profitable business.

Vipin Taneja: Okay. And sir for the first time receivables have gone up a bit. And I know that you are very tight on receivables. Hope that you bring them back soon.

Bimal Goculdas: Yes, that's also related to the sharp increase in the price.

Vipin Taneja: And cash flow for the last four, five years has been very, very good. You have been very prudent with the cash flows and with the receivables and keeping inventory. I wish you good luck for the future. Thank you.

Moderator: Thank you. The next question is from the line of Apurva Shah from PhillipCapital. Please go ahead.

Apurva Shah: So Bimal, my first question is on the, like it's sort of a clarity, so if I take three, four years of view, when we will optimally utilize the new capacity and potentially our revenue may get double in by that time. So, while calculating, do take material contribution from any new products, or this existing product basket only can contribute or make double our revenue by three to four years?

Bimal Goculdas: So, we have not factored in any that way unknown product, there would be some in the multipurpose plan. But the other things that we are discussing are known product.

Apurva Shah: Okay, so that is excellent thing because if all products are the products which we are manufacturing that has the potential to grow double, maybe in three, four years time, that's really good. And sir second thing is related to R&D. So as we can see in last three, four years our R&D efforts are clearly visible. Unfortunately, we need to like put on hold the sulfone plan, but we are developing other new products as well. So internally, do we have any metrics where we either absolutely, or as a percentage of revenue, we try to measure how much these new products are contributing to our overall revenue. And if you can just guide us, what can be this contribution from new product by maybe 2025. And maybe if you can throw some light on the addressable market size or of which product we are developing currently?

Bimal Goculdas: Our R&D works in different ways. So number one, of course is a new process development. But it's also an optimizing of existing products. It's also in debottlenecking of our existing plant. So, very difficult to say, attribute that this much is contribution of R&D, but I can tell you one thing, that without our R&D, we wouldn't have any of our products, all our products are based on in-house R&D. So, the contribution from R&D according to me is 100%.

Of course, it's a team effort with production team, our projects team, all the support staff and everybody, but you may not see it in the R&D expenditure as such, but the contribution is certainly there.

Apurva Shah: Okay. Sir my point clearly is for this new products, so are we trying to develop that metrics, at least that we give you some other confidence as well. So obviously, our R&D is contributing, but how much this new products can contribute. So, are we working on that kind of metrics which may help us to plan our future?

Bimal Goculdas: So the new products, while we are not, while we don't formally put it in the form of a metric, but certainly we look at the output in terms of top line and bottom line, and that is measured internally.

Apurva Shah: Great. Sir just last thing, so can you just throw some light on what is the revenue potential for us from this Amides and Thiols?

Bimal Goculdas: So, any product we look at is in the range of or possibility of around 50 to 100 crores per year, which is for us a sort of sweet spot where we can compete with anybody, and these fall within that range.

Moderator: Thank you. The next question is from the line of Amit Bagaria from Artha Vidhi Advisors. Please go ahead.

Amit Bagaria: Hi, Bimal couple of questions. One is on the repair cost on an annual basis, it's 12 crores that's close to 6% of sales. How do you see that happening going forward in the next three years?

Bimal Goculdas: So it may go down as a percentage of sales, but in absolute term we expect to be spending this much. The Roha site is actually a 40 year old site. And we are upgrading a lot of things. The other thing which is happening is, standards are improving globally, in terms of your safety, in terms of security, in terms of the environment and everything. For example, in terms of analysis, people want more stringent analysis, and we have to comply with that. So, things like that are happening all the time, and we have to keep pace with this. So, I expect that this kind of expenditure will happen.

Amit Bagaria: Okay, but incrementally say on a 400 crore turnover, we won't be spending 6% of sales, that's 25 crores?

Bimal Goculdas: We hope not.

Amit Bagaria: Okay, nice. Second question is after this expansion that we do at Dahej, you said there will be some spare capacity land available in that land can we spend another 100 crores?

Bimal Goculdas: Yes.

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

Ashil: The specialty chemicals expansion that you're doing, the customers who are currently buying these specialty chemicals. Are you looking to do, is it like an import substitution play or is it that you would be a low cost producer that you want to use to gain market share?

Bimal Goculdas: No, I didn't understand the question. Yes, we are one of the lower cost producers. But what was the link?

Ashil: So, I just wanted to understand that. Currently, where are these the customers we plan to cater to, where are they acquiring the same chemicals that you would start manufacturing from currently?

Bimal Goculdas: So there's a different for different customers and different products, some maybe doing some in-house manufacturing which they will replace with ours, some maybe buying from other sources, some maybe importing into India, whereas we are replacing import. So it's a combination of things.

Moderator: Thank you. Ladies and gentlemen, as this was the last question. I now hand the conference over to Mr. Bimal Goculdas for closing comments.

Bimal Goculdas: Thank you. So, I hope I've been able to answer most of the questions to the satisfaction of the investors here. And as we make our journey through this difficult time globally, we're happy to have your support. And, rest assured that we are all putting in a lot of effort towards getting the projects going. And hope to have them commissioned without any further delay. And, I look forward to talking to you again in the future. Thank you.

Moderator: Thank you. On behalf of The Dharamsi Morarji Chemical Company Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.