BY ELECTRONIC MODE

January 22, 2022 Ref No: TCPCL/SEC/2021-22/00065

To,

The General Manager, **Corporate relationship department,** **BSE Limited** Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai-400 001 **Scrip Code: 543321** Through: BSE Corporate Compliance & Listing Centre	**The Manager,** **Listing department,** **National Stock Exchange of India Limited** Exchange Plaza, C-1, Block-G, Bandra-Kurla, Complex Bandra(E), Mumbai-400 051 **Scrip Symbol: TATVA** Through: NEAPS

Subject: Transcript of Earnings call

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended, please find enclosed herewith the transcript of the earnings call held on January 18, 2022 post announcement of financial results of the Company for the quarter and nine months ended December 31, 2021.

The same will be uploaded on the Company's website.

This is for your information and records.

Thanking You,

Yours faithfully,
For Tatva Chintan Pharma Chem Limited

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

TATVA CHINTAN PHARMA CHEM LIMITED GUJARAT

“Tatva Chintan Pharma Chem Limited
Q3 FY2022 Earnings Conference Call”

January 18, 2022

ANALYST: **MR. ARCHIT JOSHI – DOLAT CAPITAL PRIVATE LIMITED**

MANAGEMENT: **MR. CHINTAN SHAH - MANAGING DIRECTOR – TATVA CHINTAN PHARMA CHEM LIMITED**
MR. ASHOK BOTHRA – CHIEF FINANCIAL OFFICER – TATVA CHINTAN PHARMA CHEM LIMITED

Moderator: Ladies and gentlemen good day and welcome to the Tatva Chintan Q3 FY2022 Earnings Conference Call hosted by Dolat Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during 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. Archit Joshi from Dolat Capital. Thank you and over to you!

Archit Joshi: Thank you Steven. Good evening, everyone. On the behalf of Dolat Capital, I welcome all participants on the Q3 FY2022 earnings conference call of Tatva Chintan Pharma Chem Limited. We have with us today, Mr. Chintan Shah, Managing Director and Mr. Ashok Bothra, the Chief Financial Officer of Tatva Chintan Pharma Chem Limited. Without further taking much time, I would like to hand over the floor to Mr. Chintan Shah, Managing Director of Tatva Chintan Pharma Chem Limited for his opening remarks after which we can have the floor open for Q&A round. Over to you Sir! Thank you.

Chintan Shah: Thank you. Good afternoon, everyone and wishing the very best for 2022 to all of you. We welcome you all to the earnings call of Tatva Chintan Pharma Chem Limited. I trust everyone is keeping safe and healthy. During the third quarter, in revenue terms we recorded 31% growth year-on-year basis. During nine months FY2022, we have exceeded the revenue of whole of last financial year FY2021 and recorded a growth of 74% on nine-month basis. In terms of profitability on nine-month basis we have recorded a higher profit by 152%. Despite several challenges being faced by industries including higher freight costs and erratic raw material supply and cost I would like to highlight that this has been a good achievement. I would like to congratulate our team Tatva and am thankful to our stakeholders for this achievement.

As I mentioned during my last quarter call due to erratic supply of semiconductor chips, it is having an impact on automobile productions globally and as major part of our SDA application is in auto emission control, we have seen a modest demand of SDAs in Q3. We expect the SDA demand to remain modest for Q4 as well since the availability of chips continues to be a challenge. The expected improved availability of chips is being forecasted from April or May which will bring back the stronger demands of SDA. Since most of our customers run their production on campaign basis you may at times see an oscillating demand of SDA like we saw during the Q2 FY2022. Therefore, company performance should be evaluated on yearly basis rather than on quarter-on-quarter basis.

We have seen a strong export growth as well. Exports have contributed nearly 80% of the revenue on nine-month basis. With a continuing good forecast for exports, we are confident that Tatva's export revenue for FY2022 will exceed the full year total revenue of FY2021. During Q3 FY2022, the revenues from electrolyte salts for supercapacitors have seen a jump to 2.1% of total revenue. The overall demand for electrolyte salts is seen on the rise with applications of supercapacitors seeing commercialization. We are observing a slow but steady rise in demand for electrolyte salts.

During the quarter, we appointed Mr. Ashok Bothra as Chief Financial Officer and key managerial personnel of the company with effect from December 3, 2021. He is a Chartered Accountant with 24 years of experience across finance functions. We welcome him heartily.

In anticipation of COVID-19 lockdowns and disruptions in supply chain from China due to Chinese New Year and upcoming Beijing Winter Olympics, we made conscious decision to stock up on inventory so as not to hamper our production and ensure smooth supply to our esteemed customers. We are thankful to our key customers who have quite quickly absorbed the increasing cost of freight and RM in certain cases which has ensured that we could operate with decent margins during the quarter. The capacity expansion of setting up additional facilities at our Dahej SEZ site and expanding our R&D capabilities at Baroda from the IPO proceeds is on schedule.

During the quarter, we have received formal approval for our SDAs from two large customers; slow commercialization with these customers will begin in 2022. It has taken three years five years to get formal product approvals from these customers as you all are aware that this is quite an entry barrier area.

On new product development front, we have successfully submitted commercial sample of a good potential agrochemical intermediate with very stringent quality requirements. We should see commercialization happening in next 12 to 18 months.

On continuous flow chemistry we have concluded our R&D trials for the specialty solvent and designing of the pilot equipment is currently under final review. We expect to start the pilot run in coming months. Also, we have a good breakthrough in synthesizing a versatile catalyst which has successfully synthesized three different products on continuous flow chemistry. We are now optimizing the process parameters to conclude the R&D and enter the piloting stage.

In terms of demand outlook, I would say that Indian specialty chemical industry is passing through the most exciting and most encouraging phase. There might be some speed breakers like chip shortages or temporary supplies and disruptions but on a broad basis we are highly optimistic about the growth potential.

During the quarter, we have purchased a new industrial plot measuring about 5 lakh square feet in the Dahej industrial area. This will help us meet our growth three to four years down the line by which time we anticipate saturating our capacities at our existing plant locations. With this I conclude my remarks and now I would like to hand over the call to our CFO, Mr. Ashok Bothra to take us to the financials.

Ashok Bothra: Thank you Sir. Good afternoon, everyone. I would like to briefly touch upon the key financial performance for the ninth month ended December 2021 and quarter ended December 2021.

During nine months FY2022, revenue from operation was 3,351 million versus 1,917 million that is a growth of 75% on year-on-year basis, EBITDA was 948 million versus 446 million in nine months FY2021 that is a growth of 113% on year-on-year basis. Net profit was 784 million versus 311 million in nine months FY2021

that is growth of 152 % on year-on-year basis. EBITDA margin was 28% versus 23% corresponding previous nine months. PAT margin was 23% versus 16% in nine months FY2021.

During Q3 FY2021, revenue from operations was 1,047 million versus 801 million in Q3 FY2021, a growth of 31%. EBITDA is at 285 million versus 252 million in Q3 FY2021 that is growth of 13%. EBITDA margin is at 27% versus 31% in Q3 FY2021. PAT is at 228 million versus 209 million and Q3 FY2021, a growth of 9%. PAT margin is at 22%-odd versus 26% in Q3 FY2021.

SDA contributed around 51%, PTC contributed around 24% and PASC and others contributed around 22% and electrolyte salt contributed around 2%. During the quarter, our exports contributed around 80% of our total revenue, but due to ongoing increase in the logistic cost that has impacted to most of the industry there was a 2% increase in the shipping expand as a percentage of sales and 1.2% in power cost as a percentage of sales during the quarter.

Out of our net IPO proceed of around 2,072 million, 511 million has been utilized as on 31 December 2021 and rest is you know lying in with the monitoring agency. That concludes the update on financials. We now open the floor for question and answers.

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

Sudarshan P: Thank you for taking my question. So if I look at I mean I am just comparing the first quarter and the third quarter here because the topline is similar but your cost as far as employee costs as well as the other costs are significantly higher, a little clarification here whether this large part of the cost is primarily because of transportation and other costs I mean the power cost or is there an element where we might have produced a little bit more and because of Omicron the customer might have not taken it off from us and that shipment could have been delayed to the fourth quarter and that is impacting in the kind of lower sales you know reflecting in terms of the numbers?

Ashok Bothra: As far as other expenses are concerned there is an increase in power and fuel cost ~ 1.2% as a percentage of sales. freight has increased by 2.2% and ETP and other cost has increased by ~ 2% as a percentage of sales and In employee cost there is an increase towards the gratuity provision made and we inducted two positions at senior level i.e. CFO & CTO . There is a time lag in passing on the increased cost to the customers.. These factors led to increase in costs during Q3.

Chintan Shah: Also Padmanabhan Ji. Typically, the goods in transit from Tatva India to its subsidiary Tatva Europe and Tatva US, would usually remain in a range of about 10 Crores to 11 Crores on quarter basis whereas because of higher demand outlook for the next quarter, so there are goods in transit worth 15 Crores so what you potentially estimated is yes the production has been made and it is in transit which is not reflecting in actual sales. So that is an increase of about 5 Crores which is goods in transit to the subsidiaries.

Sudarshan P: Sir coming to this COVID, I mean you did mention that there is the expansion is on progress so we are you know on schedule to start the capacity on the Q3 FY2023. Is that right?

Chintan Shah: Right, November 2022. We are still on target with that.

Sudarshan P: With respect to the two new contracts on the SDA side when can we start seeing visible contribution, I mean should it be probably from the first or the second quarter of the coming year?

Chintan Shah: By mid of first quarter is when we anticipate by May is when the customers are anticipating again the demands to go back to full swing. So, the current quarter i.e. the fourth quarter we will see almost similar kind of demands what we have seen in Q1 and Q3 and beginning of Q1FY23 I mean somewhere in mid of Q1 next year we will see again a steady rise in demands for SDAs. Demand is strong, so they have cued up the orders but right now just because the further downstream industry is not consuming the products as of now purely because of semiconductor shortage, which is causing the whole supply chain on a slow down mode.

Sudarshan P: I will join back. Thank you.

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

Sanjesh Jain: Good afternoon, Sir and thanks for taking my call. A couple of questions first a bookkeeping question can you just give us this quarter's revenue for all the four segment that would be helpful?

Ashok Bothra: In this quarter, you want to know the breakup of the products? Out of 1,046 million sales, SDA contributes 534 million, PTC contributed 247 million, electrolyte salt contributed 22 million and PASC contributed 235 million, rest is all other operating segment. So, in terms of percentage, SDA contributed 51%, PTC 24%, PASC contributed 22%, electrolyte salt contributed 2% and rest from other operating income.

Sanjesh Jain: My second question is on margin now there is a bit of a product mix deterioration from last quarter while our gross profit margins have gone up again 130 basis point while the mix has been slightly inferior with SDA contribution coming down to 51% from last quarter of 62% now what is leading to the margin expansion despite there is an unfavorable product mix?

Chintan Shah: So basically Sanjay Ji I would not say it is just purely because of absorption of increased cost that is going into the customers absorb, they are willing to absorb that additional cost that saves us from margin erosion and also even within each individual product segment, these are all large basket of products so sale of a specific product increase marginally can also lead to a little better revenue realization so that is what is impacting this half percent, 1% margin here or there is purely because of that individual mix changes within the portfolio, but the real change from Q2 to Q3 in terms of margin is purely because of changes in the SDA sales going down from 61% to 51% is what is causing the real change in the margins.

Sanjesh Jain: No it has come down while margin has gone up so margin has clearly been on a reverse trajectory right the SDA has come down from 62% to 51% and we anticipated that leads to a some amount of margin erosion so

instead of margin erosion there has been a margin expansion so the shift looks quite big one, the margin should have fallen while it has increased so if I add both we are at least 300-400 basis point of margin expansion and you know just trying to understand whether PTC has a better product mix or electrolyte salt has a much higher margin and that is adding to it. What is adding to this additional margin expansion?

Chintan Shah: There are two specific products. One is under the PTC and one is in the PASC segment. So, these two particular products we have sold in much larger volumes in this particular quarter so these two have much better margin realizations almost similar to kind of SDA margins, so which is causing this change to happen. That is what I said that within a particular segment also there are certain products which enjoy better margins, so one is an agrochemical intermediate within the PASC segment which is giving this impact, and another is in the quaternary compound and in the PTC segment which is again into the US market which is having much larger market expansion is happening for that product which is also leading to a better margin realization.

Sanjesh Jain: Great. Second on the electrolyte salt it saw a phenomenal jump I do not think we were anticipating such a sharp jump in the electrolyte salt. Can you just give some color how is the market looking like whether this increased level we can we can still add to the revenue going forward. How does the demand and product outlook looks for the electrolyte salt?

Chintan Shah: So, for Q4 we have similar kind of orders already punched in like the Q3 and for the April to June quarter there is a slightly higher forecast coming in from the customers. So, this is slowly expanding so the volume is increasing quite steadily that is what we are also observing but I do not have a full year forecast from the customer yet but the indications that has gone from Q3 going to Q4 and then followed up by Q1 it is a clear indication that this is on the rise. It is a slow rise but that is happening now. That is what I can say. Also, we had supplied two new electrolyte salts to a different customer. Now this has been commercially approved by them and we are expecting the commercial order to begin from them in this current quarter so this can also this still I do not have very confirmed feedback from the customer but this is an indication that we will shift something to them in this current quarter so that is a new beginning of a different electrolyte salt. That is getting into commercialization now. So yes, the applications of supercapacitors is slowly and steadily actually happening now and we will see this kind of growth happening slowly and steadily.

Sanjesh Jain: Where is the supercapacitor batteries going or it is going into the electric vehicle or more into the renewable energy side if you can help us?

Chintan Shah: The new application where we are expecting commercialization now to happen is in the storage area so renewable energy storage space and the existing application where we are selling is into a mix of applications but primarily more into the EV application so it is going as a combination with the lithium battery to support the life of the lithium battery and also to give additional power, booster power of the EV vehicle so that is the kind of application where now this is being used commercially.

Sanjesh Jain: Is it getting popular because I think adding to the lithium life is a great application. Are we seeing this kind of product demand coming up from the other customer also?

Chintan Shah: No. We are still talking. Basically, it is still in a verbal mode right now so only exchanges of communications and quotations has happened still sampling has not happened, but this is another e-station customer who is looking for a similar application of using super caps into EV in conjunction with the lithium battery. So see basically what happens is when you have supercap battery and when you want to accelerate your EV vehicle so the moment you press the accelerator there is a larger demand of power that comes out so this instantaneous power requirement is fed by the supercapacitor battery so this is what leads to you know saving of your lithium battery and enhancing its lifecycle within a single charge so that is how this is being applied as a hybrid system with lithium batteries. This is the kind of new application that is coming up in this area.

Sanjesh Jain: On the SDA side now with the acquisition of two large customers are we pretty much dominant now globally for all the major suppliers? Do we cover everybody now?

Chintan Shah: No. We have seven customers on board, but one of the largest customers is still where we are into the approval phase yet so that we expect that commercial should happen within this FY2022. Then I can claim that we are there almost with all the major quality customers.

Sanjesh Jain: These additions of new customer will help us filling this new capacity which is coming up that is the right understanding, or we are still have to go to the multiple model which are getting released and it may take time to ramp up this customer? How should we see that?

Chintan Shah: Basically, enhancing the demand for the same segment because you are widening your presence within customers so your existing product portfolio is going to see an enhanced revenue coming in so this will help us fulfill our enhanced capacities, will get filled up with this customer's induction in on board.

Sanjesh Jain: Last bit of question from my side on the R&D side it looks like on the continuous flow chemistry we are ramping up faster than what we have spoken in the last quarter right we were talking of two to three years kind of a view for commercialization of agrochemical intermediate and now we are bringing it down to 12 to 18 months so what has changed in last 12 months and are you seeing a much superior success at your R&D pilot stage or customer demand is so robust that even they are now doing the process faster than the normal rate so what is driving such a phenomenal, acceptance of the product on the intermediate side?

Chintan Shah: Basically, this is kind of a lucky breakthrough that we got with these new three products the versatile catalysts we got into, so we were trying to synthesize the catalyst for some other application and accidentally ended up synthesizing the catalyst which successfully ran on these three products the same catalyst is showing such kind of versatility. So I think it is a kind of a lucky break that we got here but yes we have enhanced our strength in terms of technical capability so now originally we had two equipments where we could only run the continuous flow chemistry synthesis in our labs now we have expanded them to four and also our PhD strength which began with one PhD chemist in our lab last year is now enhanced to five people on PhD levels working in our lab. So yes we are also focusing very clearly on this because this has its own advantages which I have continuously talked on all the calls so this is giving us little higher speed in terms of development and synthesis and with the kind of experience that is now building up so that our confidence level is also slowly and steadily rising that this is doable and we can do multiple things using this kind of chemistry.

Sanjesh Jain: Where is this versatile product getting into is it an agrochemical pharma or some other application?

Chintan Shah: So one is going to be a key raw material for our electrolyte salts itself and also it has applications into the next I mean if we go into the next stage of chemistry it becomes a very important pharmaceutical intermediate as well and another product is having applications into inks industry. The third one is a product which is being used as a solvent for coating of your metals on the electrodes of the lithium battery. I am sure this is going to take a very long time for us to commercialize because the entry barriers are too strong but with kind of announcements about lithium batteries being sought to be manufactured in India, I think being made in India product might have some advantage in this area so there is no other Indian player in this particular chemistry right now.

Sanjesh Jain: I think great commentary overall. Thanks, Chintan Bhai for taking my question. I got few more but I will get back in the queue and best of luck for the coming quarters.

Moderator: Thank you. The next question is from the line of Nakshita Mehta from Credent AMC. Please go ahead.

Nakshita Mehta: Thank you for taking my questions and congratulations on good year-on-year nine-month numbers. I wanted to ask the quarter revenue that has taken a hit. Sir you mentioned that it is a major part of is from SDA so can we attribute all of it to SDA or how does the demand for the product look like?

Chintan Shah: I think the shift in SDA demand that has happened in terms of quarter-on-quarter basis is purely attributable to the shortage in semiconductor chips, which is prevailing globally.

Nakshita Mehta: You mentioned that it is also true for this quarter the Q4 can we expect similar hit I mean because since SDA is the major contributor of your revenue, how do we see the topline for next quarter?

Chintan Shah: Almost similar or maybe slightly better but within the same range.

Nakshita Mehta: Thank you. This was my only question. Other questions were previously taken. Thank you.

Moderator: Thank you. The next question is from the line of Esha Agarwal from VT Capital. Please go ahead.

Esha Agarwal: I just wanted to understand your market share globally in all the products that you have and what is the competition that we face from China?

Chintan Shah: So, I have talked on phase transfer catalyst also in the past so this is where there are multiple players globally including Chinese players but we are definitely enjoying a leadership position here with about 30% share in the industry and we have one unique preposition where we have the largest portfolio of phase transfer catalyst among all the known players. In terms of SDAs, we are the second largest player globally. In terms of electrolyte salts there are three known commercial players globally, we are one of them and we are the only player in India and I am not sure of what percentage of market share we might be actually having here but I am assuming we are close to about 25% of the market share and in PASC it is basically a portfolio of a large

number of products, which is primarily going from individual customer to customer basis kind of a portfolio. So there most of the cases where we have this PASC segment is evolved because of India being as a preferred second supplier to the existing Chinese source so I would say in each of these cases we might be enjoying about 25% to 30% of the customers demand second to the Chinese core supplier.

Esha Agarwal: Thank you so much. Basically, like down the line when we know that the electrolyte segment is going to play, it will take another two to three years and the demand starts to come in so can you help me with the projection of the revenue contribution that time that we can have from each segment, if we project it like from FY2023 or FY2024 how will be the revenue contribution?

Chintan Shah: So you are talking in terms of mix of products?

Esha Agarwal: Yes Sir like as of now if we see that the electrolyte is contributing to around one or two percent so if we take after two to three years what will be the revenue contribution that we can expect from all the four segments like just a rough idea if you can give us?

Chintan Shah: On a broader sense if you say yes I would rather pick not three years but I would say let us talk in terms of four years of breakup then I would see the PASC segment contributing about 35% of revenue, the SDA segment would continue to contribute about 50% to 55% of revenue, the phase transfer catalyst segment should contribute about 10% to 15% of revenue and at that point in time the electrolyte salt segment must be contributing about 5% to 7% of revenue.

Esha Agarwal: Thank you so much Sir.

Moderator: Thank you. The next question is from the line of Gaurav Chopra from Union AMC. Please go ahead.

Gaurav Chopra: Two questions from my side on the SDA Zeolite Sir you mentioned that the decline was on account of slow down in the automobile segment so can you sort of give us the breakup between how much of you know used case is into automobiles and non-automobiles all and are we seeing incremental used case coming in the non-automobile segment for this product?

Chintan Shah: Currently I would say a 80:20 mix of auto and non-auto segment is a part of our business and yes in terms of increasing revenue share coming from the other segment that is happening but of course this is not going to be a huge jump all of a sudden because the application which is involved into the NOx emissions is not the only automotive application that will continue to grow but this is basically the NOx emission control application which is growing so this is growing into multiple areas. It is getting into auto, industrial, chimneys, DG sets emissions, and marine vehicles emissions so wherever we are using fossil fuels this is where you will need a NOx control system. These applications are growing. The demand I would rather put a breakup as 80% in NOx control and 20% in other areas of usage and the other areas of usage are also growing but would be a slow growth because these areas would not involve a huge amount of catalyst requirement. So for example let us say if we are running a continuous flow chemistry so we are doing a lot of continuous flow chemistry here, so once you have this catalyst it can run for six months or maybe even a year, the same catalyst you keep on

continuously regenerating and reusing in your process so that is how it works whereas in auto emissions just purely because of the volume the global volume that is required for NOx control that is what is pushing the demand so sharply.

Gaurav Chopra: Secondly, I think in one of one of your earlier presentations you had mentioned about this product lines which gets used in lithium-ion batteries so any update on that and apart from that can you sort of give us two three products which you believe that would become larger in the overall scheme of things apart from SDAs?

Chintan Shah: For this battery application now we have sampled our product to a key customer so we still do not have any preliminary feedback on that but that process has begun and on continuous flow basis so that is our first R&D success and now it is into final stages of review of pilot equipment so once that design is reviewed and accepted then I think we should be piloting this product in next three months timeframe.

Gaurav Chopra: What can be the market size of this product based on the demand for the lithium-ion batteries in India or wherever your target customer is?

Chintan Shah: Overall demand for this product would be in the range of about 15000 tons putting pharma application as well as the lithium battery applications put together and this is growing. So basically as the lithium battery propagates within the industry so this demand is expected to grow but this is not the only solvent just to give you a correct idea of what it is so this is not the only solvent which is used in lithium batteries. There are typically four different solvents which are primarily used in lithium batteries so one is dimethyl carbonate, propylene carbonate, diethyl ammonium chloride and so depending on the geography, depending on the application, depending on what temperature range the EV battery has to operate so based on all those criteria, they choose which is the correct solvent for that particular application. So there are four key solvents alternatively being used in the lithium battery and largest of them is DMC.

Gaurav Chopra: Lastly any new products which have been commercialized which can have potentially large market opportunity for us?

Chintan Shah: Yes.

Gaurav Chopra: I mean is there any other product apart from what you have just talked about?

Chintan Shah: So I just talked about one good agro intermediate that we have now successfully completed and submitted a commercial sample so we took up a scale and has submitted the samples to the customer so this we have met with their all skilled and quality requirements about 99.9% and all those stuff like that also meeting with their very critical demand on terms of price you know to make their whole project commercially viable so that is also we have met with their price idea so we have been working on this product since last two and a half years which is now we are satisfied with what we have done and submitted a commercial sample on that but I expect the commercialization to happen in next 12 to 18 months. So there are a lot of stuff that still needs to be done at customer end in terms of submitting their official documents for registering the product and stuff like that where they will include us as their key raw materials, so I believe it is still a timeframe of 12 to 18 months.

Gaurav Chopra: Thanks. Thanks for answering my questions.

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

Krishan Parwani: Thank you for the opportunity. My first question is on the capacity utilization. So what was the capacity utilization during the quarter and how much more can we grow from the current capacities?

Chintan Shah: If you see our plants, one is which has conventional reactors and stuff like that and you have another segment of your plant where you have assemblies where you manufacture your SDAs so in terms of SDAs we are right now utilizing somewhere close to about 60% of capacity in terms of this current quarter and in terms of the other part of the plant being utilized nearly about 90% of the capacities.

Krishan Parwani: I mean so can we say that the last quarter's revenue probably we can grow more 5%, 10% on the last quarter's revenue until the new capacities come up?

Chintan Shah: Absolutely, yes. So that is what we saw in Q2 is probably we are running at optimum levels so that is what it is until the new capacity is come in.

Krishan Parwani: I just missed out on the details of new customer additions of SDAs for I think which you are mentioning that the supply is scheduled to begin from December 2022. Can you please?

Chintan Shah: Not December 2022 it will begin 2022 itself so one of the customers we are expected to receive a formal order within next few days and delivery scheduling starting from April 2022 and another customer we already have a small commercial order which is right now being executed which is being produced right now at the plant and it is going to be a slow starter because this is their first experience with Tatva where we are getting introduced into their supply chain so we do not expect very large volume of business to happen so this is going to be a slow start in a gradual growth business opportunity with both these large customers.

Krishan Parwani: This agro opportunity and the electrolyte salts opportunity when are they likely to be commercialized?

Chintan Shah: So, electrolyte salt opportunity with one customer is already on the rise so that is what is pushing the revenues in that segment and the second customer which has commercially approved is also expected to start sending their orders within next few days or next couple of weeks is when we expect to start getting their commercial orders. It has to be commercialized in a very short span of time.

Krishan Parwani: Just one final clarification, so on this SDA front the new customer addition large volume jump ideally should be from the newer capacities?

Chintan Shah: Right. That newer capacity increase in SDAs setup was designed particularly keeping in mind three new customers out of those three two have been tapped and now still we are waiting for one more customer to be tapped here.

Krishan Parwani: I think so can we say that you know you have kind of almost acquired major customers buying the SDAs for Zeolite or are there any more to go, I mean the major ones.

Chintan Shah: There are two or three more to go, but most of the key and most important customers is where now we have covered.

Krishan Parwani: The market share gains should accelerate I think in that case correct?

Chintan Shah: Right. It is just a matter of a year or so to prove your consistency in terms of suppliability, in terms of quality and once that confidence level starts to build up that is when you start to see your volumes to grow.

Krishan Parwani: That is very, very helpful Sir. I think that is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Anurag Patil from Roha Asset Managers. Please go ahead.

Anurag Patil: Thank you for the opportunity. Sir for this Dahej facility what would be typical acceptance?

Chintan Shah: Sorry can you please repeat the question?

Anurag Patil: What would be the acceptance for Dahej facility, revenue potential?

Chintan Shah: Typically I would say three revenue potential asset revenue ratios would be in a range of about three.

Anurag Patil: What would be our target to utilize fully for this capacity three years can we say?

Chintan Shah: That is what we are expecting and that is purely the reason why we have ended up buying a new plot in a different industrial zone in Dahej because we anticipate that we should super saturate these enhanced capacities as well in next three to four years of time. So that is what is good because once you buy this land today you need about a year, year, and a half to get the environment clearance and then you can start building up a new plant so you have to have at least three years in advance so that is what we have done right now.

Anurag Patil: That is it from my side. Thank you very much.

Moderator: Thank you. The next question is from the line of Manish Jain from Money Life Advisory Services. Please go ahead.

Manish Jain: Thank you for the opportunity. I was asking that you had earlier mentioned EBITDA margins to be in the range of 24% to 25% so do you expect this the margin range to be maintained in the quarters going forward and can you update about the order visibility for the next six months?

Chintan Shah: If our conviction would not have been so strong, I think this was the most challenging quarter that we have gone through in terms of all adversities. If you see the freight cost that has technically against a $100 export which typically was a $4 freight cost has gone up to almost $6 so again certain raw material costs have gone

off the roof, you know some types of key raw materials where we have seen unprecedented more than 100% rise in terms of raw material prices but despite of that having had this you know I am really thankful to all the major customers where we have larger volumes of business for their understanding and absorbing quite quickly so there may be a lag of about three to four weeks' time but that within that timeframe to get them convinced and to ensure that the costs are being passed on that was a wonderful thing so I am really thankful to all those customers as well so we have demonstrated that despite of such adverse scenario also the SDAs since the SDA is our largest gross margin product range right so despite of that being about a 51% percent revenue in overall product mix despite of that we could manage with a decent EBITDA margins, so I think maintaining this margin should not be a challenge over next few quarter. Again, I foresee the current quarter is also a big challenge in this continuing fashion in terms of raw material pricing and availability, so disruptions in terms of supply chain which would eventually lead to certain rampant price increases is what I personally foresee in some of the products. So we have geared up ourselves to ensure that we have enough safety stock which can run us through this quarter for the key products so that the price impact does not bother the customer on a frequent basis. We are doing all necessary steps required to ensure that customer also remains in a happy mode. We can continuously supply and also maintain the margins at decent levels. So yes I think in short we are confident we should remain in this margin range over the next quarters and in terms of visibility, as I said the demand potential is very strong but as we are struggling so let us say the semiconductor chip shortage is slowing down the business on SDAs the whole supply chain is suffering because of that. Similarly let us say some of the customers are struggling with their key raw materials that will also have some impact on us but this might be some temporary speed breakers and overall the market outlook or the demand perspective is strong.

Manish Jain: Secondly on the new opportunities in the previous concall you had mentioned about four large opportunities in the pharma and agro-intermediate segment regarding flow chemistry so what has been the update of these opportunities?

Chintan Shah: One of this opportunity now we have concluded our R&D. We have completed the commercial plant trial and have submitted a commercial sample to the customer so that is what I am talking about next 12 to 18 months of commercialization to happen and working on the second opportunity is where we hit luckily on a different catalyst which has pushed us into three new products which was not on the cards at all so that is a different set of opportunity we are looking at but we continue to work on three other products one of them is going into quite a positive mode. With two products we are still in a struggling phase. We are still in a limited development phase. That is still not a big crack open I mean the technology is still seeming quite difficult to crack but we are working on that, so the second product is also we have a very good breakthrough in synthesizing the right product. Now we have to optimize the yields and the process parameters. That is where we are working on. We are in line with what we are saying that in next two to three years is when we want all this to go into commercialization. I think we are pretty much we are in line with what we are envisaging.

Manish Jain: That is it from my side. Thank you. All the best.

Moderator: Thank you. The next question is from the line of Jason Soans from Ashika Group. Please go ahead.

Jason Soans: Thank you for taking my question. My one question from me was I mean obviously this SDAs and you are the number to play in the world for Zeolite so just wanted to understand so a certain portion of these SDAs must be going for the synthesis of Zeolite and which goes into basically a catalytic converter now I just wanted to understand so our offtake will be completely dependent on new demand for commercial vehicles or is there also some scope for replacement demand? Now replacement demand could probably what I would understand is only when you replace the catalytic converter or something probably then you will have replacement demand or something of that sort so could you just help me with some color on this in terms of is there some scope for us for replacement demand not only in terms of auto but also in terms of non and the other applications which is non-auto MSI applications?

Chintan Shah: Typically when you say European, American countries a vehicle lifespan has 10 years and all the premium carmakers are offering their catalytic converter coming with a guarantee of 10 years so ideally speaking you know if the vehicles are operated under ideal condition then typically there should not be an opportunity in terms of recurring demand from the steel vehicle so your business grows as the applications that increases the number of vehicles being sold increases. All different areas of applications of NOx control are taken into consideration. For example, heavy duty earthmoving equipments, marine vehicles, industrial, so all these segments are still yet to begin commercialization kind of areas is this so when this kind of application set into those areas that is again going to push the demands for the NOx emission control devices, which also will push the demand further.

Jason Soans: Sure, so mostly it will depend on new vehicle demand for commercial vehicles and increasing use?

Chintan Shah: I would say 99% depends on the new vehicle demand.

Jason Soans: New vehicle demand and more increase of usage of non-auto MSI applications, okay and just wanted to know on this electrolyte salts opportunities for your supercapacity batteries now I just wanted to know it is a small portion of a segment right now, I just wanted to know in terms of supercapacitor batteries where else can so one is this EVs where you the supercapacitors will work in conjunction or in coordination with lithium batteries and plus I think renewable energy also is an option now these are two big growth drivers for you. Are there any other applications how do you see the supercapacitor battery industry growing for you, I mean what how do you see the growth prospects for it because right now it seems to be a small area for you. So just wanted to gauge the potential of how big this can it be?

Chintan Shah: So if you consider the renewable energy storage system it is your solar energy plants, your windmill energy plants is all who needs to store their energy to put it into the grid, eventually you will need a system where today what we are doing in India is we are generating the power and putting it directly into the grid so now there will be a day when you cannot because this will disturb the grid once your solar energy generation or windmill energy generation crosses a threshold then you cannot put power directly into the grid otherwise it will disturb the grid so then eventually you will need systems which will have to store these generated energy and then put it into the grid in a systematic way. So this is the kind of potential honestly speaking I do not have the numbers where this can grow but if you can just imagine the potential where all the solar energy or the renewable energy storage systems would be required and I think this could be a mind-boggling number.

Jason Soans: Okay so the storage of renewable energy will require supercapacity batteries in a large number and hence that will consequently positively impact demand for electrolyte salts as well, okay. Any other application you see where this can grow, I mean apart from this?

Chintan Shah: Another commercial large application is in stabilizing your electric grids so your grids typically at times you get high voltage spikes and stuff like that so this needs to be kind of what we say line conditioning basically so you have to condition the line, stabilize the line, in terms of having uniform power within the grid so this is where also you need supercapacitors to absorb the spike of power that travels through this grid so this is another area of application where supercapacitors have now started to be used on commercial scale, grid stabilization basically.

Jason Soans: Just one last question I would want to just as from a strategy point of view you did speak about the agrochemical intermediate which you were looking to commercialize in the next 12 to 18 months and you did allude also to a some level of a high level of purity which also is in coordination with your SDA strategy as well so are we looking from a strategic point of view to move towards such products which will have very high entry barriers and consequently give us better margins and better ROCE?

Chintan Shah: We have two typical criteria's whether to take up a project or not so one is whether we can make it environmentally sustainable by using some alternate technology let it be electro dialysis or a continuous flow technology where your effluent generation is minimized and second criteria is because of using or synthesizing this kind of catalyst it automatically creates a space for you where your products are getting into a very high period. So, it creates an entry barrier even for the conventional chemistry guys to enter that area because achieving those kinds of purity levels automatically becomes difficult using conventional chemistry. So this is the key criteria where we see if there is a potential to have any kind of positive environmental impact and whether we can use some alternate technology to make this product these are the two criteria which predominantly we think of before accepting a project. We are not entering into any simple chemical synthetic projects as of now.

Jason Soans: Just one last question from my side sorry to come back to the supercapacitor thing so the supercapacitor batteries are they being currently used as well in the EVs or is there more lot more scope for supercapacitor to grow everything?

Chintan Shah: Just recently they have been started to put to use as a hybrid system in the EV vehicles okay and I forgot to mention there is another large commercial application for this supercar battery is already in our existing cars where you have this start stop function so this is which is supported by supercapacitor battery in our existing parts so this is another commercial application where supercar batteries are already being used.

Jason Soans: The start stop option in cars okay.

Chintan Shah: So earlier it started with only high-end cars now it is coming into variety of segments of cars SUVs so now a lot of new models being launched is getting that kind of a start stop function. This is purely an environmental application that is being introduced. So this can minimize or reduce your fuel consumption and also minimize

the emissions carbon footprint can be activated so this is purely an environmental application which is being put to use in the passenger cars. So this can also grow you know eventually can move into commercial vehicle space also.

Jason Soans: Thanks. That was all from my side.

Moderator: Thank you. The next question is from the line of Sabyasachi Mukherjee from Centrum PMS. Please go ahead.

Sabyasachi Mukherjee: Thanks for the opportunity. A few questions from my side; firstly you know coming to this NOx solution control is there globally any other technology that is being currently under use other than this Zeolite based technology that you are into?

Chintan Shah: Power plants use a different technology for NOx control, but this allows you to have emissions in higher levels of NOx. When you talk of automotive emission or industrial emissions now we are talking of NOx emissions below 5 PPM levels so this as of now there is no other commercial technology which can deliver this kind of NOx control so this is the only prevalent commercial technology as of now. This is called SCR, Selective Catalytic Reduction Technology.

Sabyasachi Mukherjee: A follow-up to that is just to understand the value chain of your customers and how is that so basically you supply SDAs to I mentioned top seven players and still one more large player is yet to get on boarded you expect that too also and how the value chain happens; do they apply to the automobile OEMs or how is that the entire value chain?

Chintan Shah: So, we are at the most primitive level where we make the SDAs using these SDAs my direct customer manufactures the Zeolite then this Zeolite is converted by other set of customers so their customers of my customers, customers they convert these Zeolite into a catalyst. Now this catalyst can either be a refining catalyst or continuous flow chemistry catalyst or it can be an automotive NOx control catalyst so then they supply to our chemical chain ends at this catalyst manufacturing right and then let us say if you top of automotive then this goes to an OEM who fabricates the catalytic converter it is a mechanical device so and then this catalytic becomes a part of your car.

Sabyasachi Mukherjee: Second question I see our exposed contribution has been on the higher side probably 70:75 to 80% historically where do you see this number probably in three to four years on an extended capacity basis?

Chintan Shah: Basically our Ankleshwar facility is on saturation level, so whatever growth we are seeing over the last two years and continue to see this growth over next few years will happen only from over the Dahej facility and our Dahej facility is located in a special economic zone so from there we are typically only focusing on export sales. So the next future potential growth whatever we are looking into is predominantly looking at export growth.

Sabyasachi Mukherjee: Just a follow-up to that so considering EV potential and EV adoption in India and government PLI scheme this in you know advanced chemistry cell and battery manufacturing and all those things so where and we also

have a few players announcing capacity for electrolyte salts and solvents and many more in the ecosystem so let me see the domestic sales in terms of electrolyte salts and how the competition would affect us, will our first mover advantage in terms of you know we already have a solution in place will that be in favor of us so your thoughts into that?

Chintan Shah: So eventually yes we will see but it will still take a couple of years at least where you will see a real commercial producer, we are right now only talking of assemblies of assembling these batteries and stuff like that in India. When you talk of real production of lithium batteries still there is no one in India honestly speaking so that will still take a few years when you will see your first commercial actual producer of lithium battery happening in India. Same is the case with supercapacitors so there are announcements that have been made but most of these are in place in terms of assembling the systems rather than actually producing the system. So still our particular products would still continue to see demand only getting into exports maybe two three years down the line when we will see this kind of demand setting up in the Indian market as well still it is probably two to three years away. Considering that the Indian chemical industry and the segments where we are very predominantly active and we are also so optimistic about our industrial growth I am sure most of the whole chemical industrial segment in India is set to grow in next few years so considering that the next land which we bought recently that we have bought outside of the SEZ it is not in an SEZ. It is in a domestic territory area. So that is you know keeping in focus that beyond three years we will also need a plant which can grow with the industrial chemical demand in India itself. So that is why we have procured this piece of land which is not in a SEZ, which is outside SEZ.

Sabyasachi Mukherjee: So focus predominantly from that land would be to cater to domestic demand is that fair assumption?

Chintan Shah: Absolutely.

Sabyasachi Mukherjee: Thank you. That is all from my side.

Moderator: Thank you. The next question is from the line of Alisha Mahawla from Envision Capital. Please go ahead.

Alisha Mahawla: Good evening. Thank you for taking my question. I was just asking with respect to your EBITDA margin as you were mentioning earlier in the call that the 24% 25% kind of numbers would be sustainable but with Dahej facility coming on stream and like you said with newer client on-boarding for electrolyte salts and the growth expected PASC are we expecting say in a three-to-five-year period these margins to maybe shift upwards or is this about sustainable basis, just wanted to get some color on that?

Chintan Shah: See with continuous flow chemistry product getting into commercialization there are definite chances for these margins to get into an upward movement but still I would say you know a fair estimate is any industrial product which goes into a larger volume would only sustain commercialization if your margins are on realistic level. So the customer also understands what he is buying and what would be a potential cost to manufacture that product. So typically I would say in realistic term 23%, 27% margin range is what would make you a commercial success. See ultimately we are talking of selling larger volume product into the market then to make it a commercial success the margins also need to be in a realistic zone. I would i would say that you

know there are definitive chances that with continuous flow chemistry certain products you will see a very steep margin rise but generally speaking i would say 23% - 27% margin is an optimum range and this we are talking in terms of all the product mix together you know we cannot only focus on one particular segment, so we need to distribute our risk as well in terms of product portfolio on customer spread so considering this I would say 23% - 27% margin is a fair estimate.

Alisha Mahawla: That is helpful and Sir just wanted to clarify I think I missed it earlier that the Dahej plant you were expecting it to come on stream by November of next year. Is that correct?

Chintan Shah: November of this year, November 2022.

Alisha Mahawla: November of 2022 and then it will take about three odd years to reach full potential?

Chintan Shah: Right.

Alisha Mahawla: By then can we expect that considering the capacity we have right now and with the 3x kind of asset turn by 2025 or 2026 should be more like a 1000 Crores kind of company. Is that the internal aspiration?

Chintan Shah: So that is what we aspire to do and we are you know considering that we can achieve this that is the reason why we have gone into procure a new piece of land. So this can keep us ready what we do and three or four years down the line.

Alisha Mahawla: Just one last clarification what will be your effective tax rate because I believe at Dahej you are at the SEZ so what will be the tax rate for you?

Chintan Shah: From next year we will have only 50% waiver in terms of taxes from Dahej so this is the last year where we are enjoying 100% exemption so from next year up to next five years for probably up to next 10 years we will have a 50% exemption.

Alisha Mahawla: Thank you Sir.

Moderator: Thank you. Ladies and gentlemen due to time constraint that was the last question. I now have the conference over the management for their closing comments. Over to you Sir!

Chintan Shah: Thank you everybody for participating in this earning call. We hope we have answered most of your queries. If we have missed out on any of your questions kindly reach out to our CFO, Mr. Ashok Bothra or our IR Advisors, Christensen and we will get back to you offline. Wishing you everyone a very safe 2022. Goodbye.

Moderator: Thank you. Ladies and gentlemen on behalf of Dolat Capital that concludes this conference. Thank you for joining us. You may now disconnect your lines.