Chemplast Sanmar Limited

Regd Office:
9 Cathedral Road
Chennai 600 086 India
Tel + 91 44 2812 8500
E-mail: csl@sanmargroup.com
www.chemplastsanmar.com
CIN L24230TN1985PLC011637

May 21, 2025

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 Scrip Code - 543336	National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex Mumbai – 400 050 Scrip Symbol – CHEMPLASTS

Dear Sir/Madam,

Sub: Transcripts of the Earnings Conference Call held on May 14, 2025

In continuation to our letter dated May 9, 2025 please find enclosed the transcripts of the Earnings Conference Call held on May 14, 2025.

Date & Time of receipt of the information: May 21, 2025, 1.30 PM (IST)

We request you to take the same on record.

The above information will also be available on the website of the company at www.chemplastsanmar.com

Thanking You,

Yours faithfully,

For CHEMPLAST SANMAR LIMITED

RAMAN MAHADEVAN
Digitally signed by RAMAN MAHADEVAN
Date: 2025.05.21 14:00:55 +05'30'

M RAMAN
Company Secretary and Compliance Officer
Memb No. ACS 6248

Responsible Care®
OUR COMMITMENT TO SUSTAINABILITY

"Chemplast Sanmar Limited

Q4 FY '25 Earnings Conference Call"

May 14, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 14th May 2025 will prevail

MANAGEMENT: **MR. RAMKUMAR SHANKAR – MANAGING DIRECTOR – CHEMPLAST SANMAR LIMITED**
MR. N. MURALIDHARAN – CHIEF FINANCIAL OFFICER – CHEMPLAST SANMAR LIMITED
DR. KRISHNA KUMAR RANGACHARI – CUSTOM MANUFACTURED CHEMICALS DIVISION – CHEMPLAST SANMAR LIMITED
STRATEGIC GROWTH ADVISORS -- INVESTOR RELATIONS ADVISOR

Moderator: Ladies and gentlemen, good day, and welcome to the Chemplast Sanmar Limited Q4 FY '25 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ramkumar Shankar, the Managing Director. Thank you, and over to you, sir.

Ramkumar Shankar: Thank you, and good morning, everybody. On behalf of Chemplast Sanmar Limited, I extend a very warm welcome to everyone joining us on our call today. On this call, I'm joined by our CFO, N. Muralidharan; Dr. Krishna Kumar Rangachari, who heads our Custom Manufactured Chemicals Division; and SGA, our Investor Relations Advisor. I hope everyone has had an opportunity to go through the financial results and investor presentation, which have been uploaded on the stock exchange website and on our company's website.

Taking a closer look at our performance, we closed FY '25 with a top line of INR4,346 crores and EBITDA of INR219 crores. This is a significant improvement over FY '24, where we had registered sales of INR3,923 crores and EBITDA of INR26 crores. While there is thus a relative improvement, however, the headwinds in the PVC industry still persist, primarily driven by continued oversupply at unfairly low prices. This has not only adversely affected us, but has also impacted the broader domestic industry.

The dumping of suspension PVC, particularly from China and paste PVC, especially from the European Union, has created significant pricing pressures, resulting in margin compression. For the quarter gone by, there was a marginal improvement in the overall business. We have registered revenues of INR1,151 crores, a 10% growth on a year-on-year basis.

Coming to the business-specific performance, the Specialty Chemicals segment saw volumes of 98,339 tons in FY '25, reflecting a 37% year-on-year growth. This was both due to organic growth in the Custom Manufactured Chemicals Business, as also the increased volumes of Specialty Paste PVC from the recently commissioned Cuddalore plant.

On the paste PVC side, the Indian demand for paste PVC in FY '25 grew by around 11% to 178 Kt. Our sales were better, both on a year-on-year basis and sequentially with the improvement in operating rates of the new Cuddalore paste PVC plant. We expect to reach an optimum utilization in the new Cuddalore plant on a steady state of approximately 10 kt per quarter in the next 2 quarters.

Towards the end of March '25, the Government of India imposed antidumping duty on paste PVC resin imported from China, Korea, Malaysia, Norway, Taiwan and Thailand for a period of 5 years. While there was some benefit, the impact of this has not been fully realized yet due to the increase in imports from EU and Japan. The authorities have since initiated an antidumping duty investigation on these geographies also. We are hopeful that the outcome will be favorable.

On our Custom Manufactured Chemicals Business, as global innovators look to expand their outsourcing to India and diversify their supplier base, we see a significant opportunity to strengthen our position as a trusted partner. Backed by robust infrastructure, a strong focus on safety and a commitment to sustainability, we are well positioned to tap into this growing demand. With stable production norms, this division continued to deliver strong revenue growth of over 80% during the year. We have surpassed the INR500 crores milestone this year on sales.

Project activities for Phase 3 of the multipurpose block 3 is expected to be completed by Q3 of FY '26. We are fully committed to growing this business further, and we have adequate land and requisite infrastructure to set up additional multipurpose blocks, be it at our current location at Berigai or at our coastal location at Karaikal.

On the value-added chemicals business, this portfolio includes caustic soda, chloromethanes and hydrogen peroxide. Volumes for our value-added chemicals increased by 6% in the quarter on a year-on-year basis and 19% in FY '25, driven by caustic soda and hydrogen peroxide.

Coming to suspension PVC. The domestic demand for suspension PVC was impacted to some extent due to delays in government projects and inventory pressures across the value chain. It is expected that the government-related procurement would kick start in Q1 of the current financial year, which will bolster the demand in this segment.

On a year-on-year basis, however, the apparent domestic consumption of SPVC grew by 8% from just over 4 million metric tons in FY '24 to 4.3 million metric tons in FY '25. The antidumping duty on suspension PVC has not yet been implemented, awaiting a judicial decision on the exclusion of certain grades.

Internationally, China continues to dump PVC into India due to sluggish growth in its economy and in particular, housing sector with the multiple stimulus packages announced failing to boost domestic demand yet. We are thus seeing large volumes of suspension PVC imports coming in from China. In FY '25, the imports from China surged to around 1.2 million metric tons from only around 2,50,000 metric tons just 3 years ago.

Similarly, we are seeing a surge in dumping from certain other countries as well. We remain optimistic about the implementation of antidumping duties on various countries in the near future. This measure will create a level playing field for domestic players.

Now I'd like to take a couple of minutes to talk about our upcoming capex, which has been approved by the Board during this quarter. Strategically, specialty chemicals continue to be an area of focus for the company, and we have identified R32, hydrofluorocarbon refrigerant as a key specialty chemical contributor for this growth.

R32 refrigerant has become the go-to choice for air conditioning systems, and it requires less volume than the earlier generation of refrigerants to achieve the same cooling effect, making it more efficient in terms of energy consumption. Being a single component refrigerant, it is easier to handle and recycle compared to complex blends.

Currently, we have an existing R22 production capacity of approximately 1,700 metric tons at Mettur and possess strong expertise in fluorination chemistry. Given this, the R32 production is a logical and synergistic move for us, leveraging our existing capabilities and infrastructure.

The key rationale behind this initiative lies in our proven track record and technical proficiency in handling fluorination processes, which will serve as a strong foundation for the successful execution of this expansion. The investment for this Greenfield R32 project will be around INR340 crores, and we expect to complete this by October '26.

Looking ahead, we remain optimistic about an improved pricing environment and a revival in demand across our product portfolio by the second half of FY '26. As a group, we are sharply focused on strengthening our capabilities in the Specialty Chemicals segment with a clear intent to expand our presence in the value-accretive chain.

Now I'd like to invite our CFO, Muralidharan, to walk you through the financial performance of the company.

N. Muralidharan: Thank you, Ramkumar, and a very good morning to all the participants on the call. Talking about the performance in Q4 FY '25 on a consolidated basis The revenue for the quarter stood at INR1,151 crores, a growth of 10% year-on-year. Our EBITDA for the quarter stood at INR37 crores compared to INR21 crores of Q4 FY '24. The net loss for the quarter was at INR54 crores.

In view of the subdued performance over the last couple of years, CRISIL have downgraded the long-term ratings of the company and its subsidiary, CCVL, to A+ (with a stable outlook) from AA- (with negative outlook). However, owing to the comfortable cash position, the short-term rating of A1+, (which is the highest possible) has been reaffirmed.

Now coming to our quarterly segment-wise performance. Specialty Chemicals revenue stood at INR556 crores, marking a 50% year-on-year increase, led by steady growth from both paste PVC and CMC business. Value-added Chemicals recorded a significant 43% growth on a year-on-year basis at INR170 crores, primarily driven by higher caustic soda prices and volumes. Suspension PVC revenue declined by 5%, amounting to INR575 crores, mainly due to higher stock of inventory that we carried at the year-end.

Now coming to the full year highlights. On a consolidated basis, the revenue stood at INR4,346 crores, 11% year-on-year increase. EBITDA improved significantly from INR26 crores in FY '24 to INR219 crores in FY '25, driven by increase in contribution almost across all products. Net loss came in at INR110 crores for FY '25 compared to net loss of INR158 crores in FY '24. Net debt stood at INR1,117 crores at the end of the year.

And to talk about the segment-wise highlights for the year, Specialty Chemicals revenue came in at INR1,764 crores, marking a year-on-year growth of 53%. This growth was primarily driven by increased sales volumes of Paste PVC and an over 80% growth in CMC business. We expect Specialty Chemicals to drive the growth in the coming years. As mentioned by Ramkumar earlier, we are strengthening the Specialty Chemicals segment with the R32 projects, which is a quite attractive project. The capex for that is at INR340 crores and funding for the same is being planned.

Revenue from Value-added Chemicals stood at INR624 crores, reflecting a 24% year-on-year increase mainly driven by higher caustic soda volumes, the positive impact of the debottlenecking we carried out last year.

Suspension PVC revenue for the year stood at INR2,298 crores, a 6% drop year-on-year due to lower realizations and lower volumes. As may be seen, the company's operating profits improved significantly compared to the previous year, primarily driven by the growth in the Specialty segment, which will continue to be our focus area in the coming years.

With this, we conclude the presentation and open the floor for further discussions.

Moderator: Thank you gentlemen. The first question comes from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

Sanjesh Jain: I got a few questions. Starting with R32 can give us what is the capacity addition we are looking at? And considering that we will be coming at the fag end of October '26 closer to the quota regime getting kicking off, how do we plan to sell it once the regulation comes in? And number three, there is a slew of announcement on the R32 already. We already have seen a 40,000 metric ton announcement more in pipeline and then we are adding. So India is almost more than doubling its R32 capacity. How do you see economics of this gas for us?

Ramkumar Shankar: Good morning, Sanjesh, and thanks for these questions. First, on the quota itself, we believe that from our own studies that we've done, we will have a very healthy production quota that will be there for the country. And these quotas are -- traditionally in the past as well, the quotas have always been country-based, not company-based. So there would be this quota that will be allotted, and we are very confident that the quota is available.

There will be a healthy increase in demand as well within the country. And at end of the day, this is a global product. This will be a global play, and we will be there, not just in the Indian market, but also in the global market. So we are confident about the sale of the product that we produce.

And finally, on the capacities, we would like to address that question once we get the environmental clearance for our capacity.

Sanjesh Jain: But INR340 crores look much on the higher side because if you look at the peers, who have already done the capex or in the process of doing the capex, the capex and the capacity looks as in Gujarat Fluoro has announced a capex of what under INR200 crores for a 20,000-plus kind of a capacity. Our capex of INR340 crores is because it's a completely scratched down model for us? And what is the strategy for procurement of HF?

Ramkumar Shankar: HF, we have done extensive studies again. We haveit will be a mix of both domestic and imports, and we are pretty confident of the sourcing of HF. As you would expect, we have done our studies on the availability, and we have already got into discussions on the supply.

Sanjesh Jain: And any take on the capex being on the higher side versus peers?

Ramkumar Shankar: One is, of course, that we have -- this is going to be a Greenfield plant for us. And obviously, capex will also depend on the capacities that come up. As I mentioned earlier, we would like to discuss the capacity a little later in time when once we get our environmental clearance, and it is really related to these 2 factors. Obviously, we also would have certain contingencies built in.

Sanjesh Jain: Got it. Got it. Next question on the PVC side. The business has been now struggling for almost 2.5 years. Still, the outlook doesn't really look encouraging. How should we see PVC business? Because that's the cash flow we were betting on to grow the specialty side of the business, and that hasn't been supportive now.

Ramkumar Shankar: Good question. The PVC actually, as you said, has been going through a little bit of rough weather over the last few quarters, and that is largely because of the large-scale dumping that has been there. However, we are confident that this entire process of getting anti-dumping duties levied on the countries and the exporters, who are dumping is reaching a final stage.

You may be aware that this did go through some legal challenges. That legal challenge is right now at the final stage, and we are confident that finality will be reached pretty shortly. And maybe in a quarter or 2, we should see the impact of this coming in.

As far as demand goes it is still pretty strong. Like I mentioned in my opening comments, we have grown the apparent consumption has grown to around 4.3 million tons from just about 4 million tons last year. Even assuming that some part of that could be in inventory in the chain, it's still around 4.2 million tons or 4.25 million tons. So it is still pretty sizable.

Sanjesh Jain: I agree, but we are betting on antidumping to do a business case here, which itself weakens the case for the business in my sense. In that scenarioand then there is domestic large-scale addition, which are getting being done. In this scenario, how should we see the long-term prospect? And what is our capital allocation for the PVC going forward?

Ramkumar Shankar: Long term, obviously, the PVC outlook is very positive. Otherwise, even the larger capacities that you were talking about would not have been greenlit by the respective companies. And these are very sizable investments. What is going on right now is a very short-term phenomenon of dumping, especially by China, given what has happened to their economy.

But as we have discussed multiple times in these calls and otherwise as well, this is not expected to continue. One is, of course, we will take the short-term measures of levying addressing the dumping through appropriate measures such as antidumping duties.

But once that dumping is stemmed, you would see that with the growth in demand, there is enough space and more for the additional large capacities that are coming in. These capacities are all going to come in, in a couple of years' time. And by that time, the gap in India, which is already almost 2.8 million tons would grow even more and the capacities that are coming in are far lower than that. So we do believe that the business case for PVC remains as strong as ever.

Yes, the short term is facing a few challenges, but we are taking steps to remedy that. And is it entirely post only, positive only on antidumping? The answer is no. Antidumping is a response to a particular action. But beyond that, if you look at the longer-term business fundamentals of PVC, it remains as strong as ever. I think this is just a short-term phenomenon.

Sanjesh Jain: Got it. Got it. My last on the CSM business, this year, 80% growth. We started a plant. Now all the Phase 1, Phase 2 of MPB 3 is up and running. How should we see next year and now that agrochemical cycle also looks like it is recovering. Where should we see this revenue growing in FY '26 and FY '27? And you are talking of MPB 4, any more detail because we are already building a civil structure. This will be as big as MPB 3?

Krishna Rangachari: Yes. So yes, the civil structure of the MPB 4 would be as big as MPB 3 because if you recall, we triggered that because the civil construction is a long lead time. So that construction is progressing well. And based on how the pipeline moves, we will make a decision on filling it up with pots and fans. MPB 3, the Phase 2 got commissioned in December, and so we are ramping up on production in that asset as well.

And the Phase 3 of that same production block, we anticipate commissioning during the later part of this year. So the pipeline continues to be strong, and we are quite optimistic about ramping up on the production and the capacity as we go along.

Sanjesh Jain: Krishna, can you speak about the 6 contracts, long-term contracts we signed, where are we in those 6 contracts? How many have seen the production? Where are we in the ramp-up scale? And then what is it already contributing to us in terms of revenue? And how should we see for FY '26 and FY '27?

Krishna Rangachari: So out of the 6 letter of intents we supplied, 4 of them, we have started manufacturing and supplying commercial quantities. And the fifth one, we are commercializing sometime this year, in the middle of this year. So the ramp-up on each of them is pretty much happening as we had anticipated.

And we continue to have make progress with other customers, although we are not announcing letter of intents, but the pipeline is very healthy, and we will commercialize new products this year as well as we did last year. And some of them will not you may not hear about letter of intent, but our intent to commercialize continues.

Sanjesh Jain: Are we telling that there are more letter of intent we have signed than what we have announced already? Or you're talking that in the future, we will not announce it?

Krishna Rangachari: No, what I'm trying to say is some of what we are commercializing now as we speak are not going through an LOI type route

Sanjesh Jain: Very clear. So can we expect a similar kind of a growth what we did this year in FY '26 as well, considering that all the blocks are up and running, agrochemical cycle looks better...

N. Muralidharan: Sanjesh sir, broadly, like we had indicated earlier, we are on course. We had talked about originally INR1,000 crores. And when Phase 3 was announced, we said it will exceed INR1,000 crores in FY '27. We are broadly on course for that. I think that's demonstrated by our sort of growth this year as well. So we are broadly on course for that. Like in the earlier cases, I wouldn't like to exactly guide for a number for FY '26, but we are on course to achieve our sort of numbers the way that we have planned.

Sanjesh Jain: That's very clear. But are we seeing a confidence that we can surpass though we don't want to change the guidance, but is there a feeling that we can surpass that because we are investing heavily into the custom manufacturing?

N. Muralidharan: Sanjesh, the endeavor is to do that. Endeavor is definitely to do that. Like I said, originally, we had sort of indicated INR1,000 crores, then we upped it to INR1,100 crores to INR1,200 crores. So the endeavor is definitely to sort of surpass that as well. But like we hold that guidance for the present.

Sanjesh Jain: Murali, can you just talk a little bit about the profitability in this business? Where are we? Are we on course? There is more room for optimization We are still not at the best of it. Where are we in the margin profile?

N. Muralidharan: We are sort of on track because these are new products, definitely, there is some learning curve and there is possibility for optimization in the coming years, definitely.

Sanjesh Jain: But we are EBITDA positive, right, in that business or it is still a drag?

N. Muralidharan: No, we are PBT positive, not only EBITDA.

Sanjesh Jain: We are PBT positive.

Moderator: The next question comes from the line of Ankur Periwal from Axis Capital.

Ankur Periwal: First bit, just some clarification on R32. You did highlight our quota position from a production standpoint. But just wondering from a sales point of view, what are your thoughts given that your comment on selling this gas both in the domestic and international market?

Ramkumar Shankar: Good morning, Ankur. So one is, of course, that the domestic demand for ACs is growing at around 15% a year and that is something that is pretty much borne out by many studies and many reports that come out. And obviously, the go-to refrigerant for domestic air conditioners is R32, HFC32. And therefore, the demand for HFC32 within the country is also growing accordingly.

As far as the -- our own plans are concerned, we expect to be a significant player, both in the domestic market and in the export market, the global market as well. And while on the domestic side, we have a lot of experience. We have been in the refrigerant gas business since 1980s. And we know the space, we know the value chain and the distribution channels, all of that. On the international front as well, we have been having some discussions. So I think we are pretty confident of marketing the output.

Ankur Periwal: Sure, Ram. If you can also highlight the demand and supply dynamics for the domestic market? What is the demand currently? And what number are we expecting this to go to, let's say, 3 years out?

Ramkumar Shankar: The demand right now is around, I think, the 23 kt to 25 kt that is there today. And by the turn of this decade itself, that is likely to touch in excess of, we believe, around 50,000 tons, and that could go even further a few years or 2-3 years down the line from there. We think that, that could go much more. And this also depends upon, like I said, the unconstrained demand, what we would call the unconstrained demand, the growth in ACs fueling this demand. So this could even be much higher than that.

Ankur Periwal: Sure. Ram, the reason I asked that was given that probably after a decade, we are looking at the domestic market at 50,000 ton capacity, and probably 2 years out, we will be industry at 70,000, 80,000 and plus our capacity, so 100,000 ton capacity there. So will it be fair to say that a large part of the incremental capacity will be or us will be going for the export market, either through a tie-up or through a distribution network?

Ramkumar Shankar: The 50,000 tons is not after a decade. I said the turn of the decade. That is a few years from now. There will be at least initially, there will be some exports that we need to do. Yes. It would be a good part of us.

Ankur Periwal: Okay. Fair enough. Just on the CSM side, we had indicated -- we had launched -- increased the product launches, if I compare FY '21-22 versus, let's say, last year. How has been the trend now? And if there is an uptick that we are seeing further basis the R&D and the manpower addition that we did there?

Krishna Rangachari: Ankur, this is Krishna. So last, we commercialized 3 new products. And our plan for this year is to have a similar number around 3 to 4, and the pipeline continues to be strong. Since we commissioned our new facilities, both production, R&D and pilot facilities, we have had multiple audits and visits by our customers and because of which the engagement continues to ramp up. So we see a healthy growth in how the pipeline is moving.

Ankur Periwal: Sure, Krishna. Just from a product mix perspective, we had been reasonably heavy on the agchem side. The incremental products are also in agchem or there are more or, let's say, other performance chemicals, which are also contributing?

Krishna Rangachari: Mostly in agchem, we have a couple of products in the pipeline that are non-agchem, but continue to be heavily oriented towards agchem.

Ankur Periwal: Sure. And we also talked about diversifying our client as well as geographic concentration. So where are we on that?

Krishna Rangachari: Yes. So yes, the diversification within the agchem, for example, we are engaging very actively with all the key -- the innovators in this space. All of them have interacted, visited the site, audited the site. And so, we have a very healthy engagement as well as activities with respect to products that we are developing with them.

Ankur Periwal: Sure, Krishna. That's helpful. Just on the profitability side and maybe Murali sir, can help here. Given that we are doing a reasonable EBITDA margin in this business, but from a full year perspective, specialty as a segment is still negative EBIT for us, losses there. What will drive this turnaround in the other, let's say, the paste PVC part of the business?

Are there any signs of capacity shutdown or deferment in capacity addition? And a follow-up to that, the BIS standard that India was supposed to get,they were supposed to get implemented. What's the status on that?

Ramkumar Shankar: Okay. Ankur, this is Ram here. Let me take that one on Paste PVC, the BIS, etcetera. As far as capacities go, we are practically the -- we are the largest producer of Paste PVC in the country. We just recently commissioned as well last year, the Cuddalore plant taking up a capacity from around 66,000 tons to 107,000 tons. And this is on a market of around 173,000 tons, 175,000 tons. So I think that makes us a pretty large player, and we have plans to further expand on Paste PVC as well.

As far as the turnaround here is concerned, like I said, the only thing that we need to do is stem this unfair trade practice that is happening of dumping. Already a final -- unlike in suspension here, there is a final finding that has already come about on 6 countries, and that is already in place from the end of March.

And these final duties on these countries actually were even more than what the provisional findings had announced. But the full impact of that would come in once the dumping from the European Union is also addressed.

The European Union really accounts for around 45% of the total imports coming into India. That has been a recent development. So that is now being addressed. The investigation on that dumping is also now initiated, and we expect that there would be some finality in the coming months on that as well. So that is on the dumping part.

The second is on the BIS, QCO that is now common to both suspension and paste PVC. This was something that had been extended till the 24th of June 2025. And we are now from publicly available data, what we can see is that there has been significant progress on the licensing of capacities outside of India, and there is significantly better coverage, coverage of around 3.5x to 4x of what India needs.

So we believe that with this kind of progress that has been made, there would not be any need for any further extension post June 24th. And if that indeed comes true, then we would see that low-quality PVC that is today coming into India will stop from June 24th onwards. So that is our expectation. We will have to wait and see.

Ankur Periwal: Just a clarification. So if I got you right, you mentioned that low-quality imports have already stopped. But if I look at the import data, the numbers still doesn't look like there is a sharp reduction there. So does that imply that even the high-quality ones are increasing now?

Ramkumar Shankar: I said the low-quality imports will stop once the BIS order is implemented.

Ankur Periwal: Post that implementation.

Ramkumar Shankar: Post implementation, which we are hopeful, will happen by June 24th when this current extension ends. So we are hopeful that there would be no need for any further extension.

Ankur Periwal: Sure. And basis your understanding, what proportion of these low-cost imports will be out of the total that we are importing?

Ramkumar Shankar: This is largely on suspension. That would be significant, almost most of what is coming in from China. That is 1.3 million tons today.

Moderator: The next question comes from the line of Dhruv Muchhal from HDFC AMC.

Dhruv Muchhal: A few questions. Sir, firstly, on -- you mentioned on the Paste PVC, now the final duty against these six countries is announced by the MOF. The Europe investigation is on. And once that is complete, they announced the -- probably the Director of Trade will announce and 3 months hence, the MOF will announce the duties correct? Is that understanding correct?

Ramkumar Shankar: That is right.

Dhruv Muchhal: Got it -- and BIS is in probably June. And sir, sorry, I have not followed on the SPVC duty issue. So there is a case in the Supreme Court against the imposition of SPVC duties. Until that case is heard and probably a final announcement is made, the duty issuance is pending. Is that the issue?

Ramkumar Shankar: Actually, the case was originally in the Honorable Gujarat High Court. And there, the decision was announced that subject to the exclusion of certain grades, the antidumping duty can go ahead. They just wanted some grades to be excluded. Against this, the domestic industry has gone on appeal to the Supreme Court. And right now, it is being heard there.

Dhruv Muchhal: Okay. Got it. So once that is done, so can there be a case that if the Supreme Court case extends for 2, 3 months. I don't know, 2, 3, 4 months, additional the investigation period that was considered earlier will have to reconsidered all those issues. Will -- can that be an issue?

Ramkumar Shankar: I do not think -- I do not think so. I would rather not discuss this because it is subjudice at the highest court of the land. But we do not believe that. I think that should be -- I do not think it will get that delayed.

Dhruv Muchhal: Sure. Perfect. And sir, on the R32 capacity, you mentioned to commission it by October '26. So -- but you also mentioned the EC is spending. So is the time period considering the EC and the civil construction or it's from the EC date you expect whatever, 12 months?

Ramkumar Shankar: We factored all of that. In fact, EC is already, we have applied for it, and we are hopeful that we'll get this shortly.

Dhruv Muchhal: And as I understand from your comments, you're not putting HF for this. You're not backward integrating into HF as of now, but R32 probably also requires some portion of chloromethane that you already have. So HF you will be getting it from outside, chloro you will have from your own captive sources?

Ramkumar Shankar: Methylene dichloride is required, and that is also will be partly from internal sources and partly purchased. But there is enough and more methylene dichloride available.

Dhruv Muchhal: Got it. Sure. That's helpful. And sir, last question is what's your capex for FY '26 now? capex guidance for FY '26?

N. Muralidharan: FY '26, whatever we have announced for the Phase 3, that expansion that we announced. Apart from this, the only other capex that we are announcing now will be Ref gas project.

Dhruv Muchhal: So the cash capex would be how much, sir, for this year, for FY '26?

N. Muralidharan: In -- for this project, roughly maybe around 40% of this capex will be spent in year 1.

Dhruv Muchhal: Sure. I'm just wondering, can there be, because debt is high, of course, the SPVC market can change, but the debt is high. So you can fund this capex through internal accruals, the R32 capex through internal. It's not a large asset.

N. Muralidharan: It's a mix of debt and it will be a mix of debt and internal accruals. As you would know, we closed the year with almost INR700 crores of cash. So we do have cash in the system, comfortable cash in the system. So it will be funded with a mix of debt and...

Dhruv Muchhal: Internal accruals.

N. Muralidharan: Cash.

Moderator: The next question comes from the line of Rohit Nagraj from B&K Securities.

Rohit Nagraj: And good to hear the R32 capacity, which is coming up. So again, harking on the R32 part itself, will it be a complete replacement of our R22 capacity? Or will it be a combination of both that we keep certain R22 and still phase out some part of R22 and that will be replaced with R32?

Ramkumar Shankar: Good morning, Rohit. And what we've announced right now is a Greenfield project for R32. And our existing R22 plant is around 1.7 kt. It's not a very large plant. That could become a swing plant.

Rohit Nagraj: Sure. The second question is, again, from the HF sourcing point of view, given that the other fluorine players have expanded their capacities recently on HF, we will be certainly able to source from the domestic merchant market for a certain period of time until they don't have -- till they have excess capacity and it is not used for their captive consumption.

But from a medium- to long-term perspective, are we thinking of backward integrating into HF given that once the domestic capacities are fulfilled for the captive consumption, we'll have to completely rely on imports?

Ramkumar Shankar: No, that's a valid observation. Right now, like I said, immediately, we do not see the need for that. We have that -- and as you rightly said, there is availability, both within India as well as in the neighbourhood. In the medium term, yes, that is something that we could consider.

Rohit Nagraj: Sure. And last question on the PVC front, given that in the last 2-2.5 years, the margins have come under pressure because of external process. Have we done any cost optimization studies? And is there any scope for cost optimization study and possibility, which can add maybe a few dollars to our margins?

Ramkumar Shankar There has been definitely a lot of that done. In fact, if you look at our suspension PVC, we expanded our capacity by 10% at very minimal capital cost, which length a significant operating leverage to us, especially in terms of utilities, etcetera. But this is something that is a very external factor on dumping with, especially from a country, which is not possibly driven entirely by market forces.

They have certain other compulsions driving their pricing and production. And that is the reason why we are working that is the reason why we have been working on those trade measures. At the same time, on a larger basis on a company-wide basis, we have, of course, announced our foray, we are working on a green power initiative, where we are looking at a hybrid of solar and wind, which will come in from next year, and that will have significant cost savings.

This is, of course, not just for the PVC business. This is more from the electrochemical part of it, which is the largest power consumer, which feeds into a Paste PVC to a large extent. So I think that would be something that would definitely bring in significant cost savings for us from next year onwards.

Rohit Nagraj: And one just last bit on CDMO. So given that our funnel currently is predominantly agro, in terms of the incremental inquiries, are we seeing any traction from non-agro segment? Or are we making any efforts from our side to get more into non-agro given that I think in agro, most of the domestic companies are already ingrained and given the size of the market, the incremental or future opportunities will be limited. So any thoughts on this?

Krishna Rangachari: The size of the market and the opportunity is significant. So we don't see any concerns at all about that. And the global agrochemical innovators are actually very keen on working with other reliable partners beyond their existing set of supplier base, which is very limited as it is. So we don't see any concerns with respect to the opportunity available within the agchem CMO space.

Having said that, we continue to be focused on diversifying our presence in other markets. So there are significant activities in other specialty chemicals. In fact, one of the projects we commercial last year out of the 3 that I indicated was not in the agchem space. So we will continue to work on that. So that remains a priority for us.

Moderator: The next question comes from the line of Madhav Marda from Fidelity Investments.

Madhav Marda: Just wanted to understand on the R32 capacity. At least our understanding was that the quotas are determined basis individual companies' production in calendar year '24 to '26 for the HFCs and then some bit on the 2009 to '11 or 2010 to '11 HCFC production. Is that the right understanding?

Like -- or is this more determined at how much the entire country produces between FY '24 to '26 and then later the government via some program will distribute it to different players? Or is it more like how much Chemplast produces in that period?

Ramkumar Shankar: This is based on the country's production. See, this will be calculated of the carbon dioxide equivalent of the country's production of HFCs between '24 and '26 and the 65% of the HCFC production in 2009 level. So that is really what will determine the country's production quota. After that, the MOEFCC will work on the individual quotas.

Madhav Marda: Okay. Okay. Got it. And given that this R32 obviously would have been a pretty exciting opportunity even like 2, 3 years back and some players have entered this market a few years back as well. Any reason we are entering now given we have been an active player in R22 for a very long time. So any reason why now? I'm just curious about the timing of the expansion being announced?

Ramkumar Shankar: Could it have been earlier? I really cannot answer that. It could have been, of course, but I think the timing is still right.

Madhav Marda: Okay. And just...

Ramkumar Shankar: [Inaudible]…the Chemicals segment that is now, which turned our attention to this.

Madhav Marda: Okay. Got it. Understood. The other question was on the suspension grade PVC. So like what kind of margins do we think we could make? Because if you look at the -- do an estimate for the margins over the last 5-6 years, we've gone through like very strong sort of cycle just after COVID and then now it's sort of in the reverse direction. How should we think about more steady-state margins for this segment? Or is that very difficult to predict given it's a globally traded product, so it's tough to estimate.

Ramkumar Shankar: It is -- right now, in the last 2 years, it has been a bit difficult to talk about or predict because of the kind of dumping and therefore, the consequent volatility that is there. But if all that dumping is addressed, I think the margins could definitely improve. Even now if you look at it, the differential between PVC and VCM normally hovers around $200 or so. It can be anywhere between $180 to $220, depending on where we are.

But it is pretty healthy because VCM generally follows PVC. There could be temporary supply-demand imbalances, which could move it a little away or closer. But other than that, it very closely tracks it. Therefore, the margins should be consistent provided there are no such external factors like dumping that is happening. And that is really what we are working on eliminating.

Madhav Marda: Any new sense, sir, in terms of the -- I mean, it's sort of predicated on the ADD coming in, which hopefully should come anytime soon. But any view on the market itself, like what should we sort of tracking in terms of the lead indicators for PVC prices improving maybe out of China or the other large producers in the world? Like any sense that you can give us, so we have a better understanding of the industry?

Ramkumar Shankar: See right now, the market seems to have reached a kind of a bottom in terms of prices. The prices are right now there. But for it to go back up, definitely, 1 or 2 things should happen. One is either China itself recovers in terms of its own economy and demand, or the other is that we address this issue of Chinese dumping into India and put a stop to it.

Now this is very important for the country because large investments are being made in the country and large capacities are coming up. And this is a very important product for us to be dependent on foreign imports, which could be very unpredictable. So therefore, that is why we are saying that this entire focus on stemming this rash of dumping is so important to the country itself.

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

Abhijit Akella: The first one was actually just on the R32 quota allocation itself, following on the previous one. So at the country level, there's this determination based on the actual output between FY '24 and FY '26, won't the allocation to individual producers also be on the same basis in the sense that based on the output that they had during those 3 years?

And if so, how do we sort of intend to lobby for our share given the fact that we've probably not been marketing that product in India or producing it in India during this determination period?

Ramkumar Shankar: Those are things that we will get into a little later. But as far as I can see and the country has in the past as well, taken a stand that quota that is allotted is for the country, and we will see. And given that the country needs to, meet the production needs because of the demand that is coming in, I believe that there would be enough space for everyone.

Abhijit Akella: Okay. And we will require both a production quota and the consumption quota, right, to be able to market into the country?

Ramkumar Shankar: That's right. Every country gets both the production and the consumption quota. And that on a global scale, they will match. But obviously, those who've been exporting in the past as well will continue to export because their production quota will be higher than their consumption quota. And those, who have been importers in the past will continue to import because their consumption quota will be far higher than their production quota, like, for instance, the U.S.

Abhijit Akella: Right. So just sort of I'm not sure if it's if you would like to answer this right now or maybe at some other point, but there are large producers, who've sort of already staked their claims for those quotas. So in that context, just wondering how our right to bargain for a higher quota would stand in this position?

Ramkumar Shankar: Abhijit, I'll pass on that question for the time being. But I can only say that we are very confident that we will have our own space. We will not be [Inaudible..]

Abhijit Akella: Fair enough. I appreciate that. And just one other thing from my side. On the Custom Manufacturing Business, typically, what we've observed is the leading producers there, the margins in that business tend to be pretty healthy in the range of maybe 25--30% EBITDA margins at any reasonable level of scale.

We've already hit INR500 crores plus of revenues is what I understand. And yet if I'm not mistaken, we are at PBT breakeven. So just wondering what exactly are the bottlenecks there? And could the margins improve meaningfully and by when, if so, based on what drivers?

N. Muralidharan: Abhijit, this is Murali. Actually, I said PBT positive. I did not say PBT breakeven. So we did make profits from that business. And we are making a reasonable EBITDA margin already. And I only said that there is scope for further improvement given that we are launching a number of new products, there is some learning curve. So we are making a reasonable EBITDA margin from that business, and the business is already making profits.

Moderator: The next question comes from the line of Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: Sir, I wanted to understand when I look at our competitor, Finolex in the PVC segment, their margins are much stable than what we do. So sir, is it because they do -- they manufacture PVC from the EDC route, that is why their margins are much stable than us? Or is there something else that I'm missing?

Ramkumar Shankar: Finolex has -- yes, they have two lines, one line based on EDC route and the other line based on the VCM route like us. But obviously, that's the more backward integrated you are, you have that much more control over the margins. But most of their PVC is consumed captively. So I wouldn't really be able to comment on their internal practices. So...

Madhur Rathi: Got it. So, sir, if I look at the suspension PVC, like you mentioned, USD 180 to 220 would be a fair estimate for the spread. So what would be the similar spread for Paste PVC? And the second question would be, sir, what would be our conversion cost that should flow to our EBITDA from these spreads?

N. Muralidharan: On the suspension PVC, the margin that Ramkumar mentioned around USD 180-200 levels is at the international margin levels. Of course, there are duty and other benefits that you get being a domestic player. As far as the conversion cost in suspension PVC is concerned, somewhere around $60-65.

Madhur Rathi: Got it. And sir, what would be a similar number for Paste PVC?

N. Muralidharan: Paste PVC is a far more integrated play because you have, it starts from chlorine, caustic, so you get caustic soda as a byproduct. And so, it depends on various parameters, what is the caustic price at that point in time. So it will be difficult to give you one number for that.

Madhur Rathi: Sir, can we expect this to be double of what we make in, over a 10-year period, it should be 2x what we make in suspension PVC?

N. Muralidharan: Yes. Yes.

Madhur Rathi: Sir, just a final question from my end. Sir, our -- so our competitor, Tata Chemicals and similar custom manufactured chemical segment, so they have received delays because of agrochemical producers shifting what the offtake time line, sir, so are we seeing some kind of issues on that front? Or are we intact in that?

And the second question would be, sir, at this INR1,000 crores, you have mentioned that 23% to 25% EBITDA margin would be a fair estimate. So sir, have we currently reached those levels? Or we can expect that in the next 12 to 18 months? These are my questions.

N. Muralidharan: As far as the CMC is concerned, we -- as you would have seen, we have shown a significant growth compared to last year, and we are retaining our guidance. So we don't see any sort of reduction on the lines that you are indicating. As for EBITDA margins, while I wouldn't get -- wouldn't like to get into the exact numbers, like I said, we have made a decent margin. Of course, there is some scope for improvement, and we are also making profits in this business.

Moderator: The next question comes from the line of Bharat Sheth from Quest Investment Advisors.

Bharat Sheth: And sir, just one bookkeeping question. You said that from June 25, this low-grade suspension PVC will discontinue with the implementation of BIS norm. Can you give some color? I mean, how much is currently up for total dumping is a low-grade versus SPVC is happening?

Ramkumar Shankar: Okay. SPVC, roughly around 60% of what is coming in from China, that is 1.3 million tons is coming in from China, roughly around 60% of that would be having that RVCM of greater than 2 ppm is what we would think that is what our rough estimates show. So that is what you have.

And anyways, ultimately, it depends on every producer plant, exporting facility has to be certified after a physical visit by the BIS authorities. So unless that visit is there and they are certified, nobody will be able to export. Now there is over, like I said, over 11.5 million tons has already been certified worldwide, but I don't think that includes any plant in China.

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

Krishan Parwani: Two questions from my side. Firstly, how much was our HCFC import volumes during CY 2009 and '10.

Ramkumar Shankar: HCFC, we don't import. That is you are talking about hydrochlorofluorocarbon, which is R22, we produce that.

Krishan Parwani: I understand. I mean, I'm asking whether you imported any other HCFC during CY 2009, '10, basically like 141A, B or any other you imported during that time? That was the question.

Ramkumar Shankar: In 2009, 2010, what we -- we produced HCFCs, R22. And I don't have the number readily of how much we produce in that year. I'll try and get it to you later.

Krishan Parwani: Okay. But so you're saying that you produce only, you didn't trade the other sort of HCFCs in India?

Ramkumar Shankar: We didn't trade any refrigerant gas. We only produced and sold even during that period. So...

Krishan Parwani: Understood. And lastly, just a clarification. I joined the call a bit late. So can you please highlight the R32 capacity that you intend to put?

Ramkumar Shankar: No. We had mentioned that we would talk about the capacity once we get the environmental clearance.

Krishan Parwani: You didn't mention. No worries.

Moderator: The next question comes from the line of Rohit Nagraj from B&K Securities.

Rohit Nagraj: Just one question on China carbide capacity, sir. Anything that we are hearing in the recent times?

Ramkumar Shankar: See carbide capacity is, as you know, 80% of the Chinese capacity is carbide based. And that is largely -- almost everything is using -- still using mercury catalyst and that obviously has a carbon footprint, which is 3x that of a normal ethylene-based route. This, we believe, will start getting phased out. By 2031, like I had mentioned in earlier calls as well, by the end of 2031, China has announced that they're going to stop the mining of primary mercury.

So that would actually ensure that they do not have enough mercury for this purpose. So that is anyways a hard stop on that front. But, they have not yet announced any clear phaseout program on carbide capacities. We -- but we do expect that the industry expects that there will be some phase out at least of those, who are buying carbide and making PVC pretty soon.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for the closing remarks.

Ramkumar Shankar: Thank you, everyone, for joining us today on this earnings call. We really do appreciate your interest in Chemplast Sanmar Limited. If you have any further queries, please do contact SGA, our Investor Relations Advisor. I wish you all a very good day. Thank you.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of Chemplast Sanmar Limited, that concludes this conference. You may now disconnect your lines.