



Tatva Chintan Pharma Chem Limited

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To,
The General Manager,
Corporate relationship department,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai-400 001
Scrip Code: 543321

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

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 16 May 2026 post announcement of financial results of the Company for the quarter and financial year ended 31 March 2026.

The above information shall be made available on Company's website of at www.tatvachintan.com.

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

Encl.: As above



“Tatva Chintan Pharma Chem Limited
Q4 FY26 Earnings Conference Call”

May 16, 2026



**MANAGEMENT: MR. CHINTAN SHAH – MANAGING DIRECTOR – TATVA
CHINTAN PHARMA CHEM LIMITED
MR. AJESH PILLAI – CHIEF FINANCIAL OFFICER –
TATVA CHINTAN PHARMA CHEM LIMITED**

MODERATOR: MR. SANJESH JAIN – ICICI SECURITIES LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Tatva Chintan Pharma Chem Limited Q4 FY26 Earnings Conference Call hosted by ICICI Securities. 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sanjesh Jain from ICICI Securities. Thank you, and over to you, sir.

Sanjesh Jain: Thanks, Swapnali. Good evening, everyone. Thank you for joining on for Tatva Chintan Pharma Q4 FY26 Results Conference Call. We have Tatva Chintan management on call represented by Mr. Chintan Shah, Managing Director; Mr. Ajesh Pillai, Chief Financial Officer.

I would like to invite Ajeshji to initiate with opening remarks, post which we will have a Q&A session. Over to you, sir.

Ajesh Pillai: Thank you, Sanjeshji. Good evening, everyone, and welcome to Q4 FY26 Earnings Call of Tatva Chintan Pharma Chem Limited. Our financial results for the quarter have already been submitted to the Stock Exchanges and are also available on the company website. I will take you through the key financial highlights and provide you a brief update on the performance of our major business segments during the quarter.

For Q4 FY26, the company reported operating revenue of INR1,341 million, reflecting a strong growth of 24% year-on-year and 2% quarter-on-quarter. EBITDA for the quarter stood at INR281 million, marking a significant increase of 214% compared to the same period last year and a 10% improvement sequentially. This growth was primarily supported by better product mix and improved operating leverage.

Now turning to segment-wise performance.

Phase Transfer Catalyst, it recorded revenue of INR311 million, registering an 11% sequential growth through -- though the revenue was lower by 20% on a year-on-year basis.

Electrolyte Salts delivered a strong performance with revenue of INR131 million, reflecting an exceptional growth of 865% quarter-on-quarter and 1,378% year-on-year.

Pharma and Agro Intermediates and Specialty Chemicals generated revenue of INR358 million, representing a 10% increase year-on-year and despite a 24% decline sequentially.

Structured directing agents reported revenue of INR525 million, witnessing a marginal decline of 2% quarter-on-quarter, while achieving a robust 52% growth compared to the corresponding quarter last year.

With this, I conclude the overview of performance for the quarter.

Once again, our Managing Director, Mr. Chintan Shah, has entrusted me with the opportunity to deliver this address on his behalf. And I sincerely value the confidence placed in me. With

that, let me take you through his perspective on the year gone by and the progress achieved across the business and the direction he envisage going forward.

First and foremost, I would utilize this opportunity to congratulate all the stakeholders on achieving revenue in excess of INR500 crores in recently concluded financial year. This year also marks an important milestone as your company completed 30 years of operation, a journey defined by committed innovations.

As we conclude the financial year, we are pleased to note that Tatva Chintan is at an inflection point where multiple initiatives across our business segments are beginning to converge, reflecting the early stages of a more structured growth cycle.

Over the last couple of quarters, we have been observing a gradual pickup in momentum in business activity across the segments. Order flows are becoming relatively more stable. There is a consistent gradual uptick in demand. Customer interactions are increasingly moving beyond short-term procurement towards broader business discussions and future requirements.

The overall environment across key end-use segments has improved significantly compared to what we experienced over the last couple of years. This is helping in better planning, improved continuity in business discussions and more structured commercial engagement across all the segments.

At an operational level, our efforts during the year remained centered around improving execution across businesses, stabilizing newly commercialized products and preparing the organization for higher scale across select segments. Also, we remained focused on making the new production block at Dahej site operational. The new block is now fully operational on commercial scale. Alongside this, we continue to work on process optimization and on strengthening the manufacturing readiness for upcoming opportunities.

As we move into the new financial year, our focus will increasingly be on translating these efforts into more consistent commercial outcomes while ensuring the organization remains adequately prepared to support future growth across multiple business verticals. We believe the work carried out over the last few years has created a stronger operational foundation for the company as several opportunities gradually move towards higher scale and regular business engagement.

Let me now take you through the segment-wise developments.

Phase Transfer Catalysts (PTC): Phase Transfer catalysts continue to deliver steady organic growth in line with historical trends. Over a period of time, industries across the chemical sector are increasingly recognizing the process and efficiency advantages offered by PTC chemistry in various applications. We believe this gradual widening of acceptance across industries will continue to support the long-term organic growth of this segment.

Structure Directing Agents (SDA): In Structure Directing Agents, the demand are consistently growing. And as we come near to the 2027 implementation of stricter emission norms via

implementation of Euro 7, the demand will continue to gradually rise. The first implementation of these norms is beginning with Europe and would be followed by other geographies gradually.

We are also witnessing improved customer engagement across key geographies with business discussions becoming more structured. Given the specialized nature of this chemistry and our established position in the segment, we continue to remain positive on the long-term prospects of the SDA business and expect it to remain an important contributor to the company over the coming years.

Electrolyte Salts and Solutions (ESS): The Electrolyte Salts segment continued to scale gradually, supported by increasing consumption in energy storage applications. The customer utilizing our electrolytes for energy storage devices has shown a steady ramp-up in volumes, and we expect this trajectory to strongly strengthen during the current year.

In addition, work with the customer engaged in hybrid battery application is also progressing well. We shall see a beginning of commercial business for this application in Q3 of this current year. With gradual scale up across customers, this segment is steadily strengthening its strategic relevance within our overall portfolio. The current year will reflect Electrolyte segment as a relevant contributor to our overall revenue.

Pharma, Agro and Specialty Chemicals (PASC): In PASC, commercial traction has improved meaningfully. The Agro intermediates commercialized earlier are witnessing sustained demand and are expected to see healthy offtake during the year. On the pharma side, all the validations of our products are successfully completed and commercialization will begin from current year. We have one product getting into commercialization in Q1 and the other two products will get into commercial production from Q3. These products would be produced and delivered on a campaign basis. Overall, this segment continues to reflect the benefits of our focus on catalytic technologies and complex chemistry development.

Semiconductor chemicals: In the semiconductor chemicals segment, we are pleased to report a significant milestone. Plan scale trials for our first product have been completed successfully and its dispatch would happen in the current quarter. This is a big confidence booster for our team, and this success brings in new zeal to put in more efforts to make this as one of our most important product segments over a few years.

This marks an important step forward in our long-term semiconductor road map. And while the scale-up will remain gradual, it strengthens our confidence in the emerging opportunity within this domain. As we discussed earlier, our focus on building infrastructure for future growth remains a key priority.

With respect to the new greenfield project at Jolva, the preparatory work has progressed further, and we expect to commence the groundbreaking during this quarter. As the project engineering and planning were refined further, we identified opportunities to enhance long-term scalability and operational efficiency of this facility. We believe this additional effort at the design stage will strengthen the long-term value creation potential of this asset. This facility will be a key

enabler for products with strong domestic demand and will significantly enhance our manufacturing flexibility as we move towards commercialization over the next 18 months.

The current ongoing geopolitical conflicts definitely pose challenges. This leading to rising cost of fuel, packing material. And of course, the biggest challenge is the steep increase in the prices of key raw materials, which are crude origin and related to ammonia. The freight rates are also increasing. The good part is that so far, availability of raw materials continue almost smoothly, except for some delays in certain cases. We have worked closely with each customer, and most of our major customers has shared the impact of rising costs. We appreciate the support of each customer in their understanding and support in these difficult times.

With their help, we have been able to minimize the impact of increasing costs. Of course, as a part of our commitment, we have honored each and every open order for all the customers. The increased price have gradually been implemented on new orders. With multiple developments getting into commercial phase, we foresee the momentum of growth to continue for next 2 years.

Once the new greenfield project at Jolva goes online, it will bring in the next phase of growth from financial year 2028-29. We will launch 2 Agro intermediates with significant revenue potential. We have successfully piloted the innovative technology by which we will produce these products at the new plant. Besides the new launches, the Jolva project will also have capacities available for us to grow within our existing products.

As we reflect on the journey of the company over the last 3 decades, it is evident that the foundation of Tatva Chintan has been built on consistent investment in technical capability, innovative technology, customer-centric approach and disciplined execution.

Today, we are seeing the results of the sustained efforts gradually coming together across the business, setting the stage for a more integrated and scalable growth platform. We remain committed to maintaining this disciplined approach as we move forward with a continued emphasis on operational excellence, technology led differentiation and long-term value creation for all stakeholders.

We would like to sincerely thank our customers, business partners, shareholders and employees for their continued trust and support over the years. With that, I now request the moderator to open the floor for question-answer session.

Moderator: We have the first question from the line of Siddhant Singh from Green Portfolio Private Limited.

Siddhant Singh: So, to begin with, how should we think about the overall revenue growth outlook for FY27 and overall blended EBITDA margin? Like as in Q4, we have, I think, done -- achieved 21% EBITDA margin. So, what is the overall outlook for FY27?

Ajesh Pillai: Yes. So actually, the guidance has already been given in our previous calls. We have already maintained that we will be growing the revenue by around 25% and EBITDA should be in the range of somewhere around 20% to 22% on a very realistic basis. So, we will stick to that.

- Siddhant Singh:** Okay. Okay. And like due to geopolitical issues, like we are not decreasing our guidance, like EBITDA guidance?
- Ajesh Pillai:** Not actually because the prices are going up due to the geopolitical situation and other things. But gradually, it is being absorbed by our customers. Our customers are cooperating, although they are not being absorbed at 100% level, but probably we believe that it will gradually be absorbed. And we don't intend to change anything on our guidance in that matter.
- Siddhant Singh:** Okay. Sir, at the start of the call, like you told electrolyte salt segment will be a key contributor this time in FY27, right? What will be the percentage, like if you can quantify it?
- Ajesh Pillai:** Around 8% to 10% that we had already informed in last earning call, and we are still going by that.
- Siddhant Singh:** Okay. Okay. And like we are getting any visibility about Electrolyte Salt orders like with any key customer in U.S. or anywhere?
- Ajesh Pillai:** Yes. Actually, it's a sunrise segment, and we have been an early entrant into it. So we have been working with quite a few companies on this, and we have been very transparent in our earnings call about it. And now gradually, we are seeing that it's materializing, the things are getting stabilized at the customers' end and the uptake of the products from our end is actually increasing. So that is quite evident in the results that we provided.
- Siddhant Singh:** Okay. And sir, one thing like I missed it, like what is the commercial execution time line for Jolva project?
- Ajesh Pillai:** We are at the planning stage. We are actually at the planning stage. And after the planning, we would take somewhere around 18 to 20 months. So roughly around in January 2028. I mean, first couple of months of 2028, we would be commercializing Jolva plant. We will be starting the commercial production.
- Siddhant Singh:** So like current facility -- like what is the peak utilization of current capacity, I mean, revenue terms?
- Ajesh Pillai:** Around 85% -- 80% to 85% range.
- Siddhant Singh:** Okay. Right now, we are -- so peak potential revenue will be around somewhere around INR700 crores maximum from current capacity. And after Jolva plant, we can enhance that.
- Ajesh Pillai:** From the current facility, it would be somewhere around INR850 crores to INR900 crores of revenue. And Jolva facility, the revenue would be on the similar lines.
- Chintan Shah:** Jolva facility will go in multiple phases. For Phase 1, we estimate the revenue potential in the range of INR400 crores to INR500 crores.
- Siddhant Singh:** Okay. Got it, sir. And one final question, like on the semiconductor chemistry, as you told like we are going to dispatch our first trial this quarter only, like, but apart from that, like we are

seeing any more demand uptick here or any new pilot project or like we are still thinking about that commercialization will still be happening in calendar year '28?

Ajesh Pillai: It's a very complex chemistry. And there are a lot of validation cycles that will be happening till that period, okay? So it's the plant scale product that is being sent as of now, which again will undergo different validations. And then the final commercialization will begin somewhere around in '28, '29.

Moderator: We have the next question from the line of Sanjesh Jain from ICICI Securities.

Sanjesh Jain: I got a few questions. First, on the Electronic Chemical. This quarter, we had seen a sharp jump. Quarterly-wise, is this the run rate we should see for the remaining year? Is that a fair assumption that what we are selling in this quarter for next 4 quarters, quarterly basis should we sustain at those levels?

Ajesh Pillai: It's a sustainable growth. Sanjeshji, it will be somewhere around the same point in all the quarters.

Chintan Shah: It may not be apple-to-apple every quarter, but on a yearly basis, you can say it would be 4x of this revenue is what we can project correctly.

Sanjesh Jain: Okay. So, we will see a very sharp jump then next year for this. And this is only for one application or this is including both applications?

Chintan Shah: Currently only for one application. Second application of hybrid battery will go online by somewhere in the phase of November or December of this calendar year.

Sanjesh Jain: And the run rate should increase from there for that?

Chintan Shah: That should increase, but that business will also get into full commercialization. So it will be a gradual ramp-up getting into full scale by 2028 when the actual vehicle launch is happening in mid of 2028. But before that, probably late '27 or early '28 is when the actual ramp-up will happen.

Sanjesh Jain: Got it. Got it. And for PASC, this quarter, we saw a decline. I thought we had a big win in PASC. How should we see PASC? And how are we seeing the agrochemical demand and the demand for our product in the next quarter -- sorry, next year?

Chintan Shah: Demand is pretty stable. Why we saw this decline was not because of lack of order because of - - that has happened because of -- we started producing it from the new facility. We started trial production in January and commercialized in February. And post that, we had seen a lot of challenges which we had to overcome to streamline the production.

That is what caused a lot of delays in terms of dispatching the product. And then this has now been overcome and things are moving pretty smoothly now. So in terms of orders, we have good visibility till end of calendar year -- current calendar year. And I assume the same to remain -- same to continue even for the next year as well.

- Sanjesh Jain:** And so Agrochemical, we had two products, right? One is photochlorination and the other one is the larger product. Both are seeing the production ramp up or just one of them?
- Chintan Shah:** Both are seeing -- both of them.
- Sanjesh Jain:** Both of them are seeing.
- Chintan Shah:** Both of them. So, the photochlorination product also, we had a lot of challenges, which we gradually, one after another, we could sort out all the troubles. And now there as well, the production has become much more smoother. And now we are seeing consistent dispatch from that plant.
- Sanjesh Jain:** Got it. Got it. And on the Pharma side, you said we are starting one product to commercialize from the Q1 onwards. How should we see entire Pharma piece for FY27?
- Chintan Shah:** On the upper side, we should see a revenue in the range of about, I believe, somewhere close to INR70 crores, INR75 crores in this financial year. That is completely a new add-on -- INR70 crores to INR75 crores is a fair estimate. That will be a completely new add-on to our existing business. So of course, there has been revenue from Pharma, but it was very negligible, only coming from those validation trials and stuff like that.
- But now the actual commercialization has begun. So we are already executing a couple of orders for this first product. So, production is ongoing and the dispatches have already started. So yes, we have clear visibility to scale within a range of INR70 crores to INR75 crores in this financial year...
- Sanjesh Jain:** Got it. Got it. And on the SDA side, this year has been a very good year. And given that the gas prices have also gone up very sharply, which can become a tailwind for our ICE engine growth and Euro 7 implementation on the card starting with Europe, how should we see this number is sustainable or you expect in FY27, we will grow the SDA even on the high base of this year?
- Chintan Shah:** We expect to grow at least by 20% in this current financial year. We should reach anywhere number between INR250 crores to INR300 crores this year.
- Sanjesh Jain:** Got it. Got it. When I see we have Pharma...
- Chintan Shah:** Now as we go ahead, month-on-month basis, we are gradually seeing more orders being put up for the Euro 7 application. So now that is happening. So that switch is happening to Euro 6 to Euro 7. So yes, we'll see that uptick probably somewhere around July or August is when we'll start seeing that uptick in the numbers as well.
- Sanjesh Jain:** Got it. Got it. So if I look at the 3 segments, which is ESS, PASC and SDA, it appears that next year could be pretty strong than the 20%, 25% revenue guidance, which we gave, right?
- Chintan Shah:** I will stay with 25%. See, there are a lot of uncertainties in terms of the geopolitical issues that are happening. It may not hit us, but it may hit the customer. So, there are a lot of uncertainties within this era right now, what is happening is something which we have never seen historically.

So, I would stay a little conservative with a prediction of 20% to 25%, give or take. There are possibilities we can reach higher, but I would safely say to predict a growth of 25% more.

Sanjesh Jain:

And on the Southeast -- sorry, West Asia crisis, we use a lot of amines, which is made from ammonia and all. how is the raw material situation and the price increase that we have taken, what is the ballpark price increase we have started taking now because that will also add to the growth, correct?

Chintan Shah:

Yes. There was a phase of 2 or 3 weeks when nearly amines were not available at all. Immediately -- more or less immediately after this Iran issue started. Somewhere in March, we lost a lot many production days because of unavailability of the amines. But post that, the availability has become very smooth. So, there is no issues in terms of availability.

But the prices have gone up by nearly 30%, 40%, so that is a deterrent. In most of the cases, we have been able to pass on that price increase to the customer. Gracefully, most of the customers have fortunately accepted it. So that has not become a big challenge. There are certain cases where customers are adamant in terms of allowing us to change the raw material price.

In fact, only passing on the impact related to the raw material price that may have some adverse impact on EBITDA. But largely on a broader scale with increasing volumes and a robust year that we forecast, I think that get compensated with increased fuel cost and a little hit in EBITDA margins in some of the cases should not really have any material impact in terms of what EBITDA margins we earn. So there also, we stay with 20% to 22%.

Because what is happening is this improved efficiency of the plant output, the occupancy of the plant is going up. So that is taking care of some of these variables, which are absorbed by in terms of efficiencies. So that's a good part. And the time when we are seeing the reversal in terms of demand is happening virtually at a very good time, which is taking this adverse impact of Iran prices.

Sanjesh Jain:

So, we are telling that despite all this situation, we will maintain the margin and growth probably there is a possibility of a green shoot, but we should achieve at least 25%.

Chintan Shah:

Absolutely, yes.

Sanjesh Jain:

Got it. And one on the end customer, what is the feedback you're getting on ag chem? Because I think there is a lot of concern on ag chem volumes. Are you hearing the same concern from your customer for your product?

Chintan Shah:

Not -- at least not for our product. And we have a very insignificant volume to the total demand. So probably we are not impacted by that. So, we continue to enjoy our share of the business for those two particular products which we have newly launched. And I don't see any challenge existing calendar year '26. And what I hear is in terms of allocation -- potential allocation for '27 as well. I feel we are very confident to -- even in the Pharma case. So both years, at least for this year and the next year, we have very good visibility in terms of demand.

Sanjesh Jain: Got it. Got it. And the new plant we started, should it ramp up from the Q1 completely? And should it add to the growth? Because sequentially now...

Chintan Shah: Yes. Yes. So now it is working very smoothly. And that's the only way where we can now say that we can scale up to a revenue of INR850 crores from this Dahej facility, existing facility. So even before the Jolva plant become operational, this is a place where we -- of course, we still have certain bottleneck.

There is specific bottlenecks which we have to remove. So there would be an infusion of some capex, but very minor, maybe ranging INR10 crores, INR12 crores a year kind of a thing, which will help us eliminate certain bottlenecks and still ramp up the revenue to a range of INR850 crores, INR900 crores from this facility. And this is only possible with this new plant which has become operational now.

Sanjesh Jain: And we should hopefully reach the full potential in FY28?

Chintan Shah: Next -- so not this current financial year, but next financial year.

Sanjesh Jain: Got it. Got it. And then on the margin earlier, we used to do 25% when the plant is fully operationalized, that target also is achievable, right?

Chintan Shah: That is achievable, yes. Then it becomes realistic, yes.

Sanjesh Jain: Got it. And then on the Jolva side, can you help us understand what we earlier talked about...

Chintan Shah: Now we are into detailed engineering. So during this course of detailing, we got certain feedback from our designer team basis on which we had to do some more further trials, which actually helped us to optimize the process and the engineering requirements to a very large extent. So that is what held us up for nearly 4 or 6 weeks.

But that has really helped us to identify that this process can be further become more robust, optimized and that reduces our need for a number of reactors to be installed at the plant. So that is what we achieved during this last 4 to 6 weeks. So now it is into final designing stage.

And then potentially now we will be calling in for the bid from the various construction companies for civil construction. And then I think by -- within next 60 days, we should be breaking the ground for this facility.

From that point on, sir, let us say we are in mid-May, we break ground in mid-July. From there, let us consider the time frame of 18 to 20 months, that is calendar year '28, early calendar year '28, January to March production from that.

Sanjesh Jain: And we should be investing about INR250 crores, INR270 crores there?

Chintan Shah: Roughly in that range, yes.

Sanjesh Jain: And this will have, as we said earlier, a dedicated plant and an MPP, right?

- Chintan Shah:** Yes. So this is one dedicated facility for this large agro product that we are launching -- and just to mention here, which I'm really proud of that this is being done by a new technology, which has been fully developed in-house. And we have not seen any single patent or process filed by this route of chemistry.
- So it is something exceptional that our team has achieved, and we are really proud of that. So this is what we have now successfully piloted as well. And now it is a matter of commercializing when the plant becomes available to us.
- Sanjesh Jain:** Got it. Got it. And then one last bookkeeping question on the tax rate. This quarter, the tax rate appears to be exceptionally high at 38%. Can you just take us how should we take tax rate? I thought we have this tax holiday because we were enjoying the tax holiday in our Dahej facility, which is the larger one. Can you take us through the tax rate, what's happening there? And how should we see it?
- Ajesh Pillai:** There are a couple of things into it. One is that we had some carryforward losses on income tax basis. So the 10AA benefits are not -- we are not entitled to 10AA benefits this year. And plus the capitalization, I mean, the capex has been very heavy. I mean, around INR100 crores of capex has added, so which actually increases the deferred tax. And that -- both of them combinedly affect the quarterly this thing. Otherwise, if you look at the annual figure, it would be somewhere around 26%.
- Sanjesh Jain:** And going forward, should the tax rate effectively come down because we will start...
- Ajesh Pillai:** Yes, it will effectively come down. As you continue using these assets as the depreciation between the books and the income tax synchronize more, the effective tax rates will come down.
- Sanjesh Jain:** And we still enjoy that tax holiday, right, tender...
- Chintan Shah:** Yes.
- Sanjesh Jain:** Got it. Because the tax cash, what we are paying is just INR7 crores. But if I look at P&L, it's much, much higher.
- Ajesh Pillai:** Yes. Because of that, I mean, before taxes.
- Sanjesh Jain:** And what is the total capex we are looking for the next year?
- Chintan Shah:** Current financial year INR100 crores and INR175 crores in the next financial year.
- Sanjesh Jain:** INR175 crores for next financial year. That will be for all Jolva, largely.
- Chintan Shah:** Both INR100 crores and INR175 crores, both are Jolva put together because it will take nearly 20 months, right? So we are telling, part of that capex will happen in this year and part of it will happen in next financial year.
- Sanjesh Jain:** So INR100 crores in FY27, INR175 crores in FY28?

- Chintan Shah:** Correct.
- Moderator:** We have the next question from the line of Jay Vaghasia, an Individual Investor.
- Jay Vaghasia:** Chintanji, my first question was on the SDA. So, what has happened over the past 3 to 3.5 years is that initially, we were caught up with the high-cost inventory. And in the latter part, there was the fluctuation in raw material prices, which really hit us high. So of course, we can't do anything about raw material fluctuation.
- But is this the inherent risk that the business has that in the SDA, we don't have confirmed PO. We just get the visibility and then we are able to make the products and eventually if the price fluctuation is too much, it hits up in the P&L. So, is it the inherent risk in the business of the SDA?
- Chintan Shah:** No, no. Basically, how it works is you have an annual forecast. And based on that, they keep releasing the orders. So usually, they are very precise in terms of forecast, except if something becomes really unpredictable.
- Moderator:** Sorry to interrupt. Your voice is breaking.
- Chintan Shah:** So basically, the forecast is pretty much precise. And see, for example, in recent times when -- during this Iran, prices -- suddenly the raw material prices shot up. Very immediately post our inventory, so whatever we are holding in terms of ready inventory for the customer that we continue to ship out at the existing rates.
- And they have readily agreed to apply the available formulas what we have, that this is the consumption of these key raw materials, which impact to such an extent. So those implications have already been applied and the prices for the new POs have already been revised accordingly. So that is not at all a risk in this particular part of business. The only risk is in terms of demand when it becomes really volatile.
- And that is what has happened during the past 2 years where demand literally vanished because of massive uptake that happened post COVID, a lot of inventory pile up happened and suddenly the demand crashed because of that. But I think now things are pretty much normal and we are seeing very regular orders being punched in by the customers.
- Jay Vaghasia:** And secondly, Chintan bhai, SDA is essentially a duopoly market, right? So, there's 85% around Sarchem and 15% would be us. So, in India, our cost structures would be much better as compared to Sarchem. So once this Euro 7 kicks in and there is additional demand, can we expect that our market share would be much better than 15%?
- Chintan Shah:** Here, it is a little different way how the business happens in this segment. It is not really a price-sensitive matter. So -- and that is the only reason why customer readily says, okay, from next month, we have the new price allocated. So there is not much discussion over e-mail it just -- it's not a really price-sensitive matter. When something is approved for one specific vehicle, then there is literally no space to change it.

So, for example, if the Tatva product is applied to XYZ variant, then it continues to remain there till the variant has its market share. So, replacing somebody is not an option here for an existing business. You only get opportunities and your doors open only for the new opportunities that comes up. So that is where we have slowly started gaining momentum over our competitor.

And gradually, we -- so for example, in Euro 6 times, we were very late entrant. So, a lot of things were already fixed up and we were quite late for that part of business to sit there. But Euro 7, we are very well in time, we have our foot in the door right from beginning. So, we'll gradually see our market share keep on rising because, yes, there is definitely an advantage in terms of pricing between us and the U.S. manufacturer, right? So that advantage we definitely enjoy.

Jay Vaghasia: Right. So that's what I was asking. So, any model that...

Chintan Shah: And here was customer -- see, there are only very few select customers for our product. And customers also know that there are only two suppliers for this product. So, they always try to keep a balance. Maybe if I say I get most of the share, then I mean I may be getting 70% of the volume. You will never get more from any particular customer for any particular product because that is how they want to keep both of us engaged in this business. That is the key.

Jay Vaghasia: So with Euro 7, any model with Euro 7 norms, we would be wherever Sarchem is, we would be there, right, in most 85% to 90% of cases?

Chintan Shah: Yes.

Jay Vaghasia: Okay. And Chintan bhai, on the Agrochem side, PASC segment, so the kind of pipeline that we have built, so down -- going down 2 to 3 years ahead, PASC would eventually be much more bigger than the SDA?

Chintan Shah: It has definitive chances to be so. You are very correct. So if I say not 2 years, but I would say once the Jolva plant becomes operational, then very much it will become much larger than the SDA for sure.

Jay Vaghasia: Right. And one more, we have declared dividend this time. I don't understand the rationale behind the dividend. So we have higher -- our loans have increased, sir. Short-term borrowings have increased. And at the same time, we are paying dividends. So it's not justifiable, right? Finance cost..

Chintan Shah: Basically, it is that we retain 80% of our earnings post the net profit. We want to distribute nearly about 10% of that profit in terms of dividend. I think it is pretty fair for all the stakeholders holding their -- keeping faith in the company, then they should be paid back. That is pretty fair. We are plowing back 90% of the earnings back into the company.

Jay Vaghasia: Got it, sir. But just a request that at the end, I think there should be -- there should be equitability whether the P&L, the interest cost that is hitting in the P&L, that should also -- but yes, again, it's a management decision. And sir, my final question was regarding the semiconductor space.

So, can you just throw some light on the supply chain that would be involved with? So, would we be sending our chemicals directly to the export market? Or how would it work? Would it be sending directly to the manufacturers or there are intermediaries involved?

Chintan Shah:

No, no, there are intermediaries involved. So basically, the fab companies normally have -- larger companies who supply into these fab companies. And the larger companies kind of work as bringing in multiple products from different, different suppliers. Then they retest them, certify them under their own COS and that is what they supply to the end customer. So that is how the supply chain evolved.

So, it is the qualification first happens at this integrator level, which is definitely a very large MNC company. And then the second stage of qualification happens at the end customer level. Here it is again -- so if SDA, I have been saying all these years is a very difficult entry barrier, most difficult part to get an entry into this. You wait for the opportunity for years. This particular segment is even worse than that. Demands a lot of patience.

And when the time is right and probably, we could start -- -- we have been working in this since almost, I think, now 8 or 9 years, and we are seeing first line of commercialization happening now. And this is also not commercialization. This is just getting into validation. Actual commercialization, we expect by end of 2028, early 2029 when the product will be really used into chip manufacturing.

Jay Vaghasia:

Right. I understand it, sir, we'd be selling it to maybe Japanese or South Korean MNC and then eventually, they'd be sending it to the Taiwan. Am I correct?

Chintan Shah:

Correct.

Jay Vaghasia:

And sir, the pilot plant that we have set up for the semiconductor space, so what level of purity have we achieved? And what are the cost that is involved for this multistate distillation and vacuum systems, they'd be much costly. So can you throw some light on that.

Chintan Shah:

So that whole setup is already ready -- so the setup is already ready. We are going to actually display our first commercial scale batch, not the pilot scale. Pilot scale trials have been finished long back. And now we are talking of our first plant scale batch, which has to be dispatched in this quarter. So that whole setup is in place.

And when we are talking in terms of purity levels, I mean, not purity. So purity on it goes as 99.99 something. But in terms of impurity levels, we are talking of impurity profiles all below 1 part per billion. So, we are talking of 1,000 parts per trillion range.

Jay Vaghasia:

And sir, these chemicals, where would be used? Would it be used in bleaching or cleaning process or...

Chintan Shah:

Correct.

Moderator: Ladies and gentlemen, we will take that as the last question. And that concludes the question-and-answer session. I now hand the conference back to Mr. Ajesh Pillai for the closing comments. Thank you, and over to you, sir.

Ajesh Pillai: Thank you. On behalf of Tatva Chintan, thank you for joining us on today's earnings call. We trust that we have addressed most of your questions during the discussion. Should you require any further clarification, please feel free to reach out, and we will be happy to connect offline.

Chintan Shah: Thank you.

Moderator: Thank you, members of the management. On behalf of ICICI Securities, we conclude this conference. Thank you all for joining us, and you may now disconnect your lines. Thank you.