

Camlin Fine Sciences

11 August 2026

Operator: Ladies and gentlemen, good day and welcome to the Camlin Fine Sciences Ltd. Q1 FY27 earnings conference call. As a reminder, all participant lines will be in 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 the operator by pressing star then zero on your touchtone phone. Please note that this call is being recorded. This conference call may contain forward-looking statements about the company, which are based on the company's beliefs, opinions, and expectations as of the date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. I now hand the conference over to the management for the opening remarks. Thank you, and over to you, sir.

Ashish Dandekar – Chairman & Managing Director: Ladies and gentlemen, welcome to the earnings conference call. I am Ashish Dandekar, the Chairman and Managing Director, and with me are Nirmal Momaya, Managing Director, and Santosh Parab, our CFO. Since I know all of you are very busy, we will not waste time and will get right into it. I hand over to Santosh for a brief discussion on the financials and performance, following which we will take questions.

Santosh Parab – CFO: Thank you, Ashish, and good evening to all the participants. Thank you for joining us. I will quickly get into the main business matters of today.

Firstly, I will make a few announcements. You would have seen that we have changed our disclosures from the traditional lakhs and crores to millions to align with international standards. From this year, we have also started disclosing segmental information. There was an internal restructuring, and the management has started looking at the business in a more structured manner. I think the investor community will be happy because there was always a request for segmental results to provide a better understanding of the business.

Coming to overall revenues, our revenues are 5,199 million rupees. That is around 28% higher compared to the same quarter last year, and it is almost 1,000 million rupees higher compared to the last quarter. Obviously, we have done extremely well on revenues, but the margins are not in line with expectations. However, there were certain reasons for that.

The main reasons were on the raw material side. As we know, the overall situation regarding raw materials, including prices, availability, freight costs, and other factors, has worsened significantly. You would have seen the details in our financial statements. Our margins, which were above 14.5% last quarter, have come down to 4%, and that has flowed through to our EBITDA for the quarter.

Coming to the segments, as you could see, we have now segregated our business into three main verticals. The traditional business that we used to call Shelf Life and Blends is now called Specialty Ingredients. This is a non-chemical business; it is more of a knowledge-based business in which we sell blends to end consumers.

We have Aroma, the vanillin flavor and flavor-fragrance business, which involves the manufacture of vanillin. The third segment is Performance Chemicals, predominantly downstream products of Diphenol that go into the product baskets of Shelf Life and Aroma. These are the other chemicals. All chemical plants are included in the Performance Chemicals division, from which certain materials are transferred to the other two divisions for forward integration.

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You would have seen the segmental results. There is an inter-segment elimination in Performance Chemicals. These are nothing but the straights sold by Performance Chemicals, which is the chemical manufacturing division, to the Specialty Ingredients division. The same applies to the raw material for Aroma, predominantly Guaiacol, which is sold by Performance Chemicals to Aroma at market prices or on normal commercial terms based on the arm's-length principle.

The Specialty Ingredients business sells straights as well as blends, as we used to show in earlier periods. Coming to the verticals, you would have seen that the straights business has always been growing and has better margins, and that has also been reflected in the numbers we have disclosed.

Straights sales have been around 927 million, while Specialty Ingredients, which is the value-added blends business, has been more than 3,000 million. On an overall basis, the Specialty Ingredients business has generated more than 4,000 million in revenue. The EBITDA is 6.35% here, and it has predominantly come down because raw material prices have been high.

Coming to Aroma, we sold around 560 tons of vanillin this quarter, primarily Ethyl Vanillin. We conducted a campaign for Ethyl Vanillin last year in the last quarter. We sold around 200 metric tons of Methyl Vanillin that was held in our channel stocks and internal channel stocks. We have also sold around 350 metric tons of Methyl Vanillin in this period.

Naturally, capacity utilization was not optimal because we had undertaken such a large Ethyl Vanillin campaign for the first time. We were cautious, and the ramp-up was carried out very cautiously to achieve the required quality, bring capacity utilization onto the right track, and understand the dynamics of the new campaign.

We are happy to announce that almost 95% of our customers have approved our Ethyl Vanillin. In this quarter, we have already sold 350 tons. If you remember, in the last quarter we said that we would undertake a campaign of approximately 750 metric tons of Ethyl Vanillin. Half of that has been completed. We have produced more than 300 metric tons.

We will take a shutdown after the 750-ton Ethyl Vanillin campaign is completed in mid-August, and then we will switch to Methyl Vanillin. Naturally, we will produce around 500-600 metric tons in the next quarter of Ethyl Vanillin and Methyl Vanillin.

Regarding prices, US and European prices on the sales side remain the same as we discussed in the earlier period, and they will remain at 13-14 dollars. As we ramp up our capacity and improve capacity utilization, sales at 13 and 14 million will move us into a positive EBITDA zone for Ethyl Vanillin and the Aroma business as well. We feel that in Q2 itself, we will have positive EBITDA in Aroma.

As far as Performance Chemicals is concerned, as you know, the Diphenol plant has been shut down and remains shut down primarily for economic reasons and because of high prices. Phenol prices are still very high, and other raw material prices are also very high. It is not commercially economical or viable to manufacture Diphenol at this stage. Hence, we took a shutdown.

Management: We have been procuring the intermediates from the Chinese market because the prices are very comparable and competitive against our prices, and we are relying on that. Although

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the Diphenol business is shut down, we have ample catechol to service our Aroma requirements.

Naturally, the closure of the Diphenol plant is weighing down on Performance Chemicals, and that is why we have seen negative EBITDA of 2.5% there. However, with the shutdown and the switch to another product, along with better capacity and resource management, I think the Performance Chemicals EBITDA will also be positive in the next quarter because we also manufacture the straights chemicals in Performance Chemicals, which are sold at arm's-length prices to the Specialty Ingredients company, the second business segment. Hence, Performance Chemicals will also move into a positive zone.

Coming back to Specialty Ingredients, blends have been the hallmark of our business. We have been saying that we should grow by at least 20% as a minimum this year, and in the budgets we are talking about 25-30% growth this year. Last year, we achieved approximately {? thousand... 10,000 million ?} in sales of blends. We have already done 3,000 million. We already have a run rate reflecting 20% growth, and this will be much more than that.

All the companies in America are doing extremely well in this area. The only issue here is pricing. The conflict has forced us to increase prices. As you know, there is approximately a one-quarter lag in transferring the increase in material prices and other costs to the customer. That lag affected this quarter.

There has also been difficulty in passing on the entire increase in prices to our customers, and that is weighing down on the margins. The gross margins are being affected, and those gross margins are also impacting our downstream businesses.

The obvious question is what will happen for the whole year. We had been guiding that we would generate 2,000-2,400 of revenue this year, with EBITDA of 250-280. That is what we had been saying. However, looking at the prolonged nature of this conflict, high prices, logistical issues, and other factors, we feel that we may end up with the same turnover because the sales side does not appear to be very secure.

The business lines are in place, and everything is ready. We are very confident of delivering the top line. The whole issue is with the margins. Looking at the scenario, I think we will have to revisit these margins, and we now feel that the margins should be in the range of 10-12% this year.

Obviously, the prolonged war situation can result in different outcomes, but if prices stabilize at their current levels, we should be looking at EBITDA in the range of 10-12% going forward.

As far as Diphenol is concerned, as I said, we have shut down the plant, but we are looking at alternatives. We had discussed some other phenolic compounds, but we are holding off because the raw material prices of those compounds have also increased. However, we are looking at various options.

By Q3, we will take a decision either to find an alternate use for the plant or, if the situation is right, to shift back to Diphenol production. At present, Chinese prices for the raw material intermediates are very competitive, and we have secured Chinese hydroquinone from China for the next 2 quarters.

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Coming to debt, although we do not provide the details of debt and other items, it remains under control. We have been almost in line with what we disclosed as of March 31. There will be a slight increase because of the utilization of working capital.

Working capital remains a concern because of the elongated working capital cycles. As you know, because of the Strait of Hormuz and the Red Sea issues, we now have to ship via South Africa, and that has increased our working capital requirements. Because of the global slowdown, customer collections have also been delayed by a few days, and that is weighing down on the working capital cycle. However, we are agile and will work through this issue.

You would have also seen an exceptional item in our financial statements on account of the fire that occurred in February in Dahej. We had taken a write-off for the losses there. We have now tried to settle the insurance claim because cash is required at this time. The insurance claim is around {? 40 crore... 400 million ?}. We said that we should not haggle with the insurance company. We accepted a 20% haircut and settled the claim. Obviously, it had an accounting impact, and we have shown it under exceptional items.

As far as Europe is concerned, it has already gone into liquidation. There is no further cash burn. Of course, there is a small cash burn because we require legal assistance until the entire liquidation process is over, so there has been a small cash burn.

China is in the process of liquidation. We have been saying that this will happen this year, and we will incur approximately 10-20 million of expenditure during this quarter.

With this, I will open the forum for questions. Thank you.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Avinash Tiwari from Batlivala and Karani. Please proceed.

Avinash Tiwari – Batlivala and Karani: Hi, am I audible?

Management: Yes.

Avinash Tiwari – Batlivala and Karani: When you look at your implied guidance for the next 3 quarters, if you are looking at 250 crore EBITDA and you have done almost 9 crores this quarter, that number seems deliverable because it implies significantly good margin levels. Are you out of the problems you had on the raw material costing side and everything else, or do you think there is some degree of uncertainty and perhaps we will have better visibility at the end of Q2?

Management: What we are guiding is 2,200-2,300 crore of top line and an EBITDA margin in the range of 10-11%. So it will be in the range of 220-230 crore of EBITDA. Given our cost structure as it stands today, it seems within reach for us.

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Avinash Tiwari – Batlivala and Karani: Sorry, this number works out to around a 13% margin. I was trying to think through the pressure you saw on gross margin in Q1. Is it now completely behind us because 13% looks like a normal, decent margin level, or is some degree of pressure still continuing in Q2, so perhaps the end of Q2 will give us better visibility? I just want to understand whether that pressure point is over or is still lingering.

Management: In Q2, of course, with the war situation continuing, there is pressure on raw material prices, but we are in a position to pass on some of it to customers. I think that going forward, achieving a 10% EBITDA margin in the next 9 months remains on target.

Avinash Tiwari – Batlivala and Karani: Once we are past this raw material challenge, what do you think is the normalized margin level we can achieve, given that the business is now recovering on the top line? Based on whatever visibility you have, what kind of margin levels can we look at in the second half or in fiscal 28?

Management: In fiscal 28, I think we can look at a margin in the region of 12–14%.

Avinash Tiwari – Batlivala and Karani: My last question is on debt. What is the level of debt, and is there any plan other than reducing it organically through internal cash flow? Are there any other actions you can take to strengthen your balance sheet?

Management: On the debt side, at present we are almost at the same level as before. We had around 670 crores of gross debt as of March 31, and it is now 640 crores. The reduction is mainly on account of repayments of our long-term loans from IFC and EXIM for the Vanillin plant.

There has been no increase in debt during the last 3 months. Since we are talking about revenue of 2,400 crores, increasing from 1,700 to 2,400 crores, this will certainly require working capital support. We will try to use internal cash, but as the year progresses, it appears that we may have to take credit lines from the market in the range of 100–200 crores.

Avinash Tiwari – Batlivala and Karani: How did you manage this good achievement of flat net debt, given the pressure you had on several fronts and the very low EBITDA levels? Was there anything specific, such as extracting cash from another source?

Management: One thing is that we had revenue and the cycle was moving; the working capital cycle was moving. It was not a case where we had no revenue. Revenue has been high. We have also had a 40% margin. Therefore, cash generation is taking place.

Obviously, your question is valid: where has the increased working capital requirement for increased sales come from? Naturally, there is another stakeholder involved because we have been using supplier finance and dealer finance to tide over this situation.

We are using dealer financing on the sales side as well as using dealer financing for buying raw materials. As I said, this has also affected the margins because if you obtain dealer finance on the purchase side, the cost increases and the raw material margins, or gross margins, are impacted.

In other words, instead of paying interest by borrowing, I am paying it through the cost of raw materials. That 1–1.5% has impacted me because of the working capital requirement, and it has

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affected my gross margins.

Avinash Tiwari – Batlivala and Karani: Are there any plans to infuse capital or any ways to achieve cash-based balance sheet deleveraging other than through internal accruals?

Management: As I said, cash is required. We will see and will work on it. This is not a situation where I am standing on the edge of a hill and have to jump. There is still time.

As we proceed, we are looking at avenues, and you may have heard about them from the market as well. At the appropriate time, we will consider what is better, taking into account the market price and all those factors, the interest rate, our rating, and other considerations.

We have been working closely on this. As soon as a final decision is taken, we will come and inform you about it.

Avinash Tiwari – Batlivala and Karani: Okay, great. Thank you. I wish you the very best.

Operator: Thank you. Before we take the next question, I would like to remind participants that you may press star and one to ask a question. The next question is from the line of Rehan from Coherent Wealth. Please proceed.

Rehan – Coherent Wealth: Hi, am I audible?

Management: Yes.

Rehan – Coherent Wealth: Thank you for taking my question. I had a couple of questions, primarily on Vanillin and the outlook going forward.

We were always under the impression that the EBITDA realizations per kilogram or per ton for Vanillin would be profitable because the fixed cost of the business was very minimal. Considering that, we were always under the impression that the cost to manufacture per kilogram was about 9-10 dollars, depending on crude volatility, and that realizations after the tariff had improved to about 13-14 dollars between Europe and the US. The fixed cost primarily consisted only of the sales team, I believe.

Can you explain this loss at the EBITDA level for the Aroma business, because it was a 3-4 crore loss for this quarter at EBITDA? This is new information for some shareholders.

Management: That is a good question. As you rightly said, the whole matter is about capacity utilization. As I said, we were cautiously increasing the ramp-up of Ethyl Vanillin, and you would have seen that we produced only 400 tons this quarter against a capacity of 1,500 tons.

Naturally, there was a fixed cost related to the plant that could not be absorbed entirely by 400 tons. On a yearly basis, as I increase capacity utilization, these costs will get absorbed. However, on a quarterly basis, we are in a difficult position because we cannot increase the cost beyond the price.

That is why this negative amount of 4 crores, 4-4.5 crores, or 4.5 crores has come through and affected us. As capacity utilization crosses 70-80% in subsequent quarters, we will absorb almost all

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the fixed costs, and on a yearly basis the cost will come down to that level.

This is a quarter in which the expenditure is for the entire capacity, but utilization is hardly 20–25%. That is how this is developing. As we move ahead, we will achieve that EBITDA.

Rehan – Coherent Wealth: So, Santosh, when you say 70% capacity utilization, are you talking about a quarterly production run rate above 1,000 tons?

Management: My capacity is 6,000 tons, with achievable production of 4,500 tons.

Rehan – Coherent Wealth: If you divide that by 4, that is about 1,200 tons, right?

Management: On a yearly basis, we are saying that 3,000 tons is what we estimate this year. That is around 60–70% of my capacity utilization.

Rehan – Coherent Wealth: At that level, are you expecting to make a profit at the EBITDA level?

Management: We will achieve around 7% EBITDA on the total business if prices are at 13 dollars.

Rehan – Coherent Wealth: Okay, so 7% EBITDA at that level. Coming to blends, we have considered blends to be the holy grail of the business, with a 40% gross margin that flows down differently depending on each geography. In some geographies that are more saturated, we see higher EBITDA because the fixed cost again consists primarily of the sales team.

However, this has been affected further. Can you explain the outlook going forward and how we can get back to the levels we achieved some time ago, before the ADD took effect? If you remember, we were at EBITDA margins of around 14–15% about 6 quarters ago.

I am trying to understand where we are falling short. If you look at the March 23 quarter, we were at 14% EBITDA, and that was without the ADD and before Vanillin had even come in. I am trying to understand where we were then and where we are today, because we have the ADD and we have the utilization. Can you help us understand this?

Management: On blends, there is no ADD. It applies only to Vanillin. If you see the segment results, we have shown the EBITDA for the last quarter as well.

Last quarter, we had generated around 264 crores or {? 400 ?} in the March quarter. On revenue of 3,400 million, we had generated 263 crores—263 million of EBITDA.

Rehan – Coherent Wealth: Yes, and today we are at 255. On a year-on-year basis, we are at 255 versus 300.

Management: Let us first discuss the quarter-on-quarter comparison. We told you that the gross margin had declined in the last quarter. That 4–5% reduction is impacting EBITDA.

Rehan – Coherent Wealth: Okay. In that case, I think we may not end up at the expected level this year. For Q2, I missed the expected tonnage in the opening remarks because your voice was not very clear. Could you repeat it?

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Management: We do not provide tonnage for blends.

Rehan – Coherent Wealth: No, I meant Vanillin.

Management: 500–600 metric tons.

Rehan – Coherent Wealth: So, a run rate similar to the current quarter?

Management: As I said, we had a 700-metric-ton Ethyl Vanillin campaign, which we will complete in August. That will produce 350 tons of Ethyl Vanillin.

We have started the campaign, and we will lose around 2 weeks during the transition. We will produce and sell, and we will ramp up Ethyl Vanillin entirely. However, considering the period and the fact that September falls within 15 days of the start of the campaign, we are saying that we will sell 500 metric tons.

Rehan – Coherent Wealth: At a similar run rate this quarter, would that be around 700–800 crore of revenue—sorry, 77 million, 70–80 crore of revenue?

Management: It will be around 800.

To answer your question on blends first, the blends margin will be better in Q2 than it was in Q1. Specifically, we were affected in Brazil because of the fire. We had no stock and had to bring in stock by air freight at high prices.

In Q2, we are also simultaneously shipping material by sea, which has now arrived and is being consumed in this quarter. There was a negative impact of about 8 crores in Brazil, which will be corrected in Q2.

There are also certain businesses where raw material prices have increased, and we have been able to pass on some of the price increase. Therefore, the Q2 numbers for the blends business will look different from what they were in Q1.

For Vanillin, it will be slightly better than Q1, while Q3 is the key quarter, when we will have production and sales of more than 1,000 tons in Q3.

As far as Performance Chemicals is concerned, we had negative EBITDA in Q1, and it will be positive in Q2. All in all, all 3 verticals will be significantly better in Q2 than they were in Q1.

Rehan – Coherent Wealth: Thank you for the rationale. My concern was that over the last 2–3 quarters, because of geopolitical reasons and other factors beyond a certain point, many companies tend to have inventory gains and renegotiated prices.

In our case, even though we have had a couple of tailwinds, such as the anti-dumping duty working in our favor, it has been almost 14 months, and we are still seeing softness in prices.

As of now, many people thought that even during your Q4 conference call, when shareholders, investors, and analysts asked you about certain segmental matters, the basic calculation was that at 13 dollars, even if you did 500 tons, your EBITDA per kilogram would flow directly into EBITDA. We

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were under the impression that there were no fixed costs other than the sales team.

Management: I think it was very clear that what we were saying was that our raw material cost for Vanillin is between 7-8 dollars for Methyl Vanillin, and the conversion cost, which is the fixed cost, is 7 crores per month.

The calculation is that if I produce 200 tons, my cost goes to 11 dollars. If I produce 400 tons, my cost goes to 9 dollars or 9.5 dollars, which gives me a direct margin of 4 dollars. That is the calculation.

Rehan – Coherent Wealth: Yes, but Nirmal, you are already producing 400-500 tons per month for the last 3-4 quarters, including this quarter.

Management: I am talking about a month; this is a quarter.

Rehan – Coherent Wealth: Even at 11 dollars, let us assume 11 dollars, you are still selling at 13-14 dollars, 13.5 dollars, or even, let us say, 13 dollars. In this quarter also, it was 13 dollars, right? The Q4 tariffs came off for half the quarter.

Management: We have trade financing, so our net realization is lower because we are using trade finance. As Santosh mentioned, what has impacted our margin is that we are using financing on the raw material side and trade channels for financing on the selling side.

Also, this quarter is not Methyl Vanillin; it is Ethyl Vanillin, where the cost of Ethyl Vanillin is higher than the cost of Methyl Vanillin. The selling price is also higher, but with these costs, Ethyl Vanillin has reached a break-even point.

When Methyl Vanillin starts, you will see that the margins, particularly the gross margins, will be significantly better. Similarly, the EBITDA margin will also be better. In the next Ethyl Vanillin run, the margins will be significantly better because of the scale-up effect that Ethyl Vanillin will have.

Rehan – Coherent Wealth: So, primarily, you are constrained by fixed costs on one side and margins on the other, with the war affecting you, and financing affecting your overall margins as the third factor. Is that fair?

Management: Yes, that is correct.

Rehan – Coherent Wealth: So is the solution only capital, or is it capital plus a normalized geopolitical environment?

Management: First is capacity utilization. That is the first factor within our control. We can start increasing capacity utilization. Of course, there is a financing requirement for that, which we are currently meeting through trade finance. It may impact the margin slightly, but at least capacity utilization will increase and costs will come down. That is the first factor.

The second factor is an improvement in the geopolitical situation and an improvement in costs. In the Methyl Vanillin run, we already have raw materials that we acquired at very competitive prices, so our margins will be significantly better.

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The third factor is capital, and we are looking at various options to raise that capital.

Rehan – Coherent Wealth: When would be a fair estimate to gauge when we might return to double-digit EBITDA margins at the company level—Q3 or Q4?

Management: Q3. Q3 should be there. Q3.

Rehan – Coherent Wealth: So in Q3 you would return to double-digit margins.

Management: Yes.

Rehan – Coherent Wealth: Thank you very much.

Management: Thank you.

Operator: Thank you. The next question is from the line of Surya Narayan Patra from PhilipCapital. You may proceed with your question.

Surya Narayan Patra – PhilipCapital: Thank you for the opportunity. My first question is on the growth number. Hello, am I audible, sir?

Management: Yes.

Surya Narayan Patra – PhilipCapital: Okay. If I look at the quarterly growth trend for the segments, the growth numbers look very strong, higher than the blended performance of the company in terms of overall revenue growth. Is this because of the restatement of the numbers, or is it something else?

If I look at slide 7, the segmental revenue growth is, on average, more than 30%. This growth number looks higher compared to the overall growth number.

Management: Surya, unfortunately, I did not understand your question. Are you referring to slide 7?

Surya Narayan Patra – PhilipCapital: The segmental growth for all the segments is, on average, more than 30% on a blended basis. We are seeing growth of nearly 30% here, whereas the blended growth for the company as a whole for the quarter appears to be around 22-23%. Is there any difference that I am missing? What is the reason?

Management: Now I understand what you are asking. The first point is that we are comparing this quarter with the corresponding quarter last year.

Surya Narayan Patra – PhilipCapital: Yes.

Management: In the quarter last year, particularly for straights, our volumes would have been almost the same on a quarter-on-quarter basis. We have been saying that the straights business will eventually saturate.

The biggest difference is on the pricing side. We are selling somewhat more straights, and the average realization is driving this growth from the last quarter to this quarter.

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Blends have been increasing. There is no question about blends; they have been growing at a 20% CAGR. Performance is a different scenario because if I have catechol, I will sell catechol, and if I do not have catechol, I will not sell catechol. If there is sufficient hydroquinone, there will be sufficient derivatives. That is a different situation. It is like a residual business. If straights perform well, there will be less hydroquinone to sell.

Management: There will be less catechol to sell. Performance will always be based on sales and Aroma. Aroma has been improving. We have achieved better price realization because that was during the tariff period, the anti-dumping duty had just come down, and our quantity was also lower.

That is why when you compare quarter-on-quarter, you have to consider the pricing side, the volume side, and our capacity utilization.

Surya Narayan Patra – PhilipCapital: Okay. My second question is on the margin profile of the Specialty Ingredients business, including both blends and straights, which are our blended product areas.

This quarter, the margin was 6% because of quarter-specific challenges, if I understand correctly. What should have been the like-for-like margin for the Specialty Ingredients business in the previous year?

Management: Let us discuss this quarter first. We lost around 4–5% on normalized gross margin. There was a 3–4% impact because of geopolitical factors and a 1–2% impact because of our liquidity situation.

If I had achieved this 4%, my normalized EBITDA at this point in time, despite all the pressures of supplying material to the American markets and other factors, would have been at least 4% higher on gross margin, which would have flowed directly into EBITDA. In other words, EBITDA would have been more than 10%.

As Ashish was saying, you also have to consider that the straights business is not one company; it is spread across geographies. Certain geographies, such as Brazil, had their own issues. Margins there were barely 20–22% because of the specific situation in which we had to send material by air freight or buy it from competitors at higher rates, use higher-priced raw materials, and manufacture the blends.

Then there are other geographies such as Vinpai, which is just growing and has only recently started. EBITDA there is somewhat negative. As it grows and we provide working capital to it, we will bring it down to 10%.

Businesses that are already established, such as Mexico and the US, are doing well. They should have achieved 17%, but they achieved 14% because they lost on gross margin.

The growth will be there. As the lagging businesses such as Vinpai and Brazil improve, the margins will increase. We see a strong growth path. We have also sold almost 300 million more this year on a quarter-on-quarter basis.

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There is a growth path, and we know which products to promote and other actions to take. It will happen. The sales side is not a problem at all. The entire issue is on the purchase side.

If this situation is resolved and we have more support, EBITDA will grow because fixed costs are not going to increase. Even if you look at our overall other expenses, they have not increased significantly. The capacities are in place, the fixed costs are in place, and the people are in place. Therefore, the required improvement has to come from the top line and gross margins.

Surya Narayan Patra – PhilipCapital: If we assume hypothetically that the second half of the current financial year has a normalized business environment, which of the 3 segments is likely to deliver the best margin profile? In a normal business environment, what should be the likely margin profile of Specialty Ingredients and Aroma?

Management: Surya, right now Aroma is negative. It will be positive in Q2. Q3 is where we expect a much more normalized situation because we will have a Methyl Vanillin run with all the raw materials in place. That will be significantly better than Q2. Therefore, Q3 is where you will probably see margins closest to normalized levels in Aroma.

In blends, the raw material impact we have taken is 4-5%, and some of that has already been corrected in Q2. Again, Q3 would be the right quarter for more normalized margins, although Q2 will also show an improvement over Q1.

Performance Chemicals is a residual business. It was negative because of the Diphenol closure and certain costs that were being incurred. We were selling catechol at a loss, which we have now stopped because we are using all of it for internal consumption. That will also be positive.

Therefore, all 3 verticals or segments will be positive.

Surya Narayan Patra – PhilipCapital: The better or best-margin vertical would be Specialty Ingredients. Is that understanding correct?

Management: Yes. Specialty Ingredients and Aroma, depending on scalability, will also probably be as good as Specialty Ingredients.

Surya Narayan Patra – PhilipCapital: Just one last point regarding the Diphenol plant shutdown. You mentioned that you are also exploring using it for other products. Could you discuss that in more detail?

The second point is that if the plant shutdown continues for whatever reason, whether because of competition or because of the new framework required for manufacturing the new product, what could happen to our other operations during that period?

The Performance Chemicals revenue we are reporting for this quarter is 175 crores. What impact could the shutdown have on that revenue, and what overall margin impact could it have on the other segments, given that the business is integrated?

Management: First of all, 175 crores is the total, but it is netted off. A large part of the 175 crores, almost 100-odd crores, goes into the straights business, including straights and blends. It is sold to

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straights and blends. Aroma was almost 30 crores.

Therefore, net of internal transfers, in Performance Chemicals, I think your first question was that the total was not adding up. Of the total, 130 crores is internal transfer, and net sales of Performance Chemicals are only 40 crores.

Surya Narayan Patra – PhilipCapital: Okay.

Management: When you look at that, the number of net sales to outsiders is not going to change significantly. It will reduce somewhat because catechol sales will come down, but there will be an increase in sales of other products, such as HQEE. We also have some HQ sales, and TBC sales have increased. Therefore, that number will remain in that region.

The numbers to check and follow are primarily Shelf Life and Specialty Ingredients and Aroma. In Performance Chemicals, you should focus on the margin because a significant part of the straights margin is captured there.

As the Diphenol expenses and the negative impact go away, you will see the margin improve considerably because a significant part of the straights margin is captured under Performance Chemicals. The transfer price is captured as sales in the straights business.

Surya Narayan Patra – PhilipCapital: What is the potential for introducing a new product in that plant?

Management: We are working on alternatives, which we should finalize in the next few months. We have options for how to utilize the plant. We are assessing the best possible way to sweat the asset, where we can achieve the best margins and the best returns, and we will proceed accordingly. We will inform investors once we are ready.

Surya Narayan Patra – PhilipCapital: Of course. Okay. Thank you, sir. I wish you all the best.

Management: Thank you.

Operator: Thank you. The next question is from the line of Arjit Segal from Bajaj Alternator. Please proceed.

Arjit Segal – Bajaj Alternator: Thank you for the opportunity. I have a few questions. First, a clarification. Our last call, for the fourth quarter, would have taken place at the end of May. At that time, did we provide guidance for weakness in Q1?

Management: Yes, we had said that margins would be affected because of the geopolitical situation. We were always confident about the top line. The entire issue was with raw materials, and that is why we had also shut down our Diphenol plant. The revenue side was never an issue. This was entirely because of margins and raw material prices.

Arjit Segal – Bajaj Alternator: Now that we are in mid-August and half the quarter is over, you are saying that Q2 will be much better than Q1. You are quite confident about that, correct?

Management: Yes.

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Arjit Segal – Bajaj Alternator: My last question is mathematical. In response to a previous question, you mentioned that you would reach a double-digit margin in Q3, and you are guiding for a full-year margin of 10–11%. Mathematically, given that Q1 was weak and Q2 will be slightly better, is it fair to say that second-half margins could be in the range of 13–15%?

Management: Yes. Looking at the fixed cost, fixed costs are stable and are not going to increase significantly. The revenue growth will come from blends and Aroma, and the margins in those businesses will give us a higher EBITDA rate in the second half.

Arjit Segal – Bajaj Alternator: Understood. Thank you. That is all from my side.

Operator: Thank you. The next question is from the line of Lavish from Berman Capital Investment Management. Please proceed.

Lavish – Berman Capital Investment Management: Thank you for the opportunity. I was listening to your comments. You mentioned that our volumes in the Aroma business will be similar to what we achieved in Q1, whereas we are guiding for positive EBITDA in Q2.

I wanted to understand what the drivers will be for achieving positive EBITDA, given that volumes will still be similar to Q1 levels.

Management: As we said, we are going to move to Methyl Vanillin, which is a lower-cost product with a higher margin compared to Ethyl Vanillin.

We are switching over because we are ending the campaign of 700-odd tons. These were orders in hand, and they required us to manufacture Ethyl Vanillin. We are moving back to Methyl Vanillin, for which we also have orders in hand, and that will give us a higher margin.

The difference in EBITDA is only 4 crores. Once we produce Methyl Vanillin, we are confident that it will bring Aroma into positive EBITDA.

Lavish – Berman Capital Investment Management: If I remember correctly, in our last call we guided for almost 4,000 tons of Vanillin in FY27, whereas this time we are saying that we will do 3,000 tons in FY27. What has changed in the last 3 months that has resulted in this lower guidance?

Management: We had guided for 3,600–4,000 tons, and now we are saying approximately 3,000 tons. The change is primarily in our Ethyl Vanillin run.

The ramp-up was slower than we had anticipated, purely because we wanted the quality standards to be absolutely unquestionable. We achieved that, with 95% customer approval on the first attempt, which is excellent for a product such as Ethyl Vanillin.

This meant that we will now undertake another campaign. Every time we switch campaigns, we lose approximately 1 month of production. This year, we are going to undertake 4 campaigns, so we will lose 4 months of production. That is why we are estimating approximately 3,000 tons of production.

Lavish – Berman Capital Investment Management: Is there any particular reason why we shift campaigns? Given that you are saying Methyl Vanillin is lower-cost and has a better margin, why

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are we not using Methyl Vanillin for the full year?

Management: Customers require both products, and in the next Ethyl Vanillin run, our margins will be similar to those of Methyl Vanillin.

In this run, we had high-cost material that we had to purchase, and production of some of the intermediates was also expensive. In the next run, those costs will be rationalized, and the margin profile will be similar to that of Methyl Vanillin.

Lavish – Berman Capital Investment Management: You also mentioned that raw material costs were higher and that we were not able to pass them on in this quarter. In Q2, are we confident that we will be able to pass them on? How much of the increase will be passed on? Will we be able to pass on the costs fully?

Management: Not fully. In blends, we will be able to pass on some of it. I am not saying that we will be able to pass on the entire cost, but perhaps half of the cost will be passed on.

Lavish – Berman Capital Investment Management: Understood. Thank you. All the best for the future.

Management: Thank you.

Operator: Thank you. Before we take the next question, in order to ensure that the management is able to address questions from all participants in the conference, please limit your questions to 2 per participant. The next question is from the line of Meet Gada from Sanghavi Family Office. Please proceed.

Meet Gada – Sanghavi Family Office: Thank you very much for the opportunity. I had a couple of questions.

I wanted to understand the current demand scenario for Vanillin and the situation regarding channel inventory with your customers. What kind of interactions are you having with your customers regarding volume pickup and improving capacity utilization sequentially? That is my first question.

Management: Regarding Vanillin, as we understand it, channel stocks are currently being cleared. The issue that existed is now out of the way.

We are completely on track with all the customers we discussed in the past, including the F&F companies and others. We are negotiating their quarterly, half-yearly, and yearly contracts, and those discussions are progressing well.

In terms of demand pickup, we estimate demand of 3–4 thousand tons this year, but we will not be able to produce that much because of the campaign schedule we are following. It is fair to say that demand is picking up.

Meet Gada – Sanghavi Family Office: Is it normal to have 4 campaigns in a year? What kind of Vanillin volumes should we expect for FY28?

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Management: For FY28, I will explain again. As I mentioned, this Ethyl Vanillin campaign was undertaken to scale up, and we took a significant amount of time.

Normally, even if I take a 1-month break, I can achieve a turnover by producing 400–500 tons of either Methyl Vanillin or Ethyl Vanillin per month. That is my capacity. Even if I run the plant for 8 months, I should ideally produce 4,000 tons.

This time, however, production is 3,000 tons because we took 4 months to scale up Ethyl Vanillin.

Meet Gada – Sanghavi Family Office: Is it fair to assume that 4,000 tons is the peak utilization for the Vanillin plant?

Management: No. It is not so because we will not be undertaking 4 campaigns. Ideally, we do not want to undertake more than 3 campaigns. With that, we should be able to scale up to 5,000 tons.

Meet Gada – Sanghavi Family Office: My last question is about the current working capital requirement for the business and the number of days you expect. When do you expect the credit funding of 100–200–odd crores to be completed?

Management: Our general working capital cycle on a consolidated basis is 100 days. At present, even in March, you would have seen that it was somewhat better than that. This was because we had extended the credit lines and due dates with our creditors.

For every 100 crores, this is what we generally require. For each 1 crore, I will require one-third of that as working capital support.

We are working on this 100–150 crore facility. I think we should be able to have the line in place within the next 1–1.5 months. At least we will know where we stand, how we are proceeding, and how we are going to fund it.

Meet Gada – Sanghavi Family Office: Understood, sir. Thank you. That is all from my side.

Operator: Thank you. The next question is from the line of Satish Kumar from InCred Equities. Please proceed.

Satish Kumar – InCred Equities: Sir, I have just one question. If everything had been normal, what would our EBITDA have been this quarter?

Management: It would have been at least 6% higher. We lost only on the margin. Approximately 5% was lost on gross margin, and that 5% would have flowed directly to the bottom line.

That is one factor. The second factor was Vanillin, where the gross margin was even more affected because of Ethyl Vanillin. All in all, the margin would have been 4–5% better.

Satish Kumar – InCred Equities: So we can say that if everything had been normal, EBITDA would have been in the range of 37–40 crores, correct?

Management: Yes, correct. Correct.

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Satish Kumar – InCred Equities: For the coming quarters, are we guiding for an average run rate of around 70 crores of EBITDA? Obviously, Q2 will be lower and Q3 and Q4 will be higher, but the average guidance is 70 crores.

Management: Correct.

Satish Kumar – InCred Equities: Do you think raw material cost pressures are behind us, or will they remain in this quarter as well?

Management: They will remain with us in Q2. I do not see much difference in raw material prices because, with the war situation and the conflict, prices keep moving in directions that we sometimes do not understand.

Until this is resolved, you will continue to see elevated raw material prices.

Satish Kumar – InCred Equities: Does our guidance factor in these elevated raw material prices?

Management: Yes. It factors in elevated prices for 3 months, but it does not factor in elevated prices for 6 or 9 months.

Satish Kumar – InCred Equities: As you said at the beginning, some of the cost has been passed through, particularly in blends, correct?

Management: Yes.

Satish Kumar – InCred Equities: Okay. That is all from my side. Thank you.

Operator: Thank you. The next question is from the line of Neeraj from White Pine Investment Management. Please proceed.

Neeraj – White Pine Investment Management: Can you elaborate on the inventory situation in the US and the global situation for Vanillin? How do you think the demand–supply equation will evolve?

Management: Neeraj, are you asking about our internal inventory situation for Vanillin?

Neeraj – White Pine Investment Management: I am asking about the inventory of Vanillin that had accumulated in the US before the anti-dumping duty. What is the status of that inventory?

Management: I think you are asking about the channel stocks that existed when the anti-dumping duty began. Those stocks have been exhausted. There is no overhang of Chinese channel stocks or pre-anti-dumping-duty inventory now. There are no channel stocks in any of the countries at present.

Neeraj – White Pine Investment Management: What is your estimate of US demand, and what is your estimate of the residual demand that will be supplied by India to the US?

Management: The relevant demand is in the US and Europe, where the anti-dumping duties apply. Our focus is on these 2 markets.

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There appears to be a gap of about 5–6 thousand tons of material that will have to be imported because local production capacities are fully occupied at that level. We see that as an opportunity for us to participate in that supply.

Neeraj – White Pine Investment Management: If you are not producing, China is not producing, and China has import duty imposed on it, why are prices not rising in the US and Europe?

Management: That is a good question. We are asking the market leader, Solvay, which produces in the US and Europe, why it is not increasing prices.

There is also a consideration that if Solvay increases prices, the Chinese price will also increase. Solvay is selling to the same customers; it is a multinational selling to customers across the world.

If a fragrance and flavor company buys material at 8 dollars in India and you charge it 25 dollars in the US, with the same company selling to that customer, it does not work well with the customer. Therefore, Solvay also has to protect its global business. It will always keep prices reasonable. It will not take prices to levels equivalent to the anti-dumping duty because it services some of these customers globally.

Neeraj – White Pine Investment Management: If I calculate the anti-dumping duty, they will not be able to supply below a particular price. Based on that calculation, the price actually needs to increase. I was asking about that point.

Management: It is not a reverse calculation based on my sale price plus 20% duty or 250% duty. The anti-dumping duty is intended to protect Solvay. Solvay is indirectly determining the price.

If Solvay sells at 18 dollars, the Chinese suppliers have to bear a 250% duty, which comes to 7–8 dollars. That is how Chinese suppliers have been kept out.

If Solvay increases the sale price to 21 dollars, the Chinese price becomes 8, 8.5, 5%. Despite the 250% duty, Chinese suppliers will begin competing. That is one factor.

Secondly, as Ashish was saying, Solvay is not selling only in the US. It has contracts with companies such as IFF and Givaudan for the world as a whole, so it is balancing its business.

Solvay cannot charge exorbitantly high prices. If it increases prices in the US, Chinese suppliers will enter. They will sell at 8 dollars and will be satisfied with that. If they receive 20 dollars after applying the 250% duty to an 8-dollar price, and Solvay is charging 20 dollars, the Chinese suppliers will enter.

Neeraj – White Pine Investment Management: Okay. That is all. Thank you.

Operator: Thank you. Due to time constraints, that was the last question. I now hand the conference over to the management for the closing comments. Over to you, sir.

Management: Thank you for your time, ladies and gentlemen. We look forward to interacting with you again at the next quarterly earnings conference call. Until then, good evening.

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Operator: Thank you. On behalf of Camlin Fine Sciences Ltd., that concludes this conference. Thank you for joining us, and you may now disconnect your line.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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