



“AksharChem (India) Limited
Q2 & H1 FY19 Earnings Conference Call”

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**MANAGEMENT: MR. MUNJAL JAYKRISHNA – JOINT MANAGING
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Moderator: Ladies and gentlemen, good day and welcome to AksharChem (India) Limited Q2 & H1 FY19 Earnings. This conference call may contain forward looking statement about the company which are based on the beliefs, opinions and expectation of the company as on the date of this call. These statements do not guarantee the future performance of the company and involve risk and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode. 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Munjal Jaykrishna- Joint Managing Director & CEO of AksharChem (India) Limited. Thank you and over to you, sir.

Munjal Jaykrishna: Good afternoon and a very warm welcome to everyone.

Along with me I have SGA, our Investor Relation Advisors. I hope you have received our results update presentation by now. For those who have not, you can view them on the stock exchanges and on our website.

Before I move on to discuss the financial performance of the company, I would like to give you a brief on the capacity expansion exercise taken up by the company. During this period, we successfully completed our capacity expansion plan in CPC Green and H Acid. H Acid is a new product which the company added in the Dye Intermediate Basket. The capacity addition was by 1200 MTPA.

We are also expanding our CPC Green capacity by 480 tons per annum. This has resulted into increase in our total capacity from 9,720 metric tons to 11,400 metric tons. After this expansion our Dye Intermediate Capacity stands at 9,000 metric tons per annum and CPC Green stands at 2,400 metric tons per annum.

Coming to our specialty chemical product Precipitated Silica it is under progress and it is expected to be completed by end of this financial year and start commercial production from FY20 onwards. Our expansion plan is on track and in line with our vision to diversify our product line. For all the capacity expanded we are going to utilize our existing relationships with larger customers. We have received a positive response and, in a few cases, soft commitments for our products. As the volumes pick up, we will also see scale advantage leading to operating leverage playing out. We are hoping to see the impact of expansion in our profitability.

Moving on the financial performance of the company.

We started the first half of financial year 2019 on a good note. Our top line for H1 FY19 increased by 25% on year-on-year basis to 161 crores. This was on the back of both volume and value growth. Even during Q2 FY19 our top line increase by 30% year-on-year. Our

production has increased by 15% on back of anticipation of better product demand going ahead.

For H1 FY19 we have done total volume of 4,633 tons. This gives us confidence that our demand is intact, and we were able to get the business because of the best quality, reliable products and relationships with our clients for over two decades.

During H1 FY19 Dye Intermediates contributed to 69% of the revenues and Pigments contributed to 31% of the revenues. The total volume for H1 FY19 stands at 4,564 metric tons. Our gross margin for Q2 FY19 stood at 43.8% and H1 FY19 stood at 39.8%. It has improved on back of high realizations for our products and better product mix. Our company puts lots of efforts and adheres to the environment norms pertaining to the affluent treatment expenses. We have been consistently spending on the pollution treatment expense. We have spent 7.5 crores towards pollution treatment expense during the first half of financial year 2019.

Our company puts lot of efforts and continues to focus on delivering performance. We provide quality products and every year we form relationships with our new clients. In the first half of the financial year 2019, we formed relationships with two new clients. Though right now they are negligible on our wallet share but going ahead we expect them to become major clients by providing them high quality products.

Now I would like to update you on the operational performance of the company for Q2 and H1 FY19.

Production volume.

We did 2,240 metric tons for Q2 FY19 and 4633 metric tons for H1 FY19.

Net revenue from operations Q2 FY19 is 85 crores compared to 66 crores in Q2 FY18 a year-on-year growth of 30%. Net revenue from operations for H1 FY19 stood at 161 crores compared to Rs. 129 crores in H1 FY18 a growth of 25%. Dye Intermediates contributed to 69% of the revenues and Pigments contributed to 31% of the revenues. Our revenues increased on the back of high realizations in Q2 FY19. We expect the prices to remain at the same level. EBITDA for Q2 FY19 stood at 16 crores compared to 11 crores during Q2 FY18. EBITDA margin for the quarter stood at 18.3% versus 17% during Q2 FY18. EBITDA for H1 FY19 stood at 24 crores compared to 23 crores in H1 FY18 a growth of 4%. EBITDA margin for H1 FY19 stood at 15%.

During this quarter, there was a sharp increase in the price of raw materials due to increase in input materials which were related to crude oil. The profit after tax for the quarter is 7.4 crores compared to 10.3 crore in Q2 FY18. Net profits for the Q2 stood at 8.7%. Profit after tax for H1 FY19 stood at 14.9 crores with margin of 9.3%. The company has nil debt as on September' 18. Debt to equity as a company stands at 0.0x. Return on capital as on September

18 stood at 18.7% on annualized basis. Return on equity as on September 18 is 12% on annualized basis.

With this I would like to open the floor for Q&A.

- Moderator:** Ladies and gentlemen we will begin the question and answer session. We have the first question from the line of Naushad Chaudhary from Systematix. Please go ahead.
- Naushad Chaudhary:** Just a data point I missed on the number about the revenue breakup of this quarter?
- Munjai Jaykrishna:** The revenue breakup between the dye intermediates and the pigments you mean?
- Naushad Chaudhary:** Right.
- Munjai Jaykrishna:** Dye intermediates it is 69% and pigment is 31% of the revenue.
- Naushad Chaudhary:** And the volume breakup also sir?
- Munjai Jaykrishna:** The sales volume breakup for the pigment is 996 MT and for Dye Intermediates is around 3600 MT for the first half of FY19
- Naushad Chaudhary:** Last thing on the loss at the other income level there was Rs.1.6 crore of loss so what was the reason for that?
- Munjai Jaykrishna:** This is a new mark-to-market quarterly reflection like last quarter we had to show profits because we have some investments in equities in a company and every quarter, we have to show the profit or loss. So, it is a notional loss it is not an actual loss. Again, right now again the market is back, so it is likely to add on to profits. According to the new policy, we have to show every quarter.
- Naushad Chaudhary:** On the tax side this quarter it was around 40% 41% provision so any comment on that part?
- Munjai Jaykrishna:** The provision for taxation was higher mainly because of operating profit being higher. If you take out the investment profit, it will come down
- Moderator:** The next question is from the line of Tanmay Mehta from SBICAP Securities. Please go ahead.
- Tanmay Mehta:** Just wanted to know what would be a realization in Vinyl Sulphone and H Acid if you share that?
- Munjai Jaykrishna:** The average realization for Vinyl Sulphone for Quarter 2 was Rs. 326 and H Acid was Rs. 422.
- Tanmay Mehta:** Sir, what will be the environment right now are they trading at the same level?

- Munjal Jaykrishna:** No in fact right now Vinyl Sulphone is trading at around Rs. 270 - Rs. 275 and H Acid is at the same level. So, the prices have come down a little this quarter.
- Tanmay Mehta:** Sir one thing on the basic raw material and basic chemical part. How is that environment right now, are the prices increasing for you or how is it since the crude prices has gone up?
- Munjal Jaykrishna:** The crude prices have gone up. There is sometimes a time lag effect, but we are normally able to pass on the effects of the crude price increase to maintain the same level of margins. Overall for the chemicals, the business environment is good. The growth in prices and everything is not exuberant but it is stable.
- Moderator:** The next question is from the line of Jatin Damani from Kotak Securities. Please go ahead.
- Jatin Damani:** Sir, I want to check about CPC Green. What was the contribution of CPC in this quarter from the new facility which we commissioned?
- Munjal Jaykrishna:** In case of CPC Green, the new capacity which we have added, we have not been able to utilize it in the last quarter. So, right now we are utilizing the same capacity of CPC Green which was there earlier.
- Jatin Damani:** So, what was the reason and can we expect the third quarter to see some amount of increase in the volume because of that?
- Munjal Jaykrishna:** I am hopeful that we will see that increase in the fourth quarter because the Pigment market is also sluggish to use the added capacity right now. So, I hope that we will be able to have the added capacity from quarter four of FY19 and majority in the next year from quarter one of FY20.
- Jatin Damani:** What about the H Acid? When will we expect the commercial production?
- Munjal Jaykrishna:** Commercial production for H Acid has just started. . So I expect H Acid to add to the overall volumes from quarter four.
- Jatin Damani:** As raw material prices pass on with the lag effects of three to four months, so do we see that because of the drop in realizations of Vinyl Sulphone and H Acid and with increase in the raw material price will our margins be back again in the range of 12% - 13% margin in the coming two quarters or will we be able to maintain 18 odd percent margin?
- Munjal Jaykrishna:** It is impossible for me to predict but margins will be in range of 15% would be a fair call
- Jatin Damani:** Are you referring about the second half of FY19 or are you referring on the full year basis?
- Munjal Jaykrishna:** The second half of this year

- Jatin Damani:** Because in the first half we made an EBITDA margin of almost around 14% - 15%?
- Munjal Jaykrishna:** I presume that we might be able to maintain the margins in the range of 14%-15% approximately for the next half of the financial year 2018-2019.
- Jatin Damani:** What is the CPC Green margin currently and what was the realization for CPC Green?
- Munjal Jaykrishna:** The average price realization in the last quarter was Rs. 505 per kg for the CPC green. The margins are good but we do not give a breakup of EBITDA percentages between the two products now as we use common utilities .
- Jatin Damani:** Currently also the prices of CPC Green are at the same level or have we seen a decline in that as well?
- Munjal Jaykrishna:** The pigment prices are at the same level. Prices are stable.
- Jatin Damani:** On the Precipitated Silica front, since you said that we will start the commercial production in the next financial year, what is the revenue that you are expecting from it and what would be margin in that?
- Munjal Jaykrishna:** I would expect revenues from the new unit to be around Rs.80 crores and I would expect EBITDA margins to be at the same level as the other chemical businesses. So, on a conservative note to be around 15%. But we hope that the market gets better.
- Jatin Damani:** Could you throw some light on the Violet facility?
- Munjal Jaykrishna:** Yes, the pigment Violet facility is like a small commercial plant, in which we have given all the samples for approvals but being a high-performance pigment it is taking time. That is why we have invested a very small amount in this. So, once we get the approvals we will go for full-fledged higher production for the Pigment Violet.
- Jatin Damani:** But sir how much time does it take to get the customer approval for a new product?
- Munjal Jaykrishna:** Sometimes a year to break in.
- Jatin Damani:** Because since last two quarters we are saying that the facility has come in operation?
- Munjal Jaykrishna:** It is in operation, but being a high performance pigment and not a commodity pigment, it is taking longer than expected to get product approvals.. So it may take a few more quarters also. We are trying to work in the local market ,so we hope to get something concrete maybe from next financial year so that the product can add to the profitability and revenues.
- Jatin Damani:** So, that means for second half of FY20 we can assume that something from Violet will come in.

- Munjal Jaykrishna:** Yeah.
- Jatin Damani:** Sir can you help us with the sales volume for the second quarter?
- Munjal Jaykrishna:** ,Sales Volume for the quarter was 504 metric tons for the CPC Green and around 1750 metric tons for the dye intermediates.
- Moderator:** The next question is from the line of Divya Singhal from HDFC Securities. Please go ahead.
- Divya Singhal:** Sir could you please give me the revenue breakup for first half of FY19?
- Munjal Jaykrishna:** 69% and 31%.
- Divya Singhal:** Could you give Revenue Breakup for the Quarter 2 then?
- Munjal Jaykrishna:** It is very similar 68.5 and 31.5. So, you can take it for the quarter as well as the half year.
- Divya Singhal:** And the production breakup for the quarter and half year?
- Munjal Jaykrishna:** So, for the quarter the dye intermediates was around 1,750 metric tons and the Pigment was 480 metric tons and the for the half year the dye intermediates was 3,670 metric tons and the Pigment was 960 metric tons.
- Moderator:** The next question is from the line of Nikhil Vaishnav from VD Investments. Please go ahead.
- Nikhil Vaishnav:** Just wanted to know who is your biggest customer out of total customers in Vinyl Sulphone and CPC Green and also average per customer?
- Munjal Jaykrishna:** I would not be able to give names. But the biggest customers for the Vinyl Sulphone are based in Korea and Taiwan which is our primary market. Between the top three customers we have for Vinyl Sulphone, around more than 80% of our volume is lifted by them. For Pigment Green, our biggest customer would be DIC group and they would be lifting around 15% of the total volume.
- Nikhil Vaishnav:** In first half FY19 there is some finance cost of Rs 50 lakh in first half of FY19, could you just explain it?
- Munjal Jaykrishna:** It is LC discounting and bank charges. Most of business is done through LC and we discount the bill so there is a regular cost otherwise we are zero debt. It is not interest cost..
- Moderator:** The next question is from the line of Ankit Gor from Systematix. Please go ahead.

- Ankit Gor:** My first question is with regards to CPC Green. Just wanted to know how much of this is contractual sale, considering DIC uplifts 15% of the revenue?. I am just trying to understand that why the currency benefit is not coming into our P&L since it is probably 80% exports.
- Munjal Jaykrishna:** For this quarter our 18.5% EBITDA margin reflects a currency advantage. We have witnessed currency benefit.
- Ankit Gor:** Can we consider that 15 to 18.5 which is 250 bps, is completely currency benefits?
- Munjal Jaykrishna:** We did not have currency benefit completely. As because of currency, it eventually adjusts because not all our business is quarterly. Only our monthly business adjust. So, I would say only 1.5% advantage in EBITDA margin is because of currency. The remaining is because of the price of the products being higher.
- Ankit Gor:** Could you throw some light on cost side pressure considering Acetanilide e prices are up by 40% and in the same way Phthalic Anhydride prices are also up. Have we not seen any cost pressure in RM cost or gross margins? What is your outlook with respect to these prices considering Vinyl Sulphone prices are going down and Acetanilide prices are going up?
- Munjal Jaykrishna:** So, you are right the raw material costs have been up because of high price of crude oil. That is one of the reasons why despite of such high Vinyl Sulphone prices our margins were 18.5%, which is not that high because the raw materials are higher. Right now, there is little bit of pressure situation because the Vinyl Sulphone prices have come down and raw material prices are still higher, but I think some of the raw material prices are little lower than what they were last quarter. Although a little bit of prices of RM is decreasing, but yes this quarter we are likely to face a little bit of tightness because of the high raw material prices and prices of Vinyl Sulphone from coming down a little.
- Ankit Gor:** What is the contribution of H Acid this time in this quarter?
- Munjal Jaykrishna:** This time H Acid contribution was minimal because only the trial production was reflected. Once again the samples are undergoing the approval process. We expect H Acid benefit to come next quarter.
- Ankit Gor:** Considering the current status and considering your guidance of 15% margins for the second half of the year, we assume that more or less overall EBITDA margin for FY19 will remain at anywhere between 15% to 17%, while what is your guidance with respect to next year FY20 as that time you will have CPC Green,, H Acid as well as the other products considering the RM prices remains where they are now, can we see those to reach at o 20% to 25%?
- Munjal Jaykrishna:** It is difficult for me to give guidance for next year because is the markets are too volatile. So, at this stage, I can think that we will get top line growth because of the pigment addition and H

Acid addition and silica addition next year. So, I can only comment on the topline growth and I will not be able to give guidance on the EBITDA margins.

Ankit Gor: Out of the annual sales, how much of that is contractual sales, for example 260 crores we did in FY18 how much of it was contractual?

Munjai Jaykrishna: Honestly speaking, we do not share too much of the information because it will impact our business. In case of Vinyl Sulphone there is some contractual business and in Pigment Green there is contractual business of only one customer so it is very negligible.

Ankit Gor: Since H Acid starts, we will have a customer and that will not be a contractual debt as well right?

Munjai Jaykrishna: In H Acid currently we do not plan to make it contractual.

Moderator: The next question is from the line of Saranyan Muthusamy from Infinity Investment. Please go ahead.

Saranyan Muthusamy: I just have one question since our expansion is completed for CPC Green and H Acid, for FY19 now second half how much volume do you see in the expansion?

Munjai Jaykrishna: I expect that we will see maybe around 60% to 70% of the expanded capacity to be used in pigments in Q4 FY19 and for H Acid around 70% to 80% I would start expecting from Q4 FY19.

Saranyan Muthusamy: So, Q3 you do not expect any?

Munjai Jaykrishna: For Q3 FY19 very negligible amount will be utilized. As right now, the commercial production for both the products is just stabilizing

Moderator: The next question is from the line of Raghav Bhutoria from Lindsay Securities. Please go ahead.

Raghav Bhutoria: Sir my question is on a two to three-year perspective. Now that we have done our Rs. 175 crores expansion, what could our sales figure be two to three years down the line?

Munjai Jaykrishna: Two to three years down the line, we can expect Rs.80 crores from Precipitated Silica and then around Rs. 50 crores from H Acid which will add up to, 130 crores and then we can expect 20 crores to 30 crores out of the Pigment expansion for sure. So, in two years, we can expect between 160 to 180 crores addition in the top line.

Raghav Bhutoria: And would this also improve our margin profile to some extent or would it remain stable where it is?

- Munjal Jaykrishna:** There would be improvement in margins in the sense that because of overall cost getting split there would be a bit of improvements in margins not a massive one. Actually for the H Acid product there is a separate plant here. So only some utility advantage is common infrastructures which would bring down the cost. But in case of Precipitated Silica, it is a Greenfield project in Dahej so that would be entirely new project. So, the margin increase would not be huge. So, a little bit of margin increase but top line increase for sure.
- Moderator:** The next question is from the line of Kunal Koladia from Anova Capital. Please go ahead.
- Kunal Koladia:** My question is pertaining to the CAPEX plan which you have announced, wanted to know whether we have received all environmental clearances for all the products? if you can throw some light on that?
- Munjal Jaykrishna:** We have received the environmental clearances for most of the products for which we have undertaken. For some of the products, the environmental clearances are in stages like it is EC, NOC, etc., so whatever is necessary for our CAPEX we have received.
- Moderator:** The next question is a follow up question from Divya Singhal from HDFC Securities. Please go ahead.
- Divya Singhal:** Sir could you please tell me your sales breakup into exports and domestic sales?
- Munjal Jaykrishna:** 90% is exports for both the pigments in the Dye Intermediates.
- Divya Singhal:** So, how soon can you pass on your raw material prices because you will be billing in foreign currency?
- Munjal Jaykrishna:** Our raw materials are mostly from the domestic market, we hardly import anything very little. So, the raw material prices we are able to pass on, some of it monthly and some of it quarterly depending on the sales contracts we have.
- Moderator:** The next question is from the line of Sarvanan Vishwanathan from Unifi Capital. Please go ahead.
- Sarvanan Vishwanathan:** Can I understand what the other income part typically consists of?
- Munjal Jaykrishna:** Since many years, we have some investments in equities in companies and we have to show mark-to-market settlement every quarter when the prices of those investments have increased or decreased. We have not bought or sold transaction, but it is a notional loss and notional profit which we have to show.
- Sarvanan Vishwanathan:** So, there is no FOREX element?
- Munjal Jaykrishna:** Yes, there is no FOREX losses in that. It is just equity transactional mark-to-market losses

- Sarvanan Vishwanathan:** You mentioned that you do not import much of the raw material. Most of it is sourced?
- Munjal Jaykrishna:** All domestic yes.
- Sarvanan Vishwanathan:** But how much of it comes to you at the import parity price?
- Munjal Jaykrishna:** You mean to say that domestic price is compared to import prices?
- Sarvanan Vishwanathan:** Yeah even though you could be sourcing it from the domestic market.
- Munjal Jaykrishna:** The raw material prices are depended on import prices. So, if the import prices increases, if the crude oil increases the domestic market will increase the prices and that puts pressure on us. So, that is right despite of such high Vinyl Sulphone prices the raw material prices are very high so that is the reason why the profits did not increase abnormally.
- Sarvanan Vishwanathan:** Could you share how much proportion of your raw material is depended on crude prices or import at inflation?
- Munjal Jaykrishna:** I cannot share the exact information, but it is more than 50%.
- Moderator:** The next question is from the line of Nikhil Vaishnav from VD Investments. Please go ahead.
- Nikhil Vaishnav:** Just one follow up question I just want to know about H Acid how it is made and who is your biggest customer and who are the competitors in the same category?
- Munjal Jaykrishna:** For H Acid, the competitors are same chemical companies like Bodal Chemical, Kiri Dyes, Bhageria, Shree Pushkar and some others.
- Nikhil Vaishnav:** Who would be your biggest customers in H Acid?
- Munjal Jaykrishna:** The customers would be the same customers as Vinyl Sulphone- the dye houses in Korea and Taiwan that is what we are targeting.
- Nikhil Vaishnav:** Can you give more detail like how H Acid is made and what is raw material?
- Munjal Jaykrishna:** It is a dye intermediate. There are two main dye intermediates which are used to make reactive dyes for cotton textile namely Vinyl Sulphone and H Acid. They are the basic ones for making reactive dyes for cotton textile. So, H Acid is a complementary product to Vinyl Sulphone where we would be having some synthesis advantage in our process. Mainly both the products will be catering the same markets, so that is the fundamental reason for going into this product
- Nikhil Vaishnav:** What is the main key raw material in this H Acid?

- Munjal Jaykrishna:** The main key raw material is naphthalene and then its Oleum, sulphuric acid and all the acids. But naphthalene is the key raw material which is also a crude based derivative.
- Nikhil Vaishnav:** Does the prices of the raw material depends on crude price?
- Munjal Jaykrishna:** Yes, once again like Vinyl Sulphone more than 50%- 60% of the RM cost would be depended on the crude oil.
- Moderator:** The next question is from the line of Naushad Chaudhary from Systematix. Please go ahead.
- Naushad Chaudhary:** Just a small data correction you shared that around 30%-31% revenue was from CPC Green in this quarter which comes to around Rs. 27 crores and we had a volume of around 504 metric tons in this quarter which comes to around Rs. 530 of realization for this quarter for CPC Green and if I compare it with the Q2 FY18 as per my calculation we did Rs. 14 crores revenue and 440 was the sales volume so that comes to around Rs. 330 of the realization. So, net-net we have around 64% jump in the realization if I am not missing anything here, is it correct calculation?
- Munjal Jaykrishna:** The Revenue from CPC segment was Rs. 20 crores and not Rs. 14 crores which comes to average realization of Rs. 470 per kg which is now increased to Rs. 525 per kg. The realisations in the pigments business have been relatively stable, the increase is just the crude effect which has been passed on.
- Naushad Chaudhary:** Are you in a position to share the Q2 FY18 volume and revenue of CPC Green?
- Munjal Jaykrishna:** The sales volume for Q2 FY18 for CPC Green was 435 metric tons .
- Naushad Chaudhary:** And revenue share sir?
- Munjal Jaykrishna:** It keeps on remaining in the range of between 30% and 35% and that depends upon the prices of Vinyl Sulphone because of which changes.
- Naushad Chaudhary:** In CPC Green, we have around 15%- 16% volume growth year-on-year and 12% of realization growth?
- Munjal Jaykrishna:** That is right.
- Naushad Chaudhary:** So, this reflects there is enough demand in the market for this product or is there any other reason which is driving this volume and realization?
- Munjal Jaykrishna:** There is a good demand. , But all of a sudden if we sell all the expanded capacity it is going to be a challenge. Although, every year we are having this growth and we will continue to have this growth, but currently we are adding 480 metric tons of Green capacity so to add all of

them at once in one quarter will be difficult. So, that is the reason the addition to revenue will happen from Q4 and we might add 50%- 60% of 480 metric ton capacity.

Naushad Chaudhary: I was just wondering at existing capacity we are running at full utilization. If we have ideal capacity and the volume growth being high then why we should not start from next quarter or this quarter also?

Munjai Jaykrishna: The reason is we do not want to sell the product by bringing down the prices. So, we do not want to disturb our existing customer base and offer them more products and offer them discounts etc. Currently we are trying to get developed into new markets in which our existing margins do not get affected. So, that is the reason why even though it takes a little time we are making sure that by having extra volumes we do not want to lead the sales by taking advantage of high price.

Moderator: The next question is from the line of Saranyan Muthusamy from Infinity Investment. Please go ahead.

Saranyan Muthusamy: Using as in one part of my question regarding CPC Green why we are gradually scaling up the new capacity, but I wanted to know about H Acid also since we have completed the expansion you said 60%, 70% of the production to be done in Q3 is it due to some technical factors like gradual scaling up of production or like due to drop in the market?

Munjai Jaykrishna: In all these chemical plants, it takes time to set up the plant and to get the quality parameter set. We are targeting the export market it being our primary market. It takes time to meet the specifications and one or two quarters is not that longer time for setting a new product. So, it is not that we have not sold anything. We sold some quantity in the local market and commercial production has started but it is going to take some time. Next quarter seems to be a fair estimate.

Moderator: Due to time constraints we will take only one more question which is from the line of Pravin Sharma he is an Individual Investor. Please go ahead.

Pravin Sharma: Sir, despite this China restriction and despite the rise in the price of the input raw material, why is the Vinyl Sulphone price trending down? is there an overcapacity? what is the demand supply situation? Can you throw some light on the H Acid and Vinyl Sulphone situation for foreseeable future?

Munjai Jaykrishna: The production in the chemical industry in China is still suffering. There is no oversupply and, there is no shortage in the Indian market also. Indian market has good capacity, but that is not the reason why the prices have come down. I feel that the prices have come down because during Christmas time in December, all the export markets usually order less. It is usually a sluggish time around December. Prices come down because of some demand-based issues also. So, I do not think it is too much to do with supply because Chinese supply is still tight no doubt

Indian capacity have increased a little. So, yes currently, the prices of Vinyl Sulphone are down to around Rs. 270 and the price of H Acid is also down to around Rs. 420..

Pravin Sharma: So, it is basically seasonal thing? Or is it like from the Q1 of the calendar year or Q4 of the financial year, the situation will change and would these prices may turned up back to the Q2 level?

Munjal Jaykrishna: Last quarter it turned up suddenly right. I do not know sometimes the trends are not predicable it also depends on production in India and China. When production in China gets severely affected, the prices go up. So, production in China was severely affected last quarter and then some of the plants in China seems to have resumed because of which the exports to China which were so buoyant last quarter dropped the prices. This quarter they are not so buoyant. So, maybe that is the reason demand supply situation is a reason apart from being seasonal.

Pravin Sharma: In case of China, will they go back to their normal levels of last year and before that or do you think because of these environmental considerations they will be operating at say 50% of the last year capacity? how do you look at the situation?

Munjal Jaykrishna: It is very difficult for anyone to comment., But my personal judgment would be that the environment situation in China continuous to deteriorate and it is not easy for them to produce. The production every year is coming down and India will have the advantage, it is just how much Indian capacities come up to match the drop in Chinese capacity. That will determine how much the prices will increase. But otherwise I do not see China coming back in productivity. In my personal opinion, China is very unpredictable.

Pravin Sharma: Is our pigment supplied majorly to the export market or is it supplied to the domestic market ?

Munjal Jaykrishna: 90% plus export for pigments also.

Moderator: That was the last question I now hand the conference over to Mr. Munjal Jaykrishna for closing comments.

Munjal Jaykrishna: I take this opportunity to thank everyone for joining the call. I hope we have been able to address to all your queries. For any further information kindly get in touch with me or SGA our Investor Relation Advisors. Thank you once again.

Moderator: Thank you. On behalf of AksharChem (India) Limited we conclude this conference. Thank you for joining us and you may now disconnect your lines.