

“Archean Chemical Industries Limited
Q2 and H1 FY’25 Earnings Conference Call”
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Moderator: Ladies and gentlemen, good day, and welcome to Archean Chemical Industries Limited Q2 and H1 FY '25 Results Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call.

These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Ranjit Pendurthi from Archean Chemical Industries Limited. Please go ahead, sir.

Ranjit Pendurthi:

Thank you. Good afternoon, everyone. We wish you all a very warm welcome to our Q2 and H1 FY '25 earnings call. Today, we are joined by Mr. Raghunathan, our CFO, Mr. Rajeev Kumar, DGM Finance; and SGA, our Investor Relations Advisor.

I hope everyone had an opportunity to go through the financial results and investor presentation, which has been uploaded on the Stock Exchange and our company website. I will give you all a quick snapshot on the recent developments of the company. Post that, Mr. Raghunathan, will walk you through the operational and financial performance of the company. Thank you.

The past quarter has been quite vibrant for the leadership team as multiple projects have witnessed healthy progress. The company has reached an inflection point taking decisive steps to diversify and derisk its product portfolio.

This strategy reflects extensive planning, dedication and adaptability from the entire team at the company as we navigate evolving needs of the market. At the heart of this journey is also our R&D initiatives, a cornerstone of our efforts working tirelessly to drive breakthroughs in chemistry and expand into new downstream markets.

Archean Chemical Industries Limited stands out as a prominent manufacturer of marine specialty chemicals such as elemental bromine, A-grade industrial salt and Sulphate of Potash through a natural sea brine as most of you are aware. However, our company is poised for expansion by disrupting and capitalizing on synergies between its core business of marine specialty chemicals and its strategic investments in high-growth sectors such as compound semiconductors and energy storage solutions. However, the core business remains the mainstay of the company's growth strategy for the next few quarters and years.

Coming to the performance highlights and the recent developments on respective products are as follows: Firstly, elemental bromine. It has been somewhat of a mixed quarter for the company as we have seen some broad recovery on the demand side, primarily from the domestic market, whereas demand from export market remains a bit soft.

We expect steady demand in the bromine business with end-use applications either stable or recovering. With the recent stimulus in the Chinese market, we foresee China economy to pick up gradually and the demand for our key products recover as well. We aim to produce in excess of 20,000 metric tons for the year of bromine, including requirements for our own use.

Second, Industrial Salt. Industrial Salt faced a bit of a challenge in Q2 FY '25, primarily due to the monsoon season, as you all know, which was quite extended and extensive in terms of

rainfall. As you all also may be aware, the second quarter typically is a slow quarter for us as the export business remains a bit affected by monsoon.

The prolonged time required to finish product, coupled with difficult transport growth conditions made exports from our side to the ports very difficult. The company also faced a temporary challenge as Cyclone Asna dropped quite a bit of heavy rain and disrupted operations at the production site. However, due to the effort of the team, we continue to operate despite this cyclone. This, however, did lead to some inventory damage, especially on the Industrial Salt side.

As highlighted earlier, we have over 300 trucks involved in loading and unloading from our stockyards for export to the ports. Hence, overall volume stood at 7.5 lakh tons for the quarter. H2 is generally better for our business, and we expect more than a million ton volume run rate in the coming quarters. Our focus will be on enhancing processes and cost efficiencies, while we have historically concentrated on exports, we have started exploring new opportunities to meet growing domestic demand on in salt as well.

Third, Sulphate of Potash. On the SOP side, we continue to see encouraging results in our trials, and we have also taken steps to produce a second grade of Sulphate of Potash, which we're seeing encouraging inquiries from both global and domestic markets. At present, there's a work-in-progress, and we expect meaningful contributions in the next year.

Coming to Acume , our subsidiary for bromine derivative products such as Clear Brine Fluids and PTA synthesis products. Clear Brine Fluids, the initial response on CBF is encouraging, and we have already dispatched a few trials and small orders to clients. We're actively engaging with clients to conduct further trials and define their specific requirements. So we have seen some favorable progress in these products and expect a healthy contribution in coming quarters.

On the PTA synthesis side, polyester derived from PTA synthesis has extensive applications across various industries, particularly in textiles and packaging. As this industry grows and economies expand and the polymer usage rises, we anticipate growing demand for our PTA synthesis products to support these industries.

Oren Hydrocarbons. After receiving the NCLT order in the month of July '24, our team has been actively working on refurbishments and renovations at various production sites of the company. We expect two plants to be fully operational within the next few weeks with meaningful business contributions than anticipated from the Q4 of this financial year. These sites are strategic for our future growth, enabling us to expand our product offerings by adding speciality mud chemicals and CBFs products to serve clients in the oil and gas and drilling industry, which with the recent turn of events, appears to be more attractive or has a more attractive future and a more comprehensive portfolio for our company.

Investments in Clas-SIC Wafer Fab Limited U.K., a U.K.-based company specializing in silicon carbide MOSFETs and device manufacturing. Our company will be investing to the tune of GBP 15 million for a 21.33% equity share capital with a primary subscription of GBP 10 million and secondary purchase of GBP 5 million.

As a part of this diversification strategy, ACIL is making strategic investments in Clas-Sic Wafer Fab Limited, a U.K.-based dedicated silicon carbide wafer foundry with manufacturing capability for SiC devices. This investment aligns with the company's broader semiconductor initiatives through SiCSem Private Limited and secures technology exclusivity in India.

It is a moment of pride for our company as we are the first Indian company to invest in the company with silicon carbide MOSFET devices production capability and will be in the future serving industries like electric vehicles, renewable energy systems, industry power electronics, data centers, et cetera, in both domestic and export markets.

ACIL's core competency in specialty chemicals creates natural synergies with this SiC semiconductor business. The road map from concept to commercialization will take between 2 to 3 years as a part of the first phase of this new initiative.

Investment in Offgrid Energy Labs Inc., Delaware U.S., an IP-led company specializing in zinc-bromide battery technology. We will invest nearly USD12 million in series A fund for the subscription of 21% stake. This investment aligns with ACIL's broader strategy to enter the energy storage sector, particularly focusing on applications in renewable energy, industry storage, et cetera.

The company's bromine business has a direct synergy with ZincGel batteries, which using bromide chemistry for the battery. ZincGel scope zinc bromide batteries offer superior cycle life, safety and cost effectiveness when compared to existing battery technologies in the market, making them ideal for daily discharge charge cycles in commercial and industrial solar applications as well as utility scale grid stability projects.

We will initially support the establishment of a pilot manufacturing facility in the U.K. with an intention to establish a giga factory in India in the near future to scale up the zinc-bromide battery production. Again, road map from concept to commercialization will take 2 years' time, and we will obviously keep our shareholders updated in due course.

Update on the existing capacity expansion. Our company has built a solid foundation over the years in the marine chemicals industry, positioning us well to leverage our expertise in bromine derivative products and new incoming products. Our primary focus continues to remain on establishing lasting collaborations with all customers across all products. We are confident and remain confident to grow gradually in the coming years and will be well equipped to utilize the opportunities that keep evolving with the market as well.

That's it from my side on the update. Now I will hand over to Mr. Raghunathan, our CFO, to run through the financial performance.

Raghunathan:

Thank you, sir, and good afternoon to all the participants on the call. To give you a financial summary of Q2 FY '25 on a standalone basis.

Our company registered a total revenue of INR2,521 million. There's a drop of around 17% on a Y-o-Y basis. The drop is primarily due to logistics-related challenges, which MD also has indicated in his speech.

Our export market contributed around 77% and the remaining 23% that came from the domestic market. This overall revenue, bromine contributed around 38% and Industrial Salt...

Moderator:

Sorry for the interruption, sir. May I request you to please come closer to the mic. Your voice is a little muffled.

Raghunathan:

Bromine contributed around 38% of the total revenue and Industrial Salt is around 62%.

EBITDA for the company stood at around INR898 million for this quarter, Q2, with a margin of 36% and net profit stood at around INR219 million.

We also want to inform you that in this Q2 results, we reported an exceptional item due to the impact of Asna cyclone in Gujarat that occurred in the month of August and in the beginning of September. So almost it prevailed for more than a week or so, which resulted in a loss of 472,000 metric tons of Industrial Salt, which amounts to around INR40.18 crores. We have initiated a necessary claim process with respective insurance companies.

Moving on to H1 results.

Total revenue for H1 FY '25 stood at around INR4,754 million with a drop of around 28% on a Y-o-Y basis.

Export market contributed around 75%. The remaining 25% came from the domestic market. Bromine contributed around 41% of our total revenue and Industrial Salt is at around 49%.

EBITDA for the company stood at around INR1,747 million for the 6 months period with a margin at 37%.

Net profit was around INR703 million.

With this, I conclude the speech and open this floor for a Q&A session. Thank you.

Moderator:

The first question is from the line of Aditya Khetan from SMIFS Institutional Equities.

Aditya Khetan:

I have a couple of questions. Sir, first question is on to the salt business. Sir, into your initial commentary, you have stated that you are expecting so around 10 lakh ton of salt volumes run rate quarterly. So in this assumption, sir, so we are taking all the problems to be resolving like the -- so the Red Sea crisis, which was impacting us and was, secondly, so there was some one-off issue in last quarter also. In this quarter also, there is a one-off. So all these issues seems to be resolving so from the next quarter itself?

Ranjit Pendurthi:

So this is Ranjit here. So thank you for your question. So I think a lot of our salt business, in fact, I would say, majority of it, if not all of it, is focused on the Far East and Asian exports. So the Red Sea crisis as such, I don't think has too much of an impact, maybe a little bit on the freight because that's a global industry. But having said that, I think our customer demand

remains intact. Our long-term contracts remain intact, and we continue shipping under those contracts.

In the last quarter, there were some delays, which obviously we adjusted with the customers. But as such, we don't see any impact going forward. And as you rightly put, I think the last quarter was a one-off. We do have sufficient stocks and none of our contracts have been canceled. We've only taken some adjustment in the delivery dates in the last quarter. But now things are back on track, and the shipments are being done as per the delivery schedules committed to customers.

Aditya Khetan:

Got it, sir. Sir, my second question is on to the bromine part. Sir, into the domestic market, we had witnessed that some of -- so some of the new players have also expanded the capacity. And so they are planning up with a big -- so they are coming up with a big capacity in the next 2 to 3 years. And into your initial commentary, you have stated that -- so the recovery in the domestic market is good and the export market remains soft. So with the new capacities coming in, so don't you feel the competitive intensity would go up in domestic also?

Ranjit Pendurthi:

Well, I think I have said this on earlier occasions as well. The competition is bound to happen in any industry. You can only be a first-time entrant when you discover something new. And I think that's been our position till now. And while the local other players expand, I think part of our derisking and diversification into further value-enhanced chemistries and products, I think this was envisaged a couple of years ago, which is what we have implemented.

So I think I credit the management team and also our on-the-ground site team for implementing these projects. And I think this will probably add to our strength and distinguish us or differentiate us from other players.

Aditya Khetan:

Okay. Sir, but the market of bromine that still remains subdued only. For the last 6 to 8 months, we had witnessed that the price also have been normalized, and it is trading at the lowest levels. And there is no recovery, which is seen in demand in the global markets. Sir, what is the outlook for the next 2 to 3 years? So you see now the pain is over and with ramp-up of volumes, we can see some better days ahead? And what would be the guidance of volumes for FY '25 and FY '26?

Ranjit Pendurthi:

So, I personally refrain from saying the worst is behind us because I think the global market is evolving in ways that most of us have not anticipated or seen. So, I think we have to be taking a step at a time. What we need to focus on is what we are doing. I think our volumes in bromine certainly need to pick up. We have the capacity. We have the customers. These are relationships almost a decade old on the export side and on the domestic side as well.

So one of the, I think, encouraging things is that even the local players on the end user industries are expanding. China is stabilizing. Are we in a comfortable position from a market growth perspective? I think we are not there yet. But at the same time, as a company, are we in a position that where we believe that what we make, we can sell, I think we can, and we are doing that.

Aditya Khetan:

And sir, what would be the expected volumes for bromine, we can touch for '25?

Ranjit Pendurthi: I think, as I mentioned in my commentary, I think we're aiming at in excess of 20,000 tons for the year. So hopefully, I think we are working diligently towards crossing that figure comfortably.

Aditya Khetan: Got it. Sir, my third question is on to the CBF and on to the PTA synthesis business. How is the ramp-up, sir, over there? And is it possible to share the volume figure for these two businesses?

Ranjit Pendurthi: So I'll speak about the ramp-up. I think the ramp-up has been satisfactory. Obviously, we can always do a better job than we have done in the last couple of quarters, but it's taking a bit of time because oil and gas industry -- drilling industry is also subject to a lot of global factors. But at the same time, I think the industry on the oil and gas drilling side, remains healthy. And with recent demand in U.S., etcetera, we think this will continue to be a good area. I think markets like the U.S. probably, given their reemphasis on more drilling, I think will be good for the company in terms of the product portfolio that we are building.

So I believe that I think we're in a good position. And like I said, the trials, I think we have conducted with certain customers for end user industries have been encouraging. Most of them have passed. So we're adding more products, even with Oren Hydrocarbons acquisition. Those plants are getting refurbished or renovated. And I think those products also will add to a bigger basket to cater to the oil and gas drilling industry.

And on the other derivatives side, I think we are making progress, non-oil and gas, like PTA synthesis, et cetera. And I think we started shipping out and exporting some volumes. So overall, the trend is, I think, encouraging, but we have to keep at it. I don't think we can take it easy. We need to keep pushing, and that's what we are doing.

Aditya Khetan: And sir, so the expansion, which we were planning earlier...

Moderator: Mr. Khetan may we request you return to the question queue for follow-up questions as there are several participants waiting for their turn. The next question is from the line of Rushabh from RBSA Investment Managers.

Rushabh: So we are planning to start manufacturing of this high-quality SiC power devices in the next 2 to 3 years. Can you just give a sense what is the domestic market size of these products? And what is the targeted return on capital we are targeting, including the incentives that we may get from the government?

Ranjit Pendurthi: Well, I think the subject is quite large to take on a short earnings call. So -- but I will probably defer it to Rajeev and maybe Rajeev can answer this question as best as he can.

Rajeev Kumar: Thank you, sir. Thanks, Rushabh for the question. The first part of the question was the domestic market size. So SiC devices or compound semiconductor devices, the market is growing. Right now, overall global market size would be around \$2 billion to \$3 billion, and we expect this to grow at a very good CAGR of more than 25% till 2030. So we do expect that in the next 5 to 6 years, the market will increase from the current size of \$2 billion to more than \$10 billion.

The second part of your question, did you ask the government support for this?

- Rushabh:** Asking the targeted return on capital on this manufacturing venture.
- Rajeev Kumar:** So, Rushabh, I think we will wait to answer this, maybe a couple of months because while we have stitched together the project plan, we have submitted it to government and waiting for the necessary approvals. So a lot of that will depend on what quantum of the government incentives, et cetera, we get, which will have an impact on the return ratios. So we will definitely answer the return ratios once we get the clarity on the approval process.
- Rushabh:** And the second question, just on the broad semicon initiative. There are other companies also in talks to acquire stake in this Clas-SiC Wafer Fab? Why did the company choose us and why did we choose them? I just want to understand the thought process here.
- Rajeev Kumar:** No. So the thought process is we have seen and we have been at this Clas-SiC investment initiative for a few months now. Right now, we have the exclusivity of the technology agreement in India, which will continue to be so.
- Rushabh:** Okay. And sir, regarding investment in the Offgrid ventures, we have invested capital. So did we give exit to existing investors? I believe there are already existing set of investors there. Or this was just a fresh capital infusion?
- Rajeev Kumar:** No, this is just primary infusion, Rushabh.
- Rushabh:** Okay. And just last question, if I want to ask. You had Mr. Kannan as a senior leadership team some time back. Just want to understand what is the mandate given to him? Is it for the bromine derivatives or the marine chemicals or new product development?
- Ranjit Pendurthi:** Sorry, so if I can take that question. So Mr. Kannan has joined as Executive Director in Archean Chemical Industries, which is a parent company for all the subsidiaries that we talked about today. So the broad mandate for him is leading and being responsible for all these initiatives, including the primary company, Archean Chemical Industries.
- Moderator:** The next question is from the line of Archit Joshi from B&K Securities.
- Archit Joshi:** So my first one on the silicon carbide investment. We've also had some research funding that we gave to IIT Bhubaneswar, I think a quarter ago, we had stated about that. Now with these two investments in place, what are the synergies you're trying to derive because I think the technology has already been established in U.K., where you have invested around 21%. So is there a plan to bring that technology to India? And how would the research funding that you have given help us in any way? And if you could slightly elaborate a bit more on maybe the 3- to 5-year outlook on this particular venture. How will it shape up, if you can answer those.
- Ranjit Pendurthi:** Sure. So I think, as you know, the semiconductor industry is a large industry, right? So choosing technologies, finding partnerships and getting someone to share the technology is not a very straightforward or easy process. However, the company that we have tied up with in the U.K. and have taken the equity stake is precisely to do that. Now we have access to not just the current generation technology, but we also have access to ongoing future improvements and future technologies as well.

So that's the most fundamental thing that you need to look at when you look at investing in something like this in this industry, right? It's not about today, but it's about years down the line, the capability to deliver on changing technology, updated technology and having access to it is most important. So we have been able to secure that.

The second thing is in terms of the synergy with IIT Bhubaneswar initiative. So we have taken a bit of a different approach. We are working with IIT Bhubaneswar on the research part of actually making silicon carbide crystal, right? This, I think, is being pioneered within India and no one has done it and very few, I think, have done this globally as a comprehensive combined effort within the semiconductor industry in terms of a company doing the silicon carbide as well, crystal growth.

So we are trying to marry the research initiatives with the commercial aspects of developing the silicon carbide wafer fab. So the synergy will come from having our own silicon carbide crystal growth as well as being able to deliver on the wafer fab with the classic investment and tie-up on technology for India.

Archit Joshi: Sure, sir. Sir, this 21% stake that we have done in U.K., does that give enough access from a pure percentage perspective that -- or maybe there would be further investments required to kind of take a much better control of those assets or that particular venture so as to have a better synergy in and around the semiconductor industry in India?

Ranjit Pendurthi: So I think at the moment, our focus is on access. As I mentioned, it's not about control. We have a very good relationship with the U.K. company. And I think our tie-up provides for current and future access to technology. And we don't foresee any more investments into the equity side. I think we have got what we wanted in first phase. But I can't comment about what the future holds. As things may change, as things may develop, we probably will be the first in line to see if any other productive relationship will happen. But at the moment, I think we are restricting ourselves to what we have done already.

Archit Joshi: Sure, sir. Sir, just coming back to the base business. I think we definitely had some ambitions to have flame retardants in our bromine derivatives portfolio. Has that been derailed for the nearer term? Or have we had any closure on that account? Any expectations that we can build into our numbers?

Ranjit Pendurthi: I think it's a commercial call. It's not derailed for sure. I think it's delayed, as I mentioned, I think on the previous calls as well. It's easy to always put capital, but I think we want to take a measured approach. As someone else asked earlier on the call, it's about return on capital invested. So we already have a couple of initiatives going on. We would like to first deliver on these. And then I think the access to flame retardant and the technology and the market will always be available to us.

So we always have a continuous dialogue with the partners on this because having our own bromine is our strength. Even if not now, we can always look at doing the flame retardants in the near future. But it is definitely not derailed. I would say that it's delayed.

- Archit Joshi:** Sure, sir. One last on the base business before I come back in the queue. Sir, if you can share in your opinion...
- Moderator:** Please may I request you to return the question queue for follow-up questions as far as some other participants waiting for their turn. The next question is from the line of Rohit Nagraj from Centrum Broking.
- Rohit Nagraj:** So first question, again on the silicon wafer initiative. So we have mentioned that we are targeting to manufacture these devices over the next 24, 36 months. So is there going to be an exclusive manufacturing by us only for any requirement of the entire company despite we are having maybe 21% stake as of now.
- Ranjit Pendurthi:** I'm going to answer this question in a manner that I have understood it. So please correct me if I'm wrong in my understanding. We are going -- it's going to be a commercial enterprise that's going to manufacture for India and for the global market, India, first, of course, because our need within our country is already there.
- And this is going to be sold manufactured by our subsidiary wholly owned and commercially sold to the market. There's nothing captive about this industry. But as you're also aware, a lot of this depends on what kind of -- as Rajeev, my colleague mentioned on government incentive and support, which we are hopeful of getting because that is also critical.
- Rohit Nagraj:** All right. Just a clarification. So we will be having the exclusive manufacturing rights in India and then distribution across India as well as other markets. Is that correct understanding?
- Ranjit Pendurthi:** Yes. So the agreement is only on the exclusivity of the technology tie-up for India. In terms of manufacturing and sales, it's not bound by any agreement. That's purely our company's prerogative.
- Rohit Nagraj:** Okay. Fair. That's helpful. Second, again, on the second acquisition, the Offgrid Energy Labs. Here, too, we have a similar kind of arrangement that we will be doing the manufacturing on an exclusive basis as far as Indian market is concerned?
- Ranjit Pendurthi:** The investment in Offgrid is a bit different. It's not -- it's a pure ownership into the company because, as we said, the synergy between zinc-bromide and our bromine business. So here, I think we are taking a different position. We will have the opportunity and access to the technology to manufacture of setup giga battery facilities. And alternatively, as shareholders or investors, as you can call it, where we also license the technology to others in other countries to set up similar giga factories.
- Rohit Nagraj:** So, we will be getting probably a royalty from this initiative, wherever we are selling or distributing technology to other players.
- Ranjit Pendurthi:** I would largely think so. I think I would maybe call it like a licensing royalty fee.
- Rohit Nagraj:** Right. And just one last.

- Ranjit Pendurthi:** I think it's a bit premature to structure that and was broadly saying because there can be various combinations of how we benefit with somebody setting up the factory. It could be licensing royalty, it could be also on sales. So I think that structure will evolve as and when we finish our pilot plant and we get to demonstrate the commercial scale, which we're on track to do.
- Rohit Nagraj:** Fair. That's understanding. Just one small suggestion. We've had this exceptional item during this after the Q2 numbers. However, it occurred sometime in the month of August and September. So just a suggestion if you can give it other good corporate governance practice to share this particular detail, so that it doesn't become a surprise element only during the results. So just suggestion from my side.
- Ranjit Pendurthi:** I think absolutely noted, I think the difficulty with something like salt is dissolves in water. And it takes us some time to precisely understand the extent of the loss. So we got around to be able to only quantify this, I think, during the audit time for the Q2 numbers. So we've taken the necessary steps accordingly in terms of information, but the point noted.
- Moderator:** The next question is from the line of Krishan Parwani from JM Financial.
- Krishan Parwani:** Firstly, can you please give sales volume breakup of bromine, salt and SOP for this quarter?
- Raghunathan:** Yes. For this quarter, Q2, the sale of salt is around 792,000 versus 976 in the previous year's quarter. And with respect to bromine, it's on 4,800 plus.
- Krishan Parwani:** 4,800. Okay. SOP is nil?
- Raghunathan:** SOP is at around 27tonnes.
- Krishan Parwani:** Okay. And just a follow-up on that. I think in the initial remark, Ranjit mentioned that bromine production of 20,000 tons is planned for this fiscal. And I think you've already sold close to 9,500. That means very limited divergence to derivatives. So when do you expect this to pick up? And what is the envisage bromine production for next fiscal?
- Ranjit Pendurthi:** So I think the 20,000 will include some part of our captive production -- sorry, production as well. So I've not differentiated between captive and third-party sale, which also is the reason why I said we are trying to push to all in beyond 20,000 for the year. I think for next year, Raghunathan, sir, do we have a projection?
- Raghunathan:** Sir, next year are likely to be at around 20,000, 25,000 tons.
- Krishan Parwani:** Okay. Got it. And secondly, so I think with the new investments that you have done. So can you please highlight the capex for, let's say, various ongoing projects, including the new investment for this and the next year? The total outflow, I mean, if you can highlight the investment into the capex?
- Ranjit Pendurthi:** I think our initial year after this outflow of investment on the equity side, for the next 6 months, we don't see too much of capex apart from what we're doing with Oren, I think maybe I would broadly put with existing initiatives, probably we will probably be between INR50 crores to INR75 crores over the next 6 months at the very most. The newer initiatives, I think, will

probably extend beyond that beyond the 6-month time frame. In the next 6 months, we don't anticipate any large capex.

Krishan Parwani: Okay. So for this fiscal, probably whatever that investment that you have done and INR60 crores, INR70 crores for the Oren Hydrocarbons, that's it? Or is there anything else that previously and the finishing and derivatives?

Ranjit Pendurthi: And derivatives, yes. I would say until March, I think that's a very generous number to take.

Krishan Parwani: So for derivatives, how much should we take? Should we take INR70 crores, INR80 crores or should we take more like INR120 crores. I think.

Ranjit Pendurthi: No, no. No, I would say -- no, derivatives almost finished with the capex. There's not much else left. So that's why I said it is a very generous number, I would say, between INR50 crores and INR75 crores till March, definitely not more than that.

Moderator: The next question is from the line of Sunaina Chhabria from Chola Securities.

Sunaina Chhabria: So I have a couple of questions. First, relating to the new ventures that are there. So with Offgrid Energy Labs, what is the estimated market size that is there globally and in India, and the clients that you are wishing to service, are these in collaboration with Offgrid? Or would this be separate? And are you also planning to further invest in the company?

And my second question and the further question is, what would be like the profit sharing over here or some kind of return on investment, if you could write?

Ranjit Pendurthi: Okay. So maybe, Rajeev, you can take the question and also mention the existing investors in Offgrid.

Rajeev Kumar: Yes, yes. Certainly. So the first part of your question, Sunaina, was on the market size. The current market size for this energy storage is quite huge. It is estimated around \$25 billion globally and expect it to grow over the year. Also the energy storage, stationary energy storage market is growing at a great pace in India. Just to give you a reference, last year alone in FY '24 7 gigawatt hour of storage were awarded, which is roughly around \$1 billion.

Our investment in Offgrid is strategic in the sense right now and this was answered by our MD previously also that the return ratio or expectation or the mechanics in which we will get the return is still not something which has been finalized. Right now, the aim is to enable Offgrid to make the pilot plant, which will help them creating a blueprint for a giga factory.

Sunaina Chhabria: Okay. Got it.

Rajeev Kumar: So also, Sunaina to add, in Offgrid, like we mentioned, the infusion is primary in nature. We are not taking out any current investor. And currently, in Offgrid, you have Shell ventures as an investor. You also have Ankur Capital, which is a deep tech investment firm. So these two companies are already invested there, and they are also participating in the current round, current series.

- Sunaina Chhabria:** Okay. Great. My next question is relating to the Sulphate of Potash vertical. So the revenue contribution from SOP has been on a declining trend. And as previously mentioned, this was due to production being impacted by a high level of sodium chloride in the raw material. So is this a problem that you foresee going on in the future where the -- either the production would sort of stabilize or decrease even more.
- Ranjit Pendurthi:** So I think if I can take this question. So the SOP, like I think we have said before, it's a chemistry problem. I think we have solved for it. We are working with our German partners as well as an Australian consultancies now. So we've already done the trial tests at the lab in Germany. We are going to be visiting them in the next couple of months for doing the pilot test also.
- And we will, before the next monsoon run these tests at a plant scale at our plant in Gujarat. And we believe that whatever modifications and rectifications have to be made will be made. And we continue to remain very bullish on SOP because the product demand -- remains firm and there are very few producers to be able to produce this grade and what I would probably venture to also a risk to say is green brine of SOP, the natural sea brine. So I think you will definitely hear encouraging news over the next year or so.
- Sunaina Chhabria:** Okay. And for the capex that was also mentioned of about INR50 crores to INR75 crores, there is no further capex being done in like the first -- the main three verticals that would be there of Bromine, Industrial Salt and SOP, right? It would only be.
- Ranjit Pendurthi:** Not before March.
- Sunaina Chhabria:** Not before March. And beyond that, is there -- is the company looking into further expanding the capacities?
- Ranjit Pendurthi:** I think at the moment, we've already put in money into both the derivatives as well as the Oren Hydrocarbons acquisition and our main plant in Rann of Kutch. I think we don't anticipate too much capex in these businesses even after March '25.
- Sunaina Chhabria:** All right. And my last question is related...
- Moderator:** May I request that you return to the question queue for follow-up questions, as there are several other participants waiting for their turn. The next question is from the line of Tushar Raghatate from KamayaKya Wealth Management.
- Tushar Raghatate:** I just wanted to know like the guidance which you gave in the bromine of near 22,000 metric tons and on the salts of 4.5 million tons. Do you hold that guidance for FY 25?
- Ranjit Pendurthi:** Sorry, you're not very clear. Can you repeat that question?
- Tushar Raghatate:** So the guidance of the bromine and the salt business was near to 22,000 to 25,000 metric tons for the bromine and for the salt was 4.5 million tons, if I'm not mistaken. So do you hold that guidance for the current financial year?
- Ranjit Pendurthi:** I think give or take, I think there would be a 10% variance to be honest, simply because of the cyclone, et cetera. But I believe that we will continue to push for whatever we've guided.

- Tushar Raghatate:** Okay, sir. And sir, in the salt business, like what percentage of a logistic is FOB and CIF, like what is the mix?
- Raghunathan:** Yes. Mr. Tushar, CIF is 5% to 8%, and almost 92% really on FOB basis.
- Tushar Raghatate:** Got it, sir. And sir, in your new energy business, battery storage. So bromide would be what percentage of the total cost in zinc-bromide battery?
- Rajeev Kumar:** So this is something which depends on the various trees and also the composition of electrolyte in the battery. So the answer is not currently available.
- Moderator:** The next question is from the line of Dipak Saha from KRChoksey Share ad Securities Private Limited.
- Dipak Saha** Sir, on the Offgrid side, the investment that we have done, just one question. It's a pre-revenue company from my understanding. So do they have any particular space there any solution already available or the solution is under discovery currently? And which is where we are trying to run this pilot project.
- Ranjit Pendurthi:** You're asking about the battery project?
- Dipak Saha** Yes. Yes. On the battery side. The investments we have done in Offgrid.
- Ranjit Pendurthi:** Okay. again, I don't know if I understood your question correctly, but I'll answer it to the best of my ability. I think zinc-bromide technology is not new in that context. But I think what Offgrid has done and with their technical capabilities is found ways to make it, one, as we said, in terms of stability, in terms of cost and in terms of reliability, I think they have discovered something that is unique and possibly the only ones in the world who have done what they have done. Now I think the idea is to move into commercial scale demonstration and I think that's what the pilot plant is meant to do.
- Dipak Saha** Okay. And since because of this limitation of questions, just one more question, I'll get back on the queue. So on the Chinese side, I mean, we are dealing with a lot of Chinese players. So recently, we have seen a lot of recovery related stimulus being given on the Chinese front. So any kind of commentary if you can give, what are the early indications we are picking from -- I think we have two of the large players in China are delivering some of your specialty chemicals. So if you can just highlight that what is the incremental commentary on trend we are picking from China front?
- Ranjit Pendurthi:** I think you asked me a very global question. I don't know how many experts there are out there, who are trying to still figure out what goes on in China. So I won't claim to be one of them. I think from our own little exposure to the Chinese market in terms of what we do. I think the companies we deal with a large, very stable and they're fundamentally sound. And I think from what our demand is looking like, I think we are continuing to see a stable demand from our customers.

Yes. I think prices across all industries, not just chemicals, but I think across all industries, I think is a bit of a challenge and a bit of a struggle in China. And we will not be an exception to that. But I think, as I mentioned in my earlier commentary, that as the market evolves, suppliers, we also have to evolve. But I think we have to keep an eye on the longer-term benefits of these relationships.

Moderator: We will take that as the last question. I now hand the conference over to the management for closing comments.

Ranjit Pendurthi: Thank you, everyone, for joining us today. We appreciate your support and your patience as our company continues to perform and deliver on its various strategic initiatives, and we continue to be encouraged by your faith in the company and what we do and showing interest and taking the efforts to reach out to us.

In case of any queries, please feel free to get in touch with us or SGA, our Investor Relations advisors. And we look forward to meeting all of you shortly over the next call over the next few quarters. Thank you, and wish you all a very happy and prosperous New Year and Merry Christmas as well as we will probably be talking after that in the new year. Thank you once again.

Moderator: Thank you very much. On behalf of Archean Chemical Industries Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.