“Camlin Fine Sciences Limited

Q1 FY26 Earnings Conference Call”

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MODERATOR: **MR. RAHESH BHAYANI – INCRED CAPITAL WEALTH PORTFOLIO MANAGERS PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Camlin Fine Sciences Earnings Call for Q1 FY '26. 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.

I now hand the conference to Mr. Rahesh Bhayani from InCred Capital Wealth Portfolio Managers Private Limited. Thank you, and over to you, sir.

Rahesh Bhayani: Good evening, everyone. On behalf of InCred Equities, I welcome you all to the Camlin Fine Sciences Q1 FY '26 Earnings Conference Call. We have with us today Mr. Ashish Dandekar, Chairman and Managing Director; Mr. Nirmal Momaya, Managing Director and Mr. Santosh Parab, Chief Financial Officer. I would like to thank the management for allowing InCred the opportunity to host this call.

I now hand the conference over to Mr. Ashish Dandekar from Camlin Fine Sciences. Thank you so much and over to you, Ashish, sir.

Ashish Dandekar: Thank you. Ladies and gentlemen, a very warm welcome you for the earnings call of this first quarter. As is our convention, Santosh Parab, our CFO, will give you a brief and run you through the quarter's results and issues, after which both he and Nirmal Momaya, our Managing Director, will be there to answer your queries. So I'll hand it over to Santosh now. Santosh?

Santosh Parab: Thanks, Ashish. Welcome, everybody. Good evening. By this time, I think you will have got our investor presentation also and UFR, which was hosted on the website and also on the stock exchange. As you can observe, our revenue have been at INR423 crores as compared to INR437 crores of last year. There's a slight decrease. The major decrease is because of the dip in the Speciality Ingredients Straights sections where there were lower revenues.

And, of course, two aspects have impacted this lower revenues. One was we have taken an annual maintenance shutdown in the month of April in all our Dahej facility as well as Tarapur facility. So both throughput and output were impacted. This is an annual exercise. Every 12 to 18 months, we had to take one shutdown.

This impacted the production also and of course, the margin. There was an unabsorbed fixed cost in the month of April of around INR12 crores. We -- however, the other two main verticals, which are the hallmark and which has been the growth story of the company, the Blends business, which has witnessed a strong growth in almost all our geographies. Vanillin business also has been stable.

As you are aware, there are channel stocks lying in the main 2 geographies of Europe and U.S. where the antidumping duty is there and there are fairly attractive prices, which are going up.

We are observing that there are channel stocks. So the -- to maintain the revenues at what they are and the volumes has been a really nice performance.

If you would have seen, we have also had an increase in employee cost. We had paid one-time performance bonuses to our Blends business. The Blends business, as you know, has been growing at a very, very fast rate, and it was imperative that we reward the efforts of our employees, so one-time performance bonus of around INR7.5 crores was paid to the employees mainly in Mexico and the U.S.

We have been strengthening our teams in Blends business largely on the sales side, where we have been recruiting sales people. The new employees have also increased, and that is also reflecting in the increase in the employee cost. As you can see, the other expenses or the other operating expenses have been fairly under control.

We have been able to control it despite the slowness, some of the plants were not working in this, but the fixed costs are under control. At the end, with the impact of lower production, higher unabsorbed costs and some onetime employee cost, we have seen a dip in EBITDA.

We have clocked around INR19 crores of EBITDA, which is only 4.5% of EBITDA margin. But this is a one-time thing because of the annual maintenance shutdown taken in the month of April. As far as margins are concerned, the operating margins and the product sale margins have reduced from 48% to 44%, mainly on account of lower production.

As you know, these are very sophisticated high-temperature plants and when we close and we restart, there is higher consumption of product, and that has impacted around 2% to 3% of our margin. But all other margins we have been holding on. The prices are stable, fairly stable on both the sides on the revenue as well as raw material side in this quarter.

Vanillin business, we had a small dip in the revenues by around INR5 crores, but volumes have been fairly almost same. Prices are going up, but in this quarter because we are observing the channel stock, as I said, the average realization has not gone up as we had expected. The production of vanillin in this quarter was, if we exclude the closure dates or the maintenance dates, it was around 50% of the capacity utilization. At present, we are running the plant at 60% capacity utilization.

So the two main verticals are doing well, and we think that the states will come back. There is sluggish demand. There is Chinese issues all over the world, as you know. And of course, Trump tariff is there. We are closely watching. We know that this can have an impact on our business, especially in the vanillin business.

We are concentrating more on U.S. However, other than that, we don't have much exposure in U.S. The U.S. -- income of blends manufactured in U.S., it's a local business so we are not -- we will not be impacted from that because it is a local business service from Mexico. So -- and we have not been selling any other major raw material, only a few crores is sold to U.S. So thank you. I will now hand over for question-and-answer session. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Raman KV from Sequent Investments.

Raman KV: Sir, my first question is, I just want to understand how much is the one-off for the entire quarter? And can you just break down like how much was with respect to the employee bonus, and with respect to annual maintenance shutdown, etcetera?

Santosh Parab: So as I said, I'll repeat the numbers. We had unabsorbed fixed of about INR12.5 crores in all our plants in the month of April and around INR7.5 crores was paid for one-time bonus to the employees of Blends. Apart from this, there was no -- as I said, we also had 2% to 3% of margin loss because of start-up of plants. We had closed the plants. We started the plants. The first dosing, the consumption increases. That will be around 2% to 3%, that will be another INR7 crores to INR8 crores.

Raman KV: Okay, sir. Sir, and my second question is, with respect to the Blends business, right? So in the previous call, you mentioned it's the high teens margin. So if I'm doing the calculation, even if I'm -- if my understanding is right, it should have fetched during this quarter around -- even if the margin is 10%, around INR23 crores of EBITDA, but our entire EBITDA is INR19 crores. So was there any impact on the Blends business margins?

Santosh Parab: So we have been saying that, yes, when the Blends business is mature, it does get a high teen margin. But as you know, there are a couple of geographies, which are very mature, especially Mexico, where we have 17% plus EBITDA margins, in America also, it's around 15%. But there are other geographies like India or Europe and the Vitafor piece, these are growing businesses where the margins are in the range of 8% to 10%. So the overall margins are not 17%, 18%, but sub-12%, 13%.

Raman KV: Okay, sir. And my final question is with respect to the vanillin business. Sir, what were the prices of -- what was our selling price of vanillin in quarter 1 and what are the prices now and will our realization be impacted with the U.S. tariff or is it a pass through?

Nirmal Momaya: In the first quarter, our average utilization was $12.5. And currently, it is slightly above that as we go forward. The antidumping duty levied on the Chinese producers for vanillin in the U.S., that's only to the U.S and it is not applicable in other markets. For the Chinese, it's 280%. For us right now, currently, the tariff is at 50%, which is a moving target because in the last few days, a lot has changed, but we don't know where it will go and settle.

So we yet have a very highly competitive position versus our Chinese competitors. So I don't -- so our understanding is that we will be highly competitive and we should be able to gain market share in the U.S. market. As far as Europe goes, there are no tariffs. There's just an antidumping duty on the Chinese producers at 131%, and that continues. And for us, there is no other additional tariff.

Raman KV: Sir. And one just out -- with respect to Europe, have you started any commercial export of vanillin to Europe or have you signed any contract for foreseeable export to Europe?

Nirmal Momaya: We started sales to Europe. And right now, Europe is on holiday. So it starts -- the business starts in September. So we expect to start negotiating for contracts for the next year for January. So that's expected in September, October.

Raman KV: And, sir, in the previous quarter, you gave a guidance of INR65 crores to INR70 crores of EBITDA run rate every quarter. So I mean this has been like a one-off quarter. Can we expect this guidance going forward? Or are you planning to revise it?

Nirmal Momaya: No. So it's -- we have not actually guided anything specific. All we are saying is that our vanillin business will work at about -- the estimated volumes are at about 2,500 to 3,000 tons. This is what we are saying. Expected realizations would be in the $13 to$14 through the year average for the year. And we continue to hold that as going forward. We continue to hold our Blends business growth. So I think overall that's what we are guiding.

Raman KV: So 20% Blends business growth is intact, right?

Nirmal Momaya: Yes.

Moderator: The next question is from the line of Chaitya Doshi from InCred Equity.

Chaitya Doshi: I have a couple of questions. The first one is, sir, as observed that CIF U.S. prices for methyl vanillin were around $16 per kg for June. Could you confirm if this aligns with the realization? And any -- like if you can share the price trends that you're seeing in the export markets?

Santosh Parab: So I don't know from where, but when we are selling, as you know, we are selling to our subsidiary and the subsidiary ultimately sales. So in consolidated sales when India sells to North America, it doesn't reflect. Obviously, when we get a higher rate contracts in U.S., we will sell with some discount from India.

So there are some transactions, which could be at $16, but that's not the average realization price at present. There are transactions with $16, but that's not the rule because the sale is on the basis of quantity also. So smaller the quantity, higher the realization. But when we are -- when we get an order and we transfer from India, we do discount it and sell at discounted price to them. So some prices would appear to be very high.

Chaitya Doshi: Okay. And sir, what would be the current retail or end user price range for vanillin in the U.S. market?

Nirmal Momaya: Currently, it would be at about $18 to $19.

Chaitya Doshi: Okay. And sir, with potential tariffs on Indian vanillin exports to the U.S., can you clarify how currently -- like who currently bears the cost of these duties, like our company, distributors or the end users?

Nirmal Momaya: It's always the importer, whoever is the importer has to bear the duty.

Chaitya Doshi: Okay. And going forward, how do you plan to manage like in the next -- if the 50% tariff is planned on, so how do you plan to go on?

Nirmal Momaya: No. Whoever is importing our products will have to pay the 50% tariff. And like I explained earlier, our competitors in China are at 280% with the antidumping duty and tariffs on China. We are competitive versus that.

Chaitya Doshi: Okay. And the last question, what is the current vanillin production level in absolute terms or capacity utilization percentage?

Santosh Parab: So during the quarter when we were producing, it was around 50% capacity utilization, as I said in my introduction. And at present, we are running at 60% capacity.

Chaitya Doshi: And when can we expect it to reach like 100%?

Santosh Parab: It's a market, say, right, because we can reach 100% tomorrow, but we have to match the market demand.

Nirmal Momaya: So the demand expectations are that the channel stocks should clear out by the next few months and the real demand should start showing up what ultimately is going to be the real demand coming from Europe and U.S.

Moderator: The next question is from the line of Jatin Sangwan from Burman Capital.

Jatin Sangwan: Sir, you mentioned that you had some impact on gross margin also because of your plants shutdowns and also what's your sustainable gross margin number that we should look at without including the impact of vanillin that will come in, and of course, losses of catechol will go away, but let's say, is it sustainable gross margin for you?

Nirmal Momaya: It will be in the region of 40% to 45% gross margins in that range, 2% or 3% up or down will be sustainable. So we are at 44%, it could go to 47%, 48%. It's 2% or 3% up or down from where we are.

Jatin Sangwan: So we are saying that we are in the range of our sustainable gross margins?

Nirmal Momaya: Yes.

Jatin Sangwan: So the last 2 quarters, we were showing 50% plus gross margin that there were some one-offs in that. And going forward, gross margin would be around 45% plus minus 2%?

Nirmal Momaya: Correct.

Jatin Sangwan: And sir, you mentioned that the prices in U.S. for vanillin are $18 to $19. Can you give some color around what are the prices in Europe and other geographies?

Nirmal Momaya: So Europe would be about $14 to $15 right now. Like I said, again, there is stock in the channel, which is getting cleared. Once that gets cleared, we'll have a clear idea of where this price will go and stabilize. But going by the antidumping duties, I think Europe will be at $15, $16 and U.S. should go up further than northward of $20. And rest of the world, the market prices are -- the Chinese prices are between $7.50 to $8.

Jatin Sangwan: Got it. And sir, when we say that we will do 2,500 to 3,000 tons of vanillin, so how much are we expecting from U.S. and how much from Europe and how much from rest of the world?

Nirmal Momaya: So I would say U.S. and Europe should be at about 1,800 to 2,000 tons depending on, like I mentioned, about the channel stock and 600 to 800 tons will be rest of the world.

Jatin Sangwan: And sir, once this channel stock gets cleared, our U.S. plus Europe combined is around 7,000 to 8,000 tons of market. So by when we expect to reach full utilization for vanillin because since there is not much capacity available outside China?

Nirmal Momaya: Correct. So the estimate is that we should be at about 70% to 80% capacity utilization in FY '27. And I think there we'll get a clear idea, but FY '28 is what we are saying we should be at a full capacity utilization.

Moderator: The next question is from the line of Surya Narayan Patra from PhillipCapital India Private Limited.

Surya Narayan Patra: My first question is on the impact at the EBITDA level because of the plant shutdown. This is which plant maintenance that you have indicated, sir?

Nirmal Momaya: Both sides, Dahej and Tarapur because they are interconnected. So we took a shutdown in both sides.

Surya Narayan Patra: Okay. So this is the annual -- this quarter, timing-wise, this is also the annual time line for maintenance shutdown or how is it, sir?

Nirmal Momaya: Right. So it's basically between 12 to 18 months. We've been taking these shutdowns. So last time we had divided into actually 2 parts. We had not done one single one. But here, we had a boiler inspections, we have to upgrade the boiler, so we took the shutdown for the entire maintenance. So that for the next 12 months, we don't need to -- or at least for 12 months, we don't need to take any other further shutdowns.

Surya Narayan Patra: Okay. So then put together, it is a kind of 2%, so INR7 crores, INR8 crores as well as the INR12.5 crores, almost INR20 crores kind of impact relating to the plant shutdown and the restarting of the plant. Is that right understanding?

Nirmal Momaya: That's right.

Surya Narayan Patra: Okay. Sir, now with regards to vanillin business. So is it -- see, the tariff is also there, which is an uncertain thing currently, but it is high also, 50%. And on the contrary, we are also kind of having a significant advantageous position to the competition. Practically, we are the second player to solve -- to cater to the U.S. and European demand in this current situation. So if that is the case, is it right to think that whatever tariff, whether it is 25%, 50%, whatever the tariff, that will be passed on only, we will not bear anything?

Nirmal Momaya: Correct. See, the way to view it is that there is an antidumping duty and tariffs on our competitors from outside of these 2 geographies, which is -- in U.S., it is 280%. In Europe, it is 130%. So --

and ours is 50% in U.S. and in Europe, it is the standard 5.5%. So there is 131% plus 5.5%, we are at 5.5%. So we have a distinct competitive advantage over our competitors.

Surya Narayan Patra: So hence, ideally, we should not be bearing this tariff pressure at all because it is a -- since being -- we are the only second player for the U.S. market. So then it is a response...

Nirmal Momaya: But yes, you're right in a way, but what -- the way you have to look at it is that there's a limit to what you can pass on also, right? Because the competitors come in, if it is more than 280% of what they have to pay, then of course, they also come into the market. This becomes viable for them.

Santosh Parab: So if we try to sell at $20, it becomes a $30 product to the end customer, right? And then suddenly, the Chinese will be interested, because then they get more than $8.

Surya Narayan Patra: So even if it is passed on to the importer, but we have to bear something because we have to compromise on the realization front.

Nirmal Momaya: Correct.

Santosh Parab: Yes.

Surya Narayan Patra: Okay. So is it possible, sir, that instead of focusing on the U.S., given the -- if it is like, let's say, 50% and likely to sustain this way, so can we manage -- since it is a 2-player market for the 2 major regions, so can we focus largely on the European side and vacate the U.S. market for Solvay? And can Solvay cater the entire demand of the U.S. from U.S?

Nirmal Momaya: See the way to see is that what will be ultimately the net realization that we get in our hands. Where will it be more lucrative, we will focus more on that. Today, the U.S. and Europe to us even with the 50% are more or less on the same line, maybe U.S. is even slightly better today even with a 50% tariff. The realizations will be better going forward in the U.S. than they would be in Europe. So I think it is better as a strategy to keep a balance and to be in the market because you have customers in both key geographies who are going to buy from us. So the large F&F companies have multi-locational supplies, and they expect us to supply in both these locations.

And I think it is safer for us to be servicing both of these, even though one may be slightly more profitable than the other to have a face in front of the multinational customers, which is that we are a stable supplier, and we can service them across the world, which only our principal competitor out of Europe and U.S. can do, the Chinese cannot do that.

So that's why I think that's a very strong position for us to be in and to take -- in the market is to be able to service them across all geographies.

Surya Narayan Patra: Okay. Sir, since the anti-dumping duty got implemented in the last week of July itself, so when one should think about commencement of the supply deals, the annualized supply deals of vanillin with the large customers?

Nirmal Momaya: So generally, these deals are finalized October, November because from January, they need the material. So with the lead times of at least 60 days for shipping, they typically look at September, October to try and finalize these.

Surya Narayan Patra: Okay. So then is it...

Nirmal Momaya: Like I said, we don't know what is in the channel, what stocks is in the channel. But our estimate is that stock also should not -- the overhang of that should not go more than 3, 4 months.

Surya Narayan Patra: Okay. So then in that case, from both the angle, from the inventory -- left out inventory in the channel level angle as well as the kind of a new contract commissioning. So from both the angles, one can believe that the true benefit of vanilla ramp-up will be seen from the October, November, December quarter, means the third quarter of FY '26.

Nirmal Momaya: Correct.

Surya Narayan Patra: Okay. And sir, is there a compulsion for us to sell in the non-U.S., non-Europe market for vanilla?

Nirmal Momaya: Not really. But some of the multinational customers, we would have to give some material at least in those other markets to prove our second supplier source in each of the markets, at least in major markets, yes.

Surya Narayan Patra: Okay. Sir, now just -- see, obviously, vanilla is a greater opportunity of course for the near future. But if you can talk something about your Blends business, which has been consistent? And also, if you can possibly give some monitorable there, like, generally, we have been seeing the growth for this business, which has been very consistent. And I think in the difficult times of the European losses and all that, so that was a business which was kind of bearing all the kind of -- or observing all the kind of negative.

So now all those negatives are out. So this business anyway is growing consistently. So on the profitable -- true profitability of the business will be reflected now onwards, ideally. So what growth as well as what change in the profitability for the Blends business that one should see going ahead?

Nirmal Momaya: So when you look at, say, different geographies where we are in, and each are at different levels of advancement. When you look at, say, Central America which is Mexico, we are at an advanced level there where revenues this year should be over $50 million. And EBITDA margins will be in high teens to touching maybe 20%.

When you look at the second most advanced development for us is North America, where, this year, we should probably end up at about $35 million -- between $30 million to $35 million with a 10% to 12% EBITDA margin. Next year, that same thing would be $50 million plus with a very high-teen margin.

Then comes Brazil, where we are at, say, this year, we should do about $25 million to, say, $28 million. And the margins again there, because it's a lower advancement, will be in the region of 10%.

Next year, the same thing will look like at $35 million to $40 million, it looks like a mid-teens kind of margin. Then you come to CFS Vitafor, which is at $15 million this year, $15 million, $16 million, with a margin of between 5% to 10%. Next year, the same thing will be at an advancement to $25 million, where it will be northwards of 10%.

So it's at different levels. And the growth, as you see in these different geographies are all -- the target is to grow in all the geographies at least at 15% and some of them more than 15%, so that the average at least comes to 20%. And the EBITDA margin evolution for each geography starts going towards what, say, like Mexico's advancement is.

Surya Patra: Sir, it is -- so for a better understanding about the profitability, generally, food additives are also believed to have a margin profile north of 25% also. So whether there is a threshold limit beyond which the margin really expands faster? Or how do you monitor whether it is -- growth is linked to, let's say -- sure the capacity is not relevant because it is with limited capacity, significant volume can be created.

So capacity is not the parameter. So how do you monitor whether it is the people based on which you monitor the business or it is -- on what investment level that you monitor the business to expand to a certain level?

Nirmal Momaya: So basically, the business is defined by gross margin and people. So gross margin average for the Blends business is 35% to 40%. Now in the product mix in some markets, you may be having a better product mix, which gives you better gross margins. So your EBITDA levels could possibly be higher at some point. The balance is always to what are the kind of investments you make in terms of salespeople, technical support and application laboratory people in all these departments, where that drives the sales.

So the drivers -- the key drivers of the sales are those people. So like, for example, in this year, say, in Q1, we've increased our strength in the U.S. by almost 35% in the last 6 months. So obviously, we are investing from the EBITDA in the U.S. Now the impact of that will come from, say, Q3 and Q4 because it takes 6 months for a person that you've got in to start delivering on new businesses.

So for us, it's a balance of keeping in mind that what are the gross margins in the market, which are the products, which is the focus area and what are the people that we require to push more in that focus area. That's what drives the business. Then there are some businesses which are, like, say, for example, antioxidant business, which is where we are fully integrated. That becomes a door opener. Maybe the gross margins for the Blends business may be a little lower there because -- but that becomes your door opener into a market.

So again, it depends on the market. It depends on strategy for each market, where it is, what is the level of maturity of the market, what is the level of maturity of us playing in the market,

what is the product mix, what are the products that essentially where we have significant advantage over competition is. It's all defined by a lot of these things.

Surya Patra: Sir, then this recent 2 acquisitions particularly...?

Moderator: Sorry to interrupt. Mr. Surya Narayan Patra, we request you to re-join the queue as there are several participants waiting in the question queue. The next question comes from the line of Satish Kumar from InCred.

Satish Kumar: This question is regarding the gross margin. What is the gross margin that you estimate ex vanillin? Because when we were not selling vanillin, we were making a gross margin of around 46%, 47%. So what sort of margin we can expect ex vanillin?

Nirmal Momaya: Yes. So that's the margin will continue at that. This is what I mentioned earlier, that we'll be in that range. And vanillin margin, of course, will get defined by ultimately at what price the market settles that. But yes, it's -- as it stands today, we are in this range of 45%, give or take, 3% up or down.

Satish Kumar: Yes. So -- and if the vanillin goes up or down, then it will increase or it may decrease our margins, right?

Nirmal Momaya: Yes. Correct.

Pritesh Chheda: And sir, just to re-check. So when we were selling Blends, when we are selling Blends and Straights, then what sort of gross margin do we expect only in vanillin and Straights sorry, only in Blends and Straights?

Nirmal Momaya: So Blends, our typical gross margin is about 40%. And in Straights, for the hydroquinone chain, it will be more than 40%. It will be probably closer to 50%. And for the catechol chain, it will be closer to 20%. So that's how the average margin then comes to around 45%.

Moderator: The next question is from the line of Chaitya Doshi from InCred Equity.

Chaitya Doshi: Sir, I have a couple of more questions. So first one is that how much vanillin have we sold this quarter in the U.S. as compared to the last quarter?

Santosh Parab: So it was almost the same amount of vanillin, which we sold to U.S.. this quarter.

Chaitya Doshi: Can you give this a number?

Santosh Parab: It's an internal sale actually. You should ask me what I sold to the third party. The third-party sale on consolidated basis was around 540 tons.

Chaitya Doshi: Okay. And sir, the production cost -- what is the production cost for 60% utilization?

Santosh Parab: So 60% utilization, the production cost will be in the range of between $9.25 to $9.75 based on the core value.

Moderator: The next question is from the line of Dhavan Shah from AlfAccurate Advisors.

Dhavan Shah: My question is on the vanillin side of the business. I think you mentioned that there is an inventory of roughly 1,800 to 2,000 tons in U.S. and Europe and around 600 to 1,200 tons for the rest of the world. So if you can help us to understand how much is the demand from U.S. and Europe annually? And how much is it from rest of the world?

And versus that, how is the supply environment? I mean, we have roughly 6,000 tons of capacity, we are running at 50%, 60% right now, and Solvay is also there and the Chinese are also there. So if you can help us to understand on the demand-supply dynamics of vanillin at the moment? And by when do you expect this inventory will be over, if you can help us on this part?

Nirmal Momaya: Sorry, I didn't understand your question because the inventory, we don't know what the inventory is in the channels in U.S. and Europe. That is unknown to us.

Dhavan Shah: You mentioned earlier, I think in the earlier question...?

Nirmal Momaya: 12,000 to 14,000 tons. Yes, so 12,000 to 14,000 tons is the demand of U.S. and Europe and about 16,000 to 18,000 tons is the demand for the rest of the world.

Dhavan Shah: Okay. And how is the supply environment at this moment? And inventory, by when do you expect this inventory will get over -- excess inventory that you are seeing from U.S., Europe?

Nirmal Momaya: U.S., Europe was pretty antidumping duty. The inventory has been built up. Difficult to say we don't know the numbers. So very difficult to answer that question. But we estimate that probably in the next 3 to 4 months, that inventory should be largely cleared.

Dhavan Shah: Understood, sir. Understood. And let's say, right now, you said that vanillin price is $13, $14, and assuming that 50% duty right now from U.S., so our landed cost would be around $20, $21, right?

Nirmal Momaya: Yes.

Santosh Parab: Chinese…

Dhavan Shah: Correct. And Chinese is roughly $28 at this moment?

Nirmal Momaya: Right.

Dhavan Shah: And how much is the Solvay cost?

Nirmal Momaya: Costing, we don't know what. But their selling market price is $20. Like I said, they're at $18, $19, but they'll probably take it closer to $25 once the inventory is cleared, they don't want to obviously push in the market right now. So our estimate they'll take it to about $25.

Dhavan Shah: Understood. And let's say, if the tariff -- you said that by September, October, there will be the new contract revision for the next calendar year. So let's assume that this tariff won't go away, this 50% will remain at least for the next 1 or 2 months, okay? And if that negotiation happens,

then do you foresee -- will there be any upward revision of the vanillin price or you will revise -- you will maintain the price of $13, $14 for the next calendar year?

Nirmal Momaya: Very difficult to say at what point the tariffs will go. So essentially, what we are -- what we will naturally try and do is give them a price, which is the delivered price, which will obviously take care of the 50%. So the pricing will be a little higher. So if it goes away, we get the higher price, if it doesn't go away, we get a lower margin.

Dhavan Shah: But 50% tariff will remain the same. You are saying that you'll revise the price upwards when the negotiation happens. Is that correct?

Nirmal Momaya: No. I'm saying that the price in the negotiation will be defined by what the competitors are doing. So Chinese will come in at $28, Solvay will come in at maybe $24, $25, I don't know what price they will come in at. So we have to see if we even land up at $20, for example, or $21, that is including the tariff. If the tariff doesn't come, we get the $21. If it comes, we'll get $40.

Dhavan Shah: And let's assume if by the end of this month, if there will be more tariff on India, okay? And if your landed cost would go up to $25, and if the tariff doesn't go, then will there be any clause in the contract that if the tariff goes away, maybe within the next 3 to 4 months, the price would be revised afterwards? Will there be a clause or the price will be fixed?

Santosh Parab: Generally, these are fixed rate contracts.

Dhavan Shah: Okay. Okay.

Nirmal Momaya: U.S. it's all unprecedented, no tariff has ever been like this. So it's very difficult to say what people are going to do as a buyer, what their strategy will be.

Santosh Parab: And we don't know whether this is the end. Tomorrow morning, we can get a Tweet with 150%.

Nirmal Momaya: No, no, who knows or zero or 15% or 20%, who knows.

Dhavan Shah: Understood. And you said that by FY '20 -- I mean, in FY '27, we are assuming 70% to 80% capacity utilization on vanillin. So how much of that -- I mean, 40 to 100 tons whereas assuming the sales volume for vanillin, how much of that would go to Europe?

Nirmal Momaya: About 40% to Europe, 30% to 40% to U.S. and balance rest of the world.

Dhavan Shah: Understood. Understood. And European contract would also be negotiated by September, October only?

Nirmal Momaya: Correct.

Dhavan Shah: Understood, sir. And this quarter shutdown, was it there in the last year also the same quarter?

Nirmal Momaya: It was in the year before last.

Santosh Parab: You have seen in the last quarter result, the plants were at full capacity and hence, we had to take the shutdown.

Moderator: The next question is from the line of Kritin Arora from Stallion Asset.

Kritin Arora: Sir, as you mentioned, some of the tariffs will be borne by the company. So what initial discussions with your customers suggest in terms of the ratio of tariffs that will be borne by Camlin?

Nirmal Momaya: The price is inclusive of delivered price to customers. That's what he's interested in. I explained this whole thing in the last question in detail.

Santosh Parab: See, tariff is to be borne by the importer. So we have to send the material at his stop or at the doorstep in U.S., and he has to clear it. Custom duties will be paid by the way. Nobody wants to share this cost right? You can only adjust your selling price.

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

Rohit Nagraj: Sir, you just mentioned that about 80% of vanillin sales are coming from Europe and the U.S. How much of that is generally contracted and how much of that is on a spot basis?

Nirmal Momaya: So we look at probably 50-50 mix.

Rohit Nagraj: And in the rest of 20%, do you feel that there will be a larger pressure in terms of pricing given that all the Chinese players will be eyeing on this market and possibly even the volumes will be subjected to some challenge?

Nirmal Momaya: Yes. The volume is okay. The price will always be challenged by the Chinese. But since we have high-purity, high-quality vanillin, we have some opportunities in some high value-added F&B products. So that's the market that we are targeting. We're not targeting the regular market. We're targeting very specific high-end consumers who require high-quality, high-purity vanillin.

Rohit Nagraj: Got that. Sir, just last clarification. In terms of the current tariff scenario, when we are -- I mean, are we getting any orders from the U.S. market? And if we are getting those orders, are those backed by advance payments? Or how does it exactly work? Because we sell the material if the shipper is -- I mean the customer is not able to lift the material, will there be a risk of any payment cycle, which may get elongated?

Nirmal Momaya: No, no. They are all multinational customers and very large customers. So that doesn't happen. If you sign a contract, people generally in the west honor contract.

Moderator: The next question is from the line of Jatin Sangwan from Burman Capital.

Jatin Sangwan: Sir, our losses in China and Europe have reduced to around INR6 crores per quarter now. So by when do we think that they will completely go away and...

Nirmal Momaya: Yes. So China should go away this financial year, by the end of the FY '26, I mean, we should be by the end of the year, China will go away. Europe, we yet have to maintain the site. So there

will be some cost of keeping that mothballed site, which we have said that our estimate is it will be about INR2 crores a quarter in the next financial year.

Santosh Parab: But this financial year, we will have a similar run rate of around INR5 crores per quarter on Europe.

Moderator: Ladies and gentlemen, this was the last question. I now hand the conference over to the management for the closing comments. Thank you, and over to you, sir.

Ashish Dandekar: Thank you. Thank you. Ladies and gentlemen, thank you for giving us your precious time and I hope we were able to clarify most of what you wanted. I look forward to interacting with you again. Until then, goodbye.

Moderator: Thank you. On behalf of Camlin Fine Sciences Limited, we conclude this conference. Thank you for joining us. And you may now disconnect your lines.