“Bodal Chemicals Limited
2Q FY27 Earnings Conference Call”
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MODERATOR: **MR. PANKAJ MOTWANI – EQUIRUS SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Bodal Chemicals Limited 2Q FY27 Earnings Call, hosted by Equirus Securities Private Limited. 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 touch-tone phone.

I now hand the conference over to Mr. Pankaj Motwani from Equirus Securities. Thank you, and over to you, Mr. Pankaj.

Pankaj Motwani: Thank you. Good evening, everyone. On behalf of Equirus Securities, I welcome you all to the Q2 FY27 Post Results Earnings Conference Call of Bodal Chemicals Limited. From the management side, we have with us Mr. Ankit Patel, Executive Director; and Mr. Mayur Padhya, CFO.

I will now hand over the call to Mr. Ankit Patel for the opening remarks, post which we can open the forum for the Q&A session. Over to you, sir.

Ankit Patel: Thank you very much. Good afternoon, everybody. On behalf of Bodal Chemicals Limited, I extend a very warm welcome to everyone for joining us on the call today. On this call, we are joined by our CFO, Mr. Mayur Padhya.

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's website. We will give you a quick overview of the company's performance, and then Mr. Mayur Padhya will walk you through the operational and financial performance in detail for the quarter.

We are an established integrated chemical company in India with a presence across dye intermediates, sulfur chemicals, chlor-alkali, benzene specialty derivatives and water treatment chemicals. We operate 8 plants across Gujarat, Punjab, Uttar Pradesh, and we also have 4 foreign subsidiaries. As Indian suppliers emerge as preferred partners globally, we see opportunities for further growth.

To put our recent performance in context, let us review the company's performance over the past several years. FY13 to FY20, the company consistently performed well. FY21, despite the widespread impact of COVID-19, the company reported a net profit of INR40 crores. FY22 performance was strong. FY23 till FY26, performance was weaker, reflecting both external headwinds and operational challenges.

The post-COVID recovery in demand for dyes and dye intermediates faded rapidly from FY23. Major Western markets, particularly U.S. and Europe, faced several challenges, elevated inflation and significant central bank interest rate increases, geopolitical disruptions arising from the Russia-Ukraine conflict, disruptions to shipping routes in the Red Sea, tariffs imposed by the U.S.

Apart from these external factors, stabilization of our benzene downstream plant took longer than expected because of the integration of several foreign technologies, initial operational issues and delays in approvals from pharmaceutical customers.

Together with the external headwinds, these challenges prevented us from achieving our intended profitability. The plant has significant overheads, making low capacity utilization a source of losses. In each of the preceding 2 years, it recorded an EBITDA level loss of approximately INR30 crores.

In the TCCA business, antidumping duties on imports from China provided limited benefit as imports continued from the other countries. But conditions have improved since the start of the current financial year. Although international challenges have not been fully resolved, the industry appears to have adopted to the disruptions.

Several developments in China are supporting better price realization for dye intermediates in both India and China. Stricter enforcement of environmental laws has restricted the production. No significant new capacity has been added in our industry in China over the past several years.

Environmental restrictions and the broader industrial environment appear unfavorable for the new capacity additions. Export trends also suggest a possible shift in China's market. H acid has been consistently exported to China for more than a year.

Vinyl sulfone is also exported to China frequently. More recently, exports of dyestuff and benzene downstream products to China have begun, possibly for the first time. Together, these developments suggest that structural changes may be taking place in China.

Further capacity utilization at the benzene downstream plant improved to a satisfactory level in the first half of the current financial year and has improved further in the current quarter. Price realizations have also strengthened. We expect the plant to begin contributing to net profit from the current quarter. We expect sustained improvement in production to support better results for the TCCA business in the coming quarter.

Coming to the operational performance. During first half FY27, company achieved all-time high consolidated total turnover of INR1,599 crores, a 67% growth on a year-on-year basis. This growth is led by better realization, improved volume across the divisions.

The robust margin of key dye intermediates and with effective path across the higher raw material cost. The company has achieved highest absolute EBITDA of INR203 crores for the first half, a remarkable 114% growth on a year-on-year basis for the first half in the current year.

During Q2, company achieved consolidated total revenue of INR884 crores, a 77% growth on Y-on-Y basis. EBITDA stood at INR128 crores, 197% growth on a year-on-year basis with a margin of 14.4%. Net profit stood at INR81 crores, a 1,259% growth on a year-on-year basis. For the first half FY27, our stand-alone net profit after tax stood at INR109 crores and consolidated net profit after tax stood at INR112 crores.

Coming to Dye Intermediates. During the first half FY27, revenue from Dye Intermediates grew by 68%, led by volume with outstanding margins. In Q2 FY27, revenue from Dye Intermediates stood at INR345 crores, grew by 88% quarterly on Y-o-Y basis.

Being an integrated Dyestuff manufacturer, we produce major Dye intermediates products and about 40% of these intermediates production is captively consumed, resulting in a cost advantage for our Dyestuff products. The balanced production of Dye Intermediates is served in both domestic as well as global markets.

Coming to our Dyestuff. First half FY27, Dyestuff grew by 42%. This improved realization helped to absorb raw material pressure in Q2 FY27. Revenue from Dyestuff stood at INR212 crores, a growth of 60% quarterly on a year-on-year basis.

Coming to the basic chemicals, about 50% of our basic chemicals is captively used for our dye intermediates. During the first half FY27, basic chemicals grew by 136% on year-on-year basis, mainly due to increase in the prices of main raw material, sulphur. In Q2 FY27, revenue from basic chemicals stood at INR99 crores, a growth of 199% quarterly on year-on-year basis.

Coming to Chlor-Alkali business, during the first half FY27, Chlor-Alkali business has reported a revenue of INR178 crores, a growth by 6% on year-on-year basis, led by a comparative better realization on year-on-year basis. In Q2 FY27, revenue from Chlor-Alkali business stood at INR91 crores, a growth of 8%.

Coming to benzene derivatives, during the first half FY27, in the Saykha benzene downstream products division, it has started contributing to the top line. Decent better realization and improved volume will lead to meaningful contribution at even bottom line on the quarter-on-quarter basis.

Coming to the subsidiary companies, the Sener Boya at Turkey, Chinese subsidiary, Bodal Chemicals Trading Private Limited subsidiary, have all performed overall satisfactory during Q2 FY27. Thank you. And now I hand over the call to Mr. Mayur Padhya to walk you through the financial performance.

Mayur Padhya: Good evening, everyone. The overall performance of the company has been satisfactory for the quarter gone by. Our stand-alone performance for Q1 FY27 is as follows. Total revenue for Q2 FY27 stood at INR872 crores. EBITDA stood at INR127 crores in Q2 FY27. Net profit for the quarter stood at INR80 crores. Total revenue for H1 FY27 stood at INR1,576 crores on stand-alone basis. EBITDA stood at INR202 crores in H1 FY27. Net profit stood at INR109 crores for H1 FY27.

Our consolidated performance for Q2 FY27 is as follows. Total revenue stood at INR884 crores for Q2 FY27. EBITDA stood at INR128 crores for Q2 FY27, with a margin of 14.4%. Net profit for the quarter stood at INR81 crores for Q2 FY27.Our consolidated performance for H1 FY27 are as follows. Total revenue stood at INR1,599 crores for H1 FY27 against INR959 crores for H1 FY26. EBITDA stood at INR203 crores in H1 FY27, a growth of 114%. Net profit for the half year stood at INR112 crores against net profit of INR16 crores for H1 FY26.

Division-wise performance on a consolidated basis for the H1 FY27 are as follows. Dyestuff revenue stood at INR361 crores. Dye intermediate revenue stood at INR562 crores. Basic chemical revenue stood at INR183 crores. Chlor-Alkali revenue stood at INR178 crores. Total production volume on a stand-alone basis for the H1 FY27 are as follows. Dyestuff reported

9,056 metric tonnes. Dye intermediate reported 16,956 metric tonnes. Basic chemical stood at 113,312 metric tonnes. Chlor-Alkali stood at 38,886 metric tonnes.

With this, I conclude presentation and hereby open the floor for further discussion, question-and-answer.

Moderator: Thank you, sir. We will now begin the question-and-answer session. We have the first question from the line of CA Garvit Goyal from Serene Alpha.

Garvit Goyal: Congrats for a good set of numbers. My first question is on the industry environment, specifically on the H acid pricing. How are you seeing the current scenario and price acceptability among the end users for H acid? Do you see any risk of end users deferring the demand, particularly once the festive season in China comes to an end? Do you think any buyer resistance to current prices will start to appear?

Ankit Patel: Currently, the pricing of H acid had reached around INR1,800 levels, and then later on they corrected to around INR1,600 levels. The current level has been comfortably being passed on into the forward integrated products like dyestuff. At the current level, there are a lot of orders which are going to be supplied to China from India, and as well as the Indian dye industry has also been able to pass on the high level of H acid prices. So, I feel that this is going to sustain for a while.

Garvit Goyal: Even after the festive season in China?

Ankit Patel: Right now, we can see up to the month of January. I think there are a lot of commitments of material going to be supplied from here. Post that, we will see. But usually it is one or two months advance work going on, so we will figure out about February-March also around December only.

Garvit Goyal: Understood, sir. Secondly, if I look at your cash flow from operations for first half, it has been lower than H1 last year despite doing the better profitability. This appears to be mainly because of higher trade receivables. So given that we are in a positive demand-supply gap, should not our negotiation power be on a higher side, and hence our realizations to be better and faster? Could you please give some color on why receivables have gone up and when you expect them to realize?

Mayur Padhya: See, you can very well see from the profit and loss account, the turnover has gone very high. Last year, whatever was the turnover, it has gone 70% to 80% plus compared to earlier year. It is very clear that receivable is going to pile up. Since last two to three years, our turnover is continuously increasing. Last year we closed at about INR2,000 crores now in first half only we have reached to almost INR1,600 crores because of this higher turnover, pile-up of receivable is expected.

Garvit Goyal: No. When are you going to realize it? Like, what will be the time period within which we are going to realize it?

Mayur Padhya: Yes. When you convert it into number of days, you will find that it has not gone up much level. Once the level stabilize the turnover, at that time you will be able to see the normal level of receivable for the company. Till now you are watching that continuous upward trend is there as far as turnover is concerned. Once there is a stabilized turnover is there for one or two quarters, then the things will stabilize. At that level, you can compare the things vis-a-vis earlier period.

Garvit Goyal: Understood, sir. Third question is on the debt reduction and capital allocation side of it. Looking at the current environment, we expect the company to generate heavy cash flows, right? How are you planning to deploy these cash balances? Is there any plan to repay the long-term borrowing which is standing as on date in the balance sheet? If yes, what timeline we can expect that to happen?

Mayur Padhya: See, we are keen to reduce our debt. Last year at the balance sheet debt, whatever the debt was there, the similar debt is at present, but term debt has reduced drastically, and working capital has increased because of the turnover increase for the company. Now, whatever is the generation that we want to deploy it into the repayment of the debt only.

Presently, for the first half, as you have seen, turnover has increased, so inventory level, receivable has increased, so major part has deployed in that level. But as I was explaining earlier, there is a consistency in turnover, then there won't be additional deployment of cash into working capital. At that time, we will have cash flow which can be utilized elsewhere. Presently we are keen to reduce the debt.

Ankit Patel: Understood. I will add something here. Yes, we do have some long-term debt on the books right now, but yes, like you said, there are very good cash flows now being generated in the system. We do have great opportunities to grow the organization in terms of, we have a couple of good sites, one being our Bharuch, Gujarat site which has a lot of land and a lot of integration possibilities as well as we can get into some other new molecules also. At the same time, our chlor-alkali site in Punjab also has a lot of spare land as well as there is expansion possibilities, which that business is doing good for us consistently.

So we do have our own plans, as well as we can look for some acquisition opportunities also if something good comes along. But we want to keep our ratios very, very strong. We do not want to get into any stressful situations because globally also there are some uncertainties still going on, geopolitical issues still going on. We will focus more on the debt, but we are also going to make our own growth plans and execute them as well.

Garvit Goyal: So I think in your presentation, you have mentioned about the-

Moderator: Mr. Garvit, sorry for the interruption. Mr. Goyal, sorry for the interruption. Please rejoin the queue for more questions.

Garvit Goyal: Okay, I will rejoin the queue. Thanks.

Moderator: Okay. We have the next question from the line of Bhavika Singhvi from Nivesahaay. Please go ahead.

Bhavika Singhvi: Am I audible?

Ankit Patel: Yes.

Bhavika Singhvi: Thank you for the opportunity and congratulations for good set of numbers. Sir, as you said that we are seeing a good strong demand for the H acid and high price realizations, just wanted to understand that like are we planning any capacity expansion to capitalize on verticals? As per my understanding, we are operating at a higher utilization. I also wanted to understand, what is that decision? What timeline we can expect that facility to come? Because as you said that it's going to be the structural tailwind for us.

So wanted to understand that how we are seeing and taking benefit out of it, if you can clarify that. Also wanted to understand that how much realization on H acid side we did in this quarter compared to the previous quarter? Also, because you said that the exports have increased, if you can also share the how much export volume or maybe value we have done this quarter compared to the previous quarter, and what's our current status of this H acid business going on?

Ankit Patel: So H acid, first of all, H acid is part of our dye intermediates division. We are the largest manufacturer with two plants, and we are also the largest manufacturer of another key dye intermediate called vinyl sulphone. This business is about 35% revenue for us, out of which H acid is probably around 50%. At the overall revenue level, it is not a very, very high number for us, H acid overall contribution to the top and bottom line.

Yes, the prices are high right now, so they are contributing in a big way. But like I said in my speech earlier, we do have six divisions and there's a lot of revenue and there's a lot of bottom line comes from all of them. That's one scenario. We already are sitting with the largest capacities in the dye intermediate space in the country, so we are not very keen about expanding at the moment.

Whenever we verify that this is going to be a permanent structural shift, where if China doesn't come back with a lot of production or there is no further growth there, then maybe we can try and expand in this space. But right now we are not going to expand anything immediately. The good thing is we also have dyestuff where we use our dye intermediates H acid, vinyl sulphone, all are used to make the dyestuff.

There the utilization is around 65% to 70%, last few years' average. We do have good capacities there, so we can always, whenever there is a good opportunity in H acid, vinyl sulphone, we can convert them into our dyestuff and try to increase our utilization of dyestuff. That gives us some advantage.

Bhavika Singhvi: Got it. But sir, already on the dyestuff which we do, there was not much volume growth we have seen this quarter. Maybe because instead of doing the captive use of this H acid, we supply it in the external market. Can you give first the percentage of the captive consumption of it compared to the previous quarter? Also, because we are already operating at more than 95% of utilization, does not we see it as a bottleneck, or we have the supplier in hand to source for our dyestuff manufacturing?

Mayur Padhya: In dyestuff, we have seen good growth in quarter two of current year. When we compare this with first quarter of last year, it was 3,742 metric tonnes, which we have reached to 5,314 metric tonnes. There is a good growth in Dyestuff volume. Further, it is not fully utilized or at the peak level. There is a still possibility to improve it to some extent, and that we are targeting in couple of quarters.

Dyestuff, yes, we are increasing our production and utilization level. Dye intermediate, yes, you have said properly. We have reached to almost optimum level, so there is no further growth possible, and as mentioned earlier, we are not going to expand capacity as we are already biggest in India.

Bhavika Singhvi: Got it. Sir, another question I have is on the TCCA acquisition which did in the past years. Just wanted to understand, recently we got this anti-dumping duty, so how we are seeing it as having impact on our business and what are our plan around this business vertical, if you can highlight that?

Ankit Patel: In TCCA, we haven't been able to utilize the current capacity. We had ordered some equipment from China, but due to some restrictions from there, equipment export to India, last few months we really had to try and get that equipment, but it did not work. Finally, because of the anti-dumping duty, we were able to increase our business, but still, we are around break-even levels in that business.

Now finally, we are going to skip the Chinese equipment part, and we have already identified to procure the same in India. In the next few months, we are planning to expand the capacity. With a higher utilization, higher production rate, I think we will be getting into a better margin game overall in that business.

Since, the anti-dumping, slowly and gradually the quantities of the imported material has been reducing, and there is also an annual growth of consumption here in India. With time, we'll be able to sell more, supply more within the country, and with the addition of the new capacity, we'll be able to achieve some decent margins.

Bhavika Singhvi: Okay. But I think we are only Indian producer. Don't we see competition coming in this sector because of this anti-dumping duty rule coming?

Ankit Patel: No. There is no incoming competition at the moment. A lot of the many large companies have considered this in last few years because there is always this opportunity. But even post the anti-dumping, we are not able to make any great margins. I think that is why nobody is still attracted to invest in this business. I feel that maybe once we achieve a good size and some margins there, I think then maybe some chlor-alkali players will take some interest here.

Bhavika Singhvi: Okay, but what would be the reason of us not making good margin there? What is becoming a bottleneck for us? Is the utilization, or the prices of raw material and all?

Ankit Patel: Well, the anti-dumping came on Chinese product as well as Japanese product. Now the Chinese product is a little bit different in quality and very much lower in the rate. People have some other

routes where I think they are importing from some other countries. The importers are still trying to import the Chinese product.

That's why we are not able to cater to the entire demand here in India. With time, we definitely gone from 100 tonnes per month to about 300 tonnes per month, so there is definitely an improvement there. When we double this capacity within few months, our cost will be lower and we'll be able to cater the market better and make some money out of it.

Bhavika Singhvi: Got it. Thank you so much, that's all.

Ankit Patel: Thank you.

Moderator: We have the next question from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

Darshil Jhaveri: Hello. Good afternoon, good evening, sir. Thank you so much for taking my question. Firstly, congratulations on a really great set of results, sir. Sir, I just wanted to know the EBITDA margin trajectory that we have had in H1, we can maintain it for throughout the year, right, sir?

Mayur Padhya: Hello. Considering the present situation, it seems that we can maintain this margin for the coming quarter, and later on, as mentioned by Ankit bhai, that in December or January we will come to know what is the situation after that. Our first quarter was not that great, and second quarter was great. Even third quarter, we are expecting that it should be a good one, and fourth quarter we have not that visibility, but it should be better than the first quarter. Overall, it seems that we can maintain this margin for balance year.

Darshil Jhaveri: That's really great to know, sir. In terms of revenue, sir, we have grown significantly. What could be our FY27 revenue target, if we have any, sir?

Mayur Padhya: See, presently we are standing at 1,600 kinds of number. It seems INR3,000 plus crores is very much achievable for the current year.

Darshil Jhaveri: Okay, very much INR3,000 crores achievable and at around 12% margin, that's a fair sense, sir?

Mayur Padhya: Yes, that is what we are targeting.

Darshil Jhaveri: Okay, that's great to know, sir. Sir, in terms of our interest costs, sir, any levers we have to reduce it, sir?

Mayur Padhya: Yes, interest gradually it will reduce. As I mentioned earlier, we have repaid term debt, but because of blockage of fund in inventory and receivable, we are required to use working capital at a higher level. That's why total debt remain more or less same level, what it was standing at March '26 level. But now we are not expecting much blockage of fund into working capital, and whatever generation is there, major part that will go in repayment of debt. Gradually we foresee that interest will reduce from this level.

Darshil Jhaveri: That's great to know, sir. The other income was a bit higher than normal in this quarter. Any one-off or what would be comprising of this other income, sir, of INR20 crores roughly?

Mayur Padhya: Yes. Roughly it is in the range of INR5 crores to INR6 crores, but this time there were two extraordinary items: one was INR6 crores of profit from sale of land at Punjab unit, and another was about INR8.5 crores from the subsidy what we get from Gujarat government. These two are one-off event, and balance about INR5 crores to INR6 crores is a normal level that we should earn continuously.

Darshil Jhaveri: Okay, that's great.

Mayur Padhya: At the same time, further subsidy is expected at the Punjab level. We are eligible for electricity duty at Punjab. It is at the almost final level of approval, and we have not yet booked it. Some notification is expected from the Punjab government. Once that is there, then that amount will also be received from the Punjab government. That is almost INR50 crores has accrued by now. That will gradually come to the company. Even for Gujarat government subsidy, about five crore is yet to be received, that we should get within quarter or so.

Darshil Jhaveri: That's a significant amount, sir.

Mayur Padhya: Yes, so if we consider these two, then other income is going to come in next quarter also. One land we have already identified for sale in Punjab unit that we are expecting to sell maybe in current quarter, and another small piece of land in Ahmedabad that is also expected to be sold in current quarter. Both put together, about INR15 crores kind of other income we are expecting in second half out of the profit on sale of land in balance half of the year.

Darshil Jhaveri: That's great to know, sir. Just two more questions from my end. Sir, one related to, okay, we had a really great FY27 color on FY28 revenue growth? And sir, what would be our sustainable tax rate, because there is some fluctuation in that? So sir, what can we consider as our tax base and tax rate, sir?

Mayur Padhya: Tax base, you should consider flat 25%. So presently, we got some refund for earlier years, which we had not booked. So because of that, the fluctuation you can see in the tax rate. But going forward, 25% tax rate is something which remains there. And as far as FY28, Ankit bhai would like to say.

Ankit Patel: So for FY27, because of this overall crude high prices and some other issues going on, I think the prices are very high. So, I think that's adding to the turnover. But FY28 also, I think in terms of volume, we are going to add more business because even in this Q2 numbers that we see, it's hardly around 50% utilization average of our main benzene derivatives. So that is also -- we've already crossed more than 85% for this quarter. And going ahead, I think by end of this quarter only, we'll achieve maybe close to 100%.

So still, there is going to be some good contribution coming in FY28 from there. We are going to try to add some business from the TCCA plant as well. So I think FY28 will see some contribution from there as well. And like I earlier said, there is some room for improvement of the utilization in Dyestuff as well. So all put together, I think there will be some addition definitely in the volume part.

And like I mentioned earlier, there are a couple of good projects internally if we want to do, we can go for expansions or put up some other projects. And these are going to be brownfield. So, we can also get them online within 1.5 years or 2 years' time. So, we will be seeing some growth, yes.

And meanwhile, I think considering the good control on the debt and the ratios, we are also looking for some acquisitions if we come across something. So if we do that, then we'll immediately add some business in FY28.

Darshil Jhaveri: Okay. So, what would be the rough range if we had to do capex or acquisition, what could be the rough, like would it be based out of INR100 crores acquisition or if you could have some range that we have started in mind in either capex, organic or inorganic expansion, sir?

Ankit Patel: We are not looking for anything too big in size because of the pending debt on the book. I think something around INR100 crores to INR200 crores is something we can -- we have internal a couple of projects which we can do immediately, so that is there.

Inorganically also, we've not really started looking for anything on a very serious note. But something in this range, which really keeps our debt in control and we have all the ratios and everything is in good place.

Darshil Jhaveri: Okay. That's great to know. So, I'll get back in the queue. Thank you so much. All the best.

Management: Thank you.

Moderator: Thank you. We have next question from the line of Pankaj Motwani from Equirus Securities. Please go ahead.

Pankaj Motwani: Thank you for the opportunity. So sir, my first question was on the benzene segment. So, just want to understand like what is the current capacity utilization in the segment? And what kind of revenue and EBITDA we have done in H1?

Ankit Patel: Our current utilization for the H1 is around 50% and…

Mayur Padhya: Total turnover, what we done for the H1 is INR108 crores from benzene downstream products. Quarter 1, we did INR65 crores. Quarter 2, there was some technical issue. So, utilization was not that great. But in quarter 3, we are once again on track.

Ankit Patel: So, we have done INR100-odd crores, but the current run rate is more than INR300 crores, what we did recently in October month. And like I just commented a few minutes back that we still have room to grow about 15% to 20% more. So, I think we can do around INR400 crores if the prices are higher of the raw materials.

And if the prices are moderate, then we can do around INR300 crores to INR350 crores. So, in the remaining year that will be the run rate and next year onwards also, I think between INR350 crores and INR400 crores is the range for the moderate prices of the raw materials.

Pankaj Motwani: So, what were the margins in the H1 for the segment? And what kind of margin we can expect for the whole year?

Ankit Patel: Maybe at the industry level, the margins are not very bad, but I think our problem was the lower utilization was really affecting us. And due to that, we were able to not make any much margins in that business. But like I said, in October month, there are some exports opportunities there and the utilization has reached around 85%. So already, we are doing very good in that business because of these two reasons.

So, I think going ahead, the utilization will not be a problem. And in fact, it will increase. And currently, we really feel that at least for the next few months, I think the scenario is not going to change, and we are going to enjoy this opportunity to export the material to China. So, this business currently and in the coming some time is really going to contribute well for us.

Pankaj Motwani: Okay. And my second question was on the Dyestuff segment. So, I was seeing on the quarter-on-quarter basis, the revenue growth in Dyestuff segment was majorly because of the volume led and our realization was in line with the Q1 levels.

So, given the increase in H acid prices, have you been able to pass on the higher H acid input prices to the downstream customers, because realization are more or less same as compared to Q1 levels. So, is there any scope for improvement in the Dyestuff realization?

Mayur Padhya: See, normally, what happens when intermediate prices goes high, Dyestuff players wait for some time. So normally, there is a time lag of about 3 months what we have seen. So, it took some time to get established the price at the Dyestuff level. So, prices at Dyestuff normally improves with some time lag.

So, realization will be better in third quarter compared to first and second quarter. So, this is a practice what we have seen over a period of years. So, we are expecting better realization in current quarter compared to earlier two quarters in Dyestuff.

Pankaj Motwani: Ideally, our consolidated margin should improve from Q2 levels also?

Mayur Padhya: Yes, to some extent.

Pankaj Motwani: Okay. And my final question was on the overall gross margin. So, I was checking your standalone gross margin, which has been remained broadly stable at around 40 percentage. So ideally, one should expect some gross margin expansion from the improvement in this realization, particularly given this structural changes in the dye segment. So, just can you help me to understand like what is offsetting this benefit of higher realization, and like ideally gross margin should improve, but why the margins are not improving?

Mayur Padhya: See, gross profit level, what we are seeing that going ahead for the company, if one division goes down, then another division will pick up, say, like H acid prices are very good at present. If that goes down to some extent, then benzene downstream division will do better. So likewise, we are expecting GP margin to remain more or less at the same level.

Another thing is that prices have gone very high. So one should focus on the absolute number rather than the specific number because our raw material prices has also gone high to some extent, like sulfur and other raw material. So raw material price has gone high. At the same time, finished good prices also has gone high. So it lead to more or less similar GP number. At the same time, because turnover has increased and GP margin remains the same, overall number becomes better for the company.

Pankaj Motwani: But I believe that because of the structural changes, our FG prices should be proportionately -- should be higher as compared to our increase in the raw material prices. So there should be some. Yes, so but why it is offsetting?

Mayur Padhya: See, there are different divisions in the company. So when you see single division, say, dye intermediate, then yes, there is a very good growth. But as we mentioned, benzene downstream has contributed only at the top line till date. It has not contributed at the bottom level.

So even Q1 also, it was near to breakeven level, but now going forward, it should contribute at the top level, top line, as well as bottom line for the company. So by that time, you can see further improvement, in the GP level, but it's a mix of all these divisions, so to give clear direction is difficult.

Pankaj Motwani: Okay. Got it. And just one more question, just want to understand what were the average current selling price of H acid and vinyl sulphone in Q2?

Mayur Padhya: That we need to find out. At present I don't have a number.

Pankaj Motwani: Okay.

Mayur Padhya: We'll speak to you in person.

Pankaj Motwani: Okay. Thank you.

Mayur Padhya: Yes. Thank you.

Moderator: Thank you. Reminder to all the participants, please restrict yourself to two per question. The next question is from the line of Mr. Raj from TPR Capital. Please go ahead.

Raj: Sir, this quarter we saw that the big Chinese group Yadong has stopped giving price quotes for H acid and then along also vinyl sulphone. So expectation is that prices on a quarter-on-quarter level also have gone up, let's say from 150,000-160,000 RMB to 250,000-260,000 RMB. So that's also almost a quarter-on-quarter increase of -- and there was also a commentary that certain contracts that we had with customers were coming to an end and the new contracts that were coming in would be in the current realization zone.

So can you just shed some light on this, that for us, how many of those contracts were at previous prices before that have come to an end and how many of the new ones are starting at the current realization level?

Ankit Patel: See, it is a mix of contracts, I mean orders. You rightly said that, in the Q2, though the prices may have touched very high, but then obviously we have a 30 day to 60 day supply cycle, especially in the exports. So due to that, we do have some pending orders, older orders, which we have to supply. So our average is not -- the averages don't reach. In the now Q3, you are right that now the prices are higher.

So, there will be some impact of the higher prices in the dispatches that we will do. But again, it will be a little mixture of different ranges. It is not going to be entirely around INR1,600 in H acids case. There may still be orders pending around maybe let's say INR1,000. There'll be something even pending even higher than INR1,600.

Raj: Got it.

Ankit Patel: But the mix size to tell…

Raj: Would be higher towards INR1,500 upwards.

Ankit Patel: Sorry, say it again.

Raj: The mix would be higher, let's say, in the price range of INR1,500 upwards, not the older contracts that we had for prices. Right?

Ankit Patel: INR1,500, I think it'll be too high to achieve as an average.

Raj: Okay.

Ankit Patel: We only hear about the very high prices that it touches, but I mean, all orders are not really possible to get around all the peak prices because there is a lot of volumes and we have to supply locally, we have to supply to China. So I'm not sure, I cannot comment on what kind of a number we will achieve in H acid. But Yes, it can be higher than the Q2.

Raj: Got it. And some dye prices also that we have seen, the color dyes and the etcetera derivatives that we have, they have almost increased 30%-55% respectively. So can you just give us a bit light on how the realization for these color dyes were in this particular quarter and the month of October that we have seen?

Ankit Patel: In the dye stuff, it is a similar cycle where also we have -- when the increase in the intermediate prices happen, again dye stuff also goes through 1 month or 2 month or 3 month supply cycles. So there also in the coming quarter, we can have some more realization in the overall average prices of the supplies of the dye stuff

Raj: Because dye stuff prices would happen with a lag, right? As you mentioned that people stop before buying and then they would again start looking at this price level as a base.

Ankit Patel: When the prices increase, people stop, and then we notice that then whenever wherever the prices settle, that's where I think the more buying starts. So first it settled around 1800, but then there was some correction. Now currently, it is settled well around 1650 levels.

So right now, there is not too much pressure because of the pending orders, because of the exports. So I think this can continue to settle around this range.

Raj: Got it, sir. And I think you already mentioned the point on receivables. Is inventory also, sir, higher because of raw material price increase? The sulphur-aniline price has increased, so has the inventory?

Ankit Patel: Yes. Overall cycle, overall system, is higher because the aniline prices are so high, around INR250. Sulfur is around INR100 now, it's gone down to around INR90. So these prices are like, extremely, extremely high, and not only these but even many other chemicals are high in cost right now. So yes, inventory naturally is also, overall has a higher value than usual.

Raj: But we are able to pass on, sulfur and aniline at high prices?

Ankit Patel: We are able to pass on. I mean, companies -- our sulfuric acid business, has a little impact of lower margins. If you look at other competitors also, their numbers do not come out great.

Raj: Correct.

Ankit Patel: Yes. So -- but we are about 50% captive. So I mean, we're not burning anything there. It's a fact, there's not too much margins left right now. Sulfuric acid also started going down now. It is -- it crossed around INR110 per kg. It's gone down to INR90 within a month or so. So I think, maybe that can add -- that can help us add some more, little bit more margins in our sulfuric acid business as well.

Raj: Got it, sir. And just my last question, adding on to this. Sir, can you just give an idea on what amount of sulphuric acid, if any, that we sold during the quarter because there was a moment when Sulphur prices obviously going up, but sulphuric acid prices is going down.

Ankit Patel: No, no, not really. That has never happened. I mean maybe there may be a little bit of correction like -- let's say, sulphuric acid maybe reached around INR37,000 a ton and sulphur was probably increasing maybe by 5% or 10%, but the sulphuric acid probably corrected by 5% or 10%. So yes, maybe something like that may have happened once or twice. But overall, it never reached a level where sulphur was increasing a lot and sulphuric acid was decreasing a lot. That never happened.

Raj: Okay. And were there any sales of sulphuric acid during this quarter?

Ankit Patel: Sorry...

Raj: Did we sell any sulphuric acid, sir, apart from the captive usage this quarter?

Ankit Patel: We do sell. We always sell about 50% quantity of sulphuric acid and derivatives we make like ChloroSulphonic acid, Oleum etcetera. So these products, we always sell. Since the inception of the plant, we have been always selling about 50% of the materials outside in the market. So that's our usual mix, 50% captive, 50% we sell in the local markets. So we...

Raj: Got it. Thank you so much sir.

Moderator: We have next question from the line of Aman Soni from Seven Alpha Investors Private Limited. Please go ahead.

Aman Soni: Looking at the changes and the events happening in China, these are looking very structural in nature. At the same time, if I am hearing this conversation, you people are a bit conservative in terms of the outlook and even the capex. We are taking the stand that we are not going to expand our H acid capacities. Why is it like that?

Are we not sure whether it is structural or not, or what is the exact reason for that? Because even in this scenario, we are speaking about a visibility for the next quarter and we are not sure about what will happen after a quarter or two. Can you put some color on that?

Ankit Patel: I think this could be structural shift, but I think it is a little bit too soon right now because it's only been a few months, and I think we want to really see how things are in the last quarter of the financial year and then maybe we can decide. Expanding these capacities is very easy thing for us. We have been doing this for many, many years. We already enjoy being the largest player in the country. We still would like to see and verify how long-term this is going to sustain. If we feel confident, then we can immediately go for an expansion.

Aman Soni: How much time will it take to expand the capacities?

Ankit Patel: We can expand these in less than 12 months. Usually, the chemical projects are minimum one and a half years, two years' time, but like I said, we can just do it in our existing brownfield sites. We have two options, so we can definitely do it in less than 12 months.

Aman Soni: Understood. I am asking this because the base that we may end up for this financial year in terms of the absolute EBITDA and maybe the PAT as well, are you confident enough to sustain that level in terms of the absolute amount for FY28? I agree there will be volume growth, but what about the realizations you are looking at? Overall are you able to sustain that higher base in FY28?

Ankit Patel: I think we can definitely sustain the EBITDA margin percentage, because we still have a few things which are improving currently, and that is going to add to the bottom line, so we are very confident about the EBITDA percentage. Again, I cannot really comment on the turnovers, because of the higher prices of crude, because some intermediates are at very high price, so maybe that top line can be corrected.

Let's say next year there are no issues globally and let's say crude is around $70, $80, then the overall top line can be corrected by 20%, 30%, yes. Because of the confidence that I am having from some other things that we are trying to improve in the company, some other things that we are trying to turn around in the company, I think that they will start contributing. They already have. About the percentage margin, I think I am very confident.

Earlier also we guided about INR2,500 crores to INR2,800 crores of turnover, so we are not too far. This extraordinary amount is not too far from what we were targeting and what we were going to achieve. It is maybe only around 15% to 20% higher because of the current scenario and higher prices. Even if things normalize, we can still do about INR2,800 crores of turnover,

we can still do about 14% to 15% of EBITDA margins. I think we are placed well to achieve that.

Aman Soni: Understood, sir. If I look at your competitor,

Moderator: Mr. Aman Soni, sorry for the interruption. Please rejoin the queue for more questions, sir.

Aman Soni: Okay.

Moderator: Thank you. We have next question from the line of Mr. Abhishek from Padmaja Investments. Please go ahead.

Abhishek: Am I audible, sir?

Ankit Patel: Yes.

Abhishek: My question is on the average realization on H acid in Q1 and Q2. Do you have that or should I contact IR later? Did you hear my question sir?

Mayur Padhya: Can you repeat it?

Abhishek: Average realization of H acid that you have recorded in quarter one and quarter two. Do you have that number?

Mayur Padhya: I don't have the exact number, as I mentioned earlier, but our realization for Q1 may be in the range of about INR600 and in the second quarter it can be in the range of about INR900.

Abhishek: INR600 and INR90? Okay.

Mayur Padhya: Yes. This is the rough number.

Abhishek: Okay. Along with H acid even the benzene vertical is also actually doing good as of now. Is that my right understanding?

Mayur Padhya: Correct. Benzene downstream products realization has also improved, but that improvement is in the third quarter, not in the second quarter.

Abhishek: Okay, so it is firing in all the metals. Thanks, congratulations.

Mayur Padhya: Thank you.

Abhishek: Great Job.

Moderator: Thank you. We have next question from the line of Mr. Priyansh Lakhotia, an Individual Investor. Please go ahead.

Priyansh Lakhotia: Hello, am I audible?

Mayur Padhya: Yes, please.

Priyansh Lakhotia: Hi, so my first question is: what was the average sales price of hydrochloric acid for both the quarters? Do we have that now?

Ankit Patel: Did you ask about the sulphuric acid?

Priyansh Lakhotia: No, H acid.

Mayur Padhya: H acid, I just mentioned, I don't have the exact number, but it can be in the range of INR600 average price in the first quarter, and second quarter it can be in the range of about INR900 per kg.

Mayur Padhya: Yes.

Priyansh Lakhotia: Okay. And my follow-up to this: how do you see the price of H acid over the next 2 months to 3 months?

Mayur Padhya: We have discussed even earlier also…

Priyansh Lakhotia: Yes. Sorry, I joined the call a bit late.

Mayur Padhya: Yes. Presently it's in the range of 1,600 to 1,650 level, and what we see that in China there seem some structural changes. If our belief is correct, then it should sustain for quite some time.

Priyansh Lakhotia: Okay, so we can see it sustaining. And I'm not sure if this has been asked. Please bear with me. What is the current capacity utilization, and are there plans to increase it further, and what is the timeline for it?

Mayur Padhya: Current utilization for dye intermediate, including H acid, is almost at the optimum level. So, there is no possibility that we can increase from this level to further level.

Priyansh Lakhotia: Okay. And do we have any rough number in terms of the capacity for this?

Mayur Padhya: Utilization is at the optimum level as I mentioned, and we don't foresee further improvement in dye intermediate. Whatever is that, maybe the little negligible number. You cannot consider that your projection. Yes.

Priyansh Lakhotia: Okay. And then follow-up to this: what is the percent allocation of our production of H acid between what we sell in market and what we use captively?

Mayur Padhya: It's almost 40% we captively consume for dyestuff, and balance 60% we sell in the market.

Priyansh Lakhotia: Okay, got it. The second question is regarding vinyl sulphone, similar set of questions: do we have the average across both quarters, average sales price?

Mayur Padhya: No, I don't have. As far as vinyl sulphone, the break-up of utilization is same 40% about we consume captively for dyestuff, and balance 60% we sell. As far as number is concerned, in the first quarter it can be in the range of 320, and second quarter it can be in the range of 360-370 kind of thing.

Priyansh Lakhotia: Okay, and how do you see the price going over the next 2 months to 3 months?

Mayur Padhya: Presently it's 440 to 450 level, and similar, it should remain at this level for quite some time.

Priyansh Lakhotia: Okay. And do we have any plans to increase the capacity utilization for vinyl sulphone?

Mayur Padhya: No, not in near future.

Priyansh Lakhotia: So, it's also optimum right now?

Mayur Padhya: It's also at the optimum utilization, yes.

Priyansh Lakhotia: Okay. Final question is, what are the growth levels for the next two quarters?

Moderator: Hello, Mr. Sorry for the interruption, Mr. Priyansh Lakhotia. Please rejoin the queue for more questions.

Priyansh Lakhotia: Sure, thank you.

Moderator: We have next question from the line of CA Garvit Goyal from Serene Alpha. Please go ahead.

Garvit Goyal: Hello, am I audible?

Mayur Padhya: Yes, please.

Garvit Goyal: Thanks for the follow-up. Just wanted to understand one more thing on the second half. We are speaking about INR3,000 crores plus top line for this year with the margins of maybe around 12%. That brings INR360 crores EBITDA, right? In first half, we have already achieved INR176 crores.

At the same time, we are speaking about the Q3 will be the one which will be bringing in the highest effect of the increased prices of dye and dye intermediate. Is not that number very conservative we are speaking about, or what is the exact number it can look? How H2 can look as compared to H1?

Ankit Patel: H2, for Q4 we cannot really comment because that is still a little far away, but for the current quarter, with our existing order book, we can see definitely little bit more addition to the top line compared to Q2. We can definitely see better margins as well. And for Q4 also, I feel confident right now that a similar situation should be maintained, and we should be able to do another similar quarter Q2 and Q3 in Q4 as well.

Compared to H1, yes, H2 can be, because our Q1 was a little lower in terms of EBITDA as well as top line compared to Q2, so if Q3 and Q4 sustain and even if it remains flat on an average, I'm saying then Q2 can be much better in terms of top line and margins than the Q1. Sorry H1.

Mayur Padhya: H1 to H2. And it is better to be conservative than to give aggressive guidance.

Garvit Goyal Yes, I understand, sir, but looking at the current scenario, that's why I again and again asking the same thing. Yes, I got your point. Lastly, if I look at your competitor, Kiri Industries, they

have reported better profitability than us on a smaller revenue base. In Q2 FY27, their chemical division did revenue of close to Rs. 440 crores with EBITDA of about Rs. 80 crores, whereas we have done around Rs. 850 crores top line with EBITDA of about Rs. 90 crores.

I want to understand, if we look at the capacities of both, yours is very high in dyes and dye intermediate, then why that is not visible on a relative basis, sir? I understand one reason is the better realization, but despite that, the gap is big. Can you help us to understand why is it that?

Ankit Patel: I think they are in the chemicals that they do, most of the revenue comes from the dye intermediate business where there is some extraordinary scenario, so I think they are able to have a good increase in terms of top line as well as their margins. I saw the results, they have done about 18% EBITDA, we've done about 14.5%. I think there are a couple of reasons. One reason is that we captively use about 40% of our intermediates into dyestuff, so we also have a lot of revenue coming from dyestuff, which traditionally is not a very high EBITDA business.

We have a dyes business actually because we are the largest in dye intermediates; we see dyestuff in a way as a selling tool of our dye intermediates, and traditionally dyestuff is not a 12% or a 15% or 18% EBITDA business. So that is one reason that brings down our EBITDA percentage compared to the competitor you mentioned.

Second is that our benzene derivatives business in this Q2 only had about 50% utilization, so because of that, there was hardly any contribution to the EBITDA or a bottom line, but there was some turnover. That is one more reason. And then one more third reason is we also have a TCCA business where again it doesn't add much to the margin side.

Due to these things, they are only just making and selling intermediates mainly, whereas we have other divisions where we are still improving. I think this is the main difference: our main dyestuff sales that we have at lower margins, as well as couple of divisions which are not contributing. But now benzene is contributing very well, so we'll see a very good upside and it'll add very well in overall numbers.

Garvit Goyal: Understood, sir. Thank you very much, and all the best for the future.

Ankit Patel: Thank you.

Moderator: We have next question from the line of Mr. Pankaj Motwani from Equirus Securities. Please go ahead.

Pankaj Motwani: Thank you for giving me opportunity again. Sir, I have one question: do we have made any assessment, how much was our per kg spread by selling H acid external in quarter 2?

Mayur Padhya: No, there is no such assessment.

Pankaj Motwani: Okay, no worries. That was my question. Thank you.

Mayur Padhya: Okay.

Moderator: Thank you. We have next question from the line of Vikash Agarwal, which is an Individual Investor. Please go ahead.

Vikash Agarwal: Yes, thank you, my all questions are answered.

Mayur Padhya: Thank you.

Moderator: We have next question from the line of Bhavika Singhvi from Niveshaay. Please go ahead.

Bhavika Singhvi: Yes. Thank you for the opportunity again. Basically, on the TCCI side, just wanted to understand the industry scenario because we are hearing a lot of players like Jalahkua, Doria, or Organic Chemicals are evaluating to enter in this business. Wanted to understand how difficult it would be for any new player to enter, because we are currently holding the sole supplier status in domestic market particularly.

So just wanted to understand that how easy or tough for these players to enter in this business. And also, as now because the anti-dumping duty have been placed, just wanted to understand that how it has been impacting the prices increase happening in this particular product, and is becoming more lucrative for other players to come and to have better margins we are also expecting to do in going forward quarters?

Ankit Patel: Post the anti-dumping, the prices are around INR150, INR160 rupee levels. Even at that price, because of some more material coming from other countries or via some other routes, even at this 150-160 levels, there are not too much margins at the moment. Our problem is that our utilization is very less, which we are fixing that problems. We had been waiting for this equipment to come from China, which is the main equipment, and now we figured out that it will not come, so now we are trying to do something locally.

So, anybody wanting to enter this space, it's not going to be easy technically, because our plant was set up by a team of Chinese people, and there is a lot of Chinese technology and equipment's involved in the entire plant. So, it's not that easy to just set up a plant like any other chemical plant here in India.

I think there are some entry barriers there. With I think what we are trying to do is we are trying to add more capacity, whereas a lot of the work has been already done. I think we just have to add a couple of equipment's and smaller things, in which where we can achieve a higher utilization. I think once we do that, we can really create a sizable business from this, which can also contribute some margins.

But I think, anti-dumping sounds attractive, but post anti-dumping activity implementation, the price has not really that great where this other interested parties would be entering the space.

Bhavika Singhvi: Okay. Can you tell me what was the prices before anti-dumping and what has been currently? You said 150, so what was the pre-anti-dumping duty prices were?

Ankit Patel: INR110 to INR120 range. The last few years before the anti-dumping, the range was around INR110-INR120, and post anti-dumping the prices had gone up to around INR170 and now it's around INR160.

Bhavika Singhvi: Okay. How much cost it takes for us to manufacture this particular, because I just wanted to understand: once because now the anti-dumping is there, we will also get the utilization, so how much margin we will be able to make out of this business?

Ankit Patel: We are not making much margins here in this business. At EBITDA level there is hardly any contribution. Let's say if I sold in October at 160, I think my overall cost would be around 160 only. That's why we made some changes in the plant in the energy part, and also by doubling the production, it will bring down our overhead cost. So that way we can probably at least make some margins, let's say 5% or 8% EBITDA. That's our first target, to convert that into some profits.

Bhavika Singhvi: Got it. So, you mean to say those who are able to make at a low cost would be the most beneficial out of this, otherwise it would be tough to compete even after anti-dumping duty?

Ankit Patel: Yes, exactly.

Bhavika Singhvi: Okay. Thank you, that's all.

Moderator: Thank you. Participants, due to time constraints, this was the last question. I now hand over call to Mr. Ankit Patel, Executive Director, for closing comments.

Ankit Patel: With this, we conclude the call and would like to thank everyone for joining us today on this earnings call. If you have any further queries, you can please connect with us. We would be happy to answer your queries. Thank you.

Mayur Padhya: Thank you.

Moderator: Thank you. On behalf of Equirus Securities that come to this conference, thank you for joining us. You may now disconnect your lines. Thank you.