



“Bodal Chemicals Limited Q2 FY22 Earnings Conference Call”

October 29, 2021

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**MANAGEMENT: MR. ANKIT S. PATEL – EXECUTIVE DIRECTOR
MR. MAYUR B. PADHYA – CHIEF FINANCIAL OFFICER**

Moderator:

Ladies and gentlemen, good day and welcome to the Bodal Chemicals Limited Q2 FY22 earnings conference call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all the participants' 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, please signal an operator by pressing '*' then '0' on your touch-tone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ankit Patel - Executive Director of Bodal Chemicals Limited. Over to you, sir.

Ankit Patel:

Good evening everybody. On behalf of Bodal Chemicals Limited, I extend a very warm welcome to everyone for joining us on our call today. On this call, we are joined by our CFO, Mr. Mayur Padhya, and SGA, our investor relation advisors. I hope everyone had an opportunity to go through the financial results in the investor presentation which has been uploaded on the stock exchanges and on our company's website. We will give you a quick overview of the recent development in the chemical industry and on our company and then Mr. Padhya will walk you through the financial performance for the quarter.

Industry highlights: Manufacturing parks in China have been forced to close and some are closed temporarily due to lack of electricity or because of the power outage. China's most industrialized provinces like Jiangsu, Zhejiang, and Guangdong are the hardest hit. There has been an impact on the global supply chain as well as various commodity prices. Around 20% to 25% of China's chemical output is expected to be impacted. Hurricane Ida which had hit the United States recently, has further reduced global supply of bulk chemicals. Due to labor shortage and container shortages, cost of freight & logistic have been rising in the recent months. Due to the confluence of several factors, the global demand is currently being met by a rather limited supply at elevated prices.

Company overview: With over 3 decades of experience, Bodal Chemicals Limited is India's largest integrated manufacturer of dyestuff and dye intermediates. In domestic market, our market share stood at 13% for dyestuff business and 20% for dye intermediates business. In global market, our market share stood at 3% for dyestuff and 6% for dye intermediates business.

In today's environment where Indian suppliers are emerging as preferred global partner, we have been able to leverage our leadership positions. We have meaningful capacity across various products to serve the demand of end-user industries. Basic chemicals such as sulphuric acid, chlorosulphonic acid, oleum, beta-naphthol, acetanilide, and others which are used as key raw materials in the production of dye intermediates are part of our core product portfolio.

We are expanding our product basket including benzene derivatives and chlor alkali products which have applications in pharma, agrochemicals, paper, and other industries. We are moving forward with a very focused mindset and adding additional capacity across multiple products.

This quarter's performance, Consolidated net revenue for the H1 FY22 stood at Rs.900 crores which is highest ever half year performance for our company. This growth was primarily driven by rising demand from the end-user industries and structural demand shift due to global supply side tightness.

Various events in China and mounting freight cost has disrupted the regular trade and vented into the steep inflationary pressure on key raw materials. We will touch base each business verticals and the recent developments.

First of all, dyestuff. End-application industries like textile, leather, paper, and other dyestuff consuming industries has been doing well during the last few quarters. All leading textile companies are having healthy order books which has stemmed the demand for dyestuff products. Dyestuff business growth has amplified and registered revenues of Rs 317 crores in H1FY22 against Rs 143 crores in H1FY21. In dyestuff, all major products like reactive dyes, acid dyes, and liquid dyes have performed well. We foresee this momentum to continue as the textile industry is showing a healthy momentum.

Dye intermediate sector: Being an integrated dyestuff manufacturer, we produce 25 dye intermediate products and over 40% of these intermediates capacity is captively consumed resulting in a significant cost advantage for our dyestuff products. Other than our captive consumption, we also sell our dye intermediates in both domestic as well as global markets and we enjoy leading position in the domestic market. This segment also witnessed a healthy trend. Prices of our key products like H acid and vinyl sulphone have moved northwards, especially during the month of September 2021, which will get reflected in Q3 FY22. In Q2 FY22, the average prices of vinyl sulphone and H acid were around Rs. 231 per kg and Rs. 379 per kg respectively. Dye intermediate business has registered a revenue of Rs. 314 crores in H1 FY22 against Rs. 195 crores H1FY21

Basic chemicals: We manufacture a spectrum of basic chemicals like sulphuric acid, chlorosulphonic acid, oleum, beta-naphthol, and acetanilide which again help in terms of vertical integration for dye intermediates and help in improving profitability of the company. 48% of the basic chemicals capacity is captively consumed for dye intermediates production. Thionyl chloride has witnessed good performance during the quarter and expect the momentum to continue in the H2FY22.

Our overall basic chemicals segment contributes around 10% of our total revenue.

Chlor alkali business: In Q1 FY22, we acquired our Rajpura Punjab unit from Mawana Sugars. This unit produces various chlor alkali products like caustic soda, stable bleaching powder, hydrochloric acid, sodium hypochlorite, chlorine, sulphuric acid, etc.

The Indian chlor alkali industry witnessed strong tailwinds for the quarter and demand for caustic soda - our key product for this unit - continues to remain elevated. Caustic soda prices also saw a spike in Q2 FY22. This unit works on a very old technology and we have earmarked a CAPEX of around Rs. 100-125 crores for an upgradation which will also help in increasing caustic soda capacity to 99,000 tonnes per annum from the current capacity of around 82,500 tonnes per annum. This is a new segment for our business. Hence year-on-year comparison is not possible but we are excited to enter into this segment at an opportune time. Overall, our chlor alkali business is flourishing well. We are primarily serving the northern belt of India where most of the renowned FMCG, textile, and paper manufacturers are located. Our presence in North India has been growing since the acquisition of this unit, and at full capacity, we expect this unit to generate additional revenues of around Rs. 300 crores and EBITDA margins of around 20% to 22%.

Benzene derivatives and sulphuric acid: Our Saykha greenfield project is in progress and we plan to have it operational by Q3 FY23. Under benzene downstream products, we will be manufacturing MCB, PNCB, ONCB, MNCB, DNCB, PNA, 2,4 DNCB, and MPDSA which are used in pharma and agrochemicals. We will set up 4-step integrated product chain which will lead to cost efficiency, better productivity, and higher margins for the company. We should be able to sell these products to our existing basic chemicals clientele and partly will be used for the captive purpose. The capacity of sulphuric acid and derivatives will be 3,40,000 tonnes per annum which will include sulphuric acid, oleum 23, oleum 65, liquid SO₃, chlorosulphonic acid, and SO₂.

We expect this project to generate additional revenues of around Rs. 550 crores at optimum levels with EBITDA margin in the range of 15% to 18%.

On other developments, Production of TCCA has been stabilized and has contributed around Rs. 22 crores, 3% of our total revenues. Due to the limitations in the containers availability for this particular product, we were not able to export it to our main US market. So, currently we have stopped the production at our plant, and when we start the exports of this product, we will restart the plant.

We are doing business in 45+ countries and have a basket of 200+ products. This diversification requires intense working capital and resources for managing inventory of key raw materials and finished goods along with large transit time for export markets. In the event of supply chain tightness, we prefer to keep inventory and serve our customers' requirement in the less time frame. We have established various trading and marketing subsidiaries to create a stock point and penetrate new geographies and clients.

Our Turkey subsidiary Sen-er Boya sales dispatches have improved meaningfully. We expect the business momentum at this subsidiary to improve further going ahead. Bodal China has also performed well and has turned profitable. SPS and Bodal Chemicals Trading Private Limited have also performed well. In a medium to long-term view, these subsidiaries will penetrate the respective regions and will bring meaningful business to our company.

Our top 3 strategic objectives would be to ramp up our existing capacity, commercialize our vinyl sulphone capacity at UP unit, and complete the Saykha and Rajpura project by Q3 FY23. We have been moving up the value chain and working towards diversifying our business from our core dyestuff and the dye intermediate business to other specialty chemical products like benzene derivatives and chlor alkali products.

The world is recognizing India as the world's emerging 2nd largest manufacturing hub and it is evident that all manufacturing businesses, particularly chemical industries will gain from this. Many Indian chemical businesses have got good opportunities over the last few years. Furthermore, stringent restrictions and environmental norms have structurally shifted demand to organized players like us. There were meaningful initiatives created by Indian government to reduce India's dependency and launch Aatmanirbhar Bharat to increase capital expenditure by domestic players. Indian chemical company like us is poised for growth owing to the increasing preference for sustainable partners.

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. Overall performance of the company has been healthy for the quarter gone by. Our operational facilities are running at pre-Covid level now. This growth is driven by better price and product mix. Let us consider stand-alone performance. Total revenue for Q2 FY22 stood at Rs. 435 crores. EBITDA stood at Rs. 55 crores in Q2 FY22. Net profit for the quarter stood at Rs. 31 crores.

Our stand-alone performance for H1 FY22 : Total revenue for H1 FY22 stood at Rs. 829 crores. Performance on year on year is not comparable due to nationwide lockdown in Q1 FY21. EBITDA stood at Rs. 109 crores in Q2 FY22. Net profit for H1 stood at Rs. 61 crores.

Consolidated performance is like this: Total revenue stood at Rs. 472 crores for Q2 FY22 a growth of 50% YoY basis. EBITDA stood at Rs. 50 crores for Q2 FY22 a growth of 84% YoY basis. Net profit for the quarter stood at Rs. 24 crores for Q2 FY22 with growth of 114% year-on-year basis. Turkish lira has been volatile and has impacted our subsidiary Sen-er Boya and there is an exchange loss of around 2 crores. This impact has been already considered in consolidated financials.

Our consolidated financial performance for H1 FY22 is like this: Total revenue stood at Rs. 900 crores for H1 FY22 against Rs. 437 crores for H1 FY21. This includes export of 34% and

domestic sale of 66%. EBITDA stood at Rs. 106 crores in H1 FY22 against Rs. 11 crores in the corresponding period of last year. Net profit for the quarter stood at Rs. 52 crores against loss of Rs. 9 crores.

H1 FY22 performance for the key subsidiaries were healthy. SPS posted revenue of Rs. 51 crores, a growth of 41% year-on-year basis. BCTPL has reported a revenue of Rs. 4 crores, a growth of 39% year-on-year basis. Sen-er Boya has reported a total income of Rs. 47 crores, a growth of 53% on year-on-year basis. Total income from China subsidiary was Rs. 28 crores, a growth of 484% on year-on-year basis.

Segment-wise performances on consolidated basis for the H1 FY22 are as below: Dyestuff revenue stood at Rs. 317 crores, a growth of 122% on year-on-year basis. Dye intermediates revenue stood at Rs. 314 crores, a growth of 61% on year-on-year basis. Basic chemicals revenue stood at Rs. 92 crores, a growth of 95%. Chlor alkali division and TCCA revenue stood at Rs. 102 crores and Rs. 22 crores for H1 FY22.

Total production volume on stand-alone basis for H1 FY22: Dyestuff reported 9,518 metric tons. Dye intermediates reported 12,137 metric tons. Basic chemicals reported 1,17,234 metric tons. Chlor alkali stood at 37,803 metric tons of which caustic soda stood at 27,711 metric tons. TCCA stood at 919 metric tons. Our net debt stood at 330 crores for the 30th September 2021 on consolidated basis.

With this, I conclude the presentation and open the floor for further discussion and question & answers.

Moderator:

Ladies and gentlemen, we will now begin the question & answer session. We will wait for a moment while the question queue assembles. We have the first question from the line of Atul Kothari from Progwealth Securities. Please go ahead.

Atul Kothari:

Sir, my query is basically in reference with something which you have already said in the opening remarks, but if you could throw some more insight into what is happening in the China and the US chemicals markets. If you could elaborate more in terms of, are there any big major plant shutdowns which are happening in the US and China, and will this lead to a permanent structural shift or will it be only a temporary shift in terms of the demand & supply is concerned?

Ankit Patel:

In the US, because of the hurricane, the city of Houston in the Texas area was affected which is where the majority of the chemical plants and refineries are located, but I think by the end of November, it will be recovered and back on the track. But in chlor alkali space particularly, in US there are 2 plants which were old, they have been permanently shut down. So, that has created a small gap in terms of production compared to 3 -6 months ago.

In China, the situation is very different. To achieve their carbon footprint targets by 2025, Central government has taken over the situation of the carbon generation, and that is the main

reason why they have restricted the manufacturing which generates a lot of carbon, where the coal is basically used. I think that should be target and I don't feel it is going to ease up at least by March. In my view, this current quarter and the next quarter are definitely going to have lot of disturbances from China. Currently, as I mentioned, 25% production is cut in terms of the chemical plants in China, which is likely to continue till February and March. It depends on how close they get to their 2025 targets because what I believe is, earlier the province level government were not practicing what they were supposed to do to achieve these norms by 2025. So, that's why the central level government had to come into the picture and now has taken stricter actions. There may be some disturbances because China is more than 50%+ consumer of coal globally. Coal is the cheapest way to generate the energy. So, they either have to shift or they have to suffer some production loss. So, I think it's the transition which cannot be replace or happen in a very short time. For at least, 2-3 quarters, there will be some disturbance, and may be some permanent shift and changes also.

Atul Kothari:

Sir, are there any companies, especially in the Southeast Asian region who are expanding the capacity in our line of products?

Ankit Patel:

In dyestuff and dye intermediates business, there is no aggressive plan from any of the leading companies and no major capacity that is coming up. In chlor alkali, there are 3 plants that are coming in Gujarat. There is a joint venture between NALCO and GACL that is coming around December. There is an expansion by Meghmani that is coming and expansion by DCM Siraam.

In sulphuric acid, there are no plants right now other than our plant at Saykha near Dahej.

Mayur Padhya:

As far as East countries are concerned, there are 3 big players - one is Everlight, another one is KISCO, and the third one is Oh-young International. They were grown at the time when India and China were competing for dye intermediates. They were able to get good price from China or India, but now things are different. Day by day they are becoming weaker than what they were performing earlier. So, we don't feel that they can expand, we had heard that their capacity is reduced or which we have also felt in some of the company like Rifa. Rifa was a big company in Korea. Initially, they were producing dyestuff but later because of this competition, they have stopped production of dyestuff and now they are importing dyestuff from India. So, we feel that there is no possibility that they can expand, particular in our product dyestuff.

Atul Kothari:

Sir, but you mentioned that there are few capacities which are coming up in India by Meghmani and others. How is that going to affect the demand & supply scenario?

Ankit Patel:

There may be some temporary pressure, but if you look at the last 5 years, there has always been capacities that have come up almost every year. So, I don't feel that there is going to be too much of disturbances, plus with China's production cut, chlor alkali plants mostly are dependent on thermal coal plants or power plants. In China, coal being a problem, using coal to reduce the carbon is a problem. Chlor alkali plant has been affected in China at the moment. Again,

China is more than 50%+ production of chlor alkali production in the world that is also going to help for at least 2 quarters, the chlor alkali products are supposed to be strong in terms of finished goods prices. When 2-3 new plants are coming, it can be diluted with the good demand. And with all this upcoming growth in agrochemical space, chemical space, specialty chemical, and pharmaceutical; where chlorine and caustic, goes into all these spaces. With this aggressive growth coming in India, especially in Gujarat,. I don't think it should affect the market too much.

Atul Kothari: Sir, also, can you please elaborate as to what was the capacity utilization of our caustic soda plant for Q2 and H1 both?

Ankit Patel: Because the capacity and the technology is old, we are already in the process of upgrading the technology and also expanding the capacity. So, we have some limitations right now and the utilization as per the current capacity, utilisation is around 70%. But as per the current plant status, I think we are running it at around 90%. And going into next year, we are targeting to increase it by 60-70% more, the production number. Currently, we are going at the rate of around 200 to 220 crores of turnover when the prices are normal. Right now, the prices are more than doubled of the normal prices. Next year, in the normal scenario, we are expecting around Rs. 325 crores of turnover from that unit.

Atul Kothari: Sir, in terms of capacity utilization, can you tell me the percentages of our Q2 FY22 as far as caustic soda is concerned?

Ankit Patel: It's around 70% from the installed capacity .

Atul Kothari: Sir, just one last question. Because of the spike which we saw in the spot price, did our Punjab unit basically as you had stated earlier, has it turned profitable?

Ankit Patel: Currently, it is profitable. Because of the old technology, our raw material cost is very high which is power, but because of these extraordinary prices which are almost double than 3 months or 4 months back prices. So, it's definitely very profitable at the moment and we are expecting for this ongoing quarter and the next quarter for the Punjab unit to create some good margins for us.

Moderator: We have the next question from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Sir, as you were explaining the exorbitant rise in the prices of caustic soda, in dollar terms, can you give some understanding what the prices were prevailing and what they currently are? And for the month of October, how the trends have behaved? What we exited September quarter and how is the trend as on today or any near time?

Ankit Patel: Before of this issue in terms of the power cut in China, the prices of caustic soda were around Rs. 28,000 per tonne. That is around \$370 per tonne. This is something of the international

market. And the power cuts prices in the last couple of months, are around Rs. 70,000, i.e., around \$933. So, it has almost gone 2.7x to 2.8x in the span of 2 months. Like I said, 25% production is cut in overall China, and in this industry where the power is a raw material and majority of the plants in China are based on coal, I think this has affected big time and also the coal prices were also very high until last week. That has also affected the costing to go up by almost 100%. But even if there is a rise in the input prices towards margins, margins are very good.

Saket Kapoor: You said \$370 to \$933 this is where the trajectory is?

Ankit Patel: Before the power cut in China versus today's price.

Saket Kapoor: When we look at your presentation, it is really a well-elaborated presentation and thank you for the same firstly, sir. When we look at the slide #22 wherein in the manufacturing value chain, if I have understood it correctly, caustic soda is also going to be your raw material going forward or it has been the estimation. Before this acquisition.... this acquisition was aligned because of the captive to be vertically integrated. That was the main reason as we see in the input materials slide that caustic soda and chlorine are the raw materials for Trion Chemicals and all if I understood the flowchart correctly?

Ankit Patel: Caustic soda and chlorine are the main raw materials for us. Chlorine is definitely a regional product. So, we don't intend to send chlorine from Punjab to Gujarat, but caustic soda is a product where we can send it to our Gujarat plants and create this integration model, but it has only been 6 months and until now, we have not done that. We do have another H acid plant in North India in UP and we are about to start our vinyl sulphone plant there. For that unit, it will be captively used. But for Gujarat, till now we are comfortably selling it in the Northern India markets. So, we don't bring it here. But if there is any shortage or if there is any abnormal pricing or uncertainty, we can always bring the product from Punjab to Gujarat.

Saket Kapoor: When we look at the input materials pie chart, there are 3 elements which are in-house, part or full, and the other ones like sulphur, aniline, naphthalene, PNCB, caustic soda, and chlorine and also water, these are all dependent on the external ones. Sir, how have the prices of other components of sulphur, aniline, and others have behaved and how have those affected our margins of the basic chemicals and value chain thereafter?

Ankit Patel: Other than chlorine and water - sulphur, aniline, naphthalene, PNCB, and caustic soda - I think everywhere the prices have gone up by at least 50% or more, we are able to pass on these input prices to our finished goods prices because our intermediate space has a direct competition with Chinese companies which have also been affected. For example, we are able to pass on for making basic chemicals and making dye intermediates. That is why the dye intermediate prices where H acid and vinyl sulphone are the main products - they are also about 25% of our total revenue - for those 2 products, the prices has increased. Vinyl sulphone prices are now Rs. 400

per kg and H acid is around Rs. 600 per kg. So, they have also increased with this increase in the input price.

Saket Kapoor:

But when we look at your revenue for September quarter and compare it with June, the escalation is to the June only by 10%. So, the benefit of the increase in your top line will be fully translated for the December quarter? There will be a significant change in what the revenues from operation have been because of these changes in the finished and the raw material prices?

Ankit Patel:

I think there will be a substantial increase in terms of top and bottom line for the December quarter versus June - September quarter. So, until September, the scenario was quite normal. All the input prices as well as finished goods prices were in normal range, but in September, this all started happening. So, we will have the highest effect in October and November month. Now, I feel that it is likely to continue till February-March. So, this ongoing and the next quarter should be much better in terms of top and bottom line versus the first 2 quarters of the year.

Saket Kapoor:

Sir, if you could give me some sense why the September quarter PBT levels were lower than the June numbers although there was an increase in the top line, but that does not commensurate with the bottom line. If you could explain. There has been a reduction in finance cost also.

Mayur Padhya:

You are correct. Our consol profit is lower when we compare to 1st quarter numbers. This is mainly because when we compare the prices of particularly sulphur and coal, that prices were started increasing in 2nd quarter. So, at the initial months of 2nd quarter, the profit was a bit lower. At the subsidiary level, SPS Processors which is a remote plant for us and for that logistic cost were higher compared to our Gujarat plant. So, we had to stop production because the finished goods prices were lower than the cost of production in the 2nd quarter. July month was not good for the subsidiary companies as well as Bodal. That's why, this effect was there, but post 15th of September, the prices of raw material as well as finished goods has started increasing. That's why, things are better in the current quarter and 2nd quarter was a satisfactory quarter.

Saket Kapoor:

I missed the point about the SPS Processors. I think there is some amalgamation also. I will come to that later. But if you could explain to me once more - the line got broken - that SPS Processors, how is it integrated and what were the bottlenecks due to which it was not performed?

Mayur Padhya:

Last con-call, we have said that we will start the production of vinyl sulphone in the 2nd quarter itself, but because of some non-availability from Reliance of the ethylene oxide, which is one of the raw materials for this product. Because of that, the SPS Processors couldn't perform the way it has a potential. Another thing is that SPS Processors is a remote plant when we compare it with our other Gujarat plant. It is located in UP and it is required to source some of the raw materials from Gujarat. So, it is required to pay some additional logistic cost which has made it comparatively non-viable when we compare it with the Gujarat plant. That's why that plant has

not performed well and as I mentioned, our consolidated Q2 number is not as good as the Q1 number.

Saket Kapoor:

About the amalgamation, sir, can you dwell something about it? What is the rationale and there is a dilution also in equity 1% for promoter and non-promoter products. If you could explain the rationale and what it brings to the table for the company?

Mayur Padhya:

We acquired about 70% stake in this plant with an intention to set up a vinyl sulphone plant at the same site because we were knowing standalone H acid is not profitable all the time, but once we have vinyl sulphone plant along with this plant, then our economy will be better. The reason behind is that some of the effluent of H acid can be consumed as a raw material in vinyl sulphone and vice versa. Some of the effluent of vinyl sulphone can be consumed as raw material in H acid. So, when we combine both these products at a single location, our overall treatment cost which is a significant one reduces. Now, we are at the verge of starting of vinyl sulphone plant. Even if we consider prices which were prevailing a quarter before, then H acid has a potential to do about 100 crores turnover and addition of vinyl sulphone can add another 100 crores. So, at the normal price, it can contribute about 200 crores, but the profitability which was there in 100 crores was lesser but when we have both these plants, then 200 crores total profitability will improve. So, we can say good time for the company is going ahead. We were considering to acquire this 30% stake and we could finalize this with our partner and that's why we are amalgamating this with the company. There is some nominal carry-forward loss in the SPS Processors as per income tax. So, we will get some benefit of tax saving also by doing this amalgamation. Overall, as you know, we are now becoming stronger as far as dyestuff is concerned; we are increasing our dyestuff production. So, at that time, if we have in our hand all these products of dye intermediates, that will further strengthen our business model.

Saket Kapoor:

Just to conclude, the top line contribution would be to the tune of 300 crores including both H acid and vinyl sulphone or are the prices much higher to the tune of that? And sir, there will be no cash outgo? it is only with the share that will be issued for the balance 30%?

Mayur Padhya:

Yes, correct. If we consider current prices, then turnover can be about 300 crores, but if we consider the normal time, then also it should be more than 200-crore turnover top line should from that unit.

Saket Kapoor:

And margin, sir?

Mayur Padhya:

Margin should be lower than the plant we have in Gujarat, but it should be better than 10% that we can target even in normal time. Presently, it is much better, but even if things are normal, then also we can target.

For your another question, yes, there is no cash outflow. It will be only equity swap. And going for equity swap is the reason that we are already committed for our CAPEX at our new site Saykha - the sulphuric acid and benzene downstream product - as well as upgradation of our

Punjab unit. We have already committed CAPEX. So, we do not want to further outflow of our cash. That's why we are going for the swap.

Saket Kapoor: Can you please mention what is the total CAPEX outline - how much has been spent, what is in the anvil, and what is the timeline of the completion?

Mayur Padhya: We were considering about 670 crores of cash outflow from these both units, and out of that, we have already spent 150 crores for this acquisition, and another about 50 crores, we have already spent from our internal accrual. Out of these 200 crores of outflow - we have taken about 116 crores of term loan from the bank. So, at the rough stage, we can say that another 425 to 450 crores of outflow will be there, and this will be in current year as well as in the next year.

Saket Kapoor: Sir, 670 crores is the figure you gave, out of which 150 is for the SPS Processors' 70% stake and 50 crores more you have spent. That totals to 200 crores.

Mayur Padhya: No. Out of that 670 crores, almost 200 crores we have spent. So, another 470 crores is remaining and if we consider something, then 470-475 crores of outflow should be there. SPS is not in picture as far as this CAPEX is concerned. It is Punjab unit what we acquired from Mawana Sugars. Over there, there was a cash outflow of about 150 crores.

Saket Kapoor: What is the current outstanding debt level in September and our cost of borrowing?

Mayur Padhya: Current debt is about 330 crores. Our borrowing – is 150 crores we borrowed in dollar currency. Over there, what we are paying is LIBOR plus 0.8% which comes to about 1% to 1.25% and balance some of the working capital we are getting from WCDL for which we pay about 4.5% or 4.6%. Term loan what we have tied up is about 6.75%. So, at the blended level, we can consider 3% to 4% as the interest cost.

Saket Kapoor: Total debt is 330 crores. This is including the working capital or this is the long-term debt?

Mayur Padhya: This is including working capital. Here we are not considering the bill discounting what we carry out with the bankers. If we consider that, then there is another about 135 crores.

Saket Kapoor: 330 +135 crores is the peak. Sir, this is going to go up when your further CAPEX is going come up?

Mayur Padhya: Yes.

Saket Kapoor: When will the major drawdown happen and that is mainly attributed to the Punjab unit getting upgraded?

Mayur Padhya: Yes, major drawdown will happen in next year because majority of the long-term delivery contract has already been executed and we have paid them required advance. So, once we start

and go on for construction work, then some CAPEX will definitely be there, but major part will be in the next financial year.

Saket Kapoor: Lastly, sir, what is our current credit rating?

Mayur Padhya: Our credit rating for short-term is the highest A1+ and for long-term it is A+.

Saket Kapoor: Our rating agency?

Mayur Padhya: India rating.

Moderator: We have the next question from the line of Aditya Khaitan from Stewart & Mackertich. Please go ahead.

Aditya Khaitan: Sir, as you said that the major raw material sulphur and coal prices that have started to increase in this quarter and that has impacted the margins of the company. Is this trend continuing? Are you witnessing similar like the sulphur prices or you are witnessing some sort of consolidation in prices? What is your expectation for the 2nd half margins considering the margins in this quarter have been 10.3% and the 1st quarter also was not that good? So, how are you looking at the raw material prices to shape up and what sort of margins are you looking in the 2nd half?

Mayur Padhya: In the month of July, prices of coal as well as sulphur started increasing, but in that month or rather in the 2nd quarter, we were not able to pass it on this increase in raw material prices and now we are comfortable to pass it onto our final product rate. So, it will not have an impact as far as the current quarter is concerned.

Aditya Khaitan: Can we expect improvement from the current levels of 10.3 for the next 2 quarters at least?

Ankit Patel: Yes.

Aditya Khaitan: You had also said that vinyl sulphone prices are Rs. 400 per kg and H acid is Rs. 600 per kg. These are the current prices. What was for the quarter?

Ankit Patel: Quarter it was Rs. 231 per kg for vinyl sulphone and Rs. 379 per kg for H acid for the September quarter.

Aditya Khaitan: So, we are witnessing some sort of double the levels of current prices what we had witnessed in the 2nd quarter?

Ankit Patel: Yes, but the margins will probably not double because raw material prices have also gone up versus the 2nd quarter, but overall, there is a fair improvement in the margin percentage also.

- Aditya Khaitan:** Sir, can you give a lot more color on the end-user industries of the dyestuff? How is the market shaping right now? If you can give some more idea on it?
- Ankit Patel:** Our majority of the sales goes into textiles and some of our dyes go into leather and paper. The textiles sector is definitely recovered. I think it is back to pre-Covid levels. I think there, there is no issue of any demand. Also, we witnessed a similar kind of demand in leather industries and paper industries also. So, in terms of consumption of dyestuff, I think it is definitely close to pre-Covid levels.
- Aditya Khaitan:** Sir, on the SPS Processors, the 6,000 tonnes per annum vinyl sulphone plant has started in this quarter, right?
- Ankit Patel:** That will start by December end. We are planning to start the trials in December. So, I think we should be able to start the plant by December end.
- Aditya Khaitan:** Sir, similar guidance was given I think for the last 2 quarters also that the plant was ready.
- Ankit Patel:** Yes, it was given, Everything is ready with the storages and transport and the permissions, Reliance does not have any extra material. Because we are not able to get that one particular material where Reliance is the manufacturer, we are not able to start. We are just waiting for them to allocate some quantities to us and then it should be a smooth production. The plant is ready completely. There is no problem with that, but it is just that we are waiting for the availability of this chemical.
- Aditya Khaitan:** Last question on the caustic soda front only. Like a similar question on the prices as asked by one of the participants, that the prices today are at an exorbitant level - a decadal high - at around Rs. 65 to Rs. 70 per kg. These are the current caustic soda prices. How you see these prices to.... whether these prices can maintain at these levels or how you see the things will shape up here because considering the raw material prices have also moved up? Has that spread improved or that spread has been the same considering if the caustic soda prices were around Rs. 25 to Rs. 30?
- Ankit Patel:** Spread has definitely improved. In Gujarat, the problem with chlor alkali players is that the coal prices also had gone up from Rs. 6 level to around Rs. 15 level. Now, it is correcting in the last 3-4 days, but it is still at a very high cost. So, captive power plant uses power cost is definitely double compared to the normal times. But we don't have a captive power plant in Punjab. We buy our electricity from Punjab State Electricity Board at a very attractive price. That is the reason why we don't have a power plant there. So, the coal price has not affected us specifically, but majority of the plants in India are dependent on coal because they create their own power for the chlor alkali. Till November end, I feel that there is definitely going to be a continuous increase in the prices of caustic. Post November, I think the US plants which have started again I think their quantities will be available in the domestic market for their regular contracts. So, I think there will be some soft demand coming in maybe in December. That may have some

impact, but I still feel overall till about March, caustic industry is definitely going to remain very strong in terms of finished goods prices.

Aditya Khaitan: Sir, we are also planning to set up a captive power plant. Considering now we are buying from the Punjab state government, but definitely there could be some volatility going ahead also considering it is a DISCOM only from where we are taking the power.

Ankit Patel: Basically, they do long-term contracts. Because of the number of industries in Punjab, the scenario is a little different than your Gujarat or Maharashtra. Comparatively, they are not that much industrialized states.

Aditya Khaitan: At what price per unit, the electricity we are getting if there is any idea on it, sir?

Ankit Patel: Per unit power is about Rs. 6.3. In Gujarat, it is around 7.25. In our Punjab, it is 6.3. And generally, chlor alkali plants/thermal power plants generate power at around Rs. 5.5. These are the normal formulas. Currently, the coal-based power plants could be generating power at around Rs. 10 to Rs. 11 per unit.

Aditya Khaitan: Sir, if we set up a full-fledged solar-based power plant, we could be using it for our internal purpose and we could be selling to a third party also. Is there a plan in place or we would continue taking the electricity from the state government only?

Ankit Patel: I think that we don't need to invest like you said. I need 30 megawatt of power where the investment could be around - including the land - maybe more than 200-300 crores. Instead of investing so much money into just some saving, I feel that I would rather invest in expansion of the plant. I think the input cost of my power is already very attractive because power generation cost in North India will be slightly higher than Gujarat because majority of the coal availability is from Gujarat. The extra freight that happens from Gujarat to Punjab is going to affect the power generation price. So, I think there is not much room for us to set up a thermal power plant there. That is why, out of 4 chlor alkali plants in North, only one has a power plant, 3 plants don't, whereas in Gujarat every single plant has a power plant. So, I would rather invest in expansion of this plant or create some more integrated projects around the chlor alkali space.

Moderator: Ladies and gentlemen, due to time constraints, that was the last question. I would like to hand the floor back to Mr. Ankit Patel for closing comments. Please go ahead, sir.

Ankit Patel: With this, I conclude the call and thank you everyone for joining us today on this earning call. For more queries - I think there were some questions probably left out - you can contact us directly or the SGA team, our investor relationship advisors. We wish you all a good day ahead and have a happy festive season. Thank you.

Moderator: Ladies and gentlemen, on behalf of Bodal Chemicals Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.