



“Bodal Chemicals Limited
Q2 FY ‘23 Earnings Conference Call”
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Moderator:

Ladies and gentlemen, good day, and welcome to Bodal Chemicals Limited Q2 FY '23 Earnings Conference Call. As a reminder, all participant line will be in the listen-only mode and there will be an opportunity for you to ask questions, after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ankit Patel, Executive Director, Bodal Chemicals Limited. Thank you. And over to you, sir.

Ankit Patel:

Thank you very much. Good evening, 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, SGA our Investor Relations Advisors. 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 recent developments in the chemical industry and on our company. And then Mr. Padhya will walk you through the financial performance for the quarter.

Our industry highlights Global MNCs are increasing the raw materials sourcing from India to de-risk their supply chain. Bulk and Specialty Chemicals are becoming a prominent part of their requirement and most Indian chemical companies are comprehensively investing in the expansion. At present, our power crisis in Europe gives an immense opportunity for Indian chemical companies to grow their wallet share in the European market.

Coming to China their zero COVID policy has slowed their economic growth for a certain period. The growth momentum in China has been sluggish and has impacted the global prices of key commodities with excess supply. Due to the confluence of these several factors, the global demand of bulk chemicals is currently met by a handful of suppliers. For Bodal, in today's environment where Indian suppliers are emerging as preferred partners globally. We have been able to leverage our leadership position.

We are the India's largest integrated manufacturer of Dyestuff and Dye Intermediates and hold a meaningful market share in the world. Coming straight to the operational performance, overall business performance for first half FY '23 has been moderate as the company's total revenue stood at INR 860 crores, a marginal de-growth primarily due to the subdued performance of Dye Intermediate. Coming to Dye Intermediate, H Acid & Vinyl sulphone pricing have remained at lower levels, putting strain on the industry players. For H1FY23, total revenue from Dye Intermediate stood at INR 176 crores, the lukewarm demand dye user and industry, especially textile manufacturers have increased their chemicals.

H Acid & Vinyl Sulphone prices were INR 437 per kg and INR 255 per kg in second quarter FY '23. Since more than 40%, 45% of our intermediate products are used for the captive preference to manufacture various ranges of dyestuff. Over the next few years revenue pie of this vertical will eventually go down and some Dyestuff will increase in favour of a steady business growth.

Coming to our Dyestuff, End application industries from Dyestuff like textile, leather and paper have seen some moderation during the period. The Dyestuff business from first half FY '23 stood at INR 313 crores led by the better realization.

Our Basic Chemical division also reported healthy performance led by higher prices. Close to half of the Basic Chemical capacity is captively consumed for Dye Intermediate production. Our overall Basic Chemical segment contributed INR 92 crores for the first half FY '23.

Coming to the Chlor Alkali business. The Chlor Alkali business has been rock solid through the first half of the year with revenue at INR 166 crores driven by healthy volume and higher realization of caustic soda. The demand for caustic soda has been strong in FMCG, textile and paper industries, especially in North India, where there are only a handful, of suppliers.

We are delighted to inform you that the company has successfully completed the technology upgradation of the Rajpura Chlor Alkali unit. Our total capacity of caustic soda is 99,000 tons per annum at present. The price is nearly INR 58 per kg. We can now meet increased caustic soda demand and cut energy costs owing to the technology we have created. This will establish the company's next growth phase and strengthen our chlor-alkali chemical market position.

Coming to the benzene derivatives and sulphuric acid, Saykha greenfield project. Part of the construction activity has been delayed due to the prolonged monsoon and labor shortage in the previous two quarters. Our Saykha greenfield project is expected to start trial run of benzene derivatives in Q2 FY '24. Once this site is stabilized, we will start the trial run of sulfuric acid by Q4 FY '24.

As a part of the project review, products like MPDSA, PNA, 2, 4, DNCB are kept on hold. Our main goal is to replace imports and capture business in the pharma and agrochemical markets where PNCB, ONCB and MSDB are used. We will set up integrated product chains which will lead to the cost efficiency, better productivity and higher margins for the company. We have established various trading and marketing subsidiaries to create a stock point and a presence in the new geographies and clients.

Most of our subsidiaries have reported a muted performance led by uncertain macro environment. Sener, our Turkish subsidiary has reported a steady business with noteworthy profitability. The SPS unit has been amalgamated. In a medium to long-term view, these subsidiaries will penetrate the respective region and will bring meaningful business to our company.

Our top three strategic objectives would be to ramp up our existing capacity, expand the export business, and complete the Saykha project by Q4 FY '24. We have been moving up the value chain, And working towards diversifying the business from our core Dyestuff and Dye Intermediate business to the specialty chemical products like benzene derivatives. The world is recognizing India as a second largest manufacturing hub and it is evident that all the manufacturing businesses, particularly chemical industries, will gain from this. Qualified

manufacturers like us are poised to grow 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. The overall performance of the company has been muted for the quarter gone by. Our standalone performance for Q2 FY '23 is as follows. Total revenue for Q2 FY '23 stood at INR 400 crores. EBITDA stood at INR 32 crores in Q2 FY '23. End-to-end forex loss was INR 2.8 crores for the quarter. Net profit for the quarter stood at INR 10 crores.

Our standalone performance for H1 FY '23 is as follows.

Total revenue for H1 FY '23 to add INR 849 crores. EBITDA stood at INR 75 crores. Net profit for the quarter stood at INR 28 crores. Our consolidated performance for Q2 FY '23 is as follows. Total revenue stood at INR 397 crores for Q2 FY '23. EBITDA stood at INR 34 crores with a margin of INR 8.5% . Net profit for the quarter stood at INR 10 crores. Our consolidated performance for H1 FY '23 is as follows. Total revenue stood at Rs. 860 crores for H1 FY23 against Rs. 900 crores for H1 FY22. This includes export of 32% and balance of 68% is domestic . EBITDA stood at INR 87 crores in H1 FY '23 a degrowth of 17 percent. Net profit for the half year stood at INR 33 crores against INR 50 crores for H1 FY '22. H1 FY '23 performance for the key subsidiaries were subdued, except for Sener Boya.

SPS unit has been amalgamated and is no longer our subsidiary. SPS posted a revenue of INR 29 crores for H1 FY '23. The loss before tax was INR 14.3 crores. The same has already been incorporated in the standalone results for the company. Sener Boya has reported a total income of INR 39 crores and has reported upwards the profitability. Performance of other subsidiaries has been lower than expected faced by uncertainty in their respective region.

Segment-wise, performance on consolidated segments for H1 FY '23 are as follows. Dyestuff revenue stood at INR 314 crores. Dye Intermediates revenue stood at INR 176 crores. Basic Chemicals revenue stood at INR 109 crores. Chlor Alkali revenue stood at INR 166 crores. TCCA revenue stood at INR 17 crores for H1 FY '23.

Total production volumes on a standalone basis for H1 FY '23 are as follows: Dyestuff reported 7,826 metric tons. Dye Intermediates reported INR 1,677 metric tons. Basic Chemicals stood at 99,986 metric tons. Chlor Alkali and TCCA stood at 38,535 metric tons and 592 metric tons, respectively. Our net base stood at INR 767 crores, of which INR 361 crores is term loans at the end of H1 FY '23 on a consolidated basis.

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

Moderator:

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

- Aditya Khetan:** Sir, first question in the presentation, you had mentioned that the zero COVID policy in China has decayed the overall consumption and this has led to lower prices and excess supply across the globe. So I believe, sir, we are exporting some Dyestuff to China or and Dyestuff we are importing. Is this understanding correct?
- Ankit Patel:** So we do not export Dyestuff to China. We do it, but that is not our regular business, and it is very, very small quantity. But Dye Intermediates are regularly imported from China to India. So because we are the largest basket of Dye Intermediates in-house, we only depend on Chinese imports for only a couple of products. But majority of the Dyestuff players in India, they have an option of importing from China. And because of the local problems in China, I think the overall demand is affected within China. They have a lot of spare materials available to be exported to India. That has been happening since the last three, four months.
- Aditya Khetan:** And on to this COVID policy, so have we seen some of the capacities taking a shutdown or capacities. So they are continuously running and only so the demand has impacted?
- Ankit Patel:** The problem is most of the industries are not around or within the large cities in China. And COVID spread whatever is happening there is mostly happening in the larger cities. So the industry is not really affected. And the manufacturing is on in intermediate space in China.
- Aditya Khetan:** And sir, on to the benzene derivatives. So what is the rationale for keeping this benzene derivatives product like MPDSA, PNA on hold? Like earlier, we were targeting to foray into the downstream derivatives of benzene. But now we will be manufacturing only PNCB, ONCB, which are the first derivatives on the benzene. So does it make sense to invest so much into the benzene derivative when just manufacture the first step derivative?
- Ankit Patel:** No. So when you talk about benzene derivative, the main products are a PNCB and ONCB. The first-line product is actually MCB. And then from there, we make PNCB and ONCB. They are the main products going to pharmaceuticals and agrochemicals. The idea behind setting up MPDSA, 2,4-D, and PNCB, and PNA was that we have some integration possibilities within our Intermediate and Dyestuff business. So that was the reason plus they are comparatively small products in terms of global volumes or Indian volumes. So the main products are definitely PNCB and ONCB. And because of the overall capex cycle and the increase in the steel prices in the last about 12 months, we don't want to over leverage ourselves or we don't want to end up in a situation where project cost is over run.
- So first on COVID, it is naturally the next step for us, we may just decide and restart those and have not invested anything in this project so far because, comparatively they are very small projects. The investment is also small and the size of work is also small. So that is why, it gives an option right now to just keep it on hold and go back to the decision every couple of months and decide when to start.
- Aditya Khetan:** So now what would be the revised capex figures into the benzene derivatives? What we had said earlier and what is now?

Mayur Padhya:

As far as the figure is concerned, there are some changes. The three projects, small project, which we are putting on hold, they are of a very small capex, hardly about INR 40 crores. And so there is a reduction of this INR 40 crore and during this project going on, we have gone for some better technology for PNCB, ONCB as well as for sulphuric acid. So this is some important technology and which we will cost us almost to the same figure of INR 40 crores, INR 45 crores. So in a way, that will compensate each other. So as far as profitability is also concerned, we will have a better operating expense cycle. So rather, our operating expense will be lower because of this newer technology. And whatever loss we will have by dropping or rather putting on hold these project that will be covered by this projects.

But at the same time, see, when we have started this project work, at that time, steel and shipment prices and during this period of project construction, there is a huge rise as far as steel is concerned. And because of that, we are expecting there can be 100 plus tons of over run as far as total project is concerned. So in a way earlier we have declared about INR 400 crores, but we are not sure, what can be the revised figure but it can be INR 500-plus crores project cost. But that also depends upon how in future steel and cement prices behave.

Aditya Khetan:

Sir, better technology you mentioned. So that has a linked to better yields. So like you put a better technology, so that will give you a better yield. Is that correct...

Ankit Patel:

No, it doesn't give us a better yield, but there are benefits like energy costs come down, the consumption of the steel comes down. Also, the highest possible quality is possible to achieve. And also, it takes up less civil work and all. So there are multiple benefits. So there are a lot of operational benefits.

Aditya Khetan:

Sir, so considering now -- so last three years record of Bodal Chemicals, so we are not witnessing any sort of operating leverage benefit into any of the businesses, which is like leading to sort of margin improvement. I believe, sir, even for the last two years, during the COVID times. So wherein you can say so most of the commoditized chemical companies have also reported some 20%, 25% margins considering what the prices have went up. But Bodal is the only company which has not been able to make margins even beyond 12% for the last two years. And I believe, sir, in FY '17, '18, we had made margin of around 18%, 20%. So what is the reason? Like why are we stick to that band of 8% to 12% margin in terms we cannot go back beyond like 15% to 20% range? So what we can do in sort of efficiencies and new projects, which can take this up like if you can give a color on this?

Ankit Patel:

I think that the couple of the main problems there have been a couple of three of our subsidiaries, one subsidiary, which is quite eight – twelve quarter, which is SPS Processors. And there also, we are not able to make any solid margins. So that now has been amalgamated, but we are trying to convert it into at least a 10% EBITDA business. Also, our Trion Chemicals, which was also a subsidiary, which was amalgamated recently. There also had problems of -- technology problems, some accidental problem due to which the plant had to shut down. So because of that also, we had -- earlier it was with JV and eventually in parts, we ended up buying all the stake

of that company. So there also for three years we were not able to make consistent production or we were not able to make consistent margins.

So I think our core business, I think all this time was definitely doing 13%, 14%, I would say in last three years also. But then at the consolidated level, there are always some losses in the last 8 to 12 quarters. That's what drag down the overall profitability. Also in Sener Boya, which is our Dyes marketing subsidiary, which is based in Turkey. There also, we had financial losses as well because of the dollar and lira problem. So there have been two different cases. Obviously, we are working on that. I think we are confident about our existing main business model.

I think the addition of Chlor Alkali is also helping us in a large way. There, also we are integrating it well. We are going into forward integrated products there also. And now the expanded capacity should help our Chlor Alkali and all of these numbers.

In benzene derivatives and sulphuric acid are traditional higher-margin businesses. There are about 18% to 25% EBITDA businesses. So that is what we are trying to do. Also Chlor Alkali is traditionally a high margin business. So what we -- our strategy is two, three years back was that we wanted to bring in businesses with a good size of numbers. So the idea was to get about INR 1,000 crores of top line from this Chlor Alkali and this Greenfield projects, which can be around 18%, 20% business, so at a blended level with existing around 10%, 12% and this about 18%, 20%. We can have over 25 crores of revenues at around 14%, 15% EBITDA margin, which is strong.

So that is -- that was the idea. That was the business plan. And I think we are on track because Chlor Alkali is doing good and also benzene and sulfuric plan, plan execution is also on track.

Aditya Khetan:

But sir, considering Chlor Alkali is also cycle only because caustic soda sometimes, it is better. Sometimes the cycle is also depressed. But in considering sir, our existing businesses also, they are backward integrated. Still we're not getting that -- so what is like impacting the margins to a greater extent. But sir, I just want to know, so can we cross this band of 8% to 12%? Or can we consider like 8% to 12% margin should be there for the next three, four years?

Ankit Patel:

I think going ahead into next year, we will definitely be doing at least 12% to 13%. Once our Greenfield projects come in and about when they reach 70%, 80% utilization, which should happen about a year and half from now, I think then we should be around 13% to 15% easily.

Aditya Khetan:

So the 70% to 80% utilization onto the caustic soda businesses?

Ankit Patel:

No, caustic soda, we are already at the new installed capacity, upgraded one is we are already at about 70%. By January, we are targeting about 90% utilization. I'm talking about addition of the Saykha, benzene derivative and sulphuric acid business. And that also starts within a few quarters. And when that reaches around 70%, 80% utilization, I think that is the right time where about INR 400 crores plus turnover should come from Chlor Alkali and about INR 500 crores

from our Greenfield benzene and sulphuric acid. And those three businesses should bring in better numbers, better margins.

Aditya Khetan:

Just one last question, sir, on to the Saykha benzene derivative project, sir. So now since we are not putting up the MPDSA, PNA plant, are you sure this business is now 15% to 20% range, considering now we are not entering into the downstream derivative, because I believe, sir? The MPD asset prices are roughly around INR 450 to INR 500 per kilo versus the PNCB, ONCB prices are around INR 50 to INR 100 per kilo. So definitely, there will be more margin, into the downstream only, but now we are keeping it on hold. Are you sure this 15% to 20% margin range is intact?

Ankit Patel:

I think they will be intact, because PNCB ONCB are not commodity or basic chemicals. They're going to agrochemicals and pharmaceuticals, we also have some captive consumption. And setting up MPD or PNA or DNCB plant, it's comparatively an easy job for us. It can be done very quickly also. So I don't feel that we are missing out anything much, is such that they were integrating with our intermediate business. So we wanted to get into those business also. But being a Greenfield site, there is so much activity. There is so much of work going on plus in at the same time, we also did the Chlor Alkali expansion and upgradation of the technology.

So there is so many projects going on. I think we have to slow down a little bit because we also entered into a very high price of steel cycle. So it is just on hold. I think you are right, that maybe when we have those projects also, it should help to increase the margins also even more in the benzene business. But I think even with this first two integrated products that we will produce, I think also the margins are not bad. So there are already other companies which may only upto PNCB and ONCB, they do good. So I'm very confident about that.

Moderator:

Next question comes from the line of Dipti Kothari from Kothari Securities.

Dipti Kothari:

Sir, my first question was that, can you highlight for Basic Chemicals, PCB and

Thionyl Chloride business outlook? And what would be the optimum revenue which we can expect and by when?

Ankit Patel:

Yes. So PCB, Thionyl Chloride and sulphuric acid business is what we already do, Thionyl Chloride since last four years and sulphuric acid since about last 14 years. And TCCA was a JV with another group of people, which we started a few years ago. And eventually, we ended up buying all the equity. So TCCA is the only plant in India. And there are some technical challenges, and there were some transition of changes in the ownership and all. So we have not been traditionally able to achieve a very high utilization there, but we are targeting to achieve 50%, 60%-plus in the coming few quarters.

I think we should be able to reach there. We are also optimizing some of the high cost that we have there. We want to improve and bring down our cost. So that is the outlook for TCCA business. Thionyl Chloride, we have been operating at more than 90% very comfortably. And

there, we have about 30% of the Thionyl Chloride is kept to be used to produce the intermediates. The rest Thionyl Chloride we sell in the market, which consumption is in agrochemicals and pharmaceuticals. So we sell to South India a lot, and we also sell to all these major players of clinicals and agrochemicals in Gujarat and the western part of India.

And about sulfuric acid, we have 500 tons per day, 50% captive plant in Baroda since 2010. And other than that, we are setting up a new plant in Saykha next to our benzene derivatives plant, where the entire waste heat, will be converted into steam and power which is going to be used by the benzene derivatives. So there is a good solid integrated model where a majority of the steam and power will be supplied from the waste heat generation of sulphuric acid plant.

And also sulphur acid is a regional business. So Dahej and Saykha and Jhagadia and Ankleashwar they're all industrial hubs and all this upcoming growth is also coming in that region. So we wanted to be part of -these all the sulphuric acid and derivatives which goes into making a lot of agrochemicals and all kinds of different chemicals. So we wanted to be in the right area where all this growth is coming up. So that was the idea behind it. And so there, the revenue is going to be up INR 3 crores plus in the sulphuric acid business, the new one that is coming up in Bharuch.

Dipti Kothari:

And sir, when do you expect our subsidiaries to pick up in their respective region, aren't they receiving good inquiries from global MNCs?

Ankit Patel:

So in the subsidiaries, you know, Trion has been amalgamated recently. SPS Processors has also been amalgamated very recently. The only subsidiaries left now are all marketing subsidiaries. So one that is in China, that is the purpose is to just do some trading there because we source some chemicals from there. Sometimes there is some demand of intermediates and dyes that comes from China. So that is why the subsidiary is there. We have a very small team there, who just looks after that small business.

And our trading, Bodal Chemical Trading Limited, that is again a subsidiary that was established to just do some trading activities, just to source or sell some of our finished goods. So that is also not a very active company where we do a lot of business. It's just an arm where if we need, we just use it. But that is not a long-term thing. We've always been serving directly and sourcing directly. And the only sizable subsidiary that we have and that we have some business plans is the Sener Boya, which is in Turkey. There, since our acquisition in 2019, we've always had a growth. There was some forex losses in the meanwhile last year.

But that also we have fixed all these problems and we have gone for the local loans etc , which eliminates all the risk for us. So now it's going quite smooth in this quarter also. For the first half of this year also, Sener is doing good. So there Sener Boya, there is a huge market in Turkey. So India, out of all the exports from India of Dyestuff, the highest material goes to Turkey. So it is the largest dye buying country from India.

And so there our presence needed to be there to supply to the local players. And also there is a good size market in the surrounding countries from Turkey. So it's basically of around where a lot of this dyes are consumed. So there also we see a good growth potential, which has already been proven within the organization. And going ahead also, I think we should be able to double our volumes in the next two to three years.

- Moderator:** Next question comes from the line of Surinder Kumar Agarwal, an individual investor.
- Surinder Agarwal:** Sir, my question is consolidated turnover is INR 395 crores, where is the standalone turnover is INR 399 crores, what is the reason, is it possible? The consolidated turnover is less than the stand alone.
- Mayur Padhya:** Yes, correct. Your observation is correct. It is there. I need to look into the reasons why it is there. So you can connect me later on about this for this.
- Surinder Agarwal:** Second question. What is the latest status of SPS product,?
- Mayur Padhya:** SPS unit you are coming out. Can you repeat your question please?
- Surinder Agarwal:** Status of SPS project, Saharanpur.
- Ankit Patel:** SPS process, produces H-acid and Vinyl Sulphone. There has been a lot of disturbances in the demand and supply, because there is some supply that came in from China in large volumes and local also because of Diwali and because of overall textile sector doing bad internationally there is a bad demand of that Dyestuff, so because of that there is a lot of pressure in H-acid and Vinyl Sulphone prices so that we are operating on and off. So meanwhile in the last couple of months we are operated and now for some time we have decided to stop the unit for sometime until the demand scenario improves.
- Surinder Agarwal:** Future prospects?
- Ankit Patel:** Hello, can you repeat your question? We are not able to hear you.
- Surinder Agarwal:** Then the company may explore the sale of the particular company.
- Ankit Patel:** You are not clearly audible.
- Moderator:** Yes, sir, well sir, we cannot hear you, Mr. Surinder. So I will request you to please come back in the queue again. Thank you. Next question comes from the line of Abhishek Dave from Bright Securities.
- Abhishek Dave:** I would like to ask you two questions. First is, in benzene-based downstream products, which are the key products which we are targeting? Are they niche and have high value add to end consumers? How will the pricing will be done for products?

Ankit Patel: So in benzene, we will be sourcing benzene, we will be making MCB product, and MCB and some derivatives produced there but they are small in quantity. And further we do nitration of MCB where we produce PNCB and ONCB. These are the major two products. Again, there are a couple of derivatives in that process also. But the main selling product will be PNCB and ONCB. Where PNCB is the key raw material for pharma products like paracetamol. For paracetamol, it is the main raw material. And PNCB also is one of the raw materials for many Dye Intermediates. PNCB also is one of the key raw materials for other agrochemicals also. Similarly, ONCB also has a major application in agrochemicals.

So these two are very key important raw materials for these three segments which are doing strong in last few years. And going ahead also, this industry was dominated by Chinese and some European players and there has been no growth from the European players plus in China also there has been no hardly any growth and there has been some restrictions. And there are many entry barriers in this business. It is not like Dye Intermediates or Dyestuff where investment of a plant is very small or the technology is available within India.

So because of the many entry barriers and because of integration, this business particularly has entry barriers. So I think that's why there are only two players, in India. And so we just, and plus PNCB is the majorly imported on regular basis since many years into India. So the idea is also to replace these imported materials that come with.

Abhishek Dave: One more question. Can you please share outlook on the raw material costs? How much are locally sourced and how much from China and other regions?

Ankit Patel: For which business are you saying? Is that for overall companies, raw materials are you saying?

Abhishek Dave: Yes, overall company raw material?

Ankit Patel: Yes, so our imports are hardly between 5% to 8%. Rest is all the source locally only within India.

Moderator: Next question comes from the line of Ayush Sheesha an individual investor.

Ayush Sheesha: So my question is on a very macro level. So the performance since the time COVID started shows that we've been extremely and adversely impacted by external factors and circumstances. Are we doing anything to insulate ourselves from China, Chinese supply, other logistic issues? Because otherwise it is very difficult to have confidence in the company's prospects going forward. Because then the guidance keeps changing. There are no profitability margin is questionable. So that's the point that I'm worried about right now.

Ankit Patel: I'm sorry, I was not able to follow you. Can you please repeat? Can you repeat your question?

Ayush Sheesha: So the gist of it is that are we doing anything to insulate ourselves from the external factors and circumstances that impact our results so very badly?

Ankit Patel:

So yes, I mean last couple of years there have been different kinds of challenges like you said pandemic and then logistics problems. I think that was not in anybody's control. Also we faced a forex problem. So for all these problems obviously we try to come over with the best solutions and like you said yes, it does affect the margins. But we have been identifying all the areas, all the subsidiaries, wherever it is hurting us or wherever it is not making margins, ultimately it affects the main company's numbers.

So yes, we have been trying and we have been partially getting successful also at improving whatever problems are within the organization, which can ultimately help us to make better margins. And I think the main idea is to now introduce new businesses where traditionally it is a business with some entry barriers. So it goes through less cycles or less volatility. You know, during good times, intermediate businesses like Dyestuff and all, you know, there are many expansions that come up because the size of a Dye Intermediate plant are not big. The investments are not big like INR 30 crores, INR 40 crores, INR 50 crores, and the know-how is not available locally, and technically they are not like advanced chemical plants.

So we have been going through, that has been our core business, but we have also been going through a lot of volatility in the last 10 years, 15 years because of things like this, because of no entry barriers whenever there is a good time it is followed by a lot of expansions etc. That is the reason why we wanted to get into businesses like Chlor Alkali which has a lot of entry barriers. Again, benzene derivatives which has a lot of entry barriers. So we are changing the business plan.

Going ahead also we are not very keen on growing in the intermediate space. Some expansion in the Dyestuff can come up because we still have about 40%, 50% of intermediate to be definitely consumed. But going ahead I think, in about 35 years, experience in terms of projects or technical capabilities, even commercial capabilities and also the relationship that we have globally. I think it is now time to get into a better project, better businesses. And that is what we are doing. So what we are trying to do is in a for two year time, we are trying to change the overall numbers and also position ourselves.

Ayush Sheesha:

Sir, just a small follow-up, are we looking at more acquisitions in this space to get into businesses that are not very competitive, that very high competitive advantage?

Ankit Patel:

No, we are not looking at acquisitions aggressively at the moment because the acquisition that we did, Chlor Alkali, that has a lot of integration possibilities. There is also a lot of spare land available. Similarly, in Baruch, we are doing a greenfield project and Sulphuric Acid & derivatives coming up and benzene derivatives coming up. So all three areas have vertical and horizontal expansion possibilities. So now we are in a good position, where we can grow into Chlor Alkali and derivatives space or we can go into benzene and derivatives space. So there are forward and backward integration possibilities. There are also vertical integration possibilities, where we can grow our volumes. Similarly in sulphuric acid also we already have three projects in mind, which you want to do in next phase, which can be the forward integration.

So today I would say, we have four different areas. Instead of just a Dye Intermediate or Dyestuff, which depends a lot on textiles, we want to bring that business down to maybe around 30%, 40%. And we want to have other businesses where our applications is very wide. So which can give us better margin and which can also keep the volatility away.

Moderator: Thank you. As there are no further questions, we have reached the end of question-and-answer session. I would now like to hand the conference over to Mr. Ankit Patel for closing comments.

Ankit Patel: Yes, thank you. With this, I conclude the call and thank you everyone for joining us today on this earnings call. For more queries, you can contact, you can connect with us or our SGA team, our investment relationship advisor. We wish you all a good day ahead. Thank you.

Moderator: Thank you. On behalf of Bodal Chemicals Limited, that concludes this conference. Thank you for joining us. You may now disconnect your line.