Bodal Chemicals Ltd.
COLOURS. INTEGRATION. INNOVATION.

By Online Submission

Sec/22-23/168
Date: 20-02-2023

To,
The General Manager,
BSE Ltd.
1st Floor, New Trading Ring,
Rotunda Building, P.J. Tower,
Dalal Street, Fort
Mumbai- 400 001
BSE Code: 524370

To,
The General Manager,
National Stock Exchange of India Ltd.
Exchange Plaza,
Plot no. C/1, G Block,
Bandra-Kurla Complex
Bandra (E), Mumbai - 400 051.
NSE CODE: BODALCHEM

Dear Sir /Madam,

Sub: Transcript of "Bodal Chemicals Limited Q3 FY '23 Earnings Conference Call"

We enclosed the transcript of **Q3 FY '23 Earnings Conference Call** with Investors and Analysts which was held on February 14, 2023.

Kindly take the same in your records.

Thanking you,

Yours faithfully,
For, BODAL CHEMICALS LTD

Ashutosh Bharatkumar Bhatt
Digitally signed by Ashutosh Bharatkumar Bhatt
Date: 2023.02.20 18:02:20 +05'30'

Ashutosh B Bhatt
Company Secretary
Encl: a/a

HEAD OFFICE:
Plot No. 123-124, Phase-1,
G.I.D.C, Vatva, Ahmedabad- 382 445.,
Gujarat, India.

Tel: +91 79 2583 5437
2583 4223, 25831684
Fax: +91 2583 5245, 25836052
E-mail: bodal@bodal.com

PLANT OFFICE:
UNIT - 2
Plot No. 123-124, Phase-I, G.I.D.C.
Vatva, Ahmedabad-382445.

Tel: 9909950855 / 856 / 857 / 858

www.bodal.com
CIN No. : L24110GJ1986PLC009003

"Bodal Chemicals Limited

Q3 & 9M FY2023 Earnings Conference Call"

February 14, 2023

Disclaimer: This document is subject to errors and may or may not contain words which have been included / omitted due to human error while transcribing the conference call. Any and all information should be verified with the company by the reader

MANAGEMENT: **MR. ANKIT PATEL – EXECUTIVE DIRECTOR – BODAL CHEMICALS LIMITED**
MR. MAYUR PADHYA – CHIEF FINANCIAL OFFICER – BODAL CHEMICALS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Bodal Chemicals Limited Q3 and nine months FY2023 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 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 "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ankit Patel, Executive Director at 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 and 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 then Mr. Mayur Padhya will walk you through the operational and financial performance for the Q3 and 9MFY2023.

Global inflation is weighing heavily on the end market like textiles, paper, pharma, plastic, agrochem, water treatment, etc. Consumption of end user industries has been sluggish due to the overall slowdown in the global market. Uncertainty about the European market has further decelerated the demand scenario of the chemical industry. The two major markets the US and European markets have been slow for more than six months owing to multiple headwinds from rising inflation to uncertain geopolitical scenarios. When it comes to China the policy of zero COVID has slowed the economic growth for a while. While China's growth has been slow which has affected the prices of e-commodities around the world including dyestuff and dye intermediates. We are India's largest integrated manufacturer of dyestuff and dye intermediates and hold a meaningful market share in the world. In today's environment where Indian suppliers are emerging as preferred partners globally who can able to hold our leadership position.

Coming straight to the operational performance, overall business performance for nine months FY2023 has been weak as the company's total revenue stood at Rs.1178 Crores a degrowth of 20% due to the subdued performance of dye intermediates and dyestuff chemicals. The price volatility of key raw materials has affected many textile players in India resulting in suboptimal capacity utilization, inventory destocking and slow exports.

Coming to dye intermediates, at present dye intermediates like H Acid & Vinyl Sulphone pricing has been volatile putting strain on the industry players. For 9MFY2023 total revenue from dye intermediates chemicals stood at Rs.258 Crores. H Acid & Vinyl Sulphone prices were near Rs.422 and Rs.263 per kg in Q3 FY2023. Being an integrated dyestuff manufacturer we produced 25 dye intermediate products and over 40% of these intermediate capacity is captively consumed resulting in a cost advantage for our dyestuff products. The balance capacity of dye intermediates is served in both domestic as well as global markets. Many intermediate manufacturers in India are still under pressure due to slow demand. Going forward we can expect nominal improvement in the dye intermediates business.

Coming to our dyestuff business end application industries like textile, leather, paper and other Dyestuff consuming industries have not been performing well during the last few quarters. All leading textile companies are facing global headwinds which have curtailed outlook for the dyestuff products. The dyestuff business for nine months FY2023 stood at Rs.442 Crores.

Coming to basic chemicals more than 50% of our basic chemicals is captively used for dye intermediates. Our overall basic chemicals contributed around Rs.134 Crores.

Coming to the Chlor Alkali business, the Chlor Alkali business continues to perform a reasonably well with a revenue of Rs.229 Crores for the nine months FY2023 driven by healthy volume uptake. During the quarter the realization of caustic soda has been normalized. Productions were halted for three to four weeks due to the implementation of technology upgradation. Our Chlor Alkali business will contribute meaningful business in the coming period on the back of technology upgradation. We foresee demand for caustic soda to remain healthy from FMCG, textile and paper industries since very few players have a presence in North India. We will have a competitive edge to a certain extent.

Coming to the benzene derivatives and sulphuric acid projects. As highlighted in the earlier call our main goal is to replace imports and capture business in the pharma and agrochemical spaces where PNCB and ONCB are used. We will be installing the capacity of 63000 tonnes per annum of benzene derivatives. The Saykha Greenfield project is progressing well and is expected to start by September 2023. Most of our subsidiaries have reported a weak performance due to a soft demand whereas Sener Boya in Turkey has reported a decent performance of Rs.56 Crores of topline in nine months. In a medium to long term view the subsidiary has been making good results; however, in short term we are expecting a modest performance. Our priority would be to endure these headwinds and focus on starting the Saykha project by September 2023. We have been moving up the value chain and working tremendously towards diversifying the business from our core dyestuff and dye intermediates business to other specialty chemical products like benzene derivatives. Once we have decent visibility of demand of our product portfolio and new site is stabilized we will restart the sulphuric acid project.

Manufacturers and exporters in India are having challenging time manging overhead cost. Over the years chemical industry has seen a transformation. Long term story of India remains intact and the chemical industry is poised to grow from here on. However we expect overall demand to remain grim for the short period. 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 Q3 FY2023 is as follows: Total revenue for Q3 FY2023 stood at Rs.307 Crores, EBITDA stood at Rs.25 Crores in Q3 FY2023, net profit for the quarter stood at Rs.2 Crores. Our standalone performance for nine months FY2023 is as follows: Total revenue for nine months FY2023 stood at Rs.1156 Crores, EBITDA stood at Rs.100 Crores in nine months FY2023, net profit for the quarter stood at Rs.29 Crores. Our consolidated performance for Q3 FY2023 is as follows: Total revenue stood at Rs.318 Crores for Q3 FY2023, EBITDA stood at Rs.27 Crores for Q3 FY2023 with a margin of 8.4%. Net profit for the quarter stood at Rs.2 Crores for Q3 FY2023. Our consolidated performance for nine months FY2023 is as follows: Total revenue stood at Rs.1178 Crores for nine months FY2023 this includes export of 33% and domestic of 67%. EBITDA stood at Rs.114 Crores in nine months FY2023 a degrowth of 37%. Net profit for the nine months stood at Rs.35 Crores against Rs.70 Crores of nine months FY2022. Nine months FY2023 performance of the key subsidiaries was subdued except for Sener Boya. Sener Boya has reported a total income of Rs.56 Crores and has reported noteworthy profitability. Performance of other subsidiary has been lower than expected due to soft demand. Segment wise performance on consolidated basis for nine months FY2023 is as follows: Dyestuff revenue stood at Rs.442 Crores, dye intermediates revenue stood at Rs.258 Crores, basic chemicals revenue stood at Rs.134 Crores, Chlor Alkali revenue stood at Rs.229 Crores, TCCA revenue stood at Rs.17 Crores for nine months FY2023. Total production volumes on a standalone basis for the nine months FY2023 is as follows: Dyestuff reported 10877 metric tonnes, dye intermediates reported 9892 metric tonnes, basic chemicals stood at 116870 metric tonnes, Chlor Alkali stood at 59314 metric tonnes and TCCA 726 metric tonnes. With this I conclude the presentation and open the floor for further question and answer.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. We take the first question from the line of Aditya Khetan from SMIFS Institutional Equities. Please go ahead.

Aditya Khetan: Thank you for the opportunity. Sir my first question is on the dyestuff and dye intermediates volumes for the quarter what we are witnessing that dyestuff volume has almost become halfed as compared to on Y-o-Y basis whereas the dye intermediates volumes they are still down by roughly around you can say 40% or 50% so what is the basic reason for decline in so much like volumes in dyestuff and dye intermediate business and also just adding to this TCCA volumes also like from 351 metric tonnes last year it has fallen to around 134 metric tonnes so I just want to understand how is the demand shaping up right now and why is there so much decline into the production volume numbers?

Mayur Padhya: Dye intermediates and dyestuff both are related business. Whenever dyestuff demand is solid at the same time dye intermediate demand will be there so mostly dyestuff is exported to Europe, America and the major other user is China and presently we witnessed that US is a bit soft, Europe very much slow and China is also facing issues because of zero COVID policy, so demand is very low compared to last year and this has affected the production also so initially we go on producing but after one or two months we found that pickup is not there from the market and there is no reason to go on producing and block the fund in inventory so to that extent we are producing now so this is the main reason why dye intermediates and dyestuff is lower compared to last year and this is not the Bodal's specific scenario across the industry if you have seen the result of other companies there is also degrowth as far as volume and profitability both is concerned. As far as TCCA is concerned over there, there is not much issue with demand in USA but there is an issue as far as availability of container for export and some of our customer has agreed and they have arranged container from USA and to that extent we are producing and exporting that quantity. Another reason earlier particularly in summer season there is a demand locally also available but during the last quarter here we have a winter so local consumption is almost at a negligible level, local supply chain was not available and local demand was not there so here also presently the plant is working but there was an issue of container availability and that is why we are not able to fully perform or fully utilize our capacity. Presently there is an order and the factory is working but as we have witnessed there is no continuous production is possible now there is no issue as far as plant or setup of product is concerned but the issue is just related to market. I hope I have covered everything whatever you have asked.

Aditya Khetan: Yes and Sir just want to know so if now the demand is weak so considering if the demand goes up and things becomes normalized so can we expect the production volumes again to go back to that levels of quarterly run rate of 6000 and 7000 and you also mentioned regarding the short term pressure and you also highlighted in the presentation that the short-term could be weak so you are referring for the next two quarters or for the next one quarter just wanted to know that?

Mayur Padhya: Presently for one quarter, after one quarter what will be the scenario world over that is difficult to predict, so when we refer to short term that is one quarter.

Aditya Khetan: The next quarter also we can expect a similar sort of production levels and post that from Q1 we can expect an uptake?

Mayur Padhya: The current quarter there will be somewhat better production particularly Chlor Alkali product and basic chemicals because in last quarter there was some extraordinary effect in Chlor Alkali because of the technology upgradation and capacity expansion implementation so almost 70% to 80% of October got wasted rather utilized in this technology upgradation and we could not manufacture for that month because of that there was a lower production and in basic chemicals last quarter November was the month where we took an annual shutdown for government agencies, boiler inspection and some of the maintenance so that disturbance would not be there as far as current quarter is concerned and there is the slight improvement in demand as far as dye intermediates and dyestuff. It is not significant or considerably but negligible or slight improvement is there so we can witness somewhat better quantum in current quarter compared to last quarter.

Aditya Khetan: So this quantum of improvement in demand could again be offsetted because of the recent Turkey situation because it is said that the Gujarat dye players are much impacted because of it so the peers were exporting to Turkey so that improvement in demand could be offset from this issue?

Mayur Padhya: May be that time will say but it is really important issue for the whole industry because the maximum export from India of dyestuff is happening to Turkey and because of this earthquake major consumer is being definitely affected so there will be somewhat lesser demand but out of the total export to world over from India this can be about say 10% to 15% so that will have somewhat negative effect.

Aditya Khetan: 10% to 15% of overall exports of dyestuff is to Turkey Sir what will be our contribution of exports to Turkey?

Mayur Padhya: . It is rather 15% to 20% contribution of Bodal out of the total export that is happening to Turkey.

Moderator: . We move to our next question that is from the line of Rohit Sinha from Sunidhi Securities. Please go ahead.

Rohit Sinha: Thank you for taking my question Sir. First thing I would like to know that everyone right now is talking about reopening of China will benefit chemical sector especially the commodity side so how we are seeing this and how and when is going to reflect in our numbers on standalone and also on the subsidiary side any take on that?

Ankit Patel: So the COVID problem that was going on in China that definitely impacted the Indian players because of the disturbance within China, the overall demand for many import chemicals, commodity chemicals they have impacted so there were some exports that were available easily to the Indian markets but once things go back to normal in China I feel those exports in India will be less so that will have a less pressure on the Indian players.

Rohit Sinha: Also when these dyes are very much linked with the textile industry so can we get what kind of revenue figure we have to the overall textile industry and may be what kind of feedback you are getting from your customer in this industry right now in terms of demand?

Ankit Patel: Dyestuff have been sold to the textile is around this year it will be around Rs.300 Crores.

Rohit Sinha: Okay Rs.300 Crores is still nine months?

Ankit Patel: No for the annual number.

Rohit Sinha: Okay for FY2022 you are saying?

Ankit Patel: Yes.

Rohit Sinha: In terms of customer feedback if you can add what kind of scenario they are facing?

Ankit Patel: There are definitely volume pressures when it comes to textile industry. I think the main reason Europe being the second biggest consumer globally is going through war and inflation and a lot of imbalancing so the overall demand that is usually coming from Europe is not really happening and it is impacted big time, so due to that the overall textile consumption from garmenting point of view is been impacted since last about two to three quarters. Going ahead it really depends on how early war settles down and how early European countries are able to get back to normal so I think as per the feedback from the textile players is definitely that the demand of overall textile products will be impacted for at least for two to three more quarters.

Rohit Sinha: When you are talking about export side just wanted to clarify in the presentation the nine months figure for domestic and export percentage revenue has been more or less same 67% domestic and 33% export whereas there is no significant volume decline in different, different segments so how to interpret this data, how we have maintained that revenue mix?

Mayur Padhya: Our total revenue has decreased so export number has also decreased but overall contribution to export and local has remained more or less same, 33% is of the current quarter's number.

Rohit Sinha: One last question in terms of this technology upgradation in Chlor Alkali so what kind of volume increase we should be expecting and how much margin benefit if at all would be coming from there?

Mayur Padhya: Volume earlier we were producing about 185 metric tonne per day and that has increased to about 235 metric tonne per day and going ahead down the line we can reach to about 260 to 270 metric tonnes per day so earlier annual production was in the range of 55000 to 60000 metric tonnes which we can go up to 90000 metric tonne. This is the production number I am talking about so the capacity is almost 1 lakh metric tonnes so almost a 50% jump in volume we will witness going ahead.

Rohit Sinha: The utilization level would be how much, we are taking on gradual phase or how we should see the utilization level?

Mayur Padhya: As I mentioned in October we have inaugurated the new plant and by December we have reached 235 metric tonne so going ahead within two months we are expecting we will reach to about 270 metric tonne per day so down the line two to three months we will reach to optimum capacity that is possible over there.

Rohit Sinha: Okay and for FY2024 we will be operating at full basically?

Mayur Padhya: Yes.

Rohit Sinha: How much investment was there in this process?

Mayur Padhya: We spent about Rs.150 Crores as far as acquisition is concerned and another about Rs.160 Crores we spent for this modernization and capacity expansion as well as some normal replacement capex so total about Rs.310 Crores we have spent.

Rohit Sinha: Okay Sir that is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Anand Venugopal from BMSPL Capital. Please go ahead.

Anand Venugopal: Thanks for the opportunity. Most of my questions were answered earlier itself so just I have one quick question like if you could explain how the market for dyestuff and dye intermediates improves from here on as such?

Ankit Patel: We expect the market to be at the similar range of demand which was there in Q3 of this year. At the moment it is going quite flat compared to Q3. Moving ahead also we feel that at least for another few months we do not see any major turnaround but we are hoping that after three to four months the good demand should come.

Anand Venugopal: You had earlier mentioned that the slowdown in Europe, US and China has affected the dye intermediates and dyestuff and high cotton prices affected these two dye intermediates and dyestuff market?

Ankit Patel: The volatility in the cotton prices also affect the textile segment where again after cotton is being used in dyes which is used to process the fabrics so the volatility and especially the higher prices of cotton definitely affects the textile market because already there is some volatile demand coming from different areas of the world at the same time, the input which is cotton if it is very high in price then it is not really affordable or viable so that definitely has a little impact.

Anand Venugopal: Thanks.

Moderator: Thank you. Our next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Good evening Sir and thank you for this opportunity. Firstly if you could explain us historically when have the dyestuff industry been in this kind of scenario and how has the cycle returned, what are the factors that will give signals to the investing community that the dyestuff market is corrected and was it the rally which we saw, the demand which was there since two to three quarters ago, was it a supply side issue because of COVID that was addressed by the Indian players and especially by you the numbers which we have done for last year if you could explain the thesis there what happens two to three quarters back and what is the situation today and how we will understand when the reversal will start happening?

Ankit Patel: Similar time I would say was between 2008 and 2012 that is when the numbers of dye intermediates and dyestuff companies were impacted, I think there was a lot of volatility and margins were really low. The reasons were different during those times China had come up with big capacities that was about 15th or 20th year for them into this industry of dyestuff and dye intermediates and so there was a lot of pressure coming from China and especially all the incentives that were offered to them were also very different so their business model of producing dye intermediates especially was very favorable for them. There were incentives in double digits. Electricity used to be, and the labor used to be cheap and at the same time they had expanded very huge and we are also few players have expanded so that was a period where there was extra capacity that generated in the global market so that created a lot of pressure on the margins especially but by around 2012-2013 the environmental issues which were neglected in China came on the surfaces and that is why the capacities had to be restricted and even the new ones were restricted to set up, that kind of balanced out the whole capacity globally and since then dye intermediates and dyestuff businesses were doing quite consistent until this particular couple of quarters. Last year what I feel is that it was a time when overall global scenario had come back to normal post COVID and COVID kind of was very minimized and it did not have any global impact in a large manner so overall demand coming from entire world was very strong and everything was coming back to normal so I think overall demand for almost everything on this planet was very strong so that was the reason why two quarters went really well but since then especially the war that has happened in Europe it is again Europe is the second biggest consumer after US so these products mainly textiles, paper and leather all are ultimately consumer products and so textile especially it has been going through volatile times and volatile demands so that is really given the pressure and another pressure is that China because of this COVID increase internally in the country there was a lot of product some areas were disturbed and due to that many products were not being consumed locally so again extra product available in many chemicals which was to be exported and India again being second, third largest consumers in all these products it was many quantities were available here so that also kind of created a little pressure, so a little extra supply in some chemicals and our overall demand coming down especially from textiles that has impacted the current scenario.

Saket Kapoor: This problem has generated as the imports from China this is what the understanding is that the opening up of Chinese economy has resulted in substantial amount of import of dyestuff and dye intermediates globally so this is the correct understanding for the reason why our capacities are lying low or utilization levels are low and also the demand destruction both factors?

Ankit Patel: The demand is affecting and creating all these effects because like no producer wants to slow down their plants or shut their plants until they reach a very low point and to reach that low point or to realize that low point it takes months and by the time that low point comes where there is too much of excess supply available or are already being produced by that time markets really go down so that has happened right now where there was a lot of product available from India and China where the overall demand has really slowed down so there were piles of inventory that were being created in China and India which ultimately the overall consumption was very low and demand was low, so once a better demand or a normalized demand will come and all these inventors will dry down then I think we can go back to the routine times and routine margins.

Saket Kapoor: Two small points firstly on the ADD front does these circumstances requires the need of ADD imposition or are we in any process of going through it or that period is too short to go and what have been the imports from China to the countries any competitive number you can give?

Ankit Patel: Antidumping is a little difficult in this case because it is not a consistent import. If you look at the last six to 10 years data there have been times when product has been actually imported from India to China so to try for an antidumping duty is a little difficult in this case because it does not really make sense when the product is also exported back to China at times.

Saket Kapoor: Import number do you have how much quantity has been imported since the last two quarters vis-à-vis the comparative numbers just to gauge the impact of the same?

Ankit Patel: Just about additional 10%, 20% and 30% product that comes in from China obviously it comes because it is offered at a very cheaper price because they have stock because the demand is low so they just try to continue with their financial cycles when they even sell it at loss e and I would say about H Acid, Vinyl Sulphone monthly numbers should be around 1000 tonnes to 1500 tonnes those are the kind of numbers that is probably imported from China to India.

Saket Kapoor: If I come to two points about one is about the caustic soda and then for dyestuff industry we are also a consumer of soda ash just to manufacture that dyestuff soda ash also acts as a raw material?

Ankit Patel: Yes so we do not produce it but we buy soda ash in large quantities so we buy from local markets.

Saket Kapoor: What is our annual requirement of soda ash currently and how much it has gone down over this last same period?

Ankit Patel: Soda ash approximate consumption is around 12000 to 15000 tonnes a year for us so monthly about 1000 tonnes to 1500 tonnes.

Saket Kapoor: That has also gone?

Ankit Patel: The prices were impacted again last year because of the overall demand. Soda ash prices had really shot up and also at the same time coal prices, the input prices, the freight prices and everything has also gone up that is why the prices of soda ash had really increased but it has stopped going up and it is kind of softened up around 36, 37 and 38 levels.

Saket Kapoor: So our consumption has also fallen in percentage?

Ankit Patel: Yes our consumption has definitely fallen because our utilization is not routine which is around 70% to 80% in the intermediate space.

Saket Kapoor: What is the current utilization levels for us for the dye stuff?

Mayur Padhya: For the last quarter utilization was very low and dye intermediates utilization was almost 43%, for dyestuff it was 35% and for basic chemical it was about 70%.

Saket Kapoor: Any color you can give for the month of January how has been these three numbers any ballpark number dye stuff, dye intermediate and for caustic?

Mayur Padhya: Dye intermediate and dyestuff there is a slight improvement and as far as basic chemicals there is handsome improvement.

Saket Kapoor: That is debottlenecking which you explained earlier, for caustic you explained that there are some changes you did?

Mayur Padhya: Yes caustic there will be good improvement because last quarter one month get wasted because of the implementation of the new technology so such disturbance would not be there in the current quarter.

Saket Kapoor: For dyestuff you were telling something I interrupted you please complete that dyestuff part.

Mayur Padhya: Dyestuff and dye intermediates there will be slight improvement we are expecting but not in a major way.

Saket Kapoor: Any number you can give us some ballpark number whether in the 40s or lower than what we have executed in December?

Mayur Padhya: So may be about 5% utilization can get improved from the last quarter flavor not much.

Saket Kapoor: For the chlorine part we are geographically located in the State of Punjab which you explained that we had an advantage other than the Western part of the country where there is a huge influx because of the extra chlorine production so how has chlorine played a part in our ECU Sir?

Ankit Patel: Chlorine especially for us is not something that creates any challenges and usually in Gujarat chlorine is a bottleneck when it comes to Chlor Alkali business but we have four pipeline buyers, we also have one more new plant coming up adjoining to our complex so chlorine impact we have more demand for chlorine than actually our production that is going to be and there are many turner buyers also turner meaning who buy cylinders also so there is enough market and also a little bit growing market so chlorine is not an issue for us. What I mean to say it has a better realization than in Gujarat. For example couple of months ago the chlorine market was under a lot of pressure because caustic was very high so chlorine market went down to minus Rs.12000 and minus Rs.13000 to the consumer for a tonne at the same time in North in Punjab especially the prices only went down to minus Rs.6000 so there was a big delta.

Saket Kapoor: Currently what is the situation Sir?

Ankit Patel: Currently chlorine is around zero in both Gujarat and also in North.

Saket Kapoor: Gujarat also things have changed because I think the lower caustic production is there also.

Ankit Patel: The chlorine prices here in Gujarat are around zero.

Saket Kapoor: That is because of the lower utilization levels for the caustic soda manufacturers because of lower demand?

Ankit Patel: Whenever the realization of caustic goes down the chlorine prices in fact improve so that is how the trend is. This time it could be a little different because so now the effort will be to increase the chlorine prices may be to Rs.2000 to Rs.4000 a tonne or something. Usually they are successful when the caustic prices are affected but I think this time it is not that easy because the overall demand will be a question mark.

Saket Kapoor: Sir you mentioned about one new buyer for your chlorine product in the vicinity so could you just quantify which sector is coming up and if you could elaborate more on the same for your chlorine demand uptake?

Ankit Patel: So they are installing CPW plant which is traditionally a chlorine pipeline for almost all the plants across India and we have four CPW plants next to us already so this is the fifth one that is going to come up, they have already applied for the environmental clearance and I think it will take about 12 months for them to getting the clearance and setting up the plant and they are talking about buying around 60 tonnes of chlorine per day by pipeline.

Saket Kapoor: What products Sir I missed your point very sorry?

Ankit Patel: It is called chlorinated paraffin wax it is CPW it mainly goes into making cables.

Saket Kapoor: Power cables?

Ankit Patel: Yes.

Saket Kapoor: Lastly how is the global setup for caustic soda I think so they have got some mouth burning capacity for Europe earlier and also when we look at the earlier report from some major chloro manufacturers they were guiding for a deficit for caustic soda going ahead taking into account the demand so how should one factor in and I think 1 million capacity added for the country also has created some bit of plus here so how is export opportunity they are for us for the caustic manufacturers in the country and global setups if you could give where are the capacities down and how can the county take advantage?

Ankit Patel: The important point here is China which has about 45% to 50% of the global share, we used to have 45% to 50% about 10 years ago they have hardly grown because of the thermal power plant setup requirements, because of the environmental issues, permissions, etc., they have not really grown in the Chlor Alkali industry in China so that is one point. Second in the same period India went from about 4% to 5% to about 9% of the global capacities so the largest shareholder out there is not grown. India which was fourth after US, Europe, and China, India had an opportunity to take a good growth which already has happened like you said 1 million tonnes is installed so that is one thing. Europe is definitely declining even before this war scenario and there is not too much of a growth coming from Europe. In US some older plants have also been stopped but at the same time they are also modernizing some of the newer plants. I would say they are going flat or maybe growing a little so overall India has really got this opportunity in the last five to eight years which has taken some of these new demands that has come up. All the growth that has come that has given the opportunity to Indian players which includes the local consumption that has come up. We have seen a lot of specialty chemical, agrochemical, textiles, paper and all this growth in the last 10 years in India so India has been able to take a lot of share. Earlier there used to be a lot of imports to India but now there are exports so there have not been imports of caustic in a long time here but in fact in the last about three quarters there has been consistent exports at least from this Gujarat area so the scenario has definitely changed where imports have turned into exports and that is why it is going through such a such a strong cycle where there are export opportunities and local demand has been consistently growing.

Saket Kapoor: Right Sir and if I look at your financial numbers if you could give me understanding of the forex impact for this quarter and also for the nine months how has forex impacted your numbers?

Mayur Padhya: Forex has not impacted much as far as numbers because we hedge everything so we do not keep any forex exposure open so there is a book entry we need to pass as per accounting standard otherwise there is negligible impact to the result.

Saket Kapoor: Book entry means?

Mayur Padhya: As per accounting standard we have to follow certain rules and pass accounting entry so this is not actual outflow but we need to pass in detail so you can understand separately by connecting us.

Saket Kapoor: You are speaking mark to market MTM part?

Mayur Padhya: Yes MTM part.

Saket Kapoor: What is the MTM part for the quarter and nine months and whether it is positive or negative?

Mayur Padhya: I do not have the exact numbers but MTM part is a bit negative but may not be more than Rs.1.5 Crores.

Saket Kapoor: Okay for nine months?

Mayur Padhya: Yes.

Saket Kapoor: Employee cost going down is affecting because of the utilization levels that is a variable part or any others because quarter-on-quarter I think so on a consolidated basis the employee cost has also gown down?

Mayur Padhya: That is going because of the lower provision of commission to the promoter that is the main reason. As per resolution they are eligible for 7% of the profit of the company but since the profit is lower so we have not done any provision for the promoter and that is the main reason there is a decline in employee cost.

Moderator: Thank you very much. We will take next question from the line of Vaibhav Badjatya from Honesty and Integrity Investment. Please go ahead.

Vaibhav Badjatya: Thanks for providing the opportunity. You had earlier highlighted beautifully that how over a decade or so things have changed in the industry so I just wanted to understand it is quite apparent the demand issue is quite apparent in the dye intermediates segment but on the supply side are you seeing things changing fundamentally in terms of Chinese supply are the Chinese guys coming up again internationally with full supply or increasing capacities which can impact prices even when the demand returns to normal?

Ankit Patel: Just a couple of quarters back we were doing quite okay the intermediates demand and pricing was very strong so I do not think that Chinese supplies have come back or anything and I do not think that Chinese capacities of intermediates are going to come up aggressively so I think that is not going to happen and locally yes there are some smaller capacities that have come up in the last two, three to four years because our intermediate space went through a very good phase about seven to 10 years ago, some players tried to do backward integration and some players tried to come into this business because it was doing really good so some capacities have come up but nothing major. If I put them all together few plants that have come up in the last three to four years that is combined may be going into one of the large players so it is not that worrying or anything, but some few small capacities are there already.

Vaibhav Badjatya: Can you help us understand for both Vinyl Sulphone and H Acid may be top one or top two players in China with really big capacities?

Ankit Patel: Zhejiang is one of the largest that is one player. They are the largest player in terms of reactive dyes where H Acid and Vinyl Sulphone are used mainly and another player is Longsheng is another very large player so these two are the players I would say are the largest.

Vaibhav Badjatya: Got it and lastly on Chlor Alkali side we see lot of players who are producing hydrogen by the nature of process they have forward integrated into hydrogen peroxide as well so just wanted your thoughts on that piece of forward integration that why we have not done it yet and do you have any plans for that?

Ankit Patel: Hydrogen peroxide is the part of our growth plans but definitely not at the moment. Like you said yes it is a good integration forward integration from the hydrogen with good value addition that happens so that is yes, there is also a sizeable market in North India which we can cater to but it is definitely not on the cards right now because we are committed to our Saykha project right now where the benzene derivatives will be completed in few months and then we will try to get back to our sulfuric acid plants which have already started but then we had to stop because of this overall pressure situations so there are many integrated products from chlorine and hydrogen that can be planned and that is part of our plans but that will all come after our Saykha plants are executed and settled.

Moderator: Thank you. Our next question is a followup from the line of Aditya Khetan from SMIFS Institutional. Please go ahead.

Aditya Khetan: Thank you for the opportunity. Sir my question was onto the other expenses part, this quarter our other expenses have gone up quite sharply like as the percentage of sales it has been around 29% to around 30% so our average range used to be around 25% to 26% so is there any specific reason because our gross margins so we have expanded on sequentially and on Y-o-Y basis but because of higher other expenses the EBITDA margin seems to have been compressed so can you explain this other expenses?

Mayur Padhya: Other expenses majority are fixed overhead kind of a thing and if you look at September quarter then it was Rs.9.76 Crores and during the December quarter it was Rs.9.95 Crores so that is not major change at least 2% to 3% improvement is there but turnover is lower so when you compare it with the turnover then you will find a major change is there. The absolute number there is no much change.

Aditya Khetan: Because of shutdowns so have we taken some sort of one off because there was a shutdown in caustic soda which we had booked in this quarter in other expenses?

Mayur Padhya: Extra expense we have not booked anything but you have very well understood whenever there is a shutdown fixed overhead will definitely be there so that will become a part of the expense and we are not capitalizing that so that is why the percentage effect is higher.

Aditya Khetan: Can you help me with that number what is the expense which we had incurred for the quarter?

Mayur Padhya: There is no specific. As I mentioned sulphfuric acid plant was shut for about a month so the routine feature every year we shut down it for a month and caustic was not functional for about three to four weeks because of the technology upgradation so that effect is there so in caustic soda mainly salary, etc., overhead is Rs.1.5 Crores and for sulpuric it is about Rs.50 lakhs so roughly Rs.2 Crores of expense kind of overhead which is there but there was no production linked to that so we can say that much extra expense was there.

Aditya Khetan: One last question from my side. When we look at the company's history for the last 12 quarters so even during the good times the company has not crossed EBITDA margins post 12% and currently in these demand scenarios we are witnessing that numbers are still poor how do you see these things to change like considering now the benzene derivative plant is coming up and caustic soda ramp up will happen so can you expect like at good demand can we like cross around 15% to 20% EBITDA margins in one quarter, is there anything like which we can build in some quarter how we should look at it because the numbers have been very poor for the last 12 quarters despite having demand also we have not been able to make good EBITDA margins so if you can explain in brief what would be the strategy?

Ankit Patel: Like you mentioned last 12 quarters we have also been focusing on when and why our numbers are impacted so there are two factors. One earlier we were dependent too much on the textile sector which is again very volatile. Again selling to textile is also a low margin business sometimes in some products so what we try to do with the acquisition of Chlor Alkali which is traditionally a high EBITDA business and second going into some specialty derivatives which is benzene and also sulphuric acid complex which is again a high EBITDA business so the idea was to have more diversified business portfolio and more products which are selling to more applications rather than just textile or some other applications we depended on too much earlier so if you see our share of revenue that comes from different businesses for us has been changing since the Chlor Alkali and also again when we start the Saykha plants I think it will again bring in a significant revenue from there also which is again which will be a new sector for us with sales done to agrochemicals, pharmaceuticals and specialty chemicals so that is the idea. If our dyestuff business is doing normal it is not too much demand but even the routine and if Chlor Alkali like we are anticipating does the high EBITDA business and also our new business that is coming up does again a strong EBITDA business we can reach about 50% to 70% that has been our goal since the last two, three and four years we have been trying to create Rs.2500 Crores plus revenue model where we want to reach EBITDA of around 15% to 16%.

Moderator: Thank you. The next question is a followup from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Sir a very brief understanding firstly what is your point about the promoters 7% part you were just explaining to me so last year what was the total remuneration paid to the promoter entity absolute number can you share?

Mayur Padhya: Last year it was about Rs.11 Crores and this year we have not provided anything till date.

Saket Kapoor: Rs.11 Crores constitutes around 7% of the PBT number?

Mayur Padhya: So there is the formula as per company's act and as per regulations we are required to calculate and we can pay so as per resolution 3% is to our chairman Mr. Suresh Patel and 2% each to Mr. Bhavin Patel and Ankit Patel.

Saket Kapoor: Okay 3% is to our chairman, 2% of the profit to the MD and the joint MD then?

Mayur Padhya: Yes Executive Directors.

Saket Kapoor: Executive directors?

Mayur Padhya: Yes 2% each.

Saket Kapoor: What is our dividend distribution policy Sir?

Mayur Padhya: We are maintaining almost 40% on dividend but we do not have a clear policy but normally we maintain about 10% of the profit

Saket Kapoor: Categorically when we can put forward the 3% pay out of total profits to the promoter and 2% each to the promoter entity this 10% pay out to the minority shareholders there should be an equitable asset in that also but anyway that is the Board's prerogative and you people have to decide but coming to the capex part and the coal issue how have the coal prices I think so have declined considerably our net coal requirements as a fuel what are we using coal or gas?

Ankit Patel: We are using coal I would say about 90% of our fuel is coal in all the plants and yes you are right that coal prices sky rocketed so the main common quality the prices went to around Rs.11000 per tonne plus, which has now corrected to around Rs.9000 and again in the next 10 to 15 days it is expected to be corrected may be up to Rs.8000 also so this was definitely a problem in the last couple of quarters where our energy cost had really gone high. Now anyway we are hoping and we are expecting the coal being one of the main inputs we are hoping that we will have to spend less on the coal which will help some of the products which are under lot of pressure in terms of margins and the quantities I would say at peak at the company level we use about 10000 tonnes per month.

Saket Kapoor: 10000 tonnes to 12000 tonnes per month and so can you give a number to it, out of the fuel mix cost what would be the coal prices absolute number we spent on a monthly basis?

Ankit Patel: Now today's prices are around Rs.9000 so if all the plants are running today at about 90% capacity utilization then the company would be spending around Rs.9 Crores per month.

Saket Kapoor: Per month and lastly on the capex part you mentioned about sulfuric acid plant we have to re look and we are waiting for better market to go ahead how much have we spent as of nine months and what are we planned for this year and also what is the maintenance capex we do on an annual basis you mentioned about the caustic part segregating that?

Mayur Padhya: For sulphuric acid plant we have spent almost Rs.64 Crores and as far as maintenance capex it is ranging from Rs.15 Crores to Rs.25 Crores for the company annually.

Saket Kapoor: What is the further capex we will do in the next three months?

Mayur Padhya: For maintenance capex I am saying the annual number.

Saket Kapoor: For the growth capex capital expenditure how much we have done for nine months and what is anticipated in this quarter total year what is the projection?

Mayur Padhya: For the nine months almost Rs.250 Crores we have spent and another about Rs.120 Crores we will spend.

Saket Kapoor: Can you give us the net debt number then?

Mayur Padhya: Presently working capital is almost Rs.340 Crores and term debt is Rs.410 Crores.

Saket Kapoor: This Rs.370 Crores which we are spending is how much have been from the cash and what have been our further borrowings that has gone up just to have an understanding how the cash flow has been and how was the utilized funds cash generation for the nine months?

Mayur Padhya: We have used internal accruals till date in the project is about Rs.80 Crores excluding the land part which we acquired earlier and going ahead we will use almost Rs.30 Crores to Rs.40 Crores in current year and another about Rs.40 Crores in the next year from internal accruals.

Saket Kapoor: Post this sulphuric acid plant coming up what will be our peak debt?

Mayur Padhya: Peak debt would be around Rs.900 Crores, about Rs.600 Crores is term debt and around Rs.300 Crores will be working capital so it can be Rs.900 Crores to Rs.1000 Crores.

Saket Kapoor: From the current Rs.750 level it will go up to Rs.900 Crores to Rs.1000 Crores?

Mayur Padhya: Yes that we will reach by the end of next financial year.

Saket Kapoor: This working capital is lying low because of lower utilization levels, this will also go up once your capacity starts moving up as the demand moves?

Mayur Padhya: No that will not move much because internal accruals will improve so that will get compensated against debt and even repayment will also start from the next year so we may restrict ourselves at about Rs.900 Crores not more than that.

Saket Kapoor: What is the repayment number for next year and what is the blended cost of funds?

Mayur Padhya: Next year it is about Rs.55 Crores

Saket Kapoor: Cost of funds you can give me blended costs and also if you can give me the breakup between working capital fund and the long term which you have sought for the projects?

Mayur Padhya: Blended cost at present is about 6%.

Saket Kapoor: 6% even after this interest hike?

Mayur Padhya: Yes because we are using about Rs.150 Crores of packing credit in foreign currency where the costing is around 4.5% to 5%.

Saket Kapoor: For the project ones what is the long term by what rates have we tied up?

Mayur Padhya: That is changing everyday but average is about 8% to 8.5%.

Saket Kapoor: Lead bankers from whom the loan has been sought?

Mayur Padhya: For term loan it is HDFC, Union Bank, Exim and Indian Bank and apart from this Axis Bank, ICICI and Kotak they are working capital.

Moderator: Thank you. Ladies and gentlemen that was the last question. I would now request Mr. Ankit Patel for closing comments. Please go ahead Sir.

Ankit Patel: Thank you. 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 connect us or SGA team our IR Advisors.

Moderator: Thank you members of the management. On behalf of Bodal Chemicals Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.