



Bodal Chemicals Ltd.
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By online submission

Sec/21-22/53
Date: 27-08-2021

To,
The General Manager,
Department of Corporate Services
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,

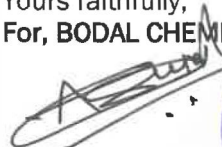
Sub: Transcript of "Bodal Chemicals Limited's Q1 FY '22 Earnings Conference Call"

We enclosed the transcript of **Q1 FY '22 Earnings Conference Call** with Investors and Analysts which was held on August 16, 2021.

Kindly take the same in your records.

Thanking you,

Yours faithfully,
For, **BODAL CHEMICALS LTD**


Ashutosh B Bhatt
Company Secretary
Encl: a/a



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“Q1 FY ’22 Earnings Conference Call of Bodal Chemicals Limited”

August 16, 2021

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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 Q1 FY '22 Earnings Conference Call of Bodal Chemicals Limited. This conference call may contain forward-looking statements about the company, which are based on the belief, 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 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 this conference, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ankit Patel, Executive Director of Bodal Chemicals Limited. Thank you and over to you, Sir.

Ankit Patel:

Thank you very much. Good Afternoon everybody. On behalf of Bodal Chemicals Limited, I extend a very Welcome to everyone for joining us on our call today. On this call, we have our CFO, Mr. Mayur Padhya and SGA, our investor relations advisors. I hope everyone has got an opportunity to go through the financial results in investors presentation which has been uploaded on the stock exchanges as well as our company's website.

We will give you a quick overview on recent developments of our company and then Mr. Padhya will walk you through the financial performances for the quarter. We are a three-decade old organization and has been recognized as integrated dyestuff chemical manufacturer in global market. We are one of the largest manufacturers and exporters of chemical products in dyestuff, dyes intermediates, and basic chemicals and its variants. Over the last few years, we are moving up the value chain and working towards diversifying the business from our core dyestuff and dye intermediates business to other specialty chemical products like benzene derivatives and chlor alkali products. We are moving forward with a very focused mindset and adding additional capacity across multiple products. Overall performance for the quarter has been marginally impacted as we were working with the limited workforce in the month of May due to sudden spike in COVID cases.

For Q1 FY '22, total income on consolidated basis stood at Rs.428 crores whereas on the standalone basis, total income stood at Rs.394 crores. We will touch base each business verticals and the recent developments. Dyestuff, we are producing around 175 variants of dyestuff, which are principally used as raw materials in textiles, leather, paper, and other dyestuff consuming industries. Textile industry constitutes around 80% of the total dyestuff demand. Dyestuff business has been moderate in the last financial year as demand has been soft due to pandemic although we are seeing a sign of demand recovery over the last couple of months. For Q1 FY '22, dyestuff segment contributes around 31% of our total revenue. In terms of production, we are among the top three manufacturers in India and are in good position to recover the demand revives. We are happy to announce that our liquid dyestuff has also contributed well during the quarter. In Dye intermediates, we produced around 25 dye intermediate products and are the leading player in domestic market. More than 40% of dye intermediates capacities is captively consumed for various dyestuff which gives us a cost competitive advantage. In Q1 FY '22, the

average price of vinyl sulfone was around Rs. 259 per kg and H acid was around Rs. 404 per kg, respectively.

For the quarter, dye intermediates segment contributed around 36% of our total revenue. Basic chemicals; we manufacture many basic chemicals like sulphuric acid, chlorosulfonic acid, oleum, beta naphthol, acetanilide, etc., These chemicals are used as key raw materials for production of dye intermediates, which is highly beneficial in terms of improved profitability of the company. The 48% of our basic chemical capacity are captively for dye intermediates production. Thionyl chloride has witnessed good production performance during the quarter, and expect the momentum to continue in FY '22. Our overall basic chemical segment contributes around 13% of total revenue. Chlor alkali business, during the quarter we have successfully acquired our Rajpura, Punjab, unit from Mawana Sugars. This unit produces chlor alkali products including caustic soda, stable bleaching powder, hydrochloric acid etc., which has contributed well with the revenue of Rs.49 crores for Q1 FY '22. The key product, caustic soda, has a capacity of 82,500 tons per annum out of which 70% of would be operational for the FY '22. This unit is currently going under technology upgradation to inch up the capacity to 99,000 tons per annum and significant reduction in the power cost. This unit already has very strong client base and has been supplying to leading companies like HUL, Nestle, IOC, HPCL, Vardhaman, Trident, etc., We expect this unit to generate additional revenues of around Rs.300 crores at optimum level with EBITDA margins in the range of 20%-22%.

Benzene derivatives and sulphuric acid at Saykha. Our Saykha Greenfield project is in progress and we are planning to bring it on stream by Q3 FY '23. Under benzene downstream products, we will be manufacturing MCB, PNCB, ONCB, MNCB, DNCB, PNA 2,4, DNCB and MPDSA, it is used in pharma and agro chemicals. The capacity of sulfuric acid and derivatives will be 3,40,000 tons per annum which will include sulfuric acid, Oleum 23, and 65, liquid SO₃, chlorosulphonic acid, . We will set up 4 step integrated product chain, which will lead to the cost efficiency, better productivity, and higher margins for the company. We expect this project to produce additional revenues of around 550 crores at optimum utilized levels and EBITDA margins of 15% to 18%.

In other developmental at Bodal, production of TCCA has been stabilized and has contributed around 18 crores, which is 4% of total revenue. We expect this momentum to continue. We have multiple trading and marketing subsidiaries to penetrate new geographies and clients. Competitively all key subsidiaries have performed well. Our turkey subsidiary, Sener Boya, sales has improved meaningfully. However, the foreign exchange loss has impacted the profitability due to the depreciation of Lira against US Dollar.

On business front, we expect monthly dispatches to improve further going ahead at Sener Boya, Turkey. Bodal China has performed well and has turned profitable. We expect all our subsidiaries to perform well and turn profitable in coming quarters. In a medium to long-term view, these subsidiaries will penetrate the respective regions and bring meaningful business to

our company. We have implanted the roots of new chemistry, new clients, new geography diversification, and investing in integration to create long-term sustainable growth. New chemistries will add annual revenues of around Rs.800 crores with better margin as compared to our existing business. Additionally, these businesses are more stable and will bring sustainable growth to our company. Thank you and now I hand over the call to Mr. Mayur Padhya to walk you through the financial performance.

Mayur Padhya:

Good Afternoon everyone. Our business has marginally impacted as we were working with limited workforce in the month of May due to sudden spike in COVID cases. Although we were able to register a healthy business for the quarter, our standalone performance for Q1 FY '22 are as follows; total revenue for Q1 FY '22 stood at Rs.3940 million. Performance on year-on-year is not comparable due to nationwide lockdown in Q1 FY '21. EBITDA stood at Rs.539 million in Q1 FY '22. Net profit for the quarter stood at Rs. 301 million. Our consolidated performance for the quarter is as below; total revenue stood at Rs. 4282 million, out of total revenue 35.6% were contributed by exports whereas balance 64.4% were contributed by domestic sale. EBITDA stood at Rs. 553 million in Q1 FY '22. Net profit for the quarter stood at Rs.288 million. Turkish Lira has been volatile especially during the month of April which has impacted our subsidiary SENER Boya... There was mark-to-market extent loss of about Rs20 million, which has impacted our consolidated financial.

On the subsidiary front, SPS posted revenue of Rs.310 million. Our Bodal Chemical Trading Private Limited subsidiary has reported a revenue of Rs.21 million. Sener Boya's performance was notable during the quarter which had reported total income of Rs.231 million. Total income from Chinese subsidiary was Rs. 154 million. Segment wise revenue on consolidated basis, dyestuff revenue stood at Rs. 1311 million. Dye intermediates revenue stood at Rs. 1522 million. Basic chemicals revenue stood at Rs. 533 million. Chlor alkali division's revenue stood at Rs. 497 million. TCCA revenue stood at Rs.181 million. Total production volume on standalone basis for Q1, dyestuff reported 3836 metric ton, dye intermediate reported 6070 metric ton, basic chemical stood at 57,412 metric ton, chlor alkali stood at 18,928 metric ton, and TCCA stood at 710 metric ton for the quarter. With this, I conclude the presentation and open the floor for further discussion particularly question and answer.

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Bhavesh Chauhan from IDBI Capital. Please go ahead.

Bhavesh Chauhan:

Sir, I have two questions, first is on margins, what kind of EBITDA margins do we see that are sustainable in our current business?

Mayur Padhya:

In our current business, we consider about 13% to 15% margins which is sustainable, we all know that the initiative the company has taken for its growth and its integration.

Bhavesh Chauhan: Okay, and Sir with regard to our expansion plans I believe Sir we are moving towards becoming more of a specialty player, so I would like to know that in three years' time, how much portion would be specialty and how much would remain commodity, some ballpark in terms of sales 80:20, 50:50 whatever?

Ankit Patel: The current growth plan should be executed in next six to seven quarters and post that we are targeting around 800 to 900 crores of turnover from both the main growing areas and in about two to three years' time, we are targeting around 25% to 35% of specialty business.

Bhavesh Chauhan: What kind of margins that would have, that specialty part 25% to 30%?

Ankit Patel: We are targeting around 18% to 20% in the specialty business and 20-25% for chlor alkali. Overall, we are targeting around 17%-18% EBITDA margin.

Bhavesh Chauhan: Sir, those products would be newer for us, are we hiring new people for that, what about on the client side, are we looking for new clients or will it take time for us to find clients for that for same thing?

Ankit Patel: Yes, definitely we are hiring the best available individuals for our benzene projects and sulphuric acid is something that has been existing business for us. So we already have some of the best team members. We already have good consultants and good people onboard for the same. Also for chlor alkali, We have ex-GACL people who are guiding us in Europe and other team members who have vast experience in chlor alkali space. Also for overall strategy of the company, we are building into a stronger project team because the growth will continue and for the commercial part we are planning to start the commercial activities of our upcoming new products within couple of quarters. So when the commercialization of the project happens, we will have ready customers and really experience team for purchase and sales, so our basic chemicals, we have been leading player in basic chemicals for more than 10 years now and we already cater to agrochemicals in pharma and other chemical sector in 10 years, I would say at least 60%-70% customers who will come from our existing portfolio but the remaining 20%, 30%, 40% customers we would develop over a period of time.

Moderator: Thank you. The next question is from the line of Aditya Khetan from Stewart & Mackertich. Please go ahead.

Aditya Khetan: Thank you for the opportunity Sir, just a couple of questions from my side, first if you can provide the volume number breakup of exports and domestic sales for this quarter and for Financial Year '21?

Mayur Padhya: As far as sales data is concerned, we are not disclosing it, whatever data we disclose is of the production number, so as we have discussed earlier out of total revenue, 36% is from export and balance is from domestic.

Aditya Khetan: On the export side, our major revenues are towards the Asia and Europe, that is, almost 80% of the export sale, so are you looking to further increase presence towards the other emerging and the advanced economies globally or what is the strategy we are working for exports?

Ankit Patel: We already have a presence in South America and North America, our TCCA is mainly being exported to North America. The textile and other applications mainly are present there in Europe and Asian countries only, but we do have a market in South America which we cater to dyestuff since many years. Also in North America, our majority of supply is of TCCA because we have the EPA license to supply in the US, so we are opening more territory. We also supply some of our liquid dyes to African continent and Australia. We are present almost everywhere globally and the idea to open our marketing subsidiaries in China, Indonesia, Bangladesh etc., is to only have direct business in such areas and our Turkey Sener Boya has also been doing very well. We had increased in volumes over last few quarters, Things are looking good for our marketing subsidiaries and the export .

Aditya Khetan: Sir, in FY '21 roughly around 33% of sales was from exports and this is down from 44% in FY '19, so how you see this in the next three to five years to again so going back in the range of 40% to 45% or the focus would be more on the domestic only?

Ankit Patel: Our export will go down because our chlor alkali business which we have recently acquired that is a domestic business in North India, so that will not contribute, plus our Saykha Greenfield projects where sulphuric acid and derivatives is again a domestic business. In benzene specialty derivatives, there is some export potential, but the additional 800 to 900 crores of revenue we will not be doing more than 15%-20% of exports from that. So once that is added in two years' of time, our overall exports will probably come down to 20% to 25%, but at the same time, we will also be doing Brownfield projects most likely in the dyestuff sector, so we will have some export from there, but overall if I talk about next three to five years, our exports will go down.

Mayur Padhya: But if you consider in absolute number it will increase because our dyestuff production is at present about 55% level, so once we reach to about 75% level in absolute number, it will increase but in proportion to total number, , percentage wise there will be decline.

Aditya Khetan: Sir, next question is on the other expenses, other expenses in this quarter has gone up materially, on sequential basis it is up by almost 50%, how much is the one-off and what is the sustainable number which you can work in?

Mayur Padhya: In current quarter, there is no exceptional number , so this much we can consider is something sustainable.

Aditya Khetan: But Sir in this quarter our other expenses and as a percentage of sales is almost 29% to 30% as compared to our normal range of 22% to 24%, so definitely there is a jump in the other expenses, so I just want to understand is this is a sustainable number which we could work going ahead or what is the factor that has led to such sharp jump in this quarter?

- Mayur Padhya:** I do not have the exact number, so you can connect me offline,.
- Aditya Khetan:** Sir, just one more question, in this quarter our chlor alkali capacity that has operated at 92% utilization levels, is this number correct, 92% utilization for chlor alkali business?
- Mayur Padhya:** No, chlor alkali our present capacity is 82,500 metric ton and there are couple of other products for which we do have a capacity like stable bleaching powder as well as sodium hypo and HCl, but if we consider it as a chlor alkali business then our capacity utilization was around 70% and it will remain around this level till we conclude this modernization of the project, so for next five quarters, it will remain around 70% only.
- Aditya Khetan:** Okay Sir, the capacity of chlor alkali is 82,500 correct Sir?
- Mayur Padhya:** Yes, 82,500 metric ton per annum.
- Aditya Khetan:** Okay, just a number which I would like to share is 82,500 metric ton if we divide it by four for this quarter and the volume numbers you have given, it is 18,928 tons, so is it divided we get a number of 92% like 70% number how have you arrived at, if you can share that?
- Ankit Patel:** That 82,500 MTPA capacity is usually considered from the caustic soda production and the volume number that we have given includes some of the other products called stable bleaching powder which is also being produced in that capacity. This is not considered in the capacity of 82,500, but it is considered there in the production volumes.
- Aditya Khetan:** Okay, so what would be the our capacity?
- Ankit Patel:** Production we had is approximately around 14,000 to 15,000 tons this quarter.
- Aditya Khetan:** The revenue contribution from chlor alkali in this quarter was 49 crores, so how much would be the contribution to EBITDA and PAT?
- Ankit Patel:** We had negligible EBITDA for this quarter.
- Aditya Khetan:** This is because of the older technology so that we would be upgrading post that?
- Ankit Patel:** This is absolutely because of the older technology; there are two issues, one is that we are not able to run the plant at 90% because it requires lot of investment into the older technologies, so we have decided to run it at around 70% until we upgrade the latest technology and when the latest technology comes in, we are looking at least 30-40 crore added in the EBITDA numbers. This is a conservative number, it could be much higher than that also.
- Moderator:** Thank you. The next question is from the line of Arush Oberoi from Victor Delta Securities. Please go ahead.

Arush Oberoi: Thank you for the opportunity Sir, I have couple of questions, Sir wanted to know what is the current scenario of dyestuff prices in India?

Ankit Patel: The current scenario overall is quite stable, since the second wave slowed down or things are getting back to normal, so I would say overall situation in the dyestuff demand in the production levels are quite normal at the moment.

Arush Oberoi: Second part, how is the current market of vinyl sulfone and H acid, and what kind of current prices trend are there currently, do you see any demand supply gap from this?

Ankit Patel: H acid and vinyl sulfone are the main key raw materials to produce the dyestuff and as I said, the dyestuff demand is quite normal, so H acid and vinyl sulfone are directly linked to the dyestuff in the market. So I would say that the demand for H-acid and VS is also quite normal. I do not see much of a gap currently between demand and supply of H acid and vinyl sulfone, and the current price of H acid is around Rs. 370 to Rs. 375 per kg and vinyl sulfone is Rs. 225 to Rs. 230 per kg.

Arush Oberoi: How is the textile market shaping up for us and are we receiving any enquires pre-COVID level for our dyestuff and dye intermediate products?

Ankit Patel: In dyestuff particularly, we are around 75%-80% back to the pre-COVID levels. We had reached about 65% of utilization in the dyestuff business earlier, but now in this recent quarter, we were at around 55%, so there is definitely room for improvement in dyestuff, textile industry overall it is showing good signs only. Volumes are recovering back because of overall disturbance across the globe has minimized. COVID at the moment does not look like a big threat anymore at least production wise or economy wise, so I think in coming quarters things should be back to pretty much normal.

Moderator: Thank you. The next question is from the line of Sanjana Rathi from SK Securities. Please go ahead.

Sanjana Rathi: Thank you so much for the opportunity Sir, I had a couple of questions, could you just throw some light on the benzene derivative segment on the basis of client profile?

Ankit Patel: In benzene derivatives we are going with a four-step integration from phase one only. We are not going to produce one or two key products, we are going to produce six products and which would be four-step integration. Also, we are setting up sulphuric acid capacity in that same capacity where the waste heat which is going to generate power and steam will be completely utilized by all the benzene products. So this integration is very important which will have a value of more than Rs. 20-30 crore per annum plus there is a hazardous byproduct which is generated in one of the benzene plants, which will be completely used by one of the sulphuric acid derivatives. Also, there is some integration between sulphuric acid products and benzene products that we are doing, so there are multiple synergies and integration between both the

projects and within the benzene derivatives also. We are going to produce MCB from which we are going to produce PNCB and ONCB. PNCB has a main application into dyestuff, dye intermediates and mainly into pharmaceutical, main area is paracetamol. ONCB has a good application into dyestuff and agrochemicals. We are also going to produce OA which is produced from ONCB which we use captively in our dye intermediate business.

From PNCB, we are going to produce PNA and 2, 4-DNCB, so currently we consume a lot of PNA, so again that will be linked to our dye intermediate business. From PNCB, we are going to produce 2, 4-DNCB, which is again one of the key raw materials which Atul Limited uses and couple of other large companies use, so that will go into specialized dyestuff segment called sulphur black. Also, we are going to produce MPDSA from 2, 4-DNCB, so MPDSA is one of the key raw materials which we do not produce at the moment, it is a dye intermediate so we are basically integrating sulfuric acid complex and benzene derivatives within the complex. Also we are integrating all the products produced in the benzene derivatives to our dyestuff and dye intermediate business model, so there are lot of synergies that are going to happen in Saykha and also with our existing dyestuff business.

Sanjana Rathi:

That was quite extensive Sir, could you just highlight if we are in touch with a few clients for all these products and segmentation, and how big is the market size in India and how much of it is done through imports?

Ankit Patel:

2, 4-DNCB there are two large players and both are our existing buyers, Atul Limited and there is another company. For PNCB, obviously we are going to use it captively plus around 50%-60% we are going to sell in the market which is a net import product, so for PNCB the paracetamol players are some of them are already our buyers and we already know a majority of the large buyers, so selling that is not going to be an issue. ONCB does go into some of the agrochemicals which are already our clients from our basic chemical segment. MCB we are not going to sell anything in the market. MCB we are going to captively use the entire production. MPDSA again is a dye intermediate, so us being the largest dye intermediate player, it is all the same client base of dyestuff players across India for us, so it is going to be part of our same sales strategy of dye intermediates. PNA again we will be using captively and PNA again goes into dye intermediate manufacturing, so we will have the same buyer which we have been catering since many years. Sulfuric acid we already have a 500 tons per day plant in Baroda since more than 10 years, so it will just be an extension of the same similar buyers and similar products.

Sanjana Rathi:

Sir, when it comes to TCCA segment and thionyl chloride business, Sir how are these verticals performing like are these verticals profitable or could you just throw some color on it and application and expected revenue on the annual basis?

Ankit Patel:

TCCA has a main application into clean swimming pools and India does have a sizeable market, but we sell it to the premium market which is the US and we have had a special permission certificate to sell the TCCA in the US. India market is normally catered by a lower quality

product which is usually imported from China and, etc., TCCA is profitable for us since the previous quarter. We are looking at debottlenecking in the plant and we may increase the capacity by 20%-30% in coming one or two quarters. For thionyl chloride, that has main application into dye intermediates and agrochemicals, so it is one of the key raw materials for vinyl sulfone and also for the agrochemicals, so all the large players of agrochemicals are our buyers and TC has also been running profitable almost since the inception.

Sanjana Rathi:

Sir, actually we have already discussed something on the chlor alkali businesses per capacity utilization, so do you mind just explaining a bit about the products apart from the caustic soda and maybe the end users and applications for the following products?

Ankit Patel:

There are other products than caustic soda, that is chlorine which is being produced at our chlor alkali plant in Punjab. We have five adjoining pipeline buyers, which is very important for chlor alkali plant and so about 50% of our chlorine is sold via pipelines to those buyers and the remaining 50% is sold via tonners or cylinders to the North Indian territory, which has an application into food processing and textiles and paper mills etc., a we do not have to sell even into Rajasthan. We are comfortably selling all our volumes from UP, Haryana to Himachal and Punjab and Jammu and Kashmir. So those areas have a good market and there market is also growing. There is another product called stable bleaching power, so we are currently in the process of expanding that plant also. Since it is a Brownfield expansion it is going to cost us very less and we are trying to become India's third largest player in that segment where Grasim Industries is the largest player and we are planning to increase our capacity by around 60%-70%. So that should also be operational in about six months' time. Other than this, hydrogen is being produced there and we have a buyer, which is adjoining the complex and which buys via pipeline, so that again is a strong point for that complex. Other than that, there are couple of small products like sodium hypo and sulfuric acid, so those are very small in terms of volume and price.

Moderator:

Thank you. The next question is from the line of Saket Kapoor from Kapoor & Co. Please go ahead.

Saket Kapoor:

Namaskar Sir and thank you for the opportunity, Sir first point is regarding the employee cost, anything one-off for this quarter or how would you explain this increase Sir for this quarter?

Mayur Padhya:

The increase in this quarter is mainly because of induction of chlor alkali business in this, so Punjab complex was not there earlier and in this quarter only this has got inducted in the company's business.

Saket Kapoor:

So now we can look for this as an annualized figure with quarter number for employee cost?

Mayur Padhya:

Correct, this figure as well as some increment would be there, and some project employee induction will be there, so there can be some improvement in this figure, .

Saket Kapoor: Regarding the modernization of the caustic unit, this technology is there currently and which one are we migrating to and what is the amount that will be spent in the commercialization period?

Ankit Patel: The existing technology is owned by INEOS which is a British Company, one of the largest chemical company in the world, but being it an older technology, it consumes a lot of power, so we have no choice but to upgrade, so we can be competitive and it can bring savings of more than 30-40 crores annually. There are two technologies which are active in India; one is German which is owned by Thison Group which is a Fortune 500 company, and the second is Asahi Kasei Corporation, that is based in Japan which is again a multi-billion dollar organization. So we have opted for AKCC which has installed at companies like DCM Shriram , Meghmani and Grasim and etc. We have confirmed with them, and have already paid them and it is in the process. We are targeting to complete the modernization by next September or October. The cost of the technology part is around 45 to 50 crores, but at the same time, we are increasing the capacity of the plant also and we are also upgrading lot of the things in the plant which can help us to utilize the capacity more. So overall we are spending around 120 crores, the spending and the execution should be done by next October and which will bring in revenues of around 300 crores and we are targeting around 20%-22% EBITDA.

Saket Kapoor: The capacity will be enhanced to what level Sir, what is the current capacity and what are we envisaging?

Ankit Patel: Current capacity was 82,500 tons per annum, we are increasing it up to 99,000 tons per annum and we are also increasing the capacity in our other plants like stable bleaching powder..

Saket Kapoor: Sir, this is the membrane cell technology that is relevant now?

Ankit Patel: Yes, so I think all the technologies across the world now is membrane cell because the others were not environment friendly and they have all been out of the market.

Saket Kapoor: Since the power is a dominant cost in the caustic soda industry, what steps are we taking to lower the cost of production in the form of power and fuel cost, whether any investment in the renewable segment we are planning?

Ankit Patel: We have explored the possibilities of solar power, because we do have a excessive land at the Punjab complex. We are studying that market, what the cost is and how the State Government and Electricity Board are offering, but since we are committed to this modernization and expansion project for now, we are not planning to do any further CAPEX for Punjab. In States like Gujarat and Maharashtra, the power cost from the electricity board is more than Rs. 7 per unit, so that is why the plants here usually go for captive power plants, but in North captive power plant concept is not very popular or not the best economically viable because the Punjab State is already offering us around Rs. 6.3 per unit, so they are already offering us a subsidized rate and also to set up a thermal power plant, the majority of the good quality coal has to be

supplied from Gujarat ports which is imported coal, so it will definitely have a higher power production cost than Gujarat plants, so it is not the most economically viable but we are still exploring some of the other options. There are some bio-waste based power plants in Punjab, which are very common there, so we are exploring those options, but we are not planning to do anything about power plant or anything until we are done with the upgradation, so it would come in the second phase next year.

Saket Kapoor: Lastly Sir in the caustic soda price trend, have we seen substantial improvement over what the March quarter was and we exited the June quarter at higher ECU?

Ankit Patel: Caustic soda price has increased a lot, March quarter price was probably around Rs. 22,000 to Rs. 23,000 per ton, in June quarter it was higher by Rs. 3-Rs. 4. Currently, the prices have even further gone up by Rs. 3-4 more so around Rs. 30 per kg is there, so chlorine and caustic have this combination and chlorine prices which were at a time were around Rs. 8- Rs. 7 per kg has come down to now to Rs. 2-3 per kg, but still the ECU realization compared to March quarter is definitely better, compared to June quarter the existing ECU is also slightly better. There are couple of plants in the US, one plant has shutdown, Olin Corporation which is the largest chlor alkali player in North America. They have plan to stop some of their old plants, so one plant has already stopped, I think they are planning to stop couple of more plants in coming time, that has affected the overall caustic international demand and that is actually good for the Indian especially Gujarat players at the moment and Gujarat players are exporting caustic already since last about a month in large quantities.

Saket Kapoor: What is the capacity that has come under shutdown Sir and the total market which it caters, the USA unit Sir?

Ankit Patel: I am not sure about the exact number, but I think it was a very old plant so it could be in the range of around 50,000 to 80,000 tons per annum, but they are planning couple of more shutdowns, so like three years back when there were 15-16 plants shutdown in Europe and in Houston due to some issues, because of that the caustic prices went from 25-27 levels to Rs. 50 levels, so those American and European plants have an affect if they shutdown temporarily or for a long-term.

Saket Kapoor: My last question is Sir what is the import number for caustic soda for the first quarter of this fiscal year for the country, any understanding if it is on a comparative basis, March versus June what was the import?

Ankit Patel: It is usually negligible, from Gujarat there are hardly any imports, usually Middle East material that comes in, but it is not a regular trend because Gujarat itself having all these production capacities now and Gujarat has a lot of pressure because of few new expansions that has come up and there are couple of still large plants which will start this year, and there are some imports that take place in Maharashtra regularly because there are hardly any plants in Maharashtra, but

in Gujarat there are no regular imports, so us being a buyer from Gujarat, we buy large quantities of caustic, so there is hardly any material available here in Gujarat.

Saket Kapoor:

But integrally how does this caustic soda fit in our supply and I was talking about country as a whole, since I think for the requirement of the country, there is still substantial import of caustic soda that happens annually, I was looking for the entire country number if you could give and how does this caustic soda part fit in our story or is it a complete diversification to our set of chemical?

Ankit Patel:

It does have a slight integration, our H acid plant in the subsidiary SPS processor that uses caustic soda. Also we are about to start our vinyl sulfone plant in one or two months' time, so that also uses a lot of caustic soda, so it is around 300 kilometers from our Punjab plant to that intermediate plant in UP, therefore that is the one integration that is going to take place. It was a diversification plan for us because the unit was available at a very attractive price. It needed a lot of effort to turnaround and large investment also, we were prepared for everything. We are very confident that other than the technology, we will be able to turnaround the overall low production of the plant and some of the old machineries and technology, we are also making lot of changes in the commercial front in purchase and sales also. It comes in with a 60-70 acres of spare land. We can definitely integrate this unit further. It is already integrated into two-three products. We have an option to increase the capacity, which is always good idea for chlor alkali to bring down the overhead cost.

There are lot of products which are integrated within the chlor alkali space which are supplied from Gujarat to North India on a regular basis, we can consider to set up those projects in North India. We do have lot of options, but currently as I said we are committed to this upgradation and expansion. Once we are done with this expansion or whenever it is the financially best time for us, we do have the land and all the required permissions from the environment front. So in a long term, we can have a one growth area which can come from Punjab which has a lot of spare land and a good chemical manufacturing environment over there and also a steady increase in the demand, so it could be 600 to 800 crores of turnover block for us that can come from Punjab and again we are already working on Saykha which is going to bring in Rs 500 crores of revenue, and we are not utilizing the total land there, so we are planning to further integrate and bring in more products in Saykha also. We have a 10 year plan there, so again that can become again Rs 1000 crore plus block for us. In our existing business also there is some Brownfield possibility, overall we are putting together three different sites. One is Greenfield Saykha, one is our existing dyestuff business, and third will be Punjab.

Moderator:

Thank you. The next question is from the line of Aditya Khetan from Stewart & Mackertich. Please go ahead.

Aditya Khetan:

Thank you Sir for the follow up, you had said to an earlier participant regarding the stable bleaching power capacity augmentation by 60%-70%, so is that plan included in the current

presentation what we have shared of 270 crore caustic soda, so is that plan there in the presentation of augmentation of this stable bleaching powder?

Ankit Patel: Yes, it is included, it is not a large investment because all the infrastructure is available there. We do not have to construct anything new, we just have to order some of the machineries, it is a best type process. We have already placed orders. Since it is a Brownfield and not a big investment, we should be able to do it in six months' time. So current capacity is around 80 tons per day where we are operating at around 75%. We are planning to take the capacity up to 120 tons per day and because it is the best type, the 80% utilization is a good number.

Aditya Khetan: Sir, just one more question on this two expansion of benzene derivatives and this chlor alkali, when we look at the ROCE calculations for both these projects like I had done my own calculations, I found that the return on capital employed on both the projects post that ROCEs are not more than 12% in each of the projects, is this calculation correct, and secondly, what is the management assumptions here and where we can think like this. If these projects are not adding value to the capital, what is the use and just if you can share some light on this?

Ankit Patel: We are targeting better ROCEs than that, but as a future possibilities, we are trying to be conservative that is the only approach that we are going ahead with right now because there is volatility in the market. but overall we feel that sulfuric acid and derivatives with all this growth coming in from agrochemical, pharmaceutical and mainly chemicals in the PCPIR, where we are setting up the plant, I can see a very good growth and demand for all those derivatives and sulfuric acid in benzene space. We are replacing half of our products and are definitely imported in big volumes. So we are planning to replace this indigenous production with the exports and also all the benzene products are linked with our dye intermediate business which would definitely add some more margins for us. So not to include it all since we are doing a lot of things at the same time. Right now, the focus is all on the execution on time and to produce the quality product. I think marketing wise we have no issues at all as you know about 70%-80% market we already have and we already are related to, so number should definitely be better.

Aditya Khetan: Sir, just one last question, in the benzene derivative change majorly we are making MPDSA as the final product because others MCB and PNCB so they are mostly 100% captive only, so in this total capacity of 79,000 tons, how much would be the MPDSA finished product capacity figure would be, if any ballpark figure you can give Sir for this MPDSA final product capacity?

Ankit Patel: MPDSA is not the final product, it is the last product being produced but MCB is the only product we are going to use captively 100%. In ONCB and PNCB, in ONCB we are only using around 30% to 40% captively, so it will be sold above 60%-70% in market. In PNCB, we are going to use about again 40%-50% captively, so again that will be sold in the market 50% to 60%. Same thing with PNA, we are going to use only about 20%, so about 80% will be sold in the market and again PNCB we are going to make 2, 4-DNCB and 2, 4-DNCB again we are only going to use about 20%, so the remaining will be 80% will be sold in the market, so expect for

MCB, there is revenue coming from all the products. For DNCB will be again MPDSA will be used for our dye intermediate business and there again we are only going to use about 20% to 30%, so our MCB also again will be selling in the market.

Aditya Khetan: 90% captive consumption has been highlighted in the presentation, so only 10% we are selling right for 2, 4-DNCB?

Ankit Patel: I do not know which number you have seen, I will have to check again, but there is no 90% captive consumption. MCB is the only product where we are going to consume all of it. In any of the products, I do not have more than 40%-50% utilization anywhere.

Moderator: Thank you. Ladies and Gentlemen, due to time constraint, that was the last question for today. I now hand the conference over to Mr. Ankit Patel for closing comments.

Ankit Patel: Thank you very much Mr. Mayur *bhai* and our advisors, and if you have any other questions which have remained unanswered, you can contact us directly to Mayur, or myself, Ankit Patel. Thank you very much. Have a Good Evening.

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