



Bodal Chemicals Ltd.
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By online submission

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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 Q4 FY'21 Earnings Conference Call"

We enclosed the transcript of Q4 FY'21 Earnings Conference Call with Investors and Analysts which was held on June 25, 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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“Bodal Chemicals Limited's Q4 FY'21 Earnings Conference Call”

June 25, 2021

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

Moderator: Ladies and gentlemen, good day and welcome to the Bodal Chemicals Limited Q4 FY'21 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 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 warm welcome to everyone for joining us on our call today. I hope you and your loved ones are safe, vaccinated and doing well.

On this call, we are joined by our CFO – Mr. Mayur Padhya and SGA, our Investor Relationship Advisors.

I hope everyone has got an opportunity to go through the Financial Results in “Investor Presentation” which has been uploaded on the stock exchange as well as on our website.

We will give you a quick snapshot of our company and then Mr. Padhya will walk through the Financial Performances.

Bodal is a three-decade old organization and Integrated Dyestuff Chemicals player. We are one of the largest manufacturers and exporters of Chemical products in Dyestuffs, Dye Intermediates, Basic Chemicals and its variants. Currently, we produce more than 200 plus chemicals products under this business vertical and serve more than 600 customers across 45-countries. We have 10 manufacturing facilities with production capacity of 3,16,000 MTPA across products. We have 10 exclusive distribution warehouses also known as depots, seven in India and one each in China, Turkey and Bangladesh. Over the last few years, we have been 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 have been moving forward with a focused mindset and adding additional capacity of 5,24,000 MTPA across multiple products in next two years. We will touch base on each business verticals and their recent developments.

The product profile of Bodal Chemicals is one, Dyestuffs, where we are producing more than 175 variants of dyestuffs which are principally used as raw materials in textiles, leather, paper and other dyestuff consuming industries. This business has been moderate in FY'21 as demand has been soft due to pandemic. This is the industry phenomenon and we expect demand scenario will be improved gradually due to the vaccination drive across the nation.

Dyestuff segment contributes around 35% to our total revenue. In terms of production, we are among the top-three in India and are in good position to recover once demand revives. We are happy to announce that our liquid dyestuff has contributed well during the FY'21.

Dye Intermediates is the second vertical. We have capacity of manufacturing up to 25 dye intermediates products. More than 40% of dye intermediates capacity is captively consumed for various dyestuff which gives us the cost competitive advantage. During Q4 FY'21, average price was around Rs.208 per Kg for Vinyl Sulphone and Rs.395 for H Acid. We have done debottlenecking of our dye intermediates plants due to which its utilization levels can now reach up to 95%. Dye Intermediates segment contributes around 40% to our total revenue. In terms of production, we are the leading player in this space in India. Additional Vinyl Sulphone capacity of 6,000 MTPA is expected to commercialize in Q2 FY'22 from our SPS subsidiary which can add up to Rs.100-120 crores of annual revenue.

Basic Chemicals is our third division. We manufacture other basic chemicals like Sulphuric Acid, Chloro Sulphuric 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 improving profitability of the company. 48% of the basic chemicals capacity is captive consumed for dye intermediates production. We have taken some unit-specific shutdown in February 2021 for annual maintenance and therefore our production numbers are lower on year-on-year basis. Our overall Basic Chemicals segment contributes around 10% of our total revenue.

Chlor Alkali business. We have recently acquired Siel Chemical Complex located in Rajpura, Punjab which are in the business of Chlor Alkali. This plant is of around 124-acres of land, out of which around 60-acres of land is available. The key product under Chlor Alkali business is caustic soda where we have capacity of 82,500 MTPA, of which 70% would be operational in FY'22 as unit will be going under upgradation and inch up the capacity up to 99,000 MTPA. The plant also has strong internal and adjoining consumption of chlorine for around 75% to 80% and stable bleaching powder, hydrochloric acid, sodium hypochlorite product, and through pipeline sells to adjacent units to which Siel has been supplying since many years. Rest of the chlorine gets sold in cylinders to third-party consumers. This unit already has a very strong client base and has been supplying to leading companies like HUL, Nestle, IOC, HPCL, Vardhman, Trident, etc., We expect this unit to generate additional revenues of around Rs.300 crores at optimum levels with EBITDA margin in the range of 20% to 22%.

Fifth segment which we are under process to develop right now is Benzene Derivatives and Sulphuric Acid at our Saykha Greenfield project which is close to Dahej GIDC in Gujarat. It is in good progress and we are committed to bring it onstream by Q3 FY'23. Under Benzene Downstream products, we will be manufacturing MCB, PNCB, ONCB, MNCB, DNCB, PNA, 2, 4 DNCB and MPDSA which are used in pharma and agrochemicals in dyestuff industry. The capacity of sulphuric acid and derivatives will be 3,40,000 tons per annum which will include

sulphuric acid, oleum 23, oleum 65, liquid SO₃, chloro sulphonic acid and some other derivatives. We will set up integrated product chains which will lead into cost efficiency, better productivity and higher margins for the company. We expect this project to generate additional revenues of Rs.550 crores at optimum levels with the EBITDA margins of 15% to 18%.

Total cost of Saykha project including one-time infrastructure cost maybe Rs.400 crores. Out of that, cost of Benzene Downstream production will be Rs.220 crores and cost of sulphuric acid and derivatives will be Rs.125 crores. On the other hand, the total cost of acquisition and modernization of Siel Chemical Complex will be around Rs.270 crores. Out of that, Rs.148 crores are used for the slump sale and around 3.8 crores for the stamp duty and 110 crores will be used for the upgradation of the plant. So total CAPEX of Saykha Greenfield project and Siel Chemical Complex will be Rs.670 crores, out of which Rs.200 crores will be used from internal accruals and balance will be the debt.

So to sum it up, our new chemistry vertical will add additional revenues of around Rs.800 crores with the better margin as compared to our existing business vertical. Additionally, this business is less volatile and will bring more stable and sustainable growth to our company. With new product vertical, client base as well as end user application will be diversified which is in line with the long-term derisk strategy of our company.

Some of the other developments within Bodal are, Our Trion Chemicals has now been amalgamated to Bodal Chemicals. Production of TCCA has been stabilized and has become profitable. We have multiple trading and marketing subsidiaries to penetrate the new geographies and clients. All subsidiaries are expected to perform well and add to overall profitability of Bodal in coming years. We have recently incorporated new subsidiary in Indonesia, PT Bodal Chemicals Indonesia. Our Turkey subsidiary, Sener Boya did dispatch of around 720 tons in Q4 FY'21; however, foreign exchange loss has impacted the profitability due to depreciation of Lira against US dollar. On business front, we expect monthly dispatches to improve further going ahead at Sener Boya. This Turkey's entity will strengthen our presence in Turkey and nearby countries which are the key manufacturing belts of Europe in textiles market.

Long-term relationship with our esteem clients, superior product quality and backward integration has been our edge to sail through challenging times like in FY'21. We are working on new chemistry, new clients, new geography, investing in backward, forward and horizontal integration to create long-term sustainable growth. Over the years, we have increased lots of efforts to build technical expertise to handle these chemistries and we will continue to do so for newer ones.

Thank you and now I will hand over the call to Mr. Mayur Padhya to talk you through the financial performance.

Mayur Padhya:

Good afternoon, everyone. Company has suffered significant loss of business in the Q1 FY'21 due to countrywide lockdown. Despite pandemic hit quarter in H1, we were able to recover and registered healthy business for the full financial year. Q4 FY'21 performance has been a good quarter for us which has negated our subdued performance in Q1 FY'21.

Q4 FY'21 performance on standalone basis is like this: Total revenue stood at Rs.4,085 million, a growth of 21.9% on year-on-year basis. Total production volume for the Q4 is as follows: Dyestuff reported 5,133 MTPA; Dye Intermediates 7,061 MTPA; Basic Chemicals 40,020 MTPA. Segment wise revenue, Dyestuff stood at Rs.1,390 million; Dye Intermediates at Rs.1,623 million; Basic Chemicals at Rs.396 million. EBITDA grew by 18.9% to Rs.509 million in Q4 FY'21 on year-on-year basis. Net profit for the Q4 FY'21 stood at Rs.303.9 million, a growth of 12% on year-on-year basis. Company has written-off bad debts of Rs.130.75 million in Q4 FY'21 and Rs.174.57 million for FY'21. This is one-off case in the history of company and the same has impacted our performance.

For full year FY'21, our standalone performance is as follows: Total revenue stood at Rs.11,477 million, a degrowth of 7%. Domestic market contributes around 67% whereas export market contributes 33%. Total production volume for the full year, Dyestuff 14,756 MTPA, Dye Intermediates 21,811 MTPA, Basic Chemicals 1,74,780 MTPA. Segment wise revenue, Dyestuff is Rs.3,993 million, Dye Intermediates is Rs.4,590 million, and Basic Chemicals is Rs.1,269 million. EBITDA stood at Rs.1,008.7 million in FY'21. Net profit for FY'21 stood at Rs.483.2 million, a degrowth of 46% on year-on-year basis.

For FY'21, our consolidated performance is as follows: Total revenue stood at Rs.12,424 million, EBITDA stood at Rs.1,025 million in FY'21, net profit for FY'21 stood at Rs.397.7 million.

In Q4 FY'21, depreciation of Turkish Lira versus US dollar has impacted our profitability at Sener Boya and we need to book MTM FOREX loss of 50.14 million, impact of the same has already been incorporated in consolidated financial.

On the subsidiary front, SPS posted revenue of Rs.993 million. Our BCTPL subsidiary reported revenue of Rs.142 million. Performance of our Turkish subsidiary which is Sener Boya was impressive during FY'21 which posted total income of Rs.792 million. Total income for subsidiary in China was 161 million. Our debt-to-equity ratio stood at 0.45.

The Board of Directors have recommended final dividend at the rate of 80 paise per equity share that comes to 40% on the face value of Rs.2 per share for the financial year 2020-21.

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

Moderator:

We will now begin the question-and-answer session. The first question is from the line of Aditya Khetan from Stewart and Mackertich. Please go ahead.

- Aditya Khetan:** In the presentation slide 20, for the Greenfield Saykha project of Benzene Derivatives, there we have taken Rs.65 crores as one-time additional cost. If you can highlight what is this cost we are talking about?
- Mayur Padhya:** It is an infrastructure cost , this is a Greenfield expansion, so to develop the infrastructure roads, water, and all other infrastructure things that we have covered.
- Aditya Khetan:** So we have separately allotted for the Benzene Derivatives and for the expansion. So the Rs.65 crores is again related to the infrastructure only?
- Mayur Padhya:** There is some infrastructure cost which is common for both the projects. That's why we have separated that. If we take a single project, then whatever we do expenses for that project, that we consider for that project. And whatever common facility, road, office, etc., that we consider in infrastructure.
- Aditya Khetan:** In the production numbers for all the three segments what you have mentioned, does it include the captive or excluding the captive consumption?
- Mayur Padhya:** Including captive consumption, that is total production for the company.
- Aditya Khetan:** For the SPS Processors, we have upcoming capacity of 6,000 tons of Vinyl Sulphone. In the presentation, you have mentioned that there is an additional expected revenue of Rs.120 crores. But considering the current realization, could it be well more than Rs.150 to Rs.160 crores?
- Mayur Padhya:** Recently, Vinyl Sulphone is traded at about Rs.225. And if we consider 85% capacity utilization, then it comes to about 5,100 MT production and we consider that production with the sales price it comes to about Rs.114 crores of revenue. That's why we are considering this price. And in chemicals, you know very well that prices are very fluctuating. So three months before, VSL reached to even Rs.300. So at that price, it can reach to even Rs.150 crores plus.
- Aditya Khetan:** Is there any main reason why our two subsidiaries consistently in losses, one is the Sener and second is the SPS Processors despite H Acid production I think it has ramped up to around peak utilization in SPS Processors. The current revenue figure that has been quite strong. But still at the bottom line the subsidiaries are still in losses. What are the main reasons for that?
- Mayur Padhya:** For SPS Processors, we acquired this company from earlier management at 70% stake. The earlier management were originally in textiles. When the H Acid prices were at very high level say Rs.1,500 per Kg in 2014, at that time they planned this company and were building this capacity and they were not originally in chemicals business, so they were not aware that standalone H Acid plant is not that viable. To make it viable, one should along with H Acid have Vinyl Sulphone plant. So that effluent of both the products can be used by each other product. By doing that, you can save significantly as far as effluent treatment cost is concerned. At the time of taking 70% stake, we were clear to start Vinyl Sulphone plant in the company. But

because of several reasons, there has been a delay continuously. One of the primary reasons was that one of the raw materials for Vinyl Sulphone is Ethylene Oxide and it's a highly inflammable product. In Gujarat, we are using this product since 25-years and other units are also using this product. This Ethylene Oxide is only produced by Reliance in India. This product was not been used in North India earlier. To get regulatory permission, and transportation permission, etc., it took much of the time for us. Now, everything is ready and some final touching is required to be done at the plant. That's why we are confident to start the plant in next quarter and once Vinyl Sulphone plant start production, then this subsidiary will definitely turn into profitable on a continuous basis, this is as far as SPS is concerned. As far as Sener Boya is concerned, we acquire 80% stake in this company and this is basically our distribution arm in Turkey as well as nearby countries. After acquisition, COVID had started worldwide. Because of that we couldn't perform the way we have actually planned at the time of acquisition. Once COVID effect is lower, then we will definitely perform better. As far as volume is concerned, earlier management was doing about 100 and 125 MT per month which we have reached to almost 250 MT per month. So double the volume we have already reached. But there is no stable environment worldwide. That's why it had been in losses and last quarter loss was mainly due to FOREX fluctuation. Fluctuation of Lira against dollar was hectic and that leads to loss for us. Soon within a quarter or so, if the things stabilize world over, then that will also start making profit.

Aditya Khetan:

For the upgradation of the caustic soda plant from 82,500 to 99,000, we are incurring a CAPEX of Rs.110 crores. If we had acquired a slump sale to the tune of around Rs.148 crores, we are expanding by Rs.100 crores for our 16,500 tons caustic soda plant. Isn't the CAPEX too high? Apart from increasing the caustic soda capacity what else are we upgrading?

Ankit Patel:

Chlor Alkali basically has electrolysis as the main process where the feed of salt solution is required and then it is processed into manufacturing caustic chlorine and hydrogen. So this is where the heart of the entire plant is which is called "Electrolysis Process." So, basically that plant had 20-years old Electrolyzers which are very expensive as far as the economy of the production is. So, immediately what needs to be done is we need to upgrade the technology therefore, the main investment is going towards that. This is one of the reasons why we got this entire asset for such attractive price because it needs the upgradation of technology and after the upgradation, there will be a saving of at least Rs.30 crores annually. The amount that we are spending Rs.110 crores, that is going to be used not only for the expansion of the capacity but also in the upgradation of the technology and capacity will be expanded by 15,000 to 18,000 tons per annum more. The older technology was by Ineos, which is a British company and now we have gone ahead with the Japanese technology a supplier who works regularly in Indian market.

Aditya Khetan:

So from FY'22 from the Chlor Alkali, what sort of revenue assumption are we factoring in?

Ankit Patel: We have already started the project activity, the technology and the supply of electrolyzers have been confirmed by the Japanese supplier. And we are targeting to complete the upgradation and the expansion process by next 12-months. So post that we are targeting Rs.300 crores of revenues at around 20% to 25% of EBITDA.

Aditya Khetan: This you are talking from FY'23 we are expecting Rs.300 crores. So 70% of the existing 82,500 tons that would be achieved by FY'22. So any sort of revenue assumption has you all taken out?

Ankit Patel: At the current rate, the revenue should be in the range of around Rs.150 crores to Rs.170 crores.

Aditya Khetan: Sir, is it possible to share the volume figure for Liquid Dyestuff for FY'21?

Mayur Padhya: Liquid Dyestuff production for the quarter was 1,292 MT. For the whole year, it's around 4,000, we don't have the exact number.

Aditya Khetan: Similar number could be given for the whole year for the Trichloroisocyanuric Acid for FY'21 volumes?

Ankit Patel: That we are producing around 250 MT per month level since September 2020.

Moderator: The next question is from the line of Isha Savla from Arya Securities. Please go ahead.

Isha Savla: Sir, I have a couple of questions. The first will be, how is the textiles market shaping up for us? And are we seeing enquiries like say pre-COVID level for dyestuff and dye intermediates products?

Ankit Patel: Overall scenario were definitely better in the Q4 but the second wave that India had to go through, that disturbed the momentum, we had disruption of around 45-days, and so volumes have been affected, but now overall, I think we are back to the pre-COVID level numbers.

Isha Savla: Can you throw some light on the benzene derivatives and how much backward or forward we are planning to integrate in that? How big is the market size in India? How much of it done through import?

Ankit Patel: We are developing a number of products in Benzene Derivatives. We are definitely integrating it with our existing business as well as the new manufacturing model that we are going to set up at Saykha that it is going to be very much integrated as a complex. We are starting with a product called MCB, there are only three players producing MCB in India. So out of which we are going to be captively using MCB 100% and also we are going to manufacture PNCB and ONCB from that where PNCB again will be captively used around 50% to produce PNA and 2,4 DNCB. And the ONCB again will be used to produce. There is a product called OA which we have not covered in the presentation but we are planning for that also. ONCB again about 30% to 40% will be used captively to produce OA. We are basically going into three step integration within

the benzene business model and we are also integrating it with our sulphuric acid model where the byproduct of HCL which is generated in large volumes from the first step MCB, that is going to be completely consumed by one of the products in the sulphuric acid complex. And also, all these products are also using sulphuric acid and derivatives so that will also be used within the same complex into the Benzene Derivatives. And then we are also producing part of the benzene series. We are going to produce PNCB captive we already been used use in our dyestuff model. PNA, we already use in our dyestuff model and also NPDS which we already use in our dyestuff model and one more product, OA that also we already use in our dyestuff model. So we are basically integrating the new site within each other and also all the products being produced there is going to be connected with our existing business also.

Isha Savla: Can you throw some light on Chlor Alkali business? Client profile mentioned is like HUL Nestle, etc., Can you share more details about key three, four products and end user application of it?

Ankit Patel: Chlor Alkali again is very basic chemical that has application into agrochemicals, textiles, chemicals, pharmaceuticals, etc., and alumina is the main consumer. But alumina presence is not there across the country. This plant is in Punjab. So it caters to the North Indian market where there are many textile players, other detergent and chemical industries. It is not only we produce caustic soda but we also produce chlorine, we also produce hydrochloric acid and we also produce SBB. So there is a list of six products that we produce in that complex. For example, HCL, hydrochloric acid, we have a food grade product., So we supply that to Nestle. Again, caustic soda, we supply to IOCL which has a plant in Mathura, Panipat and Haryana. Again, Players like Trident and Vardhman who are the textile giants, they regularly use chlorine and caustic from us. So, we have a much diversified client base that is there from Jammu and Kashmir to UP and northern Rajasthan belt.

Moderator: The next question is from the line of Sameer Dalal from Natwarlal & Sons Stock Brokers. Please go ahead.

Sameer Dalal: I actually had two questions. The Greenfield expansion that you are doing at the moment when does that get commissioned?

Ankit Patel: Q3 FY'23, by November we are targeting.

Sameer Dalal: Have you taken any debt already against any of these expansions or that Rs.400 crores that you are looking to take in the form of debt, is the Rs.200 going to be internal accruals and Rs.400 crores is going to be debt?

Mayur Padhya: Yes, we have already raised Rs.106 crores as a term debt which is there in the last year's balance sheet.

Sameer Dalal: Now you have another Rs.300 crores to raise, correct?

- Mayur Padhya:** Yes, roughly.
- Sameer Dalal:** That will take your debt-to-equity up closer to about 0.7, 0.8. Secondly, your working capital cycle seems a bit stressed, reaching almost 150-odd days. So with the new production coming on stream, with the debt you are raising, my question is where do you see that breaking out? And two, what is the plan to reduce the debt because your working capital cycle is very high, need to somehow shrink the working capital cycle?
- Mayur Padhya:** Working capital cycle is a bit higher compared to earlier years because of our business model where we are expanding. We have increased almost to the double level of our dyestuff capacity and our focus is to actively consume more and more intermediate and do more production of dyestuff. Because of this strategy, we feel that our blockage of fund in working capital will remain to some extent at higher side. But fortunately, our new acquisition of Chlor Alkali business over there requirement of working capital is very low. Over there raw material is only salt and presently we are doing the sales and which does not have longer credit days. So our business will improve definitely but our working capital blockage will not improve further in near-term. Once Saykha project will start, at that time some working capital cycle will improve.
- Sameer Dalal:** When you say you have about 145-days of working capital, I am just trying to understand...
- Mayur Padhya:** We can reduce it up to 80-days. See, sometimes because of this COVID scenario there has been some delay in payment from debtors, also there are some instances where our working capital remain blocked as far as even inventory is concerned, we have done the production, but because of low demand we could not sale it ,but going ahead we can consider 80 to 90 days, that is something stable days for working capital cycle.
- Sameer Dalal:** Short-term debt starts reducing, right?
- Mayur Padhya:** Yes.
- Sameer Dalal:** What is the interest rate that you are going to be borrowing all of your capital and if you can give us some indication?
- Mayur Padhya:** Term debt rate we have received presently is 6.75%. For working capital, we are using rupee loan as well as foreign currency loan. So as far as foreign currency loan is concerned, the rate we are giving at present is for six months LIBOR up to 1%, so that comes to 1.25% per annum, and for rupee, for working capital, we are using mainly WCDL and presently WCDL rate we are getting is 4.65%.
- Sameer Dalal:** What percentage of your borrowing is from the overseas market you said?
- Mayur Padhya:** Dollar denomination borrowing for PCFC pre-shipment and post-shipment is around 150 crores.

- Sameer Dalal:** Any hedging strategy that you follow or it's all open?
- Mayur Padhya:** We strictly follow hedging policy and we do not keep any foreign currency exposure open. So whatever import or export we book, we immediately hedge it, we do not keep anything open.
- Moderator:** The next question is from the line of Ankit Agarwal from Arc Capital. Please go ahead.
- Ankit Agarwal:** Sir, what is the competitive scenario from China across the products like are we getting any benefits from China Plus One strategy? Or the recently announced PLI Scheme by the government?
- Ankit Patel:** Chinese Scenario in particular dyestuff and dye intermediate products has been stabilized. One of the initial disturbances in the Chinese chemical manufacturing came from the sector which was five, six years back. So, I think there has not been much growth that has come from the intermediates and dyestuff sector in China and I think overall dyestuff and intermediates sector in China are quite stabilized now. The China Plus One strategy definitely going to help players like us, there is no doubt about that. On PLI Scheme, the Gujarat state and Punjab state both have some taxation benefit scheme for our investments Therefore we are going to take advantage of that and we are already in the process of the same . Both the investments are taking place in Punjab and Gujarat, we will be benefited from the state GST.
- Ankit Agarwal:** Regarding our exports, if you see compared to last year, they have reduced a bit; it's currently 33%. So do you have any plans to penetrate new geographies or increase that export percentage for this year?
- Ankit Patel:** We feel that it is going to be quite flat compared to last year because still this pandemic scenario is not over and in the last 12-months we did have some issues because of the global issues and many countries were being closed for business, Also we are not starting any significant expansion this year . So I don't think there will be much difference in terms of the increase of the export number. Also, our latest acquisition which is in Punjab is totally domestic sales. The top line may increase but it will all be added to the domestic sales.
- Ankit Agarwal:** Sir, regarding our subsidiaries, how do we see them performing in this year and also recently incorporated subsidiary in Indonesia if you can just throw some light on that?
- Ankit Patel:** Indonesia is basically a marketing arm for us because there is a good market. We have been working in Indonesia since a long time. Because of the enough volumes and now our larger product basket, we had planned this few years back where all the large volumes consuming areas we wanted to do our own set ups our own depots. So it is just extension of that strategy that we have. and it is a very fresh execution, so it will take some time but we are confident that we will be getting some good decent direct sales to the subsidiary.
- Moderator:** The next question is from the line of Vikas Kachhawaha from Affluent. Please go ahead.

Vikas Kachhawaha: Right now, there is a top headline of infrastructure bill in America and we had like a small portion of our export in America also. So can we see a jump in that part like North America because we are mainly in the Asia and European market and they are missing in the textiles, but America is also providing like \$1.2 trillion budget for the infrastructure. Can we see the number peak in our export in that particular area?

Ankit Patel: The reason why our exports are not very significant in the US is that there is hardly any textile processing industry there. So our dyestuff products does not have scope to be sold in the US. Also, the intermediates exports that we do, that mainly goes to the dyestuff producers which are in China, Korea, Taiwan, Indonesia, places like that. So that's why our significant export number shows in the Asia region. And our paper, leather and some of the textiles buyers are based in Europe. So that's why there is still good amount of textiles industry presence in countries like Turkey and surrounding countries. We depend on dyestuff model which is about 85%- 90% of our total revenue and US not having that processing dyestuff market. So our exports are to US are not really significant. But we do have a scope from the product called TCCA which is now part of Bodal Chemicals and there now the plant is consistently operating and it's also converted into a profitability. So there We do have a EPA license to supply to US. Majority of our TCCA sales are taking place in the US only. So with time, we definitely are going to increase our capacity there and that should lead us to double or triple our exports to the US.

Vikas Kachhawaha: Last time you said Rs.130 crores of debt on a concall, around 3-4% of interest rate. Now, we have been aggressive in the market like we are acquiring, upgrading our plant and going ahead with much bigger capacity. Now again we will be raising Rs.450 crores, which will be shown in our balance sheet. What is your future planning, like how many years all these things will get cleaned up, will we be again a debt-free scenario?

Mayur Padhya: We are not raising any debt for our subsidiaries. Presently, only our subsidiary, that is Sener Boya which has outside debt and that too only Rs.13 crores for the March 31st 2021 data. So other than Bodal, only Rs.13 crores is the outside debt. As far as Bodal is concerned, whatever debt we are raising, that is in Bodal only. Considering the present scenario for the chemical and allied product industry, at the same time government's support is there to build better environment for chemicals and pharmaceutical companies. When we are going to manufacture Benzene Downstream products that can further be integrated up to paracetamol which. So that goes into pharma also. And the company is debt-free. Further, present rate of interest is very-very attractive. In past 20-years we might not have seen this much lesser rate of interest. So, it's wise step to raise debt and go for the growth of the company. And your final question was in how much time? So we do not want to remain a debt company for longer time. Even earlier when we raised the debt, we had a time up to 2022 to repay the debt but we have paid in 2016 only, way ahead our debt was falling due for repayment. So this time also, whenever we get the chance, we will definitely repay to our banker ahead of the schedule. But yes, definitely whatever debt we are raising, that will definitely remain in the book for at least four to five years.

Vikas Kachhawaha: One of the end user is paint companies. With new infrastructure expansion, are we going to benefit from ongoing expansion in paint industry?

Ankit Patel: So we produce dyestuff and dye intermediates which does not have application in paint segment. So typically, paint companies use pigments. We do not produce pigments and are not linked with infrastructure growth.

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

Aditya Khetan: Sir, my question is as you have said that Benzene Derivatives, we are building a Greenfield plant, so that is dyestuff business. Is there any chance like in future so we could expand the dyestuff capacity also? As of now, we know that the operating utilization is quite low; it is around 55% to 60% only. But post expansion of this plant of Benzene Derivatives could we see some synergies and definitely we could look to debottleneck or increase the capacity in dyestuff?

Ankit Patel: The opportunity is definitely there for us. We still have room to do Brownfield expansions in our main dyestuff plant in Baroda. But we already had set up a large capacity. So we are now in the process of improving the capacity utilization. But producing the couple of raw materials at the new site will definitely give us better environment to produce some more dyestuff. Couple of the chemicals that we are going to produce at Saykha, that we procure from the market, and having our own production will definitely help. It will also add some new dyes product range. We will be producing some more liquid dyes with the help of this.. So, the way we are doing backward integration and covering more intermediates and also it will give us more strength and we definitely are in a place to grow our dyestuff capacity whenever needed.

Aditya Khetan: We have bad debt of around Rs.13 crores. What is it related to?

Mayur Padhya: This is a debtor written off. We have been dealing with chemical traders. We started business with them since three years and suddenly they stopped paying us. So this matter was going on since last one year. Since last three, four months the person was not traceable, he might have gone underground or have gone out of India. So we feel that now it is difficult for us to recover this debt and that's how we have written off this debt. And this is the kind of first time in the history of Bodal that we have written off more than 25 lakhs to 50 lakhs. In 30-year of our business, we were not required to written off anything. About seven, eight years before, we were required to written off about Rs.5, 6 crores but in the next year we could recover the total amount. So here also we will try our best because we will not stop our efforts. So we are approaching the legal part advocates, for the same .

Aditya Khetan: Complete written off or there is still pending?

Mayur Padhya: No, it is a complete written off.

- Moderator:** The next question is from the line of Suresh Agarwal, an individual investor. Please go ahead.
- Suresh Agarwal:** Regarding the debtor which you have written off, like how many years we have continued business with them and what kind of business we were dealing with them and are they promoter related?
- Ankit Patel:** We have been dealing with them since last three years and it is not at all promoter related.
- Suresh Agarwal:** How much highest transaction amount we have done yearly with them?
- Ankit Patel:** Highest amount can be Rs.20, 25 crores.
- Suresh Agarwal:** Regarding our recent acquisition, is there any production going on or still we are in the process of like new machine installation, new technology we are building or we are having already any business there from last two or three quarters?
- Ankit Patel:** That plant has been operational for 20-years and we got the possession of the plant on 1st April and it has not stopped since then. So the plant is continuously operating and we should be adding around 150 to 180 crores of top line from that plant in this current financial year. And also, because of the older technology and currently Chlor Alkali prices being dull, I think this year it will not be possible to achieve the normal average EBITDAs but with our upgradation completed in 12-months and scenario should also be little better after 12-months, I think in next financial year we should be able to generate more top line with the help of the technology and expansion and also with the better market. For FY'23 we should have about three months effect with the new technology. So we should have around Rs.225-250 crores of top line in FY'23 and we should also achieve at least about 15% to 18% of EBITDA. And on a full year effect, post that we should do around Rs.300 crores of top line at around 20% to 25% EBITDA which are the average normal numbers for the same sector.
- Suresh Agarwal:** Is it profitable as on date?
- Ankit Patel:** It is EBITDA-positive right now.
- Suresh Agarwal:** Like whatever interest we have to pay in the Bodal level for having such acquisition, if we exclude interest, then we will be profitable for Bodal?
- Mayur Padhya:** EBITDA is positive. If we consider interest part also, then it is almost a breakeven level at present. Once we complete the modernization part, then it could be profitable for the company.
- Suresh Agarwal:** Recently, we have done two acquisitions, one, Chlor Alkali and another is in Punjab.
- Ankit Patel:** This Chlor Alkali plant is in Punjab, this is the only acquisition we have done in this financial year.

Suresh Agarwal: Some years back actually Bodal was into many subsidiaries taking loan. So, we have to keep in mind that we do not get into it again.

Ankit Patel: Okay. Noted.

Moderator: Due to the time constraints, ladies and gentlemen, this was the last question for today. I would now like to hand over the conference over to the management for closing comments.

Mayur Padhya: Thank you very much all the participants for taking time and attending our conference. If anyone's question remain unanswered, they can directly contact our IR guys or to me also.

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