DCW LIMITED

November 17, 2023

To,

National Stock Exchange of India Ltd. Exchange Plaza Bldg. 5th Floor, Plot No.C-1 'G' Block, Near Wockhardt, Bandra Kurla Complex Mumbai 400 051 Fax: 26598237/38 Symbol: DCW	BSE Limited Department of Corporate Services, 1st floor, New Trading Ring Rotunda Building, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 Fax : 22723121/3719/2037/2039 Scrip Code : 500117

Dear Sir(s)/Madam,

Sub: Transcript of Analyst(s)/ Investor(s) Call – Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations")

In Compliance with the Regulation 30(6) of the Listing Regulations, please find enclosed herewith, the transcript of the Earnings Conference Call held on Friday, November 10, 2023 at 03:00 p.m. (IST) with Investor(s)/ Analyst(s), to discuss the Financial Results for Q2 - FY24.

The transcript has also been uploaded on the Company's website and can be accessed through the following link: https://dcwltd.com/wp-content/uploads/2023/11/Earnings-Conference-Call-Transcript-Nov-10-2023.pdf

You are requested to take the aforesaid information on your record.

Thanking You,

Yours faithfully,

For **DCW Limited**

DILIP VISHNUBHAI DARJI

Digitally signed by DILIP VISHNUBHAI DARJI
Date: 2023.11.17 13:15:26 +05'30'

DCW LTD. MUMBAI

Dilip Darji
Sr. General Manager (Legal) & Company Secretary
Membership No. ACS-22527

Encl: A/a

DCW Limited
Q2 FY24 Earnings Conference Call
November 10, 2023

Moderator: Welcome to the Q2 FY2024 Earnings Conference Call of DCW Limited hosted by Valorem Advisors. 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, 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. Amit Thakkar from Valorem Advisors. Thank you and over to you, sir.

Amit Thakkar: Thank you. Good afternoon, everyone, and a very warm welcome to you all. My name is Amit Thakkar from Valorem Advisors. We represent the Investor relations of DCW Limited. On behalf of the company, I would like to thank you all for participating in the company's Earnings Call for the Second Quarter and the First Half of FY24.

Before we begin, let me mention a short cautionary statement. Some of the statements made in today's earnings call may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Let me now introduce you to the management participating with us in today's earnings call and hand it over to them for opening remarks. We have with us Mr. Saatvik Jain - President, Mr. Amitabh Gupta – CEO, Mr. Sudarshan Ganapathy – COO, and Mr. Pradipto Mukherjee – CFO. Without any further delay, I request Mr. Saatvik Jain to start with his opening remarks. Thank you and over to you, sir.

Saatvik Jain: Thanks Amit. Good afternoon, everyone, and welcome to our earnings call to discuss the second quarter and the first half performance of FY24. Let me start by briefing you on the operational performance along with some industry dynamics, and then I'll hand it over to our CFO, Pradipto who will brief you on the financial highlights.

The pain in the chemical sector continues into Q2. The excess imports from China are putting significant pressure on domestic realizations though our domestic and local demand remains resilient. Our Q2 financials were impacted significantly, primarily driven by price erosion across the commodity product segments. There was also a reduction in sales volumes, especially in our exports due to sluggishness in demand. This has resulted in the contraction of both our revenues and our margins that's 5.5% quarter-on-quarter on revenues and 16% on margins.

Let me now brief you on the performance of our product segments. Starting with PVC, this segment contributes a major share of our revenues. PVC has witnessed a positive EBITDA in the quarter being the first quarter of positive performance since the start of FY23. The lower cost of feedstock was a major contributing factor to this, along with a slight improvement in realizations. The domestic PVC industry is severely hit by significant quantities of cheap imports coming from China, which has again led to a price correction in October. Under the current scenario, we feel that Q3 will remain under pressure for this product. However, on the positive, the demand remains robust with the underlying industries like infrastructure and real estate, which are growing and doing well with a push from the government.

Coming to soda ash. Unfortunately, our production continues to be low on account of the mechanical breakdown of the CO2 gas compressor, and is presently being operated at around 75% capacity. We were expecting to get back to full capacity by October after the repair. However, that arrangement was unsuccessful. Efforts are on to resolve this but the replacement parts have long lead times and we expect to remain at this level of production for the rest of the year. Soda ash prices are also under pressure again due to the huge volume of imports. But primarily from Russia, Iran, and China. The overall domestic industry is also operating at under capacity due to this.

On caustic soda, our plant continues to operate at around 80% of its capacity. Realizations continue to be under pressure due to overcapacity in the domestic industry and overall snowless in global demand. The lower sales in Synthetic Rutile continue into Q2 as expected. Weak demand in China is leading to inventory destocking by our customers and is also putting pressure on pricing. On the positive side, the TiO2 and titanium metal demand remains strong. And we expect the situation to improve from this quarter onwards. We have continued our production at year capacity. And that has resulted in a buildup of finished goods.

Coming to our two specialty chemicals, our other two specialty chemical products, that is CPVC and SIOP. These two remain strong and consistent contributors to our bottom line, delivering north of 35% EBITDA margins. SIOP sales volumes are increasing quarter-on-quarter as we continue to penetrate the user industry globally.

Now coming to our CAPEX, we are happy to state that the project of doubling our CPVC capacity has been commissioned as planned and within the estimated cost. The capacity is expected to ramp up in this quarter. As far as SIOP goes, the project should be completed by the end of this quarter. Production will ramp up in Q4 with commercial volumes following with a lag effect. We would also like to share that we have signed a 20-year power purchase agreement with Clean Tech Solar to set up a 44-megawatt solar plant under a group captive structure in the state of Tamil Nadu. This will not only give us some savings on our cost of power but also push 25% of our Sahupuram plant's power consumption to a renewable and green source. We expect that this plant should be commissioned and give us power towards the end of Q1 next year.

To touch on contingent liability. In Q2 we received a favorable judgment on a long pending matter with the customs on the classification of Synthetic Rutile. This resulted in a huge liability on account of export duty. The judgment has resulted in a reduction of our contingent liabilities by Rs.58 crores and has also confirmed that we are not liable to pay any export duty going forward. We have mentioned in our earlier calls that we had anticipated a weak H1 and expect H2 to be better as the market situation and export demand improve in the coming quarters. With that, I now request our CFO Mr. Pradipto Mukherjee to brief you on our financial performance. Over to you Pradipto.

Pradipto Mukherjee: Thank you, Saatvik. Good afternoon, everyone and welcome to the Q2 FY24 earnings call for DCW Limited. The revenue for the quarter stood at 414 crores as against 448 crores for the previous quarter, which is down by 24 crores and 5.5% from the previous quarter. The drop in revenues quarter-on-quarter is primarily due to the caustic division, wherein the sales volume for Synthetic Rutile was rounded down by almost 1400 metric tons from 5000 metric tons, 72% down therein. This is predominantly down due to sluggishness in our export demand. On a year-on-year basis revenue of 414 crores was down from 698 crores in quarter two of last year. That's around 284 crores down and down by 40%. Here the bigger impact has come from the caustic division a decline of 177 crores, the PVC division decline of 60 crores, and the soda ash division 30 odd crores.

In the caustic division, as mentioned earlier, the Synthetic Rutile sales were impacted both by volumes and prices, while the SR volumes were down by 83% to 1450 metric tons from 8700 metric tons a year back. The prices have also been corrected by 37%. PAT the year-on-year realizations of caustic soda were also down steeply by 28%. So far as PVC is concerned, the revenues were affected both by the decline of price by 12% and volumes also by 12%. The decline in soda ash for the quarter over the last year was both on again on account of lower volumes by 15%, while there was shot sharpness in the uptake of, in the front end, the company was also operating at an 80% capacity utilization which was at the breakdowns. And the realizations were also depressed and this is down by 23% year-on-year.

Now coming to the EBITDA. EBITDA for the quarter stood at 46 crores which is down by 16% quarter-on-quarter, while the PVC division posted a positive EBITDA for the quarter. The EBITDA was impacted by the caustic division majorly because of SR volumes as earlier mentioned, and also a price erosion quarter-on-quarter in soda ash by 17%, The maintenance cost of the soda ash facility stayed elevated over the last quarter, because of the suggested maintenance work which was done to up the capacity which unfortunately did not work.

The EBITDA for the quarter over last year was down by 58%, the reason predominantly for a year-on-year decline was the caustic division again, the NR for Synthetic Rutile and caustic, witnessed a significant correction in prices by 37% and 28% respectively. The lower exports of SR over the last year were also to the tune of 85%. Sold ash volumes and prices were also down by 15% and 21% respectively due to heavy imports from China and other neighboring countries.

Coming to the depreciation, the depreciation more or less remained at a level of 22 crores both in this quarter, the previous quarter, and the quarter of last year in the significant capitalizations. Our business is going to increase as we commission and capitalize our CPVC plant in quarter three.

Finance cost for the quarter stood at 18.5 crores compared to 17 crores in quarter one, that was predominantly because of the short-term working capital facility which was availed during this weak quarter. And also, with the processing fees of the lead bankers being accounted. However, over the last year, Q2 has been significantly down in interest cost the Q2 of last year the interest cost was around 62 crores, and the refinancing effect of the KSSF loan is throwing us benefits during this year. With this the company ends the H1 at 852 crores on a revenue, the revenue of 852 crores and EBITDA of 101 crores the margin being 12% as against last full fiscals' margin of 16.9%.

On the balance sheet front as of 30th September, the term-ending repayment has happened as scheduled reducing the borrowings on account of term lending by 62 crores. However, we have had the end of the quarter at an outstanding of 39.5 crores of working capital loan to support the weak quarter. Cash and cash equivalents were maintained at an elevated level of 163 crores. The current ratio stands at a comfortable 1.2 however, that has dipped from the year-end current ratio of 1.38.

Coming to other noteworthy points, which already has been mentioned by Mr. Saatvik Jain. Despite the price corrections in this specialty, which were witnessed both in CPVC and SIOP, the margins in both these products remained elevated north of 35%. The profits from the specialty category at H1 were reported 56 crores out of the 101 crores which is 61% of our EBITDA. Last year at the H1 level, our specialty profits were more or less the same at 58.5 crores. Contingent liability as also earlier mentioned for the company has been reduced by 58 crores on account of our fee being upheld by on classification of Synthetic Rutile resulting in non-attraction of export duty. Commissioning of the CPVC facility happened on the 31st of October and we expect a gradual boost in revenue and EBITDA from Q3 onwards. And with this, as also mentioned we have got into the power purchase agreement for solar. The benefits of this appear from Q2 of next year how we are going on and making this investment in quarter three now. With this, we could keep the floor open for further Q&A. Thank you.

Moderator: Should we open up for questions?

Pradipto Mukherjee: Yes.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Guneet Singh from CCIPL. Please go ahead.

Guneet Singh: Sir in the previous call you mentioned that in FY24 we will more focus on EBITDA rather than growing the top line, and you said that we are confident of achieving +300 crore EBITDA in FY24. So, looking at the numbers in H1, are we still confident of achieving +300 crore EBITDA, or what does the situation look like currently?

Pradipto Mukherjee: So good afternoon. So, we've done an EBITDA of 101 crores at the H1 level. However, we did not anticipate the steep correction of soda ash and caustic prices, which has happened. However, having said that we still have the advantage of additional volumes kicking off for CPVC. As mentioned earlier the margins for the specialty remain elevated. Our second half also sees incremental, SIOP volumes to come in, these two being positives over and above what we've done in H1, in H2 and also that our SR volume, was lower in H1, and there are early green shoots in terms of orders coming to us from SR. So, all this put together and with the caveat that the prices remain the way it is now, we think the number should be somewhere between 230 crores to 250 crores, this is our estimate as of now.

Guneet Singh: Alright, sir, so that has come down from the previous guidance. So, looking at this condition one hundred crores in H1 and around 130 to 150 crores in H2. Have the spends bottomed out currently, or do you still expect or probably can there be further downside to this you didn't anticipate this in Q1 so, can there be further down till this or do you think that the spends have now bottomed out?

Pradipto Mukherjee: So, there has been something that has happened in the first two quarters of this year, which normally we do not witness over our experience in the previous years or previous quarters. See, historically, what happens is, that your PVC prices and caustic prices someway are inversely correlated. In the last two quarters, we see that both the PVC prices and the caustic prices remain depressed. There have been a lot of geopolitical factors which has been playing around, but we don't think that this situation will last for long, when we give you the numbers as we told you right now, these are on the present state of pricing, we are hopeful that the number from 230 to anything top of that would have a significant role to play in terms of our PVC pricing. As for the management of the organization, we see that we are likely to expect an increase in prices in PVC first, whenever it happens, we estimate it should be coming somewhere in quarter four, then having an increase in prices for the caustic shortly. So given these facts and given the export green shoots, obviously for early signs of export green shoots and the additional volumes of CPVC to come in we think the number, should we will be able to hold a number above 250 crores on the downside. And, it should go and stretch up 250 anything above that would be dependent on the prices. If the prices go up, we will take those profits.

Moderator: Thank you. The next question is from the line of Parth Vasani an Individual Investor. Please go ahead.

Parth Vasani: Would like to know in terms of how the new capacity, how much time it will take to ramp up the capacity, and what would be the optimum capacity utilization?

Pradipto Mukherjee: Beg your pardon, are you talking of CPVC?

Parth Vasani: Yes.

Pradipto Mukherjee: So, the plant is commissioned, we would be gradually upping the production capacity from the new facility I am talking from 50% to 75%, 80% in quarter three and we expect full production and sales from quarter four onwards.

Parth Vasani: Okay. In this, what could be the CAPEX that you would have spent for this additional 10,000 capacity, 10,000 is the capacity, right?

Pradipto Mukherjee: We have not guided for a non-power which is disjoined for CPVC CAPEX and SIOP CAPEX because there are certain common utilities also on what we have spent, we have told the number to be 125 crores, as we earlier guided, with both the CAPEX getting permission, the number you will see, the spent-on CAPEX not more than that, it should be within 125 crores. Our CPVC, our CWIP as of 30th of September stands at 110, 111 crores. We are good to account for booking certain expenses of the CAPEX by another 15 crores max. So we would be within the number that we guided, in terms of cost.

Parth Vasani: Okay. I saw in your presentation, that the quantity in terms of the volume of the CPVC that we have sold has increased compared to Q-on-Q and Y-o-Y whereas the value has dropped so is there a drastic drop in the realization cost, CPVC resin or its the mixture of the compound or how is it, the value drop is because of what?

Pradipto Mukherjee: So, the composition of the compound would have more or less been maintained. There has been a price erosion of CPVC where last year quarter two was selling CPVC at around Rs.1,60,000 per tonne. It's come down to now Rs.150 odd, there has been a correction in the prices of CPVC as well. And despite doing higher volumes, our price impact has impacted the total revenue.

Analyst: Right. So 1,60,000 was in Q2 FY23?

Pradipto Mukherjee: Yes, I am talking about Q2 FY22 versus Q2 FY23. So, the prices of last year were around 2,05,000 and now we are getting around 1,50,000, and 1,52,000 blended for compound and resin.

Analyst: Okay, got it. But whether the margin improved so the PVC cost would have gone down, is it the case?

Pradipto Mukherjee: Yes, the PVC costs have gone down for the quarter and the margins are north of 40% for the quarter, but that's been my aberration, on a steady state basis, expect 30%, 35% margin on the product of the increased volume.

Analyst: Okay. And generally, what would be the price difference between the resin and the compound?

Pradipto Mukherjee: Just a second let me ask our CEO to answer.

Amitabh Gupta: It will be anywhere between Rs.40,000 to Rs.60,000 depending on the compounding chemicals cost.

Analyst: Okay, and how do you see the caustic soda market down the line, once again the situation we expect the volume uptick or the realizations to move up or it is going to be in the current range what it is right now?

Amitabh Gupta: Caustic soda like what was mentioned by Pradipto, has lower capacity, and prices are under pressure. Having said that, their current ECUs are not sustainable on a long-term basis. So, either there will be supply-side compression because globally at the current ECU level, it is not viable for anyone to continuously produce caustic soda. So, we expect these prices to improve gradually in the coming quarters.

Analyst: Okay. And one last question regarding the tie-up that you have done for solar energy. So, this is pure solar or it’s hybrid?

Amitabh Gupta: Pure solar.

Analyst: And could be the general cost that would be sitting on compared to the grid or which is generated from our captive power plant, a rough idea would be helpful.

Saatvik Jain: So, compared to a great power we expect around Rs.3.5 sort of benefit compared to the bill power cost.

Moderator: Thank you. The next question is from the line of Sanjeevkumar Damani from SKD Consulting. Please go ahead.

Sanjeev Kumar Damani: I would like to understand if at all, from now onwards the price trends of CPVC and PVC. So, PVC has already contributed. So, we expect it to continue for the next six months also?

Pradipto Mukherjee: PVC prices have seen some corrections in October because there has been a spurt of imports coming from China which had an impact on the price. As we talk now prices have more or less stabilized but there will be an inventory impact which will have an impact for it, I would say at least a month or so, but we are confident that prices have bottomed out and from here on the prices will only improve gradually and quarter four we feel PVC will be back in the profit zone. CPVC prices are also likely to improve because there has been improvement in the demand and we are seeing early green shoots of demand improvement and we expect this will have an impact on the price.

Sanjeev Kumar Damani: Sir the price of CPVC will be always based on import because India doesn't manufacture much except yourself, no major producer is there in India. So, the landed cost of import.

Pradipto Mukherjee: There have been some malpractices in the CPVC prices coming from China which we are trying to address. So, hopefully, once that is resolved prices are expected to gradually roll back.

Sanjeev Kumar Damani: Last time, I understood from you sir that almost two lakh tonne demand is there and we are only manufacturing 20,000 tonnes and some others are coming up with this product, these make money people are trying to come up in that field?

Pradipto Mukherjee: No, they have already commissioned their plant.

Management: I believe they have a capacity of close to 30,000 tonnes, so today out of the two lakh tons 50,000 tons are already being made in the country. So, that is why we expect demand from non-plumping sectors to gradually grow.

Sanjeev Kumar Damani: Okay, certain other users accept the CPVC pipe that is manufactured?

Pradipto Mukherjee: Yes, there are CPVC is also gradually getting used in industrial applications where FR pipes are used and CPVC pipes are also getting approved for use as a fire sprinkler in high-rise buildings, so all this will be an additional demand driver in the coming years.

Sanjeevkumar Damani: Okay. And regarding sir our SIOP business as well as some Synthetic Rutile products. So, are they integrated, do we manufacture SIOP from Rutile only or do we sell Rutile directly, and SIOP products are different from it?

Pradipto Mukherjee: Both are not integrated; both are different plants. In our case the only plant in the world that uses the chloride process in the chloride process we use the leach liquor which comes from the SR plant and because that is rich in iron, so as a process our process is more environmentally friendly because our carbon footprint on the per tonne product is much,

much lower than all the global players. So, it is not integrated both are independent. So, we use the raw materials the leach liquor coming from the SR plant as a raw material. In that aspect, they are connected but you can even produce SIOP without the leach liquor we can use the acid and then make SIOP.

Sanjeevkumar Damani: Okay. So, sir one thing you mentioned last was that one color is being sent as a sample and once it is approved, it will fetch us very good value. So, some development is there, it was yellow color something.

Pradipto Mukherjee: Yes, there are a lot of developments you will hear from our CEO.

Amitabh Gupta: Good afternoon gentlemen. There are two colors which we make yellow and red. Red has at least 10 variants, yellow has at least five variants and every consumer uses a different variant for their process. So, our product has been widely accepted by the buyers in USA, where we export almost 800 to 900 tonnes every month. That market is growing for us, and new customers are coming into our fold and side by side with the paint companies in India like Asian Paints, Berger, Nerolac, and Indigo, everybody has approved of our product and we are supplying. So, this market for DCW is growing at a very fast pace. Then starting process is, we have to submit our samples to the buyer and either they change a little in their manufacturing process or we adjust and make the product in line with what they require. And this process takes a little time, when I say little time mean sometimes it may extend to three to four months, but slowly and slowly our product is getting established with all our customers, with all the major buyers in the country.

Sanjeev Kumar Damani: So, can I speak now? Very happy to note this development but sir are we the only producer in India of these products or there are some others?

Amitabh Gupta: No, there are other manufacturers but they are much smaller compared to us.

Sanjeev Kumar Damani: Okay, so in the organized sector no major player is there?

Amitabh Gupta: It is not right for me to call them unrecognized or unorganized anything they are very good in their own right. But we are very, very big as compared to any of them, that's all I can say.

Sanjeev Kumar Damani: Appreciate sir. And one more thing sir, alternative products of our product are also available whereas if they don't want to use our product then they have some other product to be used instead of our product?

Amitabh Gupta: No, the product has to be ironed outside simply, then it is a basically color. So, anybody and all I will take a few names, Raveshia Pigments, Vega, they are all making red, yellow pigments and it can be replaced, there's no problem that people are using my color they have to use only my color or they are using their color and then they cannot use my color anything of that. So let me tell you, the demand in the country is still there is a bigger scope because a lot of imports come as the current production is less, which is not in line with the total demand in the country.

Sanjeevkumar Damani: Okay, sir. So, sir what is the total demand and how much do we produce sir, can you kindly tell me?

Amitabh Gupta: I will tell you the total demand in the country is about 50,000 to 60,000 tonnes. We produce around 20,000 tonnes right now, which will go up to about 30,000 tonnes shortly and at least 50% to 60% of the product will always be exported by us.

Moderator: Thank you. The next question is from the line of Manav Kapasi from B&K Securities. Please go ahead.

Manav Kapasi: I have a few questions. So firstly, can you quantify the imports coming in from China this quarter or maybe H1 of FY24?

Pradipto Mukherjee: Sir, if you can reiterate which product?

Manav Kapasi: PVC.

Amitabh Gupta: Can you please repeat the question?

Manav Kapasi: Can you quantify the imports coming in from China for PVC for Q2 or maybe H1 of FY24?

Amitabh Gupta: PVC imports from China has been on average about 100,000 tonnes coming every month, some month 120, 130, 140 some months 60, 70. So, if we take on a year as a whole, we would have seen close to 1.2 million tonnes of imports coming from China.

Manav Kapasi: And any comparable number for the previous year?

Amitabh Gupta: Previous years were not more than 300, 400,000 tonnes.

Manav Kapasi: Okay, correct. So, my reason for asking is that the Chinese real estate industry is going through a slump right now and they are the major consumers of PVC pipe.

Amitabh Gupta: No, but the thing is, this sort of situation will not continue for long because the PVC industry is captive captive-intensive industry and there will be some remedial measures which will be taken by the government.

Manav Kapasi: Okay. The second question was on the caustic soda thing. So, your production as well as utilization has come down significantly is it majorly because of the drop in your output prices or you have held back purposely because of the price drop or is there any other reason?

Amitabh Gupta: We give out your question. So, typically for the caustic soda, we are deliberately operating at a capacity of around 80% that is predominantly because ECU as we were talking is hovering around 27, Rs.28,000 and we do not find the merit of going full blast on in terms of production.

Manav Kapasi: So, maybe in the next few quarters by Q4 or Q1 we may see the utilization going up and then once realization stabilizes, we may see some numbers flowing into our books, right?

Amitabh Gupta: Yes. So, as I told you earlier, our understanding is that the PVC prices will first go up and thereafter the caustic soda prices will go up to a certain level and then get stabilized.

Manav Kapasi: Okay, understood, and can you help me with the current PVC, and VCM spread in October or the first two weeks of November?

Pradipto Mukherjee: The current spread is around \$250, \$260 if you add in the duty and other aspects. So, on a steady state, if I compare the current VCM and PVC price, we are contributing when the price drops on the PVC there is always a lag effect on the price drop happening on the feedstock. So, in a quarter where there has been a price correction we bleed more because we will have at least 45 days of inventory which is valued at a higher rate.

Manav Kapasi: Correct. So, then the spread which has increased now you may see the effect coming in the next few quarters?

Pradipto Mukherjee: Yes, that's why we feel that from quarter four onwards things should improve because the prices have bottomed out and now prices are appearing to stabilize in the first place and gradually it will improve because the prices of 770, 780 what is the current price not a very attractive level for anyone to continue to produce.

Manav Kapasi: Correct. And can you give EBITDA per kg numbers for soda ash, PVC, and caustic soda?

Pradipto Mukherjee: Realization?

Manav Kapasi: EBITDA per kg?

Pradipto Mukherjee: No, we don't see it that way. So, since PVC and your caustic are on an integrated plant we have many products, at the product level we don't see it at the EBITDA level obviously, we see it at a contribution level this is the material margin and accordingly take our calls in terms of production.

Manav Kapasi: Contribution per kg you can help me with that?

Pradipto Mukherjee: Manav we would not have it. So, if you can drop your request, we will get back to you on this.

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

Saket Kapoor: Sir as you were alluding to the fact of the unabated imports in all the commodities, if you could share the same number for soda ash and also for caustic and also the regions from where these products are being imported in the country?

Pradipto Mukherjee: PVC is gradually coming from many countries, but predominantly the disturbance is hammering because of more than normal imports coming from China.

Saket Kapoor: And for soda ash and caustic.

Pradipto Mukherjee: And of course, in various forums also we have highlighted that they are dumping their surplus production into the country at the cost of our margins. So that we are trying to see how best we can address it going forward. Caustic soda, the pain is more on the overcapacity of the domestic producers and also a dip in the global demand because India is also a significantly good exporter of caustic soda. So, there has been a dip in the caustic soda demand globally, which has led to having if the domestic demand being limited and everybody is trying to produce the plant at full capacity and trying to sell which has an impact on the price. So, domestic demand is fairly consistent and strong, but the incremental qualities are always exported as you know, caustic soda is a product that is 50% water. So, there are also limitations to the geographical range to which you can sell your product. So, export is an ideal option because if the location is close to the port like where we are located, we would like to do a bulk sale via sea. After all, that will save on the freight. But having said that, there has been a demand constraint globally because of various factors. So, we feel that this will continue at least for this year and gradually maybe from the end of the quarter, four things would improve. Soda ash mainly comes from China, Russia and a few other countries. I believe that demand is slowly improving and things should stabilize.

Saket Kapoor: Sir any volume numbers you can share for that?

Pradipto Mukherjee: I don't have it offline, can drop a mail we will share the volume numbers.

Saket Kapoor: Okay. Sir, there is also talk about some green soda ash manufacturing, any pilot testing done by you or are we envisaging anything?

Pradipto Mukherjee: We have no plans of putting any green soda ash at this juncture, because we have to study what is green in that green soda ash we are studying now.

Saket Kapoor: We are studying now, that mean we are contemplating something?

Pradipto Mukherjee: No.

Saket Kapoor: Okay. And sir when we look at your employee cost on a Q-on-Q basis, there is a dip from 42 crore to 37, so can you explain the reason also for the other expenses the line item has gone up from 43 crore to 61 crore?

Amitabh Gupta: Yes, so the employment cost has typically come down because we have our managerial commissions which are variable to the profit. So as the profits have come down or the employment cost overall has come down. So far as other expenses are concerned, that has gone up by 17, 18 crores typically because of maintenance costs as I earlier said in our soda ash facility and caustic facility, and also, we had a lot of, there were two shipments of Nalco which includes freight and forwarding as we were saying, which was not there in the previous quarter. So, if the mix of our sales typically changes into export, those are FOB-based exports you don't see those freight and forwarding expenses getting in the expense side. However, our sales have more being too domestic and through shipping lines to Nalco, and those freight and forwarding costs have impacted us by an additional seven crores on a quarter-to-quarter basis.

Saket Kapoor: So, seven crore is on account of the shipping cost and the balance is towards the maintenance?

Amitabh Gupta: Seven, eight crores have been the total repairs and maintenance increase from quarter-on-quarter of which four and a half to five crores have come from the soda ash facility, balance we had a bit of a trip off in the caustic facility also which we mentioned for four, five days, there was a maintenance which got hyped up compared to quarter one. But having said that, our expenditure at Q2 level at 60 crores is 10 crore lower than the expenditure last year.

Saket Kapoor: But sir those are not comparable numbers maybe?

Amitabh Gupta: Expenses are comparable numbers. So, I'm just saying that last year quarter two our expenditure other expenses were 70 crores in quarter two this year the expenditure on other expenses is 60 crores. So, there has been a cost awareness and consciousness that we are operating in this environment. That's what I want to say, but if you put the H1 level also or other expenses are down from 140 crores to 103 crores at the H1 level.

Saket Kapoor: Sir, but if we remove this my last point is, if the net of the one-off items, these one-off items are not going to be appearing for Q3?

Amitabh Gupta: We expect that one-off item.

Saket Kapoor: But, can you explain for the sale to Nalco if we are continuing with our sale to Nalco?

Amitabh Gupta: In my shipments to Nalco continue, then the freight and forwarding see what happens if we export the realization what we get is on a FOB basis, my realization per tonne comes down and the expenses are not coming as an expense line item. On the contrary, if we sell to Nalco on a priority basis, my realization per tonne will go and my expense will be shown in the expense line for freight.

Saket Kapoor: Okay. And last one on the chlorine part sir, you could give some color on how the chlorine market is currently negative if you have the Western region and also the Southern region, where you people operate and what's your thought on the same?

Amitabh Gupta: Chlorine market continues to be in the negative range. But fortunately for us, we have almost 65% captive which will now gradually go up once we consume the chlorine for our new CPVC plant fully. So that will further reduce our dependence on selling the product in the open market. But having said that, chlorine prices continue to be in a negative range because of limited outlets, and again chlorine being a hazardous chemical cannot be transported beyond an approved radius. So, unless there is an improvement in the chlorine demand, the chlorine cycle will continue to be under pressure.

Saket Kapoor: Negative, can you give a number in the Western market?

Amitabh Gupta: It is not significant, currently we are on a slightly positive NR maybe Rs.500, Rs.600 but the same may not be the case with others because we don't have a significant volume to sell. So maybe we can pick and choose which order to take, and which order not to take.

Saket Kapoor: Right. And with the expanded capacity of CPVC, what would our captive consumption go up from?

Amitabh Gupta: Our capital will go close to 70%, 72% but, we will have some HCL to sell because not the entire chlorine gets consumed in the CPVC it will give back some HCL which we may have to sell. So, the problem will be there, there may not be a problem with transportation because HCL can transport to a larger radius. But naturally, the prices will be suppressed.

Saket Kapoor: Right sir. And one small point on the bookkeeping, this CWIP for September is 111 crore. So, if you could give the closing balance post the capitalization, we have done the capitalization in October. So, what would be the CAPEX for H2 and what should be the closing balance as of 31st March?

Amitabh Gupta: Our CWIP balance at any point in time would not be more than 10, 12 crores it has gone up to 111 crores because of the CAPEX which is going on in full swing for CPVC and SIOP, by the year's end it should come down to a range of around 10, 12 crores depending on the work in progress for the maintenance CAPEX we undertake.

Saket Kapoor: It will be closing 110 crore?

Amitabh Gupta: Yes, should not be more than that, 10, 12 crores should not be more than that.

Saket Kapoor: Okay. And on the contingent liabilities you mentioned that it was 58 crore has been negated now that the order so, what's the closing balance post?

Amitabh Gupta: So, we reported a contingent liability of 278 crores at the end of last fiscal, it came down to 220 crores no further addition into contingent liability it has only been favorably reduced for this case.

Saket Kapoor: Okay. And this breakup can you provide sir 220 for many cases about which?

Amitabh Gupta: Having it in our annual financial statements may be jumbled up, but you will have a reasonable breakup. So, for any further details if you want you can please write to us, and we will get back to you.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for their closing comments.

Saatvik Jain: Thank you everyone for participating in our earnings call. I hope we've been able to answer all your questions. If you have any further questions or would like to know anything more about the company. Please reach out to our IR managers at Valorem. Thank you, everyone, and Happy Diwali.

Moderator: Thank you members of the management team. Ladies and gentlemen on behalf of DCW Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.