Bodal Chemicals Ltd.
COLOURS. INTEGRATION. INNOVATION.

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 Q4 FY 20 Earning Conference Call

We enclosed the transcript of Q4 FY 20 Earning Conference Call with Investors and Analyst which was held on July 06, 2020

Kindly take the same in your records.

Thanking you,

Yours faithfully,
For, BODAL CHEMICALS LTD

Ashutosh B Bhatt
Company Secretary & Compliance Officer
Encl: As Above.

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Bodal Chemicals Ltd.
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"Bodal Chemicals Limited Q4 FY '20 Earnings Conference Call"

July 06, 2020

Bodal Chemicals Ltd.
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CHORUS CALL®

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 the Bodal Chemicals Limited Q4 FY '20 Earnings Conference Call. We have with us today Mr. Ankit Patel – Executive Director and Mr. Mayur Padhya – Chief Financial Officer. 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 '*' 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 at Bodal Chemicals Limited. Thank you, and over to you, sir.

Ankit Patel: Thank you very much. Good evening, everyone. Thank you for joining Q4 FY '20 Conference Call of Bodal Chemicals Limited. On today's call, I have our CFO, Mr. Mayur, with me as well. I hope all of you have got an opportunity to see our financial results and presentation filed with the stock exchanges and are also uploaded on our website. First, I will highlight current industry scenario and our business strategy, and detailed financial performance will be taken up by Mr. Mayur later on.

The lockdown in the country for around 40 days from March ending due to COVID-19 led to significant disruption in our business in Q1FY21. We started our partial operations from May beginning, but there were issues with respect to labor, transportation and lower demand across the globe. The prices of our raw materials as well as finished goods came down in Q1FY'21. However, the business scenario has started improving gradually from mid of June 2020 in terms of better demand, higher utilization of plants and more dispatches. We believe demand scenario should further improve, and we are targeting to reach to pre-pandemic plant utilization levels in Q2FY'21 for Basic Chemicals and Dye Intermediates division.

On the business strategy front, as you are aware, we have opened several warehouses and marketing offices in India and overseas as well, which we will be adding further in future as per requirements. In addition to that, we acquired 80% stake in Sener Boya in Turkey and opened a subsidiary in Bangladesh, mainly for marketing of our dyestuff. We will be increasing the share of B2C in overall dyestuff business going ahead. All these efforts will increase dyestuff share in total revenues, further integrate our business leading to stable margins and increase in profitability in the coming years.

During Q4 FY '20, as you all know, there was a lockdown in Wuhan City of China, which led to improvement in prices of our finished products in Q4FY20. The average price of VS was around 195 per kg and H-Acid was around 385 per kg in Q4 FY20. Apart from that, prices of all other intermediates as well as dyestuff was on the higher side in Q4 FY '20. This led to 9% rise in our total income quarter-on-quarter and 2% year-on-year in Q4 FY '20.

Our profit after tax was higher by 58% quarter-on-quarter and 2% year-on-year. Our total production for Q4 FY '20 improved by 9% year-on-year to 65,341 metric tons. Our Dye Intermediates production grew by 8% year-on-year, mainly due to increase in demand, while

Basic Chemicals production grew by 9% year-on-year, mainly due to higher utilization and addition of Thionyl Chloride. Production of dyestuff was flat YoY. Thionyl Chloride production has picked up and average utilization for the quarter was around 76%. Total production for FY '20 grew by 5% year-on-year.

We acquired 100% stake in Trion Chemicals during Q3 FY '20. And the Board has approved its amalgamation with Bodal Chemicals Limited in May 2020. We are in the process of doing certain modification in the plant, which were delayed due to one equipment, was to come from China, which got delayed due to COVID-19. We are also making efforts to expand the marketing network in the U.S. We are confident to start and run operations smoothly from September 2020 at Trion.

Under the current uncertain business environment, our strong integrated business model and presence across value chain will provide significant cushion to the company. We believe business scenario to gradually improve from Q2FY21 due to unlock in the country. Thank you. And I would now request Mr. Mayur to take up the financial performance in detail.

Mayur Padhya: Thank you, Ankit bhai. Good evening to all.

On the quarterly financial front, our standalone total income improved by 2% year-on-year and increased by 9% quarter-on-quarter to Rs. 3,359 million. Our standalone EBITDA including other income stood at Rs. 462 million in Q4 FY '20, which was higher by 47% quarter-on-quarter. Standalone EBITDA margin including other income stood at 14% for this quarter. Our finance costs have increased year-on-year to Rs. 30 million, mainly due to higher utilization of working capital limit. The profit before tax declined by 17% year-on-year and grew by 65% quarter-on-quarter to Rs. 369 million. The net profit for quarter stood at Rs. 301 million, which grew by 2% year-on-year and 58% quarter-on-quarter. Our export stood at Rs. 965 million and its share in total revenues was at 29% in Q4 FY '20.

On the subsidiaries front, SPS posted revenues of Rs. 249 million with EBITDA of Rs. 11 million in Q4 FY '20. Trion posted loss of Rs. 28 million in Q4 FY '20. We are committed to minimize the losses at Trion going ahead.

Thank you. And now I open the floor for question-and-answer session.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Jason Soans from Monarch Networth Capital. Please go ahead.

Jason Soans: My question relates to basically your Dye Intermediates and your dyestuff business. I just wanted to know in terms of demand in post COVID and all, how do you look at the demand for both these Dye Intermediates and dyestuff? And also, if you can give some color about Trion and the demand in the end user industries as well with respect to Textiles, Leather etc. How do you see the demand? You did mention that June has seen a pickup, but just give some more color on it.

Ankit Patel: Yes. So the demand, obviously, since June has been, I would say, picking up on a weekly basis. I think the overall cycle has really strengthened up since beginning of June, I'm talking about the payment cycles also, where we are able to get the payments from our buyers and the entire cycle has been improving. With the global particular demand in all different departments has been a bit different because of the COVID, wherever it is happening, it has been changing. Earlier, there was a demand issue from Italy and Turkey when it was very high in the European area. Nowadays, there's a demand issue from South America. So these days, Brazil is very active and some of the other countries. So demand has been moving around as far as all the different countries go. But I think especially for the leather market now, Italy is now much better as far as the effects of COVID is there. So in the leather, particularly, the scenario has been improving very quickly. Overall, textile is also definitely improving domestically and internationally. So that's also a normal routine good sign. Other than that, if I talk about the local Indian industries or a particular trade, then I would say the industry is definitely running at around 50% to 60%. Our company, particularly, is about 65% to 70%, and we are definitely trying to take it up to around 80%-85%, I think which we should be able to achieve by, if not August then definitely by September and those should be very comfortable levels for the company to operate smoothly.

On the other hand, the prices of a couple of our finished goods, which contribute a lot to our topline, they have also been correcting. So for example, Vinyl Sulphone and H-Acid, both the prices had really decreased since the lockdown started. I think Vinyl Sulphone price reached around 140 levels, which is now back to 170 levels. Same thing with H-Acid, reached around 320-330 levels, now it is 370 levels. So that is definitely happening due to the growing demand that is happening in last about 30 to 40 days. So that's the scenario.

Textile, definitely, there's still some slowing kind of development that is happening there, but there's definitely some positiveness that happens every week. So what I feel is there is definitely a growing demand that's coming continuously from textile also. And other than that, obviously, just like as an economy or India as a country, all the businesses are trying to get back on their own feet. So everybody is trying. So I think overall cycle, if we are able to generate a revenue of around 65%, 70% let's say, in June, then I think that's a very good sign. So within a very short time, things are turning around and recovering.

Moderator: Thank you. The next question is from the line of Dipesh Mehta from SBICAP Securities. Please go ahead.

Dipesh Mehta: A couple of questions. First about, I think, intermediate price, you just announced it, but I missed it. If you can help us, what was the average for H-Acid, VS in Q4? Second question is about working capital cycle. It seems our working capital cycle has elongated substantially in Q4 and even FY '20 full year perspective. If you can help us understand, partly, it is because of COVID and partly because of the business which we are seeing more revenue coming from dyestuff. So if you can help us understand how one should look this working capital cycle playing out for us in next couple of years? And the last question is about the fixed cost. What will be the fixed cost, which we are incurring because Q1 is likely to be largely watched out for us. So what would be the per month fixed cost which we might be incurring? So if you can provide some perspective. And last is about CAPEX, if you can provide how much now we considering COVID and overall weak demand, what would be the CAPEX which we envisage for current year?

Mayur Padhya: Yes. Mr. Dipesh, Q4 FY '20 average price for H-Acid was about Rs. 385, and Vinyl Sulphone was about Rs. 195. But here, we need to understand that prices of raw material for both these products have also come drastically down during lockdown and currently, that has remained at the same level. So this is one area. Secondly, as far as working capital cycle, yes, you are correct. That has a bit strengthened in March '20, but that is mainly because of higher turnover, which was the highest turnover for the quarter in FY '20. So that has led to higher debtors but as far as inventory is concerned that has remained more or less at the same level, which was prevailing in March '19 or of September '19. Presently, working capital cycle has improved a lot. There is roughly about 190 crores to 200 crores of collection we have received since April 1st 2020 and sales is a bit low. So at the same time, production has not that happened during the first 40-50 days, but sales is continuously happening. So debtors as well as inventory, both has come down. And as far as coming quarter, this will also a bit improved level when we compare to March '20. For the coming years or quarters, inventory as well as debtors will remain maybe at March '20 level because we are focusing more on dyestuff business. And in dyestuff business, we are required to keep higher inventory because number of colors are more, at the same time, we are focusing more on export. So for that, also, we need to keep higher inventory. At the same time, credit period expected by customer in dyestuff is a bit higher compared to Dye Intermediates and Basic Chemical business. So whatever level we were at March '20 that should be remained for the coming times. As far as fixed cost, what you have mentioned, there is hardly about 5 crore of fixed cost per month company has, about 4 crore of salary and about 1 crore of interest. Other than that, there is no significant area where a company is required to do expense as a fixed cost.

As far as CAPEX, what we have mentioned, in CAPEX what plan we have declared last year that CAPEX plan, we have dropped. So we have scrapped that plan, and we are reviewing once again separately. So once the things are stabilized, business gets stabilized, at that time, we'll come up with some CAPEX plan, but the total outflow for the CAPEX will be drastically low compared to what we have declared last year. I hope I have answered all your questions.

Dipesh Mehta: Sir, just one follow-up. If I look your net working capital cycle, it is around 86 days at the end of March. So broadly, we should look around 85 to 90 days is more sustainable? Or do you expect it to further increase or decrease?

Mayur Padhya: See, for coming times, for 1 or 2 quarters, it may reduce to 70, 75. But for a longer period, yes, 80, 85 should be the level where it can stay.

Moderator: Thank you. Next question is from the line of Ajay Kulkarni, an individual Investor. Please go ahead.

Ajay Kulkarni: So sir, I just wanted to understand the China angle. Recently now, it appears that the export incentives which were earlier not given by China, they have started to give that export incentives in the form of VAT refunds and the Chinese players have started to, again, do oversupply in the dyes market. So just wanted to understand some color. Second question would be around sir, I understand that ADD has been imposed to aniline. So where do we source majority of our raw materials and aniline as well? And what would be the impact of that on our margins going forward?

Ankit Patel: Yes. So about the export incentive, that point you brought up, I think there has not been any major change in what is happening in China in last 4 to 5 years. There has not been any big jump in terms of the percentage of incentives that the chemical industry gets. So I think there is not much change. There was a talk when their economy was facing a challenge to grow continuously at the 7%-8% level. There was a talk that they will start those incentives again to boost the exports and to boost the economy, but that's not the picture. That has not happened. And so currently, as per my knowledge, the Indian and the Chinese export incentive levels remain around same. Earlier, there used to be a big difference, earlier, I would say, about 10 years ago, 15 years ago Chinese incentive percentage number used to be much higher. So that used to be one benefit they clearly had, which in last about 4 to 5 years, things have changed, and they don't get those higher percentage anymore. So that's the scenario there. And what is your second question?

Ajay Kulkarni: Sir, my second question was about aniline. So aniline is one of the raw materials, and India has imposed ADD on aniline, right antidumping duty.

Ankit Patel: Yes.

Ajay Kulkarni: Right. So just wanted to understand where does our company source aniline from and the other raw materials as well? And do we source any major raw materials from China? And what would be the impact on gross margins going forward?

Ankit Patel: So particularly, our trade does import many intermediates from China. But it is not like agrochemicals and pharmaceuticals where China is probably the only producer in 80%, 90% of the products. The good thing about dyes intermediate segment is that I would say about 95% of the products are available indigenously here also. Most of the players in dye sector, they import the raw materials from China. And they also have the local option. So that has been the history and the trend. But in last about 4 to 5 years, the growth that has not really happened in Chinese capacities of intermediates, so that has given a good opportunity for the local intermediate players. And I think that is why there is an improvement in the margins of intermediate players in India. So us being the top player in terms of capacity, we obviously do not depend on China much. There are only a couple of intermediates, which we produce and those are also very small in number and value. Those are the only ones which we import from China. So otherwise, some competitors, their dependency on Chinese material is definitely much more than our company's is. So our company's dependency because we produce, because we are the largest player of intermediates, our dependency is very less. But I would say some of the competitors do depend on the Chinese players.

As far as the aniline goes, we do buy aniline from GNFC. GNFC is the only manufacture in India. There is an antidumping duty, I think about 40% is a talk that's going on. So if that takes place, obviously, the aniline may become a little bit more expensive in India, but that's only again a small part of our total purchase.

Ajay Kulkarni: Sir, that was very helpful. Sir, one more question. Just wanted to understand your view on H-Acid and Vinyl Sulphone prices going forward? How do you see like with increasing demand, you expect the prices to rise and so just wanted to get an estimate of your FY '21 revenue and EBITDA broadly?

Ankit Patel: That is very difficult for me to say right now. But the good thing and the positive thing is, in June, we had about 65% of our sales numbers on an average and July will definitely be better. So what we are targeting right now is to reach about 80% level by August end. So I think when we reach 80% levels, those are good levels where our expenses can be taken care of. So that's our first target. Second is the prices of some of our important finished goods, they are gradually improving. So that's another good sign. And the third good sign right now is because of no demand for almost 2 months, most of the chemical prices have come down. And because of that, we do buy some petrochemical related products and some of the natural resources related products. So all these prices, almost all of them have come down. And again, they have also not corrected to their original levels. So they have also only improved about 5% or 10% or 15%. So I think that there's still a decent margin that's there even at a price of Rs. 170 of Vinyl Sulphone or 370 of H-Acid. So that's a good sign. But going forward, I think globally, the whatever threat we had about COVID, let's say, 1 or 2 months back, things have definitely changed and improved and people and governments attitude towards the scenario has changed. So I think there is no choice but for people and governments in countries and companies but to operate. So I don't think the manufacturing will stop at all. So I think it will only grow from here. With all that, I think I also see consumptions becoming normal maybe 2, 3 months from today. And once the consumptions across the globe starts becoming normal, I think the overall cycles should become normal and that should really push the demands to go up. So I think we are probably around 3, 4 months away from a normal scenario. So that only gives us around 5 to 6 months of the year. So this year it's very difficult to forecast anything about the topline or the EBITDA levels right now. But obviously, this year will be more of a survival, where we already see good positive signs. So I think we should be okay this year. But obviously, we'll not be able to produce a lot of margins, a lot of bottom-line.

Ajay Kulkarni: And sir, last question on the labor front. So sir, has our manufacturing plant seen 100% of the labor that was present pre COVID? Or how much of the labor force has returned. And are we planning any automation? Or I mean, how do we plan to work with that situation of labor crisis going forward?

Ankit Patel: Yes, us being an intermediates industry, particularly, there's a lot of requirement of labor because of the nature of our batch type processes. And us being a leader in that space since many years, obviously, some of the top contractors also work with our company. So yes, there are some challenges for the contractors. But as far as our company goes, I don't see any challenges. So we are able to tackle the labor supply scenario and I think because probably we are the largest accounts for most of these contractors, we are probably on their top priority list, preference list. So we have not been facing much issues as far as the labor goes since we started the operations.

Moderator: Thank you. The next question is from the line of Sanjay Kumar Agarwal, an individual investor. Please go ahead.

Sanjay Kumar Agarwal: Yes. Actually, I want to know whether in April or May, were we able to do sales from our inventory or it was a complete black out?

Mayur Padhya: See, April, sales was only from the inventory. But from May 11, we could start our operation as far as Basic Chemical and Dyestuff is concerned. And in Basic Chemical, to reach 70%-80% is not an issue, and we are doing at that level since then. Dyestuff, yes, we are gradually increasing our production, but that is also picking up. And Intermediate, as mentioned, that is also gradually picking up. So presently, we are producing at all 3 divisions. And from May, sales is not only from the inventory, it is from the production also.

Sanjay Kumar Agarwal: So if you were to put a number, since you put in June, we have achieved 65% of the capacity, so what would be the capacity utilization for April and May together?

Mayur Padhya: April and May, hardly 30%-40%, cumulatively, if we consider both the months.

Sanjay Kumar Agarwal: And how the margins going forward, you have told the prices of product have also gone down. In the meantime, raw material prices have also come down. So you are confident of achieving 10% to 15% of margin?

Ankit Patel: So I think at current levels, yes, at EBITDA levels, I think we can achieve around 10% to 15% of those levels. Also, there are a couple of major manufacturers here domestically. There are some disturbances in couple of the major plants. So I don't have any clear information right now, but I think one of them got a closure already. That's probably second largest unit of H-Acid and

Vinyl Sulphone. And another unit, which is yet to start post the lockdown also. So I think that will create some issues on the supply front. So that can also play some role in the immediate future.

Moderator: Thank you. The next question is from the line of Rohit Nagraj from Sunidhi Securities. Please go ahead.

Rohit Nagraj: Sir, my question is related to just you said about one of the manufacturers, there is a closure, the second largest. So have we seen any small manufacturers probably going out of the space or deciding to go out of the space because of the current issues that all the industries have been facing?

Ankit Patel: No, there's definitely no news of any small or large player leaving the business or going out of business.

Rohit Nagraj: Okay. And another question is on the dyestuff pricing. So how has the pricing behaved during the entire FY '20, maybe from the start of FY '20 or to end? And how those prices are currently placed?

Ankit Patel: So the current prices are obviously less than the average prices of FY '20 because FY '20, obviously, was a good year as far as the intermediate pricing goes. So because of the higher intermediate pricing, the dyestuff pricing was also higher. And now, right at the beginning of this year, we started with the lockdown. So currently, obviously, it's a limited business that has been going around. So obviously, like intermediate pricing, the dyestuff prices also fell. But as of now, there are still pending orders that have been happening. So it's an extraordinary scenario where people are trying to finish the older orders. So overall, as an average, it may be higher, the current dispatches may be higher than the current price. But I think it's all going to dilute maybe in the next 30, 60 days and then the normal scenario should start.

Rohit Nagraj: And how has been the performance on the exports front, which is we hear that there have been some issues at the port in terms of exports and probably at the receiving end also in respective countries. So how has been that performance over the last 3 months or so from April to June?

Ankit Patel: So in April and May, there were a lot of issues. I think for first about 20-30 days, there were talks that the ports did not stop, but there was no operation. So if you wanted to send something out, it was not really possible because everything was not clear from the government's front, there were issues with the unions of the transporters etc. So first 20-30 days, I don't think there was much movement. But post that around May first or second week, things started becoming smooth. And I think June was very much smooth. As far as the export goes, I think June, there was no issue at all.

Rohit Nagraj: Alright. And just one last question. Are we in Indigo Blue manufacturing?

Ankit Patel: No, we are not.

Rohit Nagraj: Any idea how have been the prices, if you know, from the industry point of view?

Ankit Patel: Of Indigo Blue?

Rohit Nagraj: Yes.

Ankit Patel: No, I don't know because that space is dominated by Chinese. There are some manufacturers here, but they are very small, and we don't relate with them. So I don't keep track.

Rohit Nagraj: So any plans of probably going into that space because that space probably has still potential opportunities as far as India is concerned. And since it is only manufactured in China, and given that the new initiative Make in India and Aatmanirbhar, this could be an opportunity for Indian space. So are there any plans?

Ankit Patel: It's a good opportunity, but the entire raw material chain is not available. I think that's one issue. And the manufacturing of those particular colors that goes into denims, they also have a different, they are also technology related. So I think that is not really available in India as of now. Arvind Limited has been looking for to partner with someone, that's what I've heard, I'm not sure. But I've heard from the market, they are looking because they are probably one of the largest of denim manufacturers. So they are also looking for a consistent Indigo Blue supplier. So yes, there is definitely demand of that particular product because there are many denim players are now, they are in Ahmedabad area only, not just India. So there's definitely demand that has really grown in last, maybe, 5 to 10 years. But unfortunately, the dyes are still not available. So it's dominated by the Chinese. But yes, like you said, it's definitely an opportunity. We, as of now, are not considering it seriously. So we can probably assess it, but it's not part of our list as of now.

Moderator: Thank you. The next question is from the line of Aditya Khetan from East India Securities. Please go ahead.

Aditya Khetan: Sir, my first question is on the utilization of Thionyl Chloride. So what are the volume numbers for FY '20?

Ankit Patel: We have given a number of Q4 FY '20, which was around 76%.

Aditya Khetan: Sir, 76% is the utilization figure?

Ankit Patel: 76% is the utilization for Q4 FY '20, not for the entire year.

Aditya Khetan: Okay. And what would be for the entire year, sir?

Ankit Patel: It is around 40%.

Aditya Khetan: 35% to 40%. And sir, in the presentation, you have mentioned that the standalone income has grown by 2%, and that is because of the rise in the Dye Intermediates prices. But sir, while we are calculating, we are getting a decline of 30% in the Dye Intermediates prices. So that rise in revenue was because of the volume front. So could you clarify this sort of increase in revenue is because of pricing or because of volumes?

Mayur Padhya: See, increase in volume is not that much. But as far as in price, yes, for Q4, it was there and significant.

Aditya Khetan: The price declined or significant you mean?

Mayur Padhya: Improvement in the price for Dye Intermediates. See because COVID issue started from December in China. Gradually, prices of all Dye Intermediates have improved. And till March, that was at a higher level for almost all Dye Intermediates.

Aditya Khetan: But sir, on the numbers front, sir, Dye Intermediates is witnessing a revenue fall of 10%, and there has been a growth of 8% in the volume front. So definitely, the decline was...

Mayur Padhya: Yes, that is because of the captive consumption that is increasing. We have mentioned we are focusing more on Dyestuff.

Moderator: Thank you. The next question is from the line of Manish Ostwal from Nirmal Bang Securities. Please go ahead.

Manish Ostwal: I joined the call late, so I may be repetitive. First question on the debtor days increase during the year. You mentioned in your presentation that because of COVID crisis, it has increased, but coming quarter, it will be corrected. So up to June, have you seen meaningful correction in the debtor days, or still we have to work on it?

Mayur Padhya: No, till June end, there is a significant improvement as far as number of days blockage in debtors. A drastic improvement is there.

Manish Ostwal: And sir, what is the CAPEX plan for the current fiscal? And how much we have incurred last year?

Mayur Padhya: Last year, we have incurred about 39 crores. And current year, there is no fixed plan as far as today is concerned. Whatever 20 crores to 30 crores we are doing for maintenance, that will be there. Otherwise, there is no clear plan for CAPEX.

Manish Ostwal: And lastly, on the balance sheet side, since our debt-to-equity ratio is very strong and our balance sheet is very strong. So any plan of inorganic opportunities we are looking at in the current scenario, considering the opportunities coming in due to China factors? So are we looking any inorganic opportunities or we continue to reduce our debt? What is our balance sheet view?

Ankit Patel: Traditionally, we have been very strong as far as the inorganic growth goes. Obviously, we would be open for things like that. But I don't think any attractive opportunities would come at this time because overall trade, I think, is doing much better compared to maybe 5 or 10 years ago. But obviously, we would be open for it, but we also have some good potential product mix, which we want to do at our Saykha site. So we want to actually focus more on our greenfield projects at Saykha as of now. But obviously, we will be open for inorganic growth as well.

Manish Ostwal: What is our comfort level of debt-to-equity ratio, sir, internally?

Ankit Patel: So earlier, we were comfortable at a higher number, but I think now, we need a change of plan. So we're probably considering around 0.5.

Moderator: Thank you. The next question is from the line of Dipesh Mehta from SBICAP Securities. Please go ahead.

Dipesh Mehta: I just want to get sense about the pickup which we are witnessing from July onwards. So if you can help us understand. I think broadly, you indicated about you expect to reach pre-COVID level utilization by end of this quarter. So do you expect your Q3, Q4 performance to be largely normalized kind of thing from Y-o-Y perspective? Can we see some growth because better utilization will be there?

Mayur Padhya: See, as you have mentioned correctly, current quarter will be for us to recover. And then, within a month or two, things will be clearer as far as how Q3 and Q4 will go, how at the world level recovery takes press as far as COVID is concerned. See, all major countries, we have been looking that COVID affected number of cases are declining, barring some countries, 2-3 countries like Brazil etc. So in a way, looking to current scenario and current trend, we should be doing same way for Q3 and Q4 what we have done last year.

Dipesh Mehta: Typically, our exports are strong in Q1, Q2 kind of period and maybe Q3. How one should look that market playing out for us? Because Q1 is largely where we are because of lockdown and some logistic challenges, I think export might also face challenges. How that export market-related things are? Any logistic challenges still we are facing?

Mayur Padhya: See, logistic challenges are not there. But as far as demand at the world level, yes, it is there. The issue is there. But for us, there is always an option to do sales at local market also, and that is what reflected in Q4 of last year. See, last year, Q4 export was hardly 29%. And in earlier quarter, it was near to 50%. So there was export decline. But as far as revenue is concerned, we could do even better. So we are not only dependent on export or local market, we have both the option open. So if one area is not doing well, we can focus on other areas and get recompense ourselves.

Dipesh Mehta: And sir, about the subsidiaries, SPS and Trion, I think we anticipated breakeven this year, but it seems we are still incurring losses in both the entities. If you can help us understand how one should look these 2 entities' performance? And what steps you are taking to reduce losses in those entities?

Ankit Patel: Yes. So we were trying to, like you said, get to the normal breakeven levels. In SPS, particularly, we could not do it because the Vinyl Sulphone plant could not start on time. There were issues with the supply of a critical raw material that comes from Reliance. And there was some issue regarding the clearance of the vehicle that would carry it from Reliance plants. So that took a few months, and that's what it got delayed. Now the plant is ready. And immediately, as of now, we are not starting because we are just waiting for the right time because, obviously, the demand is not at 100% right now. So I think very soon, we'll see the demand to rise to a level where we feel comfortable to start Vinyl Sulphone plant at SPS. So I think when that starts, there's an integration possibility, which is the main reason why we acquired that company, the stake in that company and the plan to set up the Vinyl Sulphone. So finally, that should take place now in a very short time. So we could not do it in FY '20, that's the reason why it did not probably breakeven or it generated some good profits. In Trion, we had a few different type of issues. There was a technical issue, plan coming from Chinese, the technologies from the Chinese. It was set up with the help of Chinese. So that was the main reason. We also had a couple of leakages problems during FY '20 and this is the only plant of that product in India. So the know-how of the technology or the parts and some of the key points technically was never available in India. So we did face a few issues there. Finally, we decided to buy out the entire stake of our partners there so we can run the plan independently, sell the product independently. So that has happened very recently. So now our strategy is very clear. And we are planning to start actually the plant in about 15 to 30 days. There were some parts that had to come from China, that's just been cleared yesterday. Also some local couple of parts that's coming from Pune, that's also coming in a few days. So we should be able to put everything together and start the plant very soon. And also, the target will be to run it continuously and supply to the U.S. And parallelly, we are also exploring more markets in the U.S., more buyers. So I think we should see some positive things in Trion also in 2-3 months' time.

Dipesh Mehta: Understood. Sir, last question is about the employee expenses. If I look at employee expenses, this quarter, it's almost 8 crores higher than previous quarter and almost 16 crores higher than previous year. If you can help us on this on what led to such increase?

Mayur Padhya: Yes. You have a proper observation. See, as far as employee cost is concerned, see, earlier, we were focusing on Saykha project. And in earlier, my speech, I have mentioned that we have scrapped whatever CAPEX plan we have. So there was some capital work in process that was carried forward to the tune of about 9 crores. And in that, 5 crores was salary component, which we had capitalized during last 2 years. Now since we have scrapped the CAPEX plan, we are required to write-off all these working capital in process. So during current quarter, we have written-off this thing. So 5 crores of additional salary is because of this write-off. That's why the figure is a bit higher compared to earlier quarter.

Dipesh Mehta: So from next quarter, it would be normalized again?

Mayur Padhya: Yes, it will be once again normal. See, last year, full year salary was about 60 crores, and this year, it was 77 crores. So if we remove this, about 6 - 7 crores, then 68 - 70 crores is a normal. So that should be there during current year.

Moderator: Thank you. The next question is from the line of Ajay Kulkarni, an individual investor. Please go ahead.

Ajay Kulkarni: Sir, I just wanted to understand, you mentioned that some second largest player has shutdown plant of H-Acid and Vinyl Sulphone. So is that a domestic player or it's a global player?

Ankit Patel: It is a domestic player. I think there's a closure that has been given to that plant for some issues.

Ajay Kulkarni: And sir, what would be the capacity? I just wanted to get a sense.

Ankit Patel: In terms of Indian installed capacity, it'll probably be around 15%.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Mr. Ankit Patel for closing comments.

Mayur Padhya: This is Mayur here. Thank you very much for participating. And if any participant’s question remain unanswered, then they can directly contact us. Thank you, and good day.

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