



November 28, 2022

To,

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

**Sub: Transcript of Conference Call for Investor(s)/Analyst(s) Meet to discuss the Business Update & Roadmap Ahead**

With reference to our Conference Call scheduled on November 22, 2022 intimated vide our letter dated November 18, 2022, please find enclosed herewith the transcript of the said Conference Call.

The same is also being uploaded on the Company's website at <https://www.dcwlimited.com> in compliance with regulations 46(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

Thanking You,

Yours faithfully,

For DCW Limited



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

Encl: A/a

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**DCW Limited**  
**Investor Presentation Call**  
**The 22nd of November 2022**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Investor Call of DCW Limited hosted by Dickenson World.

As a reminder, all participant lines will be in listen-only mode, and you will be able 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.

I now hand the conference over to Mr. Rahul Jaju from Dickenson World. Thank you. And over to you.

**Rahul Jaju:** Good evening, everyone. A warm welcome to everyone here for the Investor Con Call of DCW Limited.

I would like to remind you that today's remark might include forward-looking statements, and actual results may differ materially from those contemplated by forward-looking statements. Any statements we make on this call today are based on our assumption as of date, and we have no obligation to update these statements as a result of new information or future events.

Today we have the Management of DCW Limited, represented by Mr. Saatvik Jain – President of DCW Limited; Mr. Amitabh Gupta – CEO; Mr. Sudarshan Ganapathy – COO, and Mr. Pradipto Mukherjee – CFO. I would now like to invite Mr. Saatvik Jain to make his opening remarks. Over to you.

**Saatvik Jain:** Good evening, everyone. And thank you all for connecting with us today. It is great to get associated with our investors. And we will undoubtedly have more such regular interactions from here on.

As most of you know about DCW, I shall keep this brief. DCW is a company that has transitioned into the Specialty Chemical space with having presence in niche Specialty Chemicals like CPVC, Synthetic Iron Oxide Pigment that is SIOP, and Synthetic Rutile. We also manufacture Commodity Chemicals like Caustic Soda, Soda Ash and PVC.

Over the last four to five years, we have concentrated our efforts on our Specialty Chemicals business. As a result, Specialty Chemicals now contribute close to 25% of the Company's

overall EBITDA. Our CPVC plant at our Sahapuram facility in Tamil Nadu was set up as India's first CPVC plant. Most of the demand for this product is met through imports. As of H1 FY'23, our capacity utilization was 100%, with nearly 30% EBITDA margins.

The SIOP plant at our Sahapuram facility is one of the largest-scale SIOP plants in Asia for Red and Yellow Pigments. We have contracts with some of the world's largest consumers of pigments like Colorbiotics and Venator in the USA. We are producing at around 65% capacity and have witnessed a significant turnaround for this product. As a result, we are expecting EBITDA margins to remain in the range of approximately 30%. DCW is also a manufacturer of Synthetic Rutile, one of two manufacturers in India. This product goes into the production of Titanium Metal and Titanium Pigment.

We are now coming to the essential part of our discussion. As most of you know, the Company has transitioned over the last three to four years. Our earlier interactions with you have been very fruitful in explaining our business model and our near-term areas of focus. Primarily that was:

- 1) Augmenting our working capital.
- 2) Maximizing and sweating out our existing assets
- 3) Reducing our finance costs.

We are happy to state that we have successfully completed the above agenda. Our current ratio as of the 30th of September was 1.33. Utilization across all our products is maxed out, barring SIOP to some extent. And the last point is that our high-cost debt has finally been refinanced with mainstream bank funding. This will give our Company around 700 to 800 bps savings on our finance costs going forward. Our CFO Mr. Pradipto Mukherjee will further elaborate on this in some time. This effort has made our balance sheet leaner, stronger and more sustainable over an extended period of time.

Now this agenda is complete, the Management has shifted its focus to long-term and sustainable growth, especially on its bottom line. As the first phase of our growth plan, we would like to share that our Company has planned to double our CPVC capacity by adding another 10,000 tonnes of production. This CAPEX aligns with our overall strategy of further making inroads into Specialty Chemicals. As we know, DCW is the sole manufacturer of CPVC in India at this point in time. We believe that this CAPEX will further strengthen our market position, considering the demand situation. Per our internal estimations, this project is expected to be commissioned in the second half of FY'24. However, efforts are on to try and fast-track this project.

In addition, we also plan to augment the capacity utilization of our SIOP plant to 100%, with some line-balancing CAPEX. This will add around 10,000 tonnes of additional production per annum from the current levels. We estimate this project to be complete by the 1<sup>st</sup> Quarter of

FY'24. DCW is investing around Rs. 125 crores on these two projects, which we expect would add around Rs. 60 crores to Rs. 70 crores to our bottom line.

As mentioned earlier, our future growth will be focused on Specialty Chemical segments. Apart from further growth in CPVC, our strategy and R&D teams are already focused on identifying products relating to Chlorine chemistry, with the aim to become Chlorine neutral and apart from other niche products, which tie in with DCW's history of being a pioneer in the products that we make. Having said that, the Commodity business is an integral part of the Company as it provides cyclical benefits from time to time. We stand to take advantage of the cycles when it comes, just like PVC last year and Caustic Soda or Soda Ash this year.

With this, I shall hand over to our CFO, Mr. Pradipto Mukherjee, to give you details about our performance and some more information on the refinancing arrangement that we have done earlier this year. Thank you. And over to you, Pradipto.

**Pradipto Mukherjee:**

Good afternoon, everybody.

I would first like to talk about the significant highlight for Quarter 2 of the Company, which was the closure of the arrangement with the Kotak Special Situation Fund, which we call (KSSF). So, as per the Company's initial objective of achieving and stabilizing operation performance, the next big trigger for the Company was to rationalize its finance cost. Now, as of the 31st of March 2022, our gross debt for the Company stood at around Rs. 550 crores and the lion's share of it was Rs. 410 crores from KSSF, which was at an IRR of 17%. We are happy to reiterate that we have successfully refinanced the same and struck a closure with the KSSF deals.

To talk a bit more about the KSSF structure which we had, so, it was way back in March 2021 when the Company raised funds by issuing debentures to KSSF. There were two parts to the borrowings. One was Convertible Debentures to the tune of Rs. 60 crores, and the other Non-Convertible Debentures issued to the tune of Rs. 350 crores which totals up to Rs. 410 crores.

Now, the OCD had a coupon of 9.17% and a maturity of 18 months as per the convertible instrument's timeline mandated by SEBI. On the Non-Convertible Debentures, the coupon was 11%, and it was a six-year tenure debt, with the two years lock-in period. So, far as OCD is concerned, the underlying was the issue of shares of 3.33 crores at a price of Rs. 18 if it was converted at the option of the debenture holder. On the contrary, it could also have been redeemed, however, by paying with an IRR of 17%.

Just to throw more light on the NCDs, the NCD had a 17% IRR with an 11% coupon, as I mentioned, but the tenure was six years with a two-year lock-in. At the beginning of this Quarter, we had engaged with KSSF to strike a closure of the deal in its entirety, which are both the OCD as well as the NCD. So, basis our engagement and finally, what fructified was

that, KSSF have converted 55% of the OCD, the face value of which is Rs. 33 crores, and the Company issued 1.83 crores shares to KSSF. The balance of Rs. 27 crores which are 45% of the OCD, was redeemed at an IRR of 17%. So, the Company has to pay Rs. 27 crore of face value and Rs. 3.05 crore of redemption premium on the OCD.

Just to stop by here that the Company, as I told had paid around Rs. 30.05 crores for the redemption of the OCD, including its redemption premium. The Company avoided the issue of another 1.5 crore shares, which in financial parlance is basically that the Company bought back 1.5 crore shares from KSSF by paying Rs. 30.05 crores, which eventually means we bought back the shares at Rs. 20 per share, a bit more than that, while our prevailing share prices today are Rs. 50. So, this deal of the redemption of the OCD is significantly beneficial to the shareholders of the Company.

While as a part of the total deal, we also discussed with KSSF and asked for an early exit on the NCD. As I mentioned earlier, the NCD had a lock-in period of two years, which eventually means we could have only gotten out of the NCD somewhere in March 2023. But we engaged with KSSF and asked them to give us an early exit on the NCD as well, and which they agreed. However, we had to pay upfront pre-closure charges of Rs. 9.5 crores.

During this period, Rs. 9.5 crores have come as a hit in the interest part for Quarter 2. If you calculate, we have refinanced this debt by a term lending of 9.5%. So, to calculate 7.5% of savings on this Rs. 350 crores of refinancing for a period of six months, which is the early exit period, for which we paid this Rs. 9.5 crores charges. So, it will amount to Rs. 13 crores of savings of interest costs in the next two quarters. So, this part of the deal as well, what we have saved is around Rs. 3 crores to Rs. 3.5 crores even after we paid Rs. 9.5 crores of pre-closure charges.

I mean, this more or less concludes our discussion and deal with KSSF, and as we have completed this deal, we have also managed to tie up an additional Rs. 80 crores of borrowings for the future CAPEX, which Mr. Saatvik Jain had just informed you of. So, we have added another Rs. 80 crores of borrowings, which is also at a sub-10 % interest cost.

So, after the conclusion of this entire financing activity in this Quarter and given that we had the best ever half-yearly performance, sale of our non-core asset, primary infusion of capital by the promoters to the tune of Rs. 22.5 crores, the Company's balance sheet as on the 30th of September 2022 has been strengthened like never before, and we are well poised to take up the next level of growth.

Just to touch upon specific balance sheet ratios, firstly, the Company's gross debt as of the 30th of September stands at Rs. 544 crores as against the 31st of March at Rs. 550 crores. The debt-equity ratio starting from March 2021, if you see was 0.91. It came down to 0.69 in March 2022, and today it hovers around 0.57. This is on the gross debt.

You would also see that on the balance sheet as of the 30th of September. We have cash and cash equivalents to the tune of Rs. 223 crores, so, eventually, our net debt of the Company as of the 30th of September has come down to Rs. 320 crores.

The current ratio from March 2021 at 0.76 went up to 1.02 in March 2022, and presently as of the 30th of September, it is 1.36. So, on all the parameters, the balance sheet as of now is well strengthened and more or less deleveraged, keeping in mind the performance which we have done for the half year.

On the half-yearly performance of the Company, the Company clocked a revenue of Rs. 1,466 crores for the half-year at an operating EBITDA of Rs. 235 crores as against last year of revenue of Rs. 1,092 crores and Rs. 140 crores of EBITDA. There has been a 40% increase in the top-line, and around 70% increase in the EBITDA performance of the Company.

There has also been an exceptional item in terms of the sale of non-core assets, which over the two quarters put together is Rs. 44 crores of additional income which has come in. And for the half-year, the interest stood at Rs. 87 crores predominantly because of that Rs. 37 crores of a one-off item which came in Quarter 2 as a closure of the KSSF deal.

Having said this, I would like to keep the floor open for any questions and answers.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. We have a first question from the line of Sanjeevkumar Damani from SKD Consulting. Please go ahead.

**Sanjeev Kumar Damani:** How are we going to ensure the cost of energy in the coming days, in the sense that we have thermal power? To a written inquiry, I replied that you use only imported coal. So, do we not have any solar, wind, or hydro facilities to lower our cost of operation? That is my first question.

**Sudarshan Ganapathy:** We are in the advanced stage of finalizing solar options to the extent of 6 MW, and maybe in two months' time, we will conclude the RE partner. And this will take around nine months to get commissioned. So, we are already on track to the extent possible to mitigate the impact of the rise in these energy costs. And also, from the other governance aspects where we have to also –

**Pradipto Mukherjee:** So, basically, as a drive to our ESG measures, we are moving into solar power. Just to answer your question, while during this period, our coal prices were on an elevated level, so were our Caustic prices as well, which is a significant consumer of our power and steam. As we see that this may not sustain in terms of prices, we have as a Management already engaged in converting into solar energy together with our ESG drive.

**Sanjeev Kumar Damani:** And now I was going to ask about the Dhrangadhra plant. It's a relatively old plant. So, I mean, and usually, I have seen that unit has not contributed much over the years as a Soda Ash user. So, my first question regarding Soda Ash, DCW Dhrangadhra plant is whether it is most efficient in today's terms of energy, and do we see any expansion coming up there, and how it is played as to the future of this unit because it's a very old unit, that is why I am asking this.

**Amitabh Gupta:** Well, as you rightly said, it is a very old plant, and unfortunately, since we are landlocked and effluent disposal is an issue, we cannot increase the capacity, but all said and done, it is contributing steady wealth to the bottom-line of the Company. We are doing very well. And I am sure in a limited way it will contribute to the prosperity of this Company.

**Pradipto Mukherjee:** So, just to add over here, last year, referring to maybe FY'22, we had some plant shutdowns and issues related to ramping up the plant. So, last year we had a breakeven of EBITDA. This year, for the first half, we have made a profit of around Rs. 27 crores from that unit, which is around 17% of the margin. Having said that, we feel internally that there is no capacity or additional capacity for Soda Ash coming in the near future. We also anticipate an increase in the overall demand for Soda Ash globally. While it's an unfortunate scenario that we cannot expand because we are in a landlocked situation, we are well assured of the fact that the profits will remain firm from here on.

**Sanjeev Kumar Damani:** And now my last question is regarding the selling price trends of Soda Ash and Caustic Soda and our other products that is one. And secondly, are we also exporting Caustic and Soda Ash? I have come to know that these days India is exporting both these products. So, kindly give your views on this.

**Amitabh Gupta:** As you rightly said, India is exporting, and DCW also is exporting, one shipment of about 5000 tonnes has gone in the first week of this month, and another shipment is planned in the first week of December. That is as far as Caustic is concerned. Soda Ash pricing is fairly stable; we have a long-term contract with big consumers like Hindustan Unilevers, Fena Detergents and big players like that.

And as far as the pricing is concerned, well, whether we like it or not, the pricing is linked to the international prices of these products. And I think it's a reasonably good realization for both these products.

**Sanjeev Kumar Damani:** I think it is lower than last Quarter. I think now the prices are going down in both cases, and when we are going to stabilize in PVC as to net contribution.

**Amitabh Gupta:** You see prices, frankly speaking, the prices, which were prevailing in the last two, three months for Caustic Soda were a little artificial pricing, basically, because of that situation in Europe. A lot of products went to Europe, and even now, production in these European

countries is pretty much down because of the high energy costs. But certainly, we cannot expect to continue getting the sort of prices which we got as far as Caustic is concerned. Regarding Soda Ash, our space to practice it is 60% of our production is already frozen with these big consumers. So, I don't envisage any major drop in the realizations of Soda Ash.

**Sanjeev Kumar Damani:** As such, 2<sup>nd</sup> Quarter Soda Ash profits were lower as compared to 1<sup>st</sup> Quarter. So, I don't know what could have been the reason.

**Pradipto Mukherjee:** So, I will answer that. So, in the 2<sup>nd</sup> Quarter, as you rightly pointed out, there have been certain pricing challenges. Our production and sales in terms of volumes are lower because of the rainy season; there is a seasonal factor so far as the Dhrangadhra unit is concerned. Just to answer your question, the prices may see some amount of blip in Quarter 2 in Soda Ash and may continue because China happens to be the largest manufacturer and consumer of Soda Ash. So, presently where, China has shut down or a lockdown for private consumption, with the factories operating. So, there is some amount of pricing pressure which will stay in the near term. But in the long term, the Soda Ash prices, according to us, will remain firm.

**Sanjeev Kumar Damani:** One PVC is left out. Would you like to give some views on the PVC?

**Sudarshan Ganapathy:** The PVC process started falling right from March, primarily on account of the China factor only. And the prices, which were at a historic high of 1.5 lakhs, started falling and falling. And I think even as we are talking today, we feel that the prices are bottomed out. And we see prices stabilizing in December, and from January, we expect prices to improve.

**Moderator:** Thank you. We have a next question from the line of Ketan Jhaveri from Motilal Oswal Financial Services. Please go ahead.

**Ketan Jhaveri:** My simple question was, Mr. Jain talked about an expansion of around Rs. 125 crores in the next couple of years. So, would this be through internal generation or, again, are we going to increase the debt?

**Pradipto Mukherjee:** So, first of all, we are going to do this CPVC doubling of capacity and debottlenecking of SIOP. And this project we expect to get commissioned somewhere in the 1<sup>st</sup> Quarter of next year, the work I think this is on. If you see our balance sheet for H1, as I told we have tied up Rs. 80 crores of top-up loan, so no further funding in terms of these two CAPEX investments are required.

**Ketan Jhaveri:** So, basically, more on internal generation.

**Pradipto Mukherjee:** So, the balance, whatever will be the gap between these project cost versus what we have already raised, would come from an internal generation, or if you base the balance sheet of the 30th of September, then all future spent in these CAPEX will be from internal generation.



**Moderator:** Thank you. We have a next question from the line of Ashit Kothi, an Individual Investor. Please go ahead.

**Ashit Kothi:** I was just going through the presentation, and in the presentation, one of the pages where we are showing the process, and flow of the manufacturing of our different products, over there, we have mentioned shown somewhere about hydrogen.

**Amitabh Gupta:** Yes.

**Ashit Kothi:** So, which just gave me a kind of question as to can we get into liquid hydrogen also, green hydrogen also?

**Amitabh Gupta:** You see, when we produce Caustic Soda, we get hydrogen and Chlorine. Now, if there is a backward and forward integration in our Synthetic Rutile plant, we use hydrochloric acid. So, all the hydrogen which we are getting is being consumed internally for converting Chlorine into hydrochloric acid. And this hydrochloric acid is used in our Synthetic Rutile plants. So, frankly, we have no surplus hydrogen at this stage.

**Ashit Kothi:** So, the question or my thought process of green hydrogen or anything does not come into the picture here.

**Amitabh Gupta:** It is not possible because we need hydrochloric acid to run our Synthetic Rutile plant, which is a very important and integral part of our overall operations.

**Ashit Kothi:** But being basically a chemical company, I mean, does Company can move in or look towards green hydrogen? And is it a worthwhile proposition for the Company?

**Saatvik Jain:** It is something that hasn't been evaluated, so it will be tough for us to answer that.

**Ashit Kothi:** Or is it too early to comment on it?

**Saatvik Jain:** That is what I am saying, so it's not been evaluated. Maybe a bit too early for us to comment on that.

**Ashit Kothi:** Now, to put it the other way around. Suppose if Company decides to go in for green hydrogen. What kind of timeframe does it need to go in for manufacturing the same and to set up the plant or going for production so that the timeline gestation period could be two years or three years?

**Pradipto Mukherjee:** First, we have not looked into this angle because hydrogen, green hydrogen, which you are talking I think you are talking about this being used for power generation. That the first leg of green hydrogen to power is not yet stabilized, so for us to do a backward integration as of

now is too premature. So, we think that we can evaluate that as and when we see the frontend power generation from hydrogen has materialized and become a reality.

**Sudarshan Ganapathy:** I would also like to add one more point. I think the quantum of hydrogen that is being produced is not significant. So, I don't think at this juncture it makes any sense even for us to evaluate.

**Ashit Kothi:** So, if at all one has to go, one has to go in for a total Greenfield project --?

**Sudarshan Ganapathy:** Yeah, because even in other places where they are evaluating green hydrogen, it is not based on this process, in the hydrogenation process, the hydrogen gets liberated, but the quantity is not significant.

**Moderator:** Thank you. We have a next question from the line of Avinash Nahata from Parami Financial Services. Please go ahead.

**Avinash Nahata:** I just wanted to know, what is the consumption of CPVC in the country, let's say, for FY'22? And how has it grown over the last few years? So, if we ignore the COVID part of it, probably as compared to FY'20, how much tonnage consumption in India as of now? Thank you.

**Sudarshan Ganapathy:** See. Till, COVID hit us, the CPVC demand was growing by double digits. And there was a blip when COVID came. And last year was not a representative year, mainly because there were a lot of supply chain disruptions impacting the availability of the product. So, if we took out last year, this year, the demand has come back to the pre-COVID levels. And to put in a very, very blunt term in terms of what has been the total demand for the year, I think it will be close to 2 lakh tonnes.

**Avinash Nahata:** So, you are saying that FY'23, if we, going by the current run rate of the first seven months, it should be around two lakh tonnes?

**Sudarshan Ganapathy:** Yes.

**Avinash Nahata:** And these 10,000 tonnes would come in the second half of FY'24.

**Sudarshan Ganapathy:** Yeah, that is a conservative basis; I think we are in the process to fast track that, like, as Saatvik has told. So, as of now, we are committed to having this by the second half, the start of the second half of the next year.

**Avinash Nahata:** Any other plant which is coming up to the best of your knowledge?

**Sudarshan Ganapathy:** Yeah, one more producer has commenced their production, but we don't have any clear information on that.

**Moderator:** Thank you. We have a next question from the line of Abhijit Sinha from Pi Square Investments. Please go ahead.

**Abhijit Sinha:** I just wanted to get clarity on the CAPEX that you mentioned. So, the capacity will start in the 1<sup>st</sup> Quarter of next year, or the project will start beginning in the 1<sup>st</sup> Quarter of next year.

**Pradipto Mukherjee:** So, the project will get commissioned in the 1<sup>st</sup> Quarter and 2<sup>nd</sup> Quarter of next year. And we will see the revenues and benefits coming out of the project immediately from there on.

**Abhijit Sinha:** Previously, in the last one and a half years, we have seen Caustic Soda doing quite well for us. In the last Quarter, we saw other products, some products from our portfolio keep doing well for us. In the next six months or a year and a half, where do you see our products going in terms of demand?

**Pradipto Mukherjee:** So, I think we don't see any challenge in demand so far as PVC ,now being stabilized, and CPVC is concerned because we operate on import substitution in this area. Soda Ash sees a very strong demand. So, our Caustic and SIOPs demand has only been increasing, and we are also tying up with additional customers to validate our product. So, from a demand point of view, we don't see any challenge. Maybe immediately, there could be some challenges in terms of demand for Caustic, but that would be maybe a quarter phenomenon, and we can tide over that.

**Abhijit Sinha:** And any pricing benefits that we see from them?

**Pradipto Mukherjee:** So, on the pricing, we are at the peak of the pricing as of now, as far as all commodity players are saying. As far as PVC is concerned, that has been corrected and come to the bottom. So, even if you have done Rs. 235 crores of EBITDA for H1FY23, if you go to the product, you will see that this is despite PVC hosting an EBITDA loss of Rs. 28 crores. So, obviously, we feel that if the pricing pressure comes in the Caustic division, which has performed exceptionally well over the last year, that would obviously be offset by the PVC stabilizing now.

Just to add more to the PVC, PVC is basically done from the key starting material, which is formula-driven pricing. The losses that you see in PVC are inventory carrying costs which are getting hit into the P&L. As the prices stabilize so, we will go out from negative EBITDA through our breakeven and then to positive territory.

**Abhijit Sinha:** Do we see the prices stabilizing in the next year and a half?

**Pradipto Mukherjee:** So, far as PVC is concerned, we see that. We hope that the bottom has come in. So, far as CPVC is concerned, we don't see any major corrections coming in from here on. Soda Ash, as we discussed also, there is a dearth of capacity, and globally there is an expectation of increased demand. So, we feel that it will stay elevated. Caustic is one where we think of

correction and as our CEO has also said that there are certain prices prevailing in the market because of the Europe power crises and their Caustic plants shutting down. There will be some corrections which will be coming in the Caustic prices going forward.

**Abhijit Sinha:** So, how would that impact our margins?

**Pradipto Mukherjee:** So, the entity level margins, as I told will not have a significant bearing because while our Caustic division's profit will come down, our PVC obviously, as I told you, it would go up, thereby playing the hedge across the commodities to balance out our profits. But it will obviously depend on which event plays out early. Let's say China opens up early or China opens out late how Europe performs? So, a Quarter or 2, there can be some exceptions, but on a steady state basis, the pricing drop in terms of Caustic would be taken care of by the turnaround in the PVCs EBITDA.

**Amitabh Gupta:** My dear friend, you see Caustic Soda and Chlorine. They travel in the reverse direction. When we saw very high prices of Caustic Soda, the Chlorine was negative by almost 10,000 plus. Now the moment Caustic prices start coming down, the Chlorine starts improving. So, of course, there will be impacts overall, but they will not be very significant because whatever we lose in Caustic Soda, part of that will be recovered in our Chlorine space.

**Abhijit Sinha:** So, end of the day, both of them will counter each other's profitability in a way, right?

**Amitabh Gupta:** Yes, absolutely.

**Abhijit Sinha:** So, what would be the most optimal situation for us as a company to optimize our margins as much as possible?

**Amitabh Gupta:** When you produce Caustic Soda, you get a fixed amount. I am talking basically about the Caustic Soda and Chlorine scenario now. So, you produce X number of Phosphates, and then roughly 90% of that you get as Chlorine. So, frankly speaking, they take care of each other. Let me put it this way, you cannot quantify the exact number, but well, they are taking care of each other Caustic price is coming down, and Chlorine price is going up, so that is the case.

**Sudarshan Ganapathy** So, typically, as sir has told, one is within the Caustic division, and the prices are inversely correlated so far as Caustic and Chlorine it generates. Also, what we have seen over the years and the history of our Company, is that Caustic prices also have an inverse correlation with PVC. So, if the Caustic prices come down, then obviously PVC prices will bottom out and also may have some increase. And hence we say at an entity level. There is a natural hedge to it.

**Sudarshan Ganapathy:** And he also asked about 18 months, 24 months the more and more we consume the Chlorine ourselves, our impact, our exposure to the Chlorine pricing will be, to a large extent, getting mitigated.

**Abhijit Sinha:** Our Specialty Chemicals are something which will help us reach the double-digit --?

**Sudarshan Ganapathy:** Exactly, exactly.

**Moderator:** Thank you. We have the next question from the line of Neha Sharma, an Individual Investor. Please go ahead.

**Neha Sharma:** I have two questions. So, when we say we are Chlorine, how are we currently handling Chlorine? Are we selling it in the open market? CPVC is one mechanism to see Chlorine post this expansion. How much Chlorine would be in the surplus in terms of percentage?

**Amitabh Gupta:** As I was telling you beforehand, Chlorine as hydrochloric acid is being consumed in our Synthetic Rutile plant, then we have a **trichloride** facility which consumes about 1.5 tonnes of Chlorine per ton of finished products, Chlorine both in our CPVC and practically 65% to 70% of the Chlorine is being used in-house and only 35% of the Chlorine is marketed as liquid Chlorine in cylinders and as hydrochloric acid. So, as of now also, we are dependent upon the market vagaries only to the extent of 35% of the Chlorine which we produce.

**Pradipto Mukherjee:** So, to answer your next question, given the CPVC project which is lined up -for the unutilized Chlorine we are selling in the market, 15% of that will get additionally consumed. Which will make the ratio 70:30 instead of 65:35, what we have. So, we have to shell out around 30% of our Chlorine generation also, I mean, continue to sell that into the open market.

**Neha Sharma:** So, one more question. Is there any technical difference between the new CPVC and the existing CPVC plan? So, I just want to understand would the output be the same or if it would be different in terms --?

**Sudarshan Ganapathy:** Okay, technology has no relevance to the final product, so it is immaterial. As far as we are concerned, we will have the same grade of CPVC that we are manufacturing. We will not have any new grades for this new plant because CPVC is sold typically, there are certain properties like Chlorine content, bulk density and everything, and we will have a product which is consistent with our current product in all aspects.

**Moderator:** Thank you. We have a next question from the line of Sonu Shah, an Individual Investor. Please go ahead.

**Sonu Shah:** I have two questions. The first question is, can you let me know if there is any further land parcel available for sale? As we have seen in the last two quarters, we realize some gains on the sale of land. So, I want to know if there is any further land parcel available.

**Pradipto Mukherjee:** So, I think no major piece, the significant amount of the land, has been sold, and it has been recorded as exceptional income for Quarter 1 and Quarter 2. We may have been left with a couple of crores to be accounted for based on its sale, which will happen in this Quarter.

**Sonu Shah:** The second question is, I want to understand Soda Ash and Caustic Soda in detail. What is the current realization we are clocking in, and are we selling at market rate or any contract that exists that we need to honor?

**Management:** See, like Soda Ash, practically 45% of our production is committed on a long-term basis, which is very healthy netbacks to us from our customers like Leopard, Fena and all these people. And about 50% to 55% of the product we sell on the market prices at the prevailing time. Similarly, with Caustic Soda, the contracts are basically on the prices linked to Northeast Asia prices. So, Caustic Soda, frankly speaking, there are no long-term contracts at the fixed prices we have depending upon the prevailing market conditions and international market.

**Moderator:** Thank you. We have our next question from the line of Rajesh Gandhi from NJ India Invest. Please go ahead.

**Rajesh Gandhi:** My first question basically is on the CAPEX side, I think Rs. 125 crores CAPEX, especially on the Specialty Chemical side. Basically, virtually we are doubling our capacity on the CPVC and SIOP, am I right?

**Saatvik Jain:** So, on CPVC, we are doubling the capacity on SIOP. It is like balancing CAPEX, which is pushing our production up from 65% to 100%.

**Rajesh Gandhi:** So, I think initially between 2013 to 2016, we had done some Rs. 500 crores of CAPEX for these particular two units, and we are now spending Rs. 125 crores, in all, basically to double the capacity. So, am I right to assume that what we achieved in Rs. 500 crores CAPEX, we are achieving in another Rs. 125 crores to similar capacity?

**Pradipto Mukherjee:** No, I think there is a big difference on this --. So, as of now, this is basically a brownfield project where the utilities and everything are put into place on SIOP. And if you see, the rated capacity of SIOP is what we want to achieve by doing the line balancing CAPEX. To answer your CPVC Capex, CPVC also requires not only the lines but also the utilities needed to be set up. Today the utilities are in place, we are only putting the line only to produce it. So, obviously, your incremental CAPEX would be much lower than what we had invested two, three years back or five years back.

**Rajesh Gandhi:** Second thing, this interest. No doubt you have explained already why the interest component is around Rs. 35 crores higher compared to the previous Quarter, but it still mathematically doesn't tally because, in the June quarter, we paid some Rs. 25 crores interest and in September, the interest portion of Rs. 61 crores. You mentioned that for OCD, we pay extra Rs. 3 crores, and on the NCD side, we pay extra Rs. 10 crores. Still, Rs. 25 crores to Rs. 60 crores doesn't tally, so is there anything I am missing?

**Pradipto Mukherjee:** So, I will explain. We have explained it in greater detail in the investor deck as well, but I will take this opportunity to explain again. So, our interest for last Quarter was Rs. 26 crores, and this Quarter it is Rs. 62 crores. So, there is an increase of Rs. 37 crores, all of it is one time. Just for the interest of reiterating, there is an Rs. 3.5 crores of OCD redemption premium which was incurred in this Quarter, came as a one-time. The pre-closure charge, which is Rs. 9.5 crores, which I just mentioned here, which came as a one-time.

Now, in 2021, when we took the NCD of Rs. 350 crores that time we had some challenging, stressful financial situations. We had to incur a 5% issue cost on that, which was actually paid at that point in time. That was around Rs. 17.5 crores on the NCD. Now, this had to be amortized over the period of the tenure of the NCD, which originally was six years. Now, we have closed this in one and a half years. So, the unamortized portion is Rs. 14 crores, which is non-cash hit in the P&L as per part of the closure. So, that's another Rs. 14 crores.

And finally, when we closed the NCD, now, we had paid Rs. 29 crores of NCD redemption premium out of the Company's accruals. As per the amortization table bases, the term sheet, and the repayment schedules in six years tenure, we had for this one-and-a-half-year period, provided Rs. 19 crores of redemption premium in the books, the balance Rs. 10 crores had to come as a hit as we have closed the NCD. So, if you add up all of these, this will total up to Rs. 37.5 crores.

I think there are a lot of questions on the investor's front on and apprehensions about the interest. I would like to take this opportunity also to tell you that our H2 interest would be something around Rs. 35 crores to Rs. 36 crores. We will end this year, even after this interest cost which has come and hit us in Quarter 2, at around Rs. 125 crores to Rs. 127 crores. From next year the interest will come down to as low as Rs. 65 crores.

**Rajesh Gandhi:** This Rs. 125 crores CAPEX, I mean asset turnover, what one can expect, meaning is it one-time, more than one time, two times because of the incremental cost, because it is not a greenfield expansion, it's a brownfield expansion. So, definitely, asset turnover may be higher.

**Pradipto Mukherjee:** So, I think, as Saatvik has said, that if you see our CAPEX expenditure which we are telling as Rs. 125 crores to Rs. 130 crores, we are anticipating EBITDA from both these to a tune of Rs. 60 crores. So, roughly a payback to this project is around two years.

**Rajesh Gandhi:** My last question basically is, as you mentioned, that as of September, we are sitting around Rs. 220 crores of cash or cash equivalent in our balance sheet. This is assuming that Rs. 100 crores of depreciation in all basically and assume another Rs. 100 crores as a profit. So, the ballpark figure maybe Rs. 200 crores of type of cash profit plus Rs. 220 crores of already cash

what we are sitting. So, why we require to restructure the debt or maybe --; I mean, we can easily bring down our debt. And virtually all the CAPEX required, maybe we can do it through the internal accruals. So, when we expect our Company to be a debt-free company in the near future?

**Pradipto Mukherjee:**

So, just to answer your question, I think you are right that our cash and cash equivalents have been Rs. 223 crores, of which Rs. 80 crores of top-up loan has come exactly on the 30th of September. The date of refinancing, the top-up all happened on the last day of the Quarter. Now that Rs. 80 crores which we say are cash and cash equivalent, obviously, we will spend into the CAPEX. So, we have to fund that Rs. 125 crores of CAPEX, part of it maybe some amount has been repaid, but roughly the lion's share of that Rs. 125 crores has to go out from the internal accruals here from.

So, you can consider the Rs. 223 crores will come down to Rs. 100 crores let's say the Rs. 123 crores paid off for the CAPEX. Rs. 100 crores which are available for the Company's operations of which Rs. 70 crore is basically either the margin money for the FOREX coverage and the working capital plus LC , the DSRA we have created for the TL loan we have taken.

So, for the working capital, we have only kept free cash of Rs. 30 crores. So, it's not huge in terms of the way it is seen. So, if I have to break it down again, Rs. 223 crores, Rs. 125 crores is the CAPEX spend which has been lined up for the future quarters that leaves with Rs. 100 crores of operational cash, of which Rs. 71 crores is the DSRA and the LC and the FOREX margin money, which we have kept, which is unutilized. We have free usable money to the tune of Rs. 30 crores. And as we go from here to our future quarters, we will also accumulate some amount of profits into cash. And that is the time when we will think about whether we want to pay off the debt.

Having said all of this, I would like to take this opportunity to say that our debt now is at a manageable level, rather net debt to our EBITDA would be below one going forward. That is the Company's Management's mandate. So, after any debt we repay as a normal scheduled payment, we are not, as of now, willing to further pay off the cash in the balance sheet for repaying the debt. Rather, we will try and look into opportunities for growth which will give us more return than just knocking off a 9.5% to 10% debt on the books.

Since the finance cost has gone down to sub 10% overall, I think that it's time where the Company **should push the CAPEX** growth will give more returns on the capital rather than paying off 10% gross debt.

**Rajesh Gandhi:**

But our understanding is very much clear, incremental whatever CAPEX we are forcing for the next couple of years is purely on the Specialty Chemical segment, not on the commodity chemical side, am I right?



**Pradipto Mukherjee:** Yes, I think that's what we are focusing on.

**Rajesh Gandhi:** Because in the commodity cycle over a period of what we have seen that I mean, out of the Caustic Soda, Soda Ash for PVC, at least at any point of time, one sector gives us the pain another two sectors is performing well. So, it's a cycle, and I mean, if our thought process is clear that incremental CAPEX is purely on the Specialty Chemical side, I think it's a good strategy.

**Pradipto Mukherjee:** I think, just, to reiterate, will take you back to Mr. Saatvik Jain's opening remarks. So, we would stay into the commodity business, the three commodities which we have, I mean, we are historically into; we will reap the benefits of every commodity cycle whenever it comes in. And our future growth would be in the Specialty segments, thereby strengthening our EBITDA. We are not focusing on the top line as Management; we are focusing on increasing the bottom line of the Company. And hence we would look for opportunities in the Specialty segment and stay in the commodity business that we have.

So, presently our share of speciality in the EBITDA for the year gone by would be around 25%. On a five-year horizon, we presume, and our endeavor is to take it to 55% to 60% in the bottom line.

**Moderator:** Thank you. We have our next question from the line of Vipul Sanghvi from Systematix. Please go ahead.

**Vipul Sanghvi:** My questions are largely answered, but I just want to dig a bit deeper into the trajectory that you outlined that from 25% of profits to 55% to 60% of profits in the next five years. So, if you can give us some sense of the strategy that you are going to implement in terms of the selection of products, what kind of return profiles these products will have, what kind of chemistry you are targeting, if you can highlight, bit elaborate on this that would be a great help.

**Pradipto Mukherjee:** So, just to add on again what Mr. Saatvik Jain would have said, our first step is the low-hanging fruit in terms of doubling our capacity in CPVC. So, the next trigger for our subsequent growth, obviously, is also available, with could again be doubling our capacity from there on. We have to evaluate that. There is also an angle of Chlorine surplus which we need to mitigate in terms of having our growth CAPEX product selection. There's a whole host of strategy and R&D team who is working on this subject. And thereafter is when we may go into some related chemistry, which is not Chlorine dependent. Having said that, I would only ask Saatvik to add something more to this and the business.

**Saatvik Jain:** So, I think that's pretty much covered Pradipto --

**Sudarshan Ganapathy:** I would only like to add that we are focusing on products which are giving healthier EBITDA margins and not run-of-the-mill products that are being produced with Chlorine. So, we are committed and focused on adding products which will definitely add significant reasonable EBITDA margins, not for the sake of consuming the Chlorine. We are also on the lookout for adding products in the line of our chemistry, which may not be Chlorine related, but which will be again a speciality and first of its kind in the country.

**Saatvik Jain:** The whole thought process of the Management is to consolidate the bottom line now and strengthen the bottom line and grow that going forward. So, the whole thought process is stemming out from there.

**Vipul Sanghvi:** And the second question is about the promoter's stake in the Company. It is hovering around 45% odd. Any thoughts on the buyback or getting to 51% any deliberation at the management level here?

**Saatvik Jain:** No specific thoughts at this point in time. Maybe in due course, when required, or the Company requires some equity at that point in time, it could be deliberated.

**Moderator:** Thank you. I will now like to hand the conference over to Mr. Saatvik Jain for closing comments. Over to you, sir.

**Saatvik Jain:** So, I once again would like to thank everybody who has taken time out to join us this evening and hear us out. I hope we were able to clarify and answer the questions and the doubts that everyone has had. If anything has remained unanswered, I request you to direct the questions to our team at Dickenson. And hopefully, we will be able to clarify that going forward. I am looking forward to such interactions in the near future. Thank you, everyone.

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