EPIGRAL

26.04.2024

To,

National Stock Exchange of India Limited
"Exchange Plaza",
Bandra-Kurla Complex,
Bandra (East) Mumbai 400 051

BSE Limited
Floor- 25, P J Tower,
Dalal Street,
Mumbai 400 001

SYMBOL:- EPIGRAL

Scrip Code: 543332

Dear Sirs,

Sub.: Transcript of Conference Call held on 22nd April, 2024 for Q4 FY24 – Results

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith Transcript of Conference Call held on 22nd April, 2024 for Q4 FY24 – Results.

The said Transcript is also available at www.epigral.com in the Investor Relations section.

This is for information and records.

Thanking you,

Yours faithfully,
For Epigral Limited
(formerly known as 'Meghmani Finechem Limited')

MAULIK JAYANTIBHAI PATEL
Digitally signed by MAULIK JAYANTIBHAI PATEL
Date: 2024.04.26 15:59:27 +05'30'

Maulik Patel
Chairman and Managing Director
DIN: 02006947

“Epigral Limited

Q4 FY '24 Results Conference Call”

April 22, 2024

MANAGEMENT: **MR. MAULIK PATEL – CHAIRMAN AND MANAGING DIRECTOR – EPIGRAL LIMITED**
MR. KAUSHAL SOPARKAR – EXECUTIVE DIRECTOR – EPIGRAL LIMITED
MR. SANJAY JAIN – CHIEF FINANCIAL OFFICER – EPIGRAL LIMITED
MR. MILIND KOTECHA – INVESTOR RELATIONS – EPIGRAL LIMITED

MODERATOR: **MR. MEET VORA – EMKAY GLOBAL FINANCIAL SERVICES**

Moderator: Ladies and gentlemen, welcome to the Q4 FY24 Results Conference Call of Epigral Limited hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Meet Vora from Emkay Global Financial Services. Thank you and over to you, sir.

Meet Vora: Thank you. Good evening, everyone. Thank you for joining us on Epigral Limited's Q4 and FY24 Results Conference Call. We would like to thank the management for giving us this opportunity to host them. On this call, we are joined with Epigral's management represented by Mr. Maulik Patel, Chairman and Managing Director, Mr. Kaushal Soparkar, Executive Director, Mr. Sanjay Jain, Chief Financial Officer and Mr. Milind Kotecha, Investor Relations.

I would like to invite Mr. Maulik Patel to initiate the proceedings with his opening remarks post which we will have a Q&A session. Thank you and over to you, sir.

Maulik Patel: Thank you, Meet. Good afternoon, everyone and welcome to the call to discuss Epigral's Q4 FY24 performance. I believe you had an opportunity to view the earnings presentation that was released earlier today. We have witnessed a recovery in the chemical segment though it was slightly slow. We do see a positive outlook on a sequential basis as well as coming quarters. The recovery majorly is on the demand side but the relations have still been subdued.

We believe that the demand scenario has improved and is expected to further improve from here onwards with improvement in realisation. Long-term outlook for the chemical and manufacturing industry looks positive. In this challenging environment, Epigral performed better on the sequential basis in every quarter starting from Q2 FY24.

On a yearly basis, Epigral delivered a volume growth of 15% in FY24. Majority of this growth is coming from derivatives and specialty business. In Q4 FY24, Epigral's sales volume grew by 9% year-on-year and this volume growth is majorly coming from the new project commissioned in FY23.

This resulted in revenue growth of around 11% and the PAT growth of 56%. As the business improved, our EBITDA margin also improved from 21% in Q1 FY24 to 30% in Q4 FY24, leading to the 25% margin for full year FY24. In line with our focus on diversifying our business model in Q4 FY24, revenue contribution from derivatives and speciality business crossed 50% mark and reached to 52%.

For the year as a whole, revenue contribution from derivatives and speciality business reached to 45% versus 30% in FY23. This strategy of diversification of entering into the various import-substitute products and the catering to various industries played a key role in Epigral being resilient in this tough FY24 year. Our project commission in FY23 contributed partially in FY24 and led us to a volume growth of 15% in FY24.

The projects commissioned in FY23 and projects that we will commission in FY25 like CPVC raising capacity of additional 45,000 tons per annum, Chlorotoluene in value chain facility and CPVC compound facility will drive volume growth for the coming years. The expansion projects related to Chlorotoluenes value chain and the CPVC compound are almost ready. In FY23, we are in the final stage and we expect to be completed in the first half of FY25.

In FY24, Board of Directors has also proposed a final dividend of 50% on face value of INR10, i.e. INR 5 per equity share. We are focused on expanding derivatives and the speciality business and diversifying the business model and strengthening our integrated complex. We believe this strategy will bring us consistent growth in coming years and will lead us to create value for our stakeholders.

I now hand over to the call to Mr. Sanjay Jain, our CFO, who will take us through the financials.

Sanjay Jain: Thank you, Maulik. Let me take you through the financials for the quarter. The company has achieved capacity utilization of 83% in Q4 FY24, again 81% in Q3 FY24.

Sales volume grew by 9% on year-on-year basis and 4% on quarter-on-quarter basis. Revenue increased by 11% to INR525 crores in Q4 FY24 as compared to INR472 crores in Q3 FY24. This is backed by volume growth in Chlor-Alkali, CPVC region and improvement in the realization for Chlor-Alkali. On year-on-year, the revenue decreased by 7% mainly on account of drop in realization across all the products.

In Q4 FY24, revenue contribution from derivative and speciality business increased to 52% as compared to 44% in Q3 FY24. The same was 38% in Q4 of last year. EBITDA grew by 27% to INR155 crores from INR123 crores in Q3 FY24. This majorly on account of increase in the volume that led to efficiency and improvement in spread.

EBITDA margin stood at 30% in Q4 FY24 against 26% in Q3 FY24 and against 28% in Q4 of last financial year. PAT grew by 55% to INR77 crores in Q4 FY24 from INR49 crores in Q3 FY24. PAT margin stood at 15% vs. 10% in Q3 FY24. Now let me discuss about financials for FY24. Capacity utilization remained almost at the same level of 78%. FY24, the revenue decreased by 12% to INR1,929 crores from INR2,188 crores in FY23. This is on account of decrease in realization across all the divisions.

Otherwise, volume grew by 15% in FY24 majorly from derivative and speciality business. Realization dropped significantly in the range of 12% to 45% in FY24 compared to FY23. We believe it is a bottom level and likely to improve from year onward.

In FY24, revenue contribution from derivative and specialty business increased to 45% as compared to 30% in FY23. This is in line with the focus on increasing revenue from derivative and specialty chemicals. EBITDA decreased to INR482 crores from INR689 crores in last year. Even in this tough year, we are able to maintain EBITDA margin of 25%. PAT stood at INR196 crores with a margin of 10%. Our return on capital employed for FY24 stood at 17%.

This is after considering the capital work in progress as the capital employed. Excluding the capital work in progress, the ROC stands at 21%. And if we annualize EBIT of FY24, then ROC would likely be at 24%.

Our net debt stood at INR960 crores as of 31st March 2024 against INR863 crores as of 31st March 2023. The increase of INR98 crores in net debt is majorly due to capex. The company has spent INR405 crores on capital expenditure, funded partially from the borrow fund and partially from the internal accrual.

Sanjay Jain: We can open the floor for the Q&A.

Moderator: Thank you very much. The first question is from the line of Priyank Chheda from Vallum Capital. Please go ahead.

Priyank Chheda: Hi, congratulations team on the strong performance and our overall strategy on import substitution has clearly started showing positive results. My first question is on caustic soda industry dynamics. If you see from FY22 to FY24 which is September 24, India was a net exporter while starting from last quarter we have become net importer.

And for the whole year our imports have doubled at 2 lakh tons. So what is the reason while we have started seeing new imports coming up and exports have actually dried up. So when can we see this dynamics getting changed to India becoming a net exporter?

Maulik Patel: So if you see our alumina capacity in last entire financial year has increased in India and that is additional demand of caustic on the eastern part of India. So if you see the specific eastern part of India, the caustic demand has picked up and that keeps continuing even in this year as well. So that is the major reason our import volume has gone up.

Definitely the export has reduced. The major reason is because of the global scenario which is not great. Definitely, our domestic market is doing great but the exports market even still in Europe and in U.S. is still reviving.

It is still not back to the original level, even pre-COVID level as well. So that is the reason export is not encouraging right now. But we are better than the quarter three level right now in terms of the realization and probably here onwards we will improve going on quarter-on-quarter basis.

Priyank Chheda: Okay. And sir, how much of the savings we have seen in the quarter or a year in terms of cost reduction, because of the coal prices coming down, in any qualitative way if you can help us what has been the cost savings in the caustic soda segment?

Maulik Patel: Definitely, the coal price is going down but it is not a significant. The basic coal price is going down but at the same time the supply chain and the logistic cost has gone up and the currency movement has started moving up. So it is not a major saving has started coming, but people who have a focus on the solar and wind in the past who has invested that benefit has started coming reflection in the balance sheet in this year.

So there is a change in the slight advantage in terms of the solar and wind hybrid project has commissioned in most of the companies. Like in Epigral also we have commissioned 18.34 megawatt and we have realized I think six to seven months gain in terms of advantage in terms of power cost.

Priyank Chheda: But still would it be 10% of kind of a saving within caustic soda raw material cost as an overall market would be seen because of the coal prices going down? Can you roughly estimate that?

Maulik Patel: Yes, you can say that but it is not substantial.

Priyank Chheda: Coming to the derivatives part on the Epichlorohydrin, what has been the utilization in Q4? We were at 55% roughly in Q3 and all the other derivatives continue to run at 100%. So this is the only segment which has contributed positively in terms of revenue growth for derivatives.

Maulik Patel: Yes. So we have reached to almost 60% running in quarter four. Epichlorohydrin and definitely still Europe also we have opened up and we have started doing the export to the European territories also and we have done our bulk shipment as a second vessel we have done in this year -- this month. And U.S. we are still in touch, still the market is not open up for us but I think we are looking for a big contract in the second half of this year and the coming years for the European market -- for the U.S. market. So still that we are working on that path in the Europe and I think the volume will increase going forward from here onwards on quarter-on-quarter basis as our export market is picking up.

Priyank Chheda: Okay. So what we understood earlier was that Epichloro as a segment see around 80,000-85,000 tons worth of imports happening into this country while we are started doing exports. So would exports be very high in terms of realization value and how does this imports versus our exports fair out in terms of the industry dynamics?

Maulik Patel: The ECH market is going up, all the domestic capacity is picking up. They are expanding their capacity and they are increasing their volume on month-on-month basis. Another two big expansions is going to complete probably by end of this year or beginning of next year. So definitely the epoxy capacity which has compared to before two years is going to be almost double the size of what was the capacity two years back in India.

So definitely our capacity and ECH demand will go up in India within country itself going forward and the market, which is catering by epoxy resin is majorly by renewable energy which is a windmill which is high in demand right now, second is in the adhesive sector and third is in automotive sector.

So all three segments is growing in double digit in India, so we are expecting very high growth in next coming five years or coming decade for this particular product and we have seen the similar growth in China since 2011 to 2020, same kind of growth has happened in China also but we don't expect that much volume as China but at least compared what we are here in today's situation, at least the demand will pick up almost double from here in next five years.

Priyank Chheda: And are the realizations too different for exports versus domestic or are they import parity?

Maulik Patel: Export has -- definitely realization is better and we have -- but there is an infrastructure also we need to create in Europe as well. We have done a local storage tank and we have focused and even in the U.S. also we have kept a storage tank so there is an additional cost also and there is additional transportation cost also, but in the same time we have additional -- there is an advantage in terms of the realization also.

Priyank Chheda: Got it. Coming to CPVC Compounds, the forward integration that we are doing from resins to compound, does this add any value to the spreads on P&L of Epigral or we are in different selling resins or compounds based on whatever the customer demand would be?

Milind Kotecha: So CPVC Compounds, again, the margins will be in the range of what we had for the -- around 25% put together. So it's not like there is -- we are doing just for the sake of it. Actually, it will be around 25% margin what we have for the company put together.

Priyank Chheda: So compared to resins, the compounds would have a higher margin is what the message that I should take out?

Maulik Patel: No, it's not like that. So resins -- if you consider starting from the resins and till compound, the margin will be almost similar range. We don't consider compound as a separate and independent project because as we are -- our capacity is increasing from 45,000 tons per annum which is 1.5x the capacity which we had. So some of the customers which we are not catering right now we would like to cater and they are buying only compound.

So for them, we are creating this infrastructure and we see CPVC Compounds as a part of CPVC resin only. Definitely it is a value addition, but in terms of overall margin starting from the resin to compound -- not resin, PVC resin to compound we are considering whatever we are expecting in terms of the company's overall margin is 25%, we will continue with that.

Priyank Chheda: Got it. Just a last question from my side on CPVC incremental capacity and Chlorotoluene capacity that will come up, say, in the next three, four months, what kind of utilizations should we think of in FY'25 as we scale up?

Milind Kotecha: So additional capacity of CPVC resin that we have commissioned in 45,000 tons that will take around four to five months to kind of reach optimum. So maybe in the Q4, it will reach around optimum. And also for the Chlorotoluene we expect that to reach optimum maybe end of Q4 FY'25.

Maulik Patel: So in the Chlorotoluene, we have three different blocks. All blocks will come in next three to four months' time we are going to commission one by one all different blocks and the entire Chlorotoluene project will be ready for commissioning, everything -- total all put together will be commissioned by end of Q2 and I think we are expecting to -- product started moving from quarter four onwards.

Priyank Chheda: And our optimal utilization is somewhere around 65%-70% mark, right?

Maulik Patel: Yes, we are expecting to reach around 60% by end of quarter four.

Priyank Chheda: Got it. Thank you. I will come back in the queue. Thank you.

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

Rohit Sinha: Yes, thank you for taking my question sir. Congratulations for a very good set of numbers. So, some of my questions are already asked. So, if we see the margins in this quarter, there is one of the best margins we have in the four-five quarter. And still I think ECH and CPVC get to see size improvement as well as utilization level should go up going forward.

So, I mean as we are talking about around 45% kind of EBITDA margin going forward, I am just expecting that given this kind of margin and the scope of improvement is still lying there. So, we should still be able to report better than 25% margin for Q5 also. So, just from that, how we are seeing improvement sustained for the coming quarters?

Milind Kotecha: Yes. So, in terms of the margin, we recently commissioned the CPVC capacity as well. So, it will take time to revamp. So, I mean revamp as in it will take to reach to optimum level. So, that is where we expect that year put together, we will be somewhere around in the range of 25% kind of a margin. And if everything in terms of all the products stand in a strong position in this FY '25, then the margins can go in upward direction as well. But we believe that 25% in the range would be something which is definitely sustainable.

Rohit Sinha: Okay. And in the following time, I guess we are slightly one quarter behind in terms of commissioning. So, are we still in line with our world targeted revenue for FY '24 and are the optics are aligned for that?

Maulik Patel: So, Rohit, we are going to commission because we have three different blocks in the Chlorotoluene project. So, one by one, we are going to start doing it from this quarter onwards. So, complete Chlorotoluene project will be completely commissioned by quarter two as we have mentioned in our presentation.

And the product will be all three different phases or three different category products will be out in the market from this end of this quarter onwards in a phase wise. So, definitely we are expecting the start generating the revenue from the third quarter onwards slowly and gradually. But eventually, as optimum capacity, we will reach in quarter four, end of quarter four.

Rohit Sinha: Okay. And then lastly, on the pricing side, as we are seeing that there has been some improvement in the price. But still, the PPA and PPP and other products are still lagging behind. So, just wanted to know your take on how industry is shaping right now, how demands are, as you have already indicated that demands are slightly improving and how this could actually translate into improvement in the prices going forward…Yes. So, just on the pricing side, as we have seen some bit of improvement, but other products are lagging right now. So, how you are seeing the overall industry or what is your take on how we will be seeing the price improvement in the other products?

And even in the positive side also, I guess this is the first leg of movement. So, a lot of, compared to five-year average also, still we are slightly on the lower side. So, how we should be seeing the coming quarters for the price improvement in the products?

Maulik Patel: So, in terms of caustic soda, if you ask, every company has a different calculation in terms of the energy cost, which is a major driving factor right now. So, there is a change, a slightly change in the coal price, definitely that will be an advantage to the caustic soda. And the local demand has picked up in India, and that is also giving additional, you know, in terms of the support to the caustic soda business.

And we are expecting in this year also, I think, we are not expecting big jump in terms of the business, of the Chlor-Alkali business, but slightly variation from here will go on based on the quarterly basis, you know, in terms of the domestic demand has picked up further, because still the export market has not picked up as required, you know, as in the COVID level or the pre-COVID level.

So, that has, I think, will take another three months to six months time. And that's how the overall caustic demand will pick up in the domestic industries as well, going forward.

Rohit Sinha: Okay. That is from my side. Thank you. And best of luck.

Moderator: Thank you. The next question is from the line of Noel Vaz from Union Asset Management. Please go ahead.

Noel Vaz: Yes. Thank you for the opportunity. I have just one question. So, over the past few years, I think as per the presentation, it is mentioned that there has been INR400 crores of capital for FY '25, the plan is for INR300 crores, right?

Milind Kotecha: Yes, that's right.

Noel Vaz: Yes. So, I just wanted to get a sense of number on these capacities, which have been now built up for the past two, three years, including FY '25. How long will it take for them to fully reach utilization? You can give some details on that. And what kind of asset can we expect from them?

Milind Kotecha: So, the capacity that we commissioned, I mean, recently we commissioned CPVC resin capacity of additional 45,000 tons. And now in a quarter one and quarter two, we'll commission the Chlorotoluene and the CPVC compound capacity. So, FY '26 will be a year where all the products will be at optimum. And again, the asset turnover will be in the range of 1.2, 1.3 kind of even after once we commission these plants.

Noel Vaz: Okay. Yes. So, just to understand, I think whatever is being done so far, that will all be ramping up into FY '25 and '26, right? I think then we'll get full utilization on the capacities, right? I think that's a good way of looking at it.

Milind Kotecha: Yes. So, the capacities that we commissioned in this year will contribute partially. Whereas FY '26, we believe whatever we have commissioned in FY '25 will reach optimum in the Q4 itself.

Yes. So, FY '26, we will enjoy the full, you can say, optimized, optimum level capacity utilization for all the products that we have.

Noel Vaz: Okay. So, but I mean, if we were to follow this logical conclusion, then we would need to start another growth plan in FY '26 itself, right? So, in what direction will we be looking at potentially?

Maulik Patel: Yes. So, our focus is more towards investment is going towards more on derivatives and the speciality side. So, we are looking for more investment on the downstream chemicals, what we are manufacturing right now, and some of the value-added products from what we are producing right now.

So, our focus is going to be what we have generated in this financial year. We have, no, in quarter four, we have reached to almost 50% revenue from the derivatives and speciality that will keep continue our focus and investment. And eventually, we would like to reach to 70% derivatives and speciality and 30% from a Chlor-Alkali business in probably next two years' time or three years' time.

Noel Vaz: Yes. Thank you. Yes. We'll get back to you. Thank you.

Moderator: Thank you. The next question is from the line of Shaurya Shah from Equirus Securities Private Limited. Please go ahead.

Shaurya Shah: Yes. So, I wanted to, I just had one question. Like, what are the current, what is the current CPVC pricing and where do we see it going forward, say, in FY '25 in kilogram terms?

Milind Kotecha: So, current CPVC prices is around, it will be somewhere in the range of around 130, 1,30,000 kind of price. And, again, we believe that it might stay a little or it might improve from here on, maybe in FY25. But, again, it's so difficult to convey any number as of now.

Shaurya Shah: Okay. Yes. That's it from me, sir.

Moderator: Thank you. The next question is from the line of Sudharsan from Prosperity Wealth Management. Please go ahead.

Sudarshan: Will you be able to give us segmental margins given that we are going to be close to 50% from derivative segments and Q1 and Q2 will have further derivative commissions?

Milind Kotecha: We actually don't share the product-wise or the segment-wise margin. So, a company put together, whenever we select any product, the margins for any product will be in the range of 25%. And, again, but when we commission the product, initially, it's not in that range. It is at lower because once the plant is optimum, then you can enjoy that kind of margin.

So, initially, it will be at low. But, overall, if things run on optimum basis, then 25% is something EBITDA margin can be generated. And ROCE will be in the range of 24, 25. So, our focus is towards the ROCE. But it's difficult to give a number segment-wise.

Sudarshan: Okay. Thank you for that. And coming to your Chlorotoluene and based value chain, so can you give a rough estimate of what kind of products and the volume and value of the domestic business and will those be import substitutes?

Milind Kotecha: So, it's an import substitute product. So, the Chlorotoluene that the product that we are entering are all import substitute products. And, again, we'll be the first in India. And the market for that is, again, going in a double-digit percentage. And it's not like just one particular product to give you an exact volume-wise number.

It's a multiple product. It's currently in the first phase. We are coming up with a product in the range of around 10 to 15 products. So, that's what I can say, it's growing in the range of double-digit percentage. And it's all import substitute as of now. And we are the first in India to start these products.

Sudarshan: Okay. So, all the three phases would be a multi-purpose plant, right?

Milind Kotecha: Yes. So, as Maulik sir earlier said, it's into three blocks. So, one of the blocks is a multi-purpose plant.

Sudarshan: So, other two would be dedicated for a single product?

Milind Kotecha: So, basically, see, we as a company always believe in being an integrated plant. So, we will start from the basics, like from the Chlorotoluene, and then all the way going up to the multi-purpose plant. So, it's that way. It is separated in three blocks. So, it's an integrated plant. It's not just like N1 minus 1 kind of thing.

Sudarshan: So, what is the capex incurred till now for this particular Chlorotoluene capacity?

Milind Kotecha: Yes, the capex, I mean, what will be somewhere in the range of 220, 250 kind of thing.

Sudarshan: Okay, sir. And so, this incremental margin, this 4% during this quarter, is it from caustic segment or?

Milind Kotecha: Incremental 4% margin is a combination of many things. It's not just only caustic, because as we have been improved on the CPVC side also, capacity utilization, caustic has also gone up. So, it's a combination of all products, which has led to the improvement in the margins. It's not just one particular product.

Sudarshan: Okay. And can you give us electricity cost as a percentage of your caustic?

Sanjay Jain: It is, in a caustic, the power cost is around 50%, 55% in total.

Sudarshan: 55% would be the electricity cost?

Sanjay Jain: Yes, electricity cost.

Sudarshan: Okay, perfect. Thank you. That's it from my end.

Moderator: Thank you. The next question is from the line of Dipesh Sancheti from Manya Finance. Please go ahead.

Dipesh Sancheti: I just wanted to know what is going ahead, what is the revenue mix the company would like to have in terms of derivatives and specialties to Chlor-Alkali? Will it be 50-50 or will you want to go for 70-30? Going in FY '25, I want to know for FY '25 and FY '27?

Maulik Patel: So, definitely our focus on the last four years, we are keep investing only into the… not last couple of years, we have started focusing on the derivatives and specialty. We are keep investing there. And going forward also, our capex will be in the derivatives and specialty only. So, as our target is reached to 50%, which was there. Now, we have achieved in quarter four. And going forward, I think we are going to achieve probably. Now, next target we have kept it is 70-30. So, 70% will be derivatives and specialty and 30% will be in the Chlor-Alkali business. Going forward, that's the target we wanted to achieve going forward as we are investing continuously on the derivatives and specialty segment.

Dipesh Sancheti: So, I can assume that by FY '27 when all your expansions will come to commissioning, that time we will be able to achieve 70-30 or will it be before?

Maulik Patel: No, that time I think we are able to achieve 70-30.

Management: Yes that we will be able to.

Dipesh Sancheti: So, FY '25, how much should an investor expect?

Milind Kotecha: So, FY '24, we have made the derivatives contributed 45% of revenue. So, maybe FY '25, it can be in the range of 55 on lower side and upper side it can be 60.

Dipesh Sancheti: Great, great. Okay. And the second question is, wanted to know your debt quarter-on-quarter wise and year-on-year wise. Because the interest cost in this quarter is significantly low. So, wanted to know what is the reason, main reason for this?

Sanjay Jain: Okay. With regard to our debt numbers, the total debt of the company is INR960 crores as of 31st March '24, which was INR863 crores in 31st March '23. And the interest cost which is low in quarter four compared to quarter four last year, this is mainly on account of the positive impact of mark-to-market provision. And second is on account of the repayment of the debt.

Dipesh Sancheti: Sorry, I didn't get the second part?

Sanjay Jain: Second is on account of the repayment of the debt.

Dipesh Sancheti: Repayment of the debt. So, what was the net debt quarter-on-quarter wise and year-on-year wise? Because the net debt you mentioned right now was INR960 crores. So, quarter-on-quarter, how much was it?

Sanjay Jain: So, if you compare to the year-on-year, this is the incremental of the net debt INR98 crores mainly on account of the capex loan that we have taken for the expansion project. Otherwise, the repayment is there around INR240 crores and that is for the whole year. So, that is the main reason our interest cost has drastically gone down in quarter four. And working capital also, since we have increased our operations drastically, so our working capital requirement also has gone up compared to last year and this year in the range of around INR70 to INR100 crores.

Dipesh Sancheti: Working capital has gone down?

Milind Kotecha: It has gone up in terms of absolute amount. Because in terms of the products that we have entered and the size of the revenue has gone up.

Dipesh Sancheti: And what is the cost of debt?

Sanjay Jain: Cost of debt as of this moment of time is around INR8.25, INR8.40 crores sort of things.

Dipesh Sancheti: Okay. And what is the expansion mantra? Is it mainly import substitution or forward and backward integration?

Milind Kotecha: So, it is a combination of both the things whenever we decide to enter into products. The first thing is we want to be into products which are first time in India where the market is growing. And second thing where we can make our integrated complex much more stronger. So, basically what we are producing we can use as a raw material for the products. So, these are the criteria when we select for any product to enter.

Dipesh Sancheti: Just one last question, what is the -- how much revenue did we get from Meghmani Organics? Because it is our parent company. So, how much was the revenue which we got from Meghmani Organics?

Milind Kotecha: So, just to let you know, we were subsidiary of Meghmani Organics. That was before May 2021. We got demerged from that company. Now it is a totally two independent company. And when we say Epigral the numbers that you are seeing it is of independent entity and there is no cross holding. So, it is a totally independent company in that manner. And the revenue that is there is solely of the Epigral Limited.

Dipesh Sancheti: So, I mean how much did we supply to Meghmani Organics? That is what I want to know.

Milind Kotecha: That way, okay. So, again as the caustic soda and the chlorine is something which goes into almost all the industries. So, to that extent it has gone. I don't have that number readily in my hand but it would be in the range of 10% to 11%.

Dipesh Sancheti: 10% to 11% of caustic soda and the -- of the Chlor-Alkali. Not of the total revenues.

Milind Kotecha: I mean when I say 10% to 11% that will be of the total revenue.

Dipesh Sancheti: Total revenues, okay. And about the realizations, the realizations on all the products have gone down year-on-year and quarter-on-quarter. And what has given the main boost to our margins in this quarter? Was it the interest cost or was it something else?

Milind Kotecha: So, again at the margins level the raw material prices also bit cooled off which were not as cooled off in Q1 and Q2. So, it has been cooled off compared to the first half of FY '24. In H2 of FY '24. And that's where you can see a bit better realized, I mean a bit better margins in the Q4 FY '24.

Dipesh Sancheti: Any particular raw material which has cooled off to a great extent?

Milind Kotecha: No, it's a combination for the various raw materials. It's not specific to any specific product.

Dipesh Sancheti: Okay, main raw material if you can just, I mean how much percentage wise it has gone down quarter-on-quarter? If you can just...

Milind Kotecha: See, again for every product like for chloral, caustic soda, then coal and salt is the raw material. For Epichlorohydrin glycerin and for CPVC it's PVC. So, again it's difficult to put. But see, being further integrated and as we increase our capacity utilization for the new products that we have commissioned. Because when we commissioned the products in FY '23, in FY '24 initially products were not running at optimum.

So, now it has been inched up. So, once we reach kind of optimum for the product that we have commissioned, the EBITDA is going to go up. That is one thing. Second thing, in terms of also the raw material prices, it helps a bit. And also in few cases like caustic soda and in case of hydrogen peroxide, the realization has been inched up marginally in Q4.

Dipesh Sancheti: Thank you so much and very happy with your results. Thank you again. And just one suggestion. Like generally you give a guidance in the investor presentation and in the next three years we look at this much crores of revenues. This time it was missing, I mean in a couple of quarters. If you can mention it in the con call it will be great. Otherwise in the next presentation we will be looking forward to that.

Milind Kotecha: So, see, considering the capex that we have done in the projects that are expected to get commissioned. We can give a kind of a guidance in terms of the volume which would be in the growth of around 15% in terms of volume growth in FY25. It should be around that.

Dipesh Sancheti: Okay, 15% volume growth.

Milind Kotecha: Yes.

Dipesh Sancheti: Great. Thank you so much.

Moderator: Thank you. The next question is from the line of Tarang from Old Bridge. Please go ahead.

Tarang: Hi, good evening. Congrats for a strong set of numbers. Just a couple of questions. One on capex side given that the CPVC plant has already been commissioned and you all are commissioning the chlorotoluene plant in Q1. Where are you planning to deploy the INR300 crores?

Milind Kotecha: So, INR300 crores. See, basically we are going to do a continuous capex. So, the new projects that we will be entering into we might be announcing in a couple of months that we will be entering into. So, the capex would be towards that.

Tarang: Okay. And what's the maintenance capex for the entire infrastructure?

Sanjay Jain: Maintenance capex is around about 1% to 1.5% of the total asset block.

Tarang: So, I mean, how much is the gross block as on 31st March 24th?

Sanjay Jain: It's about INR2,400 crores.

Tarang: So, roughly about INR40 crores. Would that be the right way to look at it?

Maulik Patel: Yes, that's right.

Tarang: Okay. And you did guide for a 15% volume growth rate for FY25?

Milind Kotecha: Yes, that's what we are targeting for.

Moderator: Thank you. The next question is from the line of Nitesh Dhoot from Dolat Capital. Please go ahead.

Nitesh Dhoot: Hi, team. Thank you for the opportunity. So, my first question is on the chlorotoluene capex. So, you mentioned the outlay of INR250 crores. What is the likely asset on there at the current prices and what would be the margin expectation there?

Milind Kotecha: Yes. So, the capex that we will be doing, and out of that we are expecting the top line in the range of around INR350 crores. So, once we reach kind of optimum level so the expected top line from that will be around INR350 crores. So, then the asset turnover will be somewhere in the range of 1.3, 1.4 kind of thing.

Nitesh Dhoot: And the margin expectation there at a gross margin level maybe?

Milind Kotecha: See, again, as I said, we don't share product to product wise margin, but again, that will be in the range of overall company's margin of 25%. But again, initially, yes.

Nitesh Dhoot: Okay. All right. And secondly, on the total investment in CPVC till date for the 75,000 tons capacity, can you share that?

Milind Kotecha: Sorry.

Nitesh Dhoot: Total investment on CPVC till date that's about 75,000 tons?

Milind Kotecha: So, 75,000 tons all put together would be somewhere in the range of around INR430 crores.

Nitesh Dhoot: All right. And lastly, on Epichlorohydrin also, I mean, what was the total investment there?

Milind Kotecha: Epichlorohydrin in the capex was around INR275 crores.

Nitesh Dhoot: All right. This is helpful. Thank you so much.

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

Rohit Nagraj: Yes. Thanks for the opportunity and congrats on good set of numbers. My first question is on the chlorine consumption. So, based on the project that we are having what is the current level of chlorine consumption captively and what has been the realizations on the same during the last quarter and generally during the entire FY24?

Sanjay Jain: Chlorine consumption as of now, is in the range of 65% of our total production. And, yes, with regard to the realization of chlorine, it is somewhere in the positive in quarter 4, but for the year as a whole in the range of 1,000 to 1,500 sort of thing negative.

Rohit Nagraj: And just a light question. After all the projects are completed, what would be the captive consumption of chlorine then?

Maulik Patel: See, once all the projects will be reached at optimum level, the CPVC and the Chlorotoluenes and the ECH, then our chlorine consumption will be, I think, almost reached to around 80% to 85% captive plus pipeline customers so 85%. So, 15%, it is still available for the market.

Rohit Nagraj: Sure. Sure. That's helpful. And second question is on the ECU. So, if you can just give us an idea about how the ECU has spread in current quarter, the previous quarter, and for the full year?

Milind Kotecha: So, ECU for the Q4 is around 29,000.

Rohit Nagraj: Yes and Q3 and during FY24 for the full year?

Milind Kotecha: So, FY24 put together is around 28,500 kind of an ECU full year.

Rohit Nagraj: Right. Fair enough. That's all from my side and best of luck.

Maulik Patel: Thank you.

Moderator: Thank you. The next question is from the line of Pinaki Banerjee from AUM Capital Private Limited. Please go ahead.

Pinaki Banerjee: Good evening sir and thanks for the opportunity. So, my first question is that in FY24 year-on-year, there's been a 12% fall in revenues, but in balance sheet we are finding that the trade receivables have gone up by about 7.5%. So, sir, can you please explain what is the reason for this?

Sanjay Jain: So, revenue, Yes, the revenue which is down in year-on-year basis in the range of 7% to 8%, but the receivable is on the upper side because the product which we are dealing as of now, particularly CPVC and chlorotoluene the credit period is somewhat higher side compared to the two or three business.

Pinaki Banerjee: And secondly, sir, actually, there's been a decrease in your power and fuel expenses considering the fact that you are having the advantages of captive plant. So, sir, actually, can you actually quantify how much are you able to use it for captive consumption and how much you have to source it from outside?

Milind Kotecha: So, currently, the captive power plant that we have, that whatever it is coming, we are consuming in-house. And also, we have recent, I mean, last year, we entered into the Wind-Solar Hybrid Power Plant. So, we are using that also as a power in terms of our total requirement.

Pinaki Banerjee: So, 100% is being made through your captive plant, right?

Milind Kotecha: Yes, 100% from captive plant.

Pinaki Banerjee: And, sir, can you give us the volume breakup of your Chlor-Alkali and their derivative segments? Is it possible?

Milind Kotecha: Sorry.

Pinaki Banerjee: Sir, can you give us the volume breakup of your Chlor-Alkali and your derivative business?

Milind Kotecha: It will be difficult to give the product-wise breakup.

Pinaki Banerjee: Okay. So, sir, ideally, going forward, what will be the ratio of 50-50 and slowly it will be increasing to 60-40 like this?

Maulik Patel: Yes, eventually it will increase to 70-30 going forward.

Pinaki Banerjee: So, in how much time period 2 years?

Maulik Patel: In next 2.5 years yes.

Pinaki Banerjee: Okay, sir. And last question, sir, the current Middle East tension, is it going to have any spillover effect on the business?

Maulik Patel: So India is a net importer of all the chemicals. So, definitely, anything tension outside of India will definitely support the domestic manufacturing.

Pinaki Banerjee: Okay. Got it. That's all from my end. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Balkrushna Vaghasia from Axanoun Investment Management. Please go ahead.

Balkrushna Vaghasia: Good evening, sir. Thank you for the opportunity. So, my question is related to ECH. So, recently, DCM Shriram and Grasim, they have come up with the backward integration and manufacturing ECH.

So, regarding on a global level from the India perspective, like out of total capacity of epoxy raising, how much capacity would have the backward integration of ECH in terms of percentage?

Maulik Patel: So, as of now, in India, we are the only one in terms of manufacturing Epichlorohydrin and the rest of the ECH demand is met through imports only.

Balkrushna Vaghasia: Okay. I mean, after 1 year or something, can you like, do you have any rough figure or something like that?

Maulik Patel: Yes, I think epoxy, one of the epoxy manufacturers is Grasim, and they've almost doubled their epoxy capacity recently, and they've also announced the ECH plant as a backward integration, and their plant will be commissioned probably by next year.

That's what they've announced. So, I don't know what is the status of the project right now, but still after commissioning of that plant they are going to be net buyer of Epichlorohydrin, looking at their capacity expansion in this financial year.

Balkrushna Vaghasia: Okay. And another question is, now Adani Enterprise has awarded EPC contract for building the kind of 2,200 tons per day of kind of Chlor-Alkali plant. So, is it going to have like a positive impact considering the India is importing the PVC to a big extent, or it will have a negative impact on our company?

Maulik Patel: No, no, definitely it is a positive impact, because the PVC, we are net importer, and it will be support to the domestic PVC consumption, and I think it is going to be help to the PVC industry, who are the consuming PVC as a raw material. And in terms of caustic, there will be pressure a little bit, but we believe that going forward, our alumina capacity in India is growing, and the way the industry is picking up, so the growth will pick up, and the demand will match probably in a couple of years. So, the pressure will be there on the caustic side, but not for a long term, for a short term. And I think this capacity which is announced by Adani, I think that is also going to come in a phased manner.

Balkrushna Vaghasia: Right. They are planning for commissioning in 15 months. And last question is like electricity, like it is a big part of our cost. So, I think earlier a participant asked in this regard, but I did not get the clarity. So, out of the total electricity that we consume, what percentage we produce in-house plus with the GV, and what percentage we are buying from the grid?

Maulik Patel: So, it is 8% to 10% we are buying from the grid, and that is also cost is offset by the solar and wind, which we have done the hybrid project.

Balkrushna Vaghasia: Okay. That's it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Parth Mehta from Vallum Capital. Please go ahead.

Parth Mehta: Yes. Hi. First of all, congratulations on the good set of numbers. I just have two bookkeeping questions, if you can help me. With the utilization of caustic our Chlor-Alkali plant?

Sanjay Jain: Presently, for the quarter is about 80%-85%.

Parth Mehta: Okay. And full year that would be?

Sanjay Jain: Full year for the, it is around the range of 77% kind of things.

Parth Mehta: And if you could just help me with the current market prices for chloromethane, hydrogen peroxide and Epichlorohydrin?

Milind Kotecha: So, chloromethane prices would be somewhere in the range of around 28,000 to 30,000, 28,000-30,000. And hydrogen peroxide would be in the range of 25,000 to 27,000.

Parth Mehta: 25,000 to?

Milind Kotecha: 27,000.

Parth Mehta: 27,000 and Epichlorohydrin?

Milind Kotecha: It will be in the range of around 1 lakh per ton.

Parth Mehta: Okay. Thank you. Thank you so much.

Moderator: Thank you. The next question is from the line of Ketan R. Chheda who's a Retail Investor. Please go ahead.

Ketan Chheda: Hi. Thank you for the opportunity.

Moderator: The line for the current participant has dropped from the queue. We'll move on to the next question. The next question is from the line of Sudarshan from Prosperity Wealth Management. Please go ahead.

Sudarshan: Hi, sir. Can you comment on the company's current unutilized land that was decommissioning of CPVC compound and chloroquine?

Maulik Patel: So from the existing complex, we have still another 25% to 30% land is available for the future expansion in the existing complex, which we have purchased in 2007-2008. And above, additionally last year, we have purchased additional land of almost 75 acres, which is almost close to 400,000 square meter land. We have purchased one kilometer from the existing complex for all of our future expansion for next five years.

Sudarshan: Okay. So, this 25% to 30%, can you give me an actual number on it?

Maulik Patel: That actual number actually is not in our hand right now.

Sudarshan: Absolutely. Thank you.

Moderator: The next follow-up question is from the line of Priyank Chheda from Vallum Capital. Please go ahead.

Priyank Chheda: Sir, just a question on, I mean, good to see the dividend payout. And since we are entering onto a very lean capex now, going ahead, and majority of the derivative capex is behind us, how should we look forward for the debt reduction plans? We are at INR900 plus crores. What should be the debt reduction strategy going ahead?

Milind Kotecha: Yes. So, what you said is right, considering the cash flows that we'll be generating in FY'25-'26. The part of the amount will be going in the capex that we'll do, and the surplus fund that will be left will be used to reduce the debt of the company.

Priyank Chheda: Okay. And Milind, if you can help me on what would be the outstanding borrowing from the holding company that we had borrowed as on March 24 versus March 23?

Sanjay Jain: The borrowing of the group company is almost within the tolerance limit only, but right now the figure is not there as of now.

Milind Kotecha: So, the preferential debt was INR150 crores as on last year, which has come down to INR95 crores.

Priyank Chheda: So, currently it has come down to INR95 crores?

Milind Kotecha: Yes.

Priyank Chheda: And would this be the priority to first repay that as a good corporate governance practice?

Milind Kotecha Yes, it will be the priority to reduce that first.

Sanjay Jain: And not just that, the kind of debt that we have, it looks like that it has peaked out in this current year, maybe in the next six months. Thereafter, with the cash flows coming in, it will only be coming down. And we will go back to the earlier debt limit levels of whatever we had said, which is still under two. We will go back to even much lower than that as we go.

Priyank Chheda: Got it. So, whatever the total cash flows that we would be generating, majority after the INR300 crores of capex, everything would be paid as a debt and the holding company borrowing would be the first priority to be repaid, right?

Milind Kotecha: That's right.

Priyank Chheda: And just on the last question, what's the capex amount which is pending for Chlorotoluene?

Milind Kotecha: Chlorotoluene, I don't have the exact number right now, but it would not be a big number.

Priyank Chheda: So, the INR300 crores kind of capex out minus whatever the maintenance capex of INR30 crores-INR40 crores we would have, the block of INR250 crores completely would be going towards a new project which we would announce in the coming two months, right?

Milind Kotecha: Yes, that's right. See, Yes, it will be around that range.

Sanjay Jain: There will be always a balance of growth capex and debt reduction. That has to be balanced in order to ensure that we go to our projected levels of profitability also in the years to come and not to lose the opportunities. So, it's not just directed towards only debt reduction or only towards capex. We'll balance that properly.

Priyank Chheda: Perfect. All right. Thanks a lot.

Moderator: Ladies and gentlemen, we will take that as our last question for today. I would now like to hand the conference over to the management for closing comments.

Kaushal Soparkar: Good evening, everyone. I would like to convey that the long-term story of India remains intact and the current situation is short-term. Hence, looking at the Indian consumption story, we are positive about long-term outlook and we are working towards that. Though our future expansions and diversification in terms of multi-product entering various industries, we are targeting consistent growth. I would like to thank you all for joining us here today. Please feel free to reach our IR if there are still any unanswered questions. Thank you, everyone, for your participation.

Moderator: Thank you. On behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us. You may now disconnect your lines.