Bodal Chemicals Ltd.
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To,
The General Manager,
BSE Ltd.
1st Floor, New Trading Ring,
Rotunda Building, P.J. Tower,
Dalal Street, Fort
Mumbai- 400 001
BSE Code: 524370

To,
The General Manager,
National Stock Exchange of India Ltd.
Exchange Plaza,
Plot no. C/1, G Block,
Bandra-Kurla Complex
Bandra (E), Mumbai - 400 051.
NSE CODE: BODALCHEM

Dear Sir /Madam,

SUB: TRANSCRIPT OF "BODAL CHEMICALS LIMITED Q3 9M FY25 EARNINGS CALL"

We herewith enclosed Transcript of Q3 9M FY25 Earnings Call" with Investors and Analysts which was held on 13th February 2025 at 4:30 PM IST.

Kindly take the same in your records.

Thanking you,

Yours faithfully,
For, BODAL CHEMICALS LTD
Ashutosh Bharatkumar Bhatt
Digitally signed by Ashutosh Bharatkumar Bhatt
Date: 2025.02.17 12:03:01 +05'30'
Ashutosh B Bhatt
Company Secretary &
Compliance Officer

Encl: a/a

"Bodal Chemicals Limited Q3 FY25 Earnings Conference Call"

February 13, 2025

Disclaimer: This document is subject to errors and may or may not contain words which have been included / omitted due to human error while transcribing the conference call. Any and all information should be verified with the company by the reader.

MANAGEMENT: **MR. ANKIT PATEL - EXECUTIVE DIRECTOR, BODAL CHEMICALS LIMITED**
MR. MAYUR PADHYA - CFO, BODAL CHEMICALS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Bodal Chemicals Limited Q3 FY25 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during this call, please signal for an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference call is being recorded.

I would now like to hand the conference over to Mr. Ankit Patel – Executive Director, Bodal Chemicals Limited. Thank you and over to you, sir.

Ankit Patel: Thank you very much. Good evening, everybody. On behalf of Bodal Chemicals Limited, I extend a very warm welcome to everyone for joining us on the call today. On this call, we are joined by our CFO – Mr. Mayur Padhya. I hope everyone had an opportunity to go through the Financial Results and Investor Presentation which has been uploaded on the Stock Exchanges and our Company's website.

We will give you a quick overview of the Company's performance and then Mr. Mayur Padhya will walk you through the operational and financial performance for the quarter.

We are India's largest integrated manufacturer of dyestuff, dye intermediates, and hold a meaningful market share in the world. We also have basic chemicals, caustic soda, and recently new product group has added benzene downstream products. In today's environment where Indian suppliers are emerging as preferred partners globally, we have been able to hold our leadership position.

Coming straight to operational performance:

During the Q3 FY25, Company achieved total revenue of Rs. 445 crores, growth by 30% year-on-year basis. This growth is led by improvement in volumes of all products, but majorly by dye intermediates. The absolute EBITDA stood at Rs. 46 crores, a 63% growth on year-on-year basis. During nine months FY25, total revenue stood at Rs. 1,304 crores, growth of 28% on year-on-year basis. This growth mainly led by volume and better realization in our dye intermediates.

Interest depreciation and other overheads has increased at the Company level on capitalization of Saykha's Benzene downstream project. On the other hand, there was not enough contribution by this project at the topline level. Hence, the increased overhead offset partially profitability of other divisions. During the quarter, our standalone profit after tax stood at Rs. 7.3 crores and consolidated profit after tax stood at Rs. 5.4 crores. For the nine-month FY25, our standalone profit after tax stood at Rs. 9 crores and consolidated stood at Rs. 4 crores.

Coming to dye intermediates:

During the quarter, dye intermediate division has performed better in volume and value. For 9 months, FY25, total revenue from dye intermediates stood at Rs. 507 crores. Revenue from dye intermediates grew by 53% year-on-year basis during this 9 month period. In Q3 FY25, revenue from dye intermediates stood at Rs. 179 crores, a growth of 4% on quarter-on-quarter basis. In Q3 FY25, average per kg realization of H-Acid and Vinyl Sulphone were near 490 and 242 per kg.

Being an integrated dyestuff manufacturer, we produce major dye intermediates products and about 40% of these intermediates capacity is captively consumed, resulting in a cost advantage for our dyestuff products. The balance capacity of dye intermediates is served in both domestic as well as global markets. Considering near to peak utilization and stable prices, we are hopeful this division will continue to perform better in coming days.

Coming to our Dyestuffs:

The Company has found some opportunities in manufacturing salt-free dyes generally used in the textiles. Salt free dyes have good business and returns in future. So the board of directors has decided to set up and run a project for the manufacturing of salt free dyes at our Unit 4 of the Company located at Ahmedabad. The said plant has enough facilities and machinery which can be used to start the production of salt free dyes. Earlier, the board has decided to stop the operations at this unit and dismantle the facility, but now it will be restarted.

Further, end application industries like textiles, leather, paper, other dyestuff consuming industries have not recovered yet as expected. Revenue from dyestuffs stood at Rs. 373 crores, 6% year-on-year basis during the nine months. In Q3 '25, the revenue from dyestuffs stood at Rs. 114 crores, a degrowth by 8% on quarter-on-quarter basis. We are expecting marginal improvement in operation of the division in coming days.

Coming to basic chemicals:

About 40% of our basic chemicals is captively used by dye intermediates. The revenue for nine months was Rs. 73 crores and has reported a growth of 18%. In Q3 '25, the revenue from basic chemicals stood at Rs. 29 crores, a growth of 24% on quarter-on-quarter basis.

Coming to Chlor-Alkali:

During the nine-month period, Chlor-Alkali businesses has reported a revenue of Rs. 243 crores, a growth of 21% year-on-year basis, led by the volume growth of 16% year-on-year basis. In Q3 '25, revenue from Chlor-Alkali business stood at Rs. 88 crores, a growth of 15% on quarter-on-quarter basis. The improved prices are stable and looking over a steady performance from this division considering steady demand in the end-use industry.

Coming to the benzene derivatives,:

Our Saykha Greenfield project, the benzene downstream products has achieved required quality norms, but due to nominal scale of production, this unit has not contributed much to the revenue in the quarter three. We are now required to achieve obtain certain certifications to enable us to cater to the pharma industry, which is a major target industry for us. We expect this unit will start contributing to top and bottom-line to some extent in Q4 FY25 and major increase in volume will happen thereafter.

Sener Boya, our subsidiary Company in Turkey is experiencing hyperinflation during the Q3 '25 due to the AS 29 there, is Rs. 1.65 crore loss and the same is already a part of the declared result. Chinese and Indonesian subsidiaries have performed satisfactory. We have been moving up the value chain and working relentlessly towards diversifying the business from our core dyestuff and dye intermediates business to other specialty chemical products like benzene derivatives. Long term story of India remains intact and the chemical industry is poised to grow from here on.

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

Mayur Padhya: Good evening everyone. The overall performance of the Company has been satisfactory for the quarter gone by.

Our standalone performance for Q3 FY25 is as below. Total revenue for Q3 FY25 stood at Rs. 436 crore. EBITDA stood at Rs. 48 crore in Q3 FY25 with a margin of 10.9%. Net profit for the quarter stood at Rs. 7 crore.

Our standalone performance for 9 month FY25 is as follows. Total revenue for 9 month FY25 stood at Rs. 1,285 crore. EBITDA stood at Rs. 125 crore in 9 month FY25. Net profit for the Company stood at Rs. 9 crore. Our consolidated performance for Q3 FY25 is as follows. Total revenue stood at Rs. 446 crore for Q3 FY25. EBITDA stood at Rs. 46 crore for Q3 FY25 with a margin of Rs. 10.4 crore.

Net profit for the quarter stood at Rs. 5 crore for Q3 FY25. Our consolidated performance for 9-month FY25 is as follows. Total revenue stood at Rs. 1,304 crore for 9-month FY25 against Rs. 1,020 crore for 9-month FY24, a growth of 28%. EBITDA stood at Rs. 121 crore in 9-month FY25, a growth of 36%. Net profit for the nine-month FY25 stood at Rs. 4 crores against net profit of Rs. 4.43 crores in 9-month FY24.

Division-wise performance on consolidated basis for nine-month FY25 is as follows:

Dyestuff revenue stood at Rs. 373 crores. Dye intermediate revenue stood at Rs. 507 crores. Basic chemicals at Rs. 73 crore and Chlor-Alkali at Rs. 243 crore. Total production volume on standalone basis for 9 month FY25 are as follows; dyestuff reported 12,174 metric ton, dye intermediate reported 23,194 metric ton, basic chemicals stood at 1,68,269 metric ton, Chlor-Alkali stood at 68,224 metric tons.

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

Moderator: Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press '*' and '1' on the touchtone telephone. If you wish to remove yourself from question queue, you may press '*' and '2'. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we'll wait for a moment while the question queue assembles. First question is from the line of Dipesh Sancheti from Mania Finance. Please go ahead.

Dipesh Sancheti: Sir, I just wanted to know what is your outlook for growth in the coming 2 quarters and for the next year? Also, would you see that the entire chemical industry is now again coming up? How do you see the prices going forward? Have we left whatever was there, have we left it behind? And the prices which were there, the pricing increases, the high cost inventory, we have left it behind. What is your outlook, sir?

Ankit Patel: To talk about the current phase, how chemical industry and especially for Bodal chemicals, where we are placed. I think chemical industry overall has definitely recovered. The volumes are definitely better. The overall demand has been better in the last few months. That is reflecting in our results in the last couple of quarters. We have reached the annual run rate of Rs. 1700 crore topline. Also, there are no concerns about any high value inventories in our systems. So I would say that we have reached. We are going at a decent about 13% to 14% EBITDA levels at the moment. We are working for Bodal, we are working on our greenfield project of benzene downstream products where due to not achieving high manufacturing volumes and sales, we are still investing in terms of that business where the return is not the maximum as of now. But we are almost at the verge of getting the needed approvals and the quality standards for our finished goods that now we soon will be increasing the utilization of the plant very soon. After that, at the optimum level of 80% to 90% utilization of that plant, which should happen in the next couple of quarters, our run rate in that business will add around Rs. 300 crores of annual business for us. So in a normal scenario, within 3 to 4 months, we should be on track to do an annual turnover of Rs. 2,000 crores plus. So that looks very much possible as of now. And overall, to comment about chemical industry, I think last 8, around 8 quarters, where there were a lot of challenges in terms of volume, in terms of margin, but that almost everything feels like it's all normalized and quite stable at the moment. So going ahead, we feel confident about doing anywhere between 12% to 15% of EBITDA levels in coming few quarters. And long term plan, right now we are consolidating our recent capital expenditure. We are waiting to be, to successfully complete the benzene project and commercialize it completely within couple of quarters and post that, we will look at any new possibility of growth. But immediately we do not have any plans to do any CAPEX. So I would say in the next 4 to 6 quarters, we are not going to do any major CAPEX. So it should place us at the run rate of around Rs. 2000 crores plus topline and we should be able to do Rs. 250 crores plus EBITDA. So that is our immediate target and we should be on track to do that within few months.

Dipesh Sancheti: And what are the debt situations right now? What is the debt on the Company, the long-term as well as the working capital?

Mayur Padhya: Present long-term debt is Rs. 540 crore and working capital is around Rs. 300 crore.

Dipesh Sancheti: And how does the Company plan to service this debt and reduce it? I mean, is there any particular strategy which we are adopting?

Mayur Padhya: Yeah, see, presently, our quarterly installment is about Rs. 22 crore, which will increase in next year to Rs. 30 crore. So as per schedule, we will pay about Rs. 120 crore debt. And further, we are liquidating some dead asset at our Vatva location. So whatever realization will be there that will be used in repayment of debt only. So we are targeting by March 26 we should be able to pay off another about Rs. 60 crore of debt. So from today to March 26, about Rs. 200 crore of debt reduction we are targeting.

Dipesh Sancheti: How much are we expecting from these liquidation of assets? And are we even looking at raising capital from the market as in, via preferential shares or QIP?

Mayur Padhya: See, as Mr. Ankit Patel has mentioned, we are not presently liquidating Unit - 4 and for remining units, we are expecting about Rs. 60 to Rs. 70 crore of realization that will be used for this repayment. And what was your another question?

Ankit Patel: No, we are not presently considering any raising of equity. So this is our plan.

Dipesh Sancheti: And what is the capacity utilization currently? How much is the capacity utilization of the existing plants? And also, with the commercialization of benzene project, because if you can give a timeline as well as how much will it add to our turnover because Rs. 2000 crores is something which you have guided. It is something which we had already achieved in FY22. Now, going ahead, when we are looking at Rs. 2000 crores, how much of the benzene project also will add from this and how much EBITDA increase we look from this benzene project?

Ankit Patel: Capacity utilization is almost at the peak level in dye intermediate almost 90% utilization is there. For dyestuff, it is almost at 56%. So over there additional utilization is still possible, but that's gradually we are expecting it to increase. For basic chemical, we are once again at the optimum level for PC and sulfuric, it's almost 100% utilization. And caustic also, we have crossed almost 90% plus utilization. So for the present businesses, only dyestuff has underutilization. And as far as benzene downstream product is concerned, present utilization, or rather last quarter's utilization was hardly 13%, 14%, which we are planning to gradually increase during current quarter and from next quarter, it will have a significant jump. And once we reach the optimum utilization of benzene downstream product, we are expecting about 12% to 14% of EBITDA from that business that will contribute almost Rs. 300 crore of topline.

Dipesh Sancheti: 300 annual topline right?

Ankit Patel: Yes.

Dipesh Sancheti: And what you said is that the dyestuff was 50% because I think dyestuff is 50% utilization, dye intermediates is almost 90% right?

Ankit Patel: Yes, dyestuff 56 and dye intermediate almost 90% correct.

Dipesh Sancheti: Almost 90%, okay sir. I will just follow up in the line if there is any other question. Thank you so much.

Moderator: Thank you. The next question is from the line of Shantanu B from SMIFS Limited, please go ahead.

Shantanu B: Hello sir, good afternoon. This is Shantanu Basu. I have a couple of questions. So the first question would be with regard to your subsidy from the Punjab Caustic Soda Plant, what is the status, sir? Have you received any amount from the state government? That is one. Then I'll ask other questions.

Ankit Patel: As far as the subsidy, we have yet not received it, but, we have crossed one important stage, that is the district level committee that has concluded and that has approved our case. So now matter has been referred to state level committee. And that is the main process which they need to complete. And we are expecting next month there should be some committee meeting which will consider our case and then it will go further. So that's the final stage, then only operational things will remain. So we are expecting from next quarter some cash flow should start coming to the Company.

Shantanu B: And will it be to the tune of 45 crores?

Ankit Patel: Yes, initially to the tune of Rs. 45 crore and annually it will be about Rs. 20 crore for a total of 7 years.

Shantanu B: Okay, fine sir. So that is one. And now sir, I would like to understand on a more granular basis, your margin trajectory. So this year on a combined basis, you did it around 10.4%, the EBITDA margin. So if you can talk us through the margin, considering the prevailing situation and now that you are saying that volumes are improving. How margins and realizations are looking? If you can add to that, that would be very helpful product wise. If you can give me the product wise margin that you sort of expect in FY26 and FY27, dyestuff, dye intermediate, basic chemicals, CA and benzene. So, is that possible, sir?

Mayur Padhya: Yes, margin as mentioned, we are from the current businesses, we are doing about 13% margin. But our benzene downstream project has not been stabilized so that overheads are contributing some losses and because of that underutilization and overhead losses, our margin has reduced to 10.5%. Going forward, it is difficult to give specifically division wise margin because we have an integrated plant. But you can consider blended margin of about 13% at the line of Rs. 1000 crore. That is what we are targeting for the Company level.

Shantanu B: And you mentioned in your opening statement, or rather Ankit bhai mentioned in his opening statement that salt-free dyes are being introduced. So there were no CAPEX for this plant, right? It's being made from an existing facility, right?

Mayur Padhya: Correct.

Shantanu B: And this Rs. 2000 crores of revenue that you expect to achieve would contain revenues from salt-free dyes as well, right? That is included in that?

Mayur Padhya: No. Presently from salt-free dyes, we have not considered turnover in this projection. That will be something additional.

Shantanu B: What would that be in FY26?

Mayur Padhya: This is a new kind of project which we are going to start. So, we are expecting within four to six months things will stabilize and after that, we will be able to comment on what turnover it can give to the Company.

Shantanu B: Then sir, like Benzene should this also pull down your margins to some extent?

Mayur Padhya: No this will add to the overall margin. So presently whatever study we are doing, seems that it has a very good margin.

Shantanu B: What is the margin like sir?

Mayur Padhya: It is difficult to comment at present, but yes, it would be better than our total level.

Ankit Patel: We are going to, it is something that we already do, something very similar and we are not going to spend any CAPEX for this as well as our existing teams are going to do it. So, it doesn't add a lot of a burden as far as a lot of big expenses or investment goes. So that is why we are not, they should not impact our bottom-line while we are in a trial stage. We are targeting that within a couple of quarters, we want to reach a certain decent level of volumes and then we can grow that business. But it won't add any losses or any burden to the overall numbers.

Shantanu B: Fine sir, those were the questions that I had. Thank you very much, sir.

Moderator: Thank you. The next question is from the line of Shaurya Punyani from Arjav Partners, please go ahead.

Shaurya Punyani: Sir, this new Greenfield facility? So, can you quantify the capacity we have added, like in metric tons?

Mayur Padhya: Greenfield facility caustic has done 2,031 metric tons during last quarter.

Shaurya Punyani: No, so what total capacity was added to our overall capacity.

Ankit Patel: Are you asking about the benzene greenfield or?

Shaurya Punyani: Yes, benzene.

Mayur Padhya: Benzene greenfield has done production of 2,031 metric tons. Its capacity is 63,000 metric tons per annum. So present utilization, as I mentioned earlier, is about 13%, rather last quarter's utilization was 13%.

Shaurya Punyani: And this should read optimum next year, you are saying, like 80%?

Mayur Padhya: Yes. So within a couple of quarters we should reach to the optimum utilization which is about 80% plus.

Shaurya Punyani: Okay sir, thank you.

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

Harshil Patel: Hi, good afternoon. Thank you for very good results in this quarter. I would just like to understand that our main cost is basically power and fuel and the materials, right? We consider 60% of our total cost, our total sales value?

Ankit Patel: Yes, correct.

Harshil Patel: So basically, are we doing anything to monetize or optimize the power cost because that would be a significant value. So, are we using any renewable energy sources or are we using any cost optimization towards this power and the raw material?

Ankit Patel: So, we are not doing it at the moment. Yes, it is attractive spending investment for the Company where if we go for some renewable options, especially in the Gujarat state where we have a lot of consumption, we are talking to a few companies with whom we can partner and set up some kind of solar power plant, etc. And but at the moment, again, these activities also need a lot of investment, a lot of CAPEX. But we are evaluating it and in the near future, we can consider investing in that area where we can save some money annually on our power expense.

Harshil Patel: Okay. So, with that, how much saving that we can bring on the table if we are moving towards renewable energy. Because of why I'm saying this, because our competitor might be moving towards this renewable energy, like in cement Company, a lot of companies are, because in cement, the major cost is towards power and fuel. And a lot of companies are taking various initiatives to reduce the power cost. So just wanted to understand how much optimization is possible in power cost if we are moving towards the renewable energy sources?

Ankit Patel: So, our power cost is not that comparable to cement companies etc. There the part of the cost of power is very high. Our major cost is raw materials, not the power, the chemical raw materials etc. that we buy. So I think there is not that big of a margin, plus we also believe in investing in the integration of the business or expanding of the business, because our expertise is to manufacture and sell chemicals. So, we are still focusing on that, but yes again some chemical competitors have been doing this. They have been setting up with some partnerships, smaller capacities like 3 megawatt, 5 megawatts and they are getting good benefits out of it. So that is why we are evaluating that but overall, they are not very big numbers. The annual spending could be around Rs. 20 crores, Rs. 30 crores and where even a 5% saving will only be a couple of crores. So, we have to really evaluate whether that investment, that is where we want to employ our capital or whether we want to grow in business plans and where we can add more capacities or maybe save some other costs.

Harshil Patel: Another question is that since our chemical, as you know, that dyes and dyes intermediates is significantly hazardous to the environment, it creates a lot of water and air pollution. So just wanted to understand, historically do we have any precedents where environmental or this Pollution Control Board has issued a notice or has forced us to close down our plant because of certain non-compliance with the environmental law?

Ankit Patel: No, we did we do not have any issues or any notices or any risk as far as our manufacturing plants go. Our Saykha latest unit is a zero discharge. So, we do not discharge anything. Our Khambhat unit is also zero discharge. Also, our Baroda unit, which has a good facility of discharging our treated effluent into the sea. So all our units are complied absolutely and we do not have any risk or any issues regarding any manufacturing activity or any plants, any closing down or any risk like that we do not have. Everything is very complied and our daily practices are very perfect in terms of the regulation etc.

Harshil Patel: Okay, and one question further is that, the 13% margin guidance that we are giving or 13% numbers that we are anticipating from our existing business, so is this considering the volatility in the prices of raw material and finished goods?

Ankit Patel: It is considering all of that. We have traditionally done even up to 20%, even 17%-18% consistently for few years also. At the same time, we have also done about 8% in our challenging years recently. So this is something we feel that in a normal scenario, we should be able to do around Rs. 2,000 crores of topline and again, like I mentioned, around 12%-13% of EBITDA. That is in a normalized scenario.

Harshil Patel: Okay, then EBITDA is including other income, that is including Punjab government subsidy or excluding Punjab government subsidy?

Ankit Patel: Including the incoming subsidies also.

Harshil Patel: Including, okay. So in that case, don't think that our margin will be significantly lower than 12%-13% because Rs. 20 crores is straight where we are getting, taking a hit in credit into P&L. We do not have a direct cost coming into P&L, so don't you think that our margin would be significantly lower than what we are saying 12%-13%?

Mayur Padhya: At the Rs. 2,000 crore turnover, when we receive Rs. 20 crore that is 1%. So if we are achieving 13%, then operational EBITDA is 12% and 1% from this subsidy. So this is something conservative what we can guide.

Harshil Patel: Okay, because when we say 12%-13% on turnover of Rs. 2,000 crores, so it becomes Rs. 240 crores. Rs. 240 crores out of that, 20 crores which is going to be 8%-10% of your total EBITDA. It would be a significant number. Hence I just thought to get this clarification from you.

Mayur Padhya: It's only 1%.

Harshil Patel: Of the total turnover, but 8%-10% of our total EBITDA.

Mayur Padhya: Yes, in that way, that is correct.

Harshil Patel: And do we have any policy to gauge our raw material because it keeps on jumping? So I don't know whether we should gather any products where we can gauge our raw material prices or finished good prices?

Ankit Patel: It is more of a spot business, sales and purchase. We do have some contracts, but majority of the sales and purchases that we do are more of a one month or two monthly cycles.

Harshil Patel: And what are the major raw material costs that comes into our P&L? So for the finished product that we are selling, what are the major raw material costs, if you can tell us?

Ankit Patel: The major raw materials are Sulfur, Aniline oil, Naphthalene, Soda ash, Caustic soda, Coal, these are some of the main raw materials.

Harshil Patel: And just the last question, how much is the replacement considering that we are having this much capacity, how much is the replacement cost of our total capacity along with the land. If you wanted to set up a plant like this with this much facility and this many integrations which we are having, so how much the cost is required to be incurred to develop this kind of plant that we have?

Ankit Patel: It is easily more than Rs. 2,000 crores in today's world and I would say around Rs. 2,500 crores including all the spare land also we have available at our three big sites and all these capacities that we have done so far.

Harshil Patel: So will be somewhere between Rs. 2,000 crores to Rs. 2,500 crores, right?

Ankit Patel: Yes.

Harshil Patel: Okay and do we have any surplus land and do we have any plan to monetize those land?

Ankit Patel: We do have surplus land in Bharuch, Saykha, GIDC. In fact, we have a lot of it and we've also been acquiring some adjoining land parcels, which we can use in future. We do not have any plans to monetize the land because that is for our absolute business purpose where we have a plan of next 10 years where we want to keep adding integrated chemical manufacturing setups. Also, we have around 50 acres of spare land in Punjab unit, Chlor-Alkali unit, where again we have no plans to monetize and we can consider expanding the plant or set up integrated Chlor-Alkali projects also. And we do have some spare land in our Baroda unit as well, but no plans to monetize any of that.

Harshil Patel: Okay. And then the last question that, what was the reason that last time when we have gone through the preferential issue and we somehow cancel those preferential issues at a later point of time? So can I get a specific answer that, because I have not attended any previous call, so I apologize for that. I just wanted to understand what was the reason for cancellation of the last preferential issue?

Mayur Padhya: See, at the time of finalizing last preferential issue, we had an understanding with the investor that they will give the full contribution within 3-4 months. So initially, we were expecting them to do a preferential share only. But then they insisted for a warrant, wherein we have said, okay, 25% you will pay upfront, and balance 75% you will pay within 3-4 months. Now after finalizing that, prices of shares has gone down to some extent and then the investors come up with saying that as per SEBI guideline, we are getting 18 months of timeline and we were not ready for that because we were ready to dilute our capital at this low level only if we get the fund within 3-4 months. So that's why it didn't work out and we had to drop that issue.

Harshil Patel: And in terms of competitors? So like we have caustic soda. So we will have a certain competition with the other players. So specifically, I just wanted to understand, if I wanted to say dye, dyestuff and dye intermediates. So who are the bigger competitors in India that are competing with us?

Ankit Patel: In dye intermediates, we are the largest player because we are into more number of products. There are companies that make similar dye intermediates but with less number of products. Kiri Industries is one of them, AksharChem is one of them, Shree Pushkar is another player. These players are there into dyes and dye intermediates or only dye intermediates. In dyestuff, the largest player is Colourtex based out of Surat. And another large player is Jay Chemicals based out of Ahmedabad. So these are some of the leaders in both the states.

Harshil Patel: In dyestuff, we don't have any listed players? I understand these are unlisted and Jay Chemicals is also unlisted.

Ankit Patel: There are no large players I would say. Kiri Industries does some volumes, but other than that I don't think there is any Company which has a very big volume and sales of only dyes. So the two I mentioned, they are the largest and they are private.

Harshil Patel: And who are the competitors in benzene products, downstream products and that stream that we are doing?

Ankit Patel: Benzene derivatives, the largest player is Aarti Industries Limited. And second largest in India is Kutch Chemicals. These two are the leading companies. And there is a third player which is comparatively smaller. The name is Imani Chemicals.

Harshil Patel: And there is a salt production that we are starting. So do we have any competitors or we are the only players to a large extent?

Ankit Patel: No, there are competitors but there are no large listed entities that are making this. Salt-free dyes basically go into manufacturing ink and that ink goes into textile printing. So it is comparatively a new segment and it is growing very fast where the traditional textile printing is shifting to digital printing. So, this is part of that raw material chain where because of our existence in the dyestuff already domestically and internationally, now we want to get into the kind of dyes that goes into digital. So that is where we have got into that. But yes, Colourtex is already active in that space. Jay Chemicals is also active in that space. So in the larger players, I would say, will be the third one who'll get.

Harshil Patel: And since our return on capital employed is consistently going down, so do you think that return on capital employed and return on equity would improve going forward? Because towards equity, we are left with a very small amount after we repay our interest and depreciation, right? Because we might be attending 12% to 13% towards EBITDA. But our finance costs and depreciation put together would be around Rs. 140 crores to Rs. 160 crores on a year-on-year basis. So around Rs. 240 crores, we reduced this Rs. 160 crores towards depreciation and finance cost, so that ends up with Rs. 80 crores towards profit before tax. And from that, we are saying

25%-26% towards taxes. So we are left with Rs. 60 crores or Rs. 50 crores of profit, which is an essential risk due to the volatility into the prices, because our prices keep on fluctuating. So do you think that we have any, what is the ideal return on capital for that?

Mayur Padhya: Last couple of years have been a little different than our normalized years or recent years. The reason being post COVID relaxations, FY23 was a little challenging where the demand suddenly dropped for a lot of the products worldwide and also due to the Russia War there was a lot of disturbance again followed by the Israel war and the overall demand scenario in chemicals and textile space. So a few quarters did not perform great. I think that is one of the reasons when the earnings and when the profits are down, ROCEs are definitely going down, return on equity are definitely going down. Another reason is that last few quarters we have invested heavily in our Saykha Greenfield project, Benzene project, where the returns in terms of top and bottom-line are not there. Hopefully, they will happen soon. And once they also peak, they also reached a peak utilization and when they start contributing to the topline and bottom-line, I think it will definitely change all our ratios in a very big way. Just the way we have seen in our latest quarter, because of the overall business scenario is better, we are now into some decent margins of 10% plus EBITDA. So going ahead with a couple of things that is not going the best for us, I think we are about to turn them around. And when that happens, I think it's going to help improve everything from top to bottom-line to all the ratios.

Harshil Patel: Okay, so without this capital expenditure towards benzene derivatives, how much is the return on capital employed from these three businesses, which is dyes, dyestuff, dye intermediaries and this caustics soda plus basic chemical?

Ankit Patel: It is a greenfield project, so there are a lot of expenses that we have to do when we start at a new site. So those expenses are not related directly to the benzene business. So we did spend a lot of money, but if it was a brownfield project in our existing complex somewhere, then it would have been much less. So we have to see it differently. We cannot independently just set up all our plants and businesses with the best return on capital percentage. So this is a kind of an investment where we have to spend extra, which goes towards the benzene project, but then it is going to help us when we set up more factories, more capacities in the same unit. So in the upcoming time, it will reduce our investments, our CAPEX towards the growth that we do at that site. So the ROCE originally was, if it's just a standalone project, there are any extra expenses, any greenfield expenses, then it is very attractive, about 15%, 18%, 20%. But again, because of there being a greenfield unit, we have to spend so much on water, electricity, civil, other infrastructure etc. So if you include that, then obviously ROC is not that great. But we cannot maintain that with every single project or every year.

Harshil Patel: And how much is the benzene derivative total project cost, greenfield project cost? And how much it was funded through debt and how much is through internal accruals?

Mayur Padhya: Total cost including the land comes to almost Rs. 600 crore, but when we remove this one time or infrastructural cost that is almost about Rs. 150 crore. So for net-net project, we have spent Rs. 450 crore kind of thing and in that also, we have spent almost Rs. 65 to Rs. 70 crore for sulfuric acid which we have put hold presently. So when we consider the CAPEX, what we did for only benching kind of thing, that comes to below Rs. 400 crore kind of thing.

Harshil Patel: Below 400. How much is through debt out of project?

Mayur Padhya: 70% is debt and 30% is from in-house.

Harshil Patel: So roughly around Rs. 260 to Rs. 280 crores is through debt. So out of this, our total debt of Rs. 800 crores, we are saying that Rs. 260 crores is towards benzene derivatives. And the remaining is for the working capital?

Mayur Padhya: Yes, for infrastructure, working capital, as well as our caustic project at Punjab.

Harshil Patel: Okay, so just wanted to touch upon this Punjab's government subsidy. So I understand that we are having certain proceedings going on to recover or the hearings or the assessments is going on. So as you mentioned in your timeline that you expect to receive major chunk in this year, then you keep on every year Rs. 20 crores year-on-year. So do you have any historical evidence that in the Punjab state government, the Punjab state government has released the subsidy for those certain projects which players like us or any other companies which did the project, they have started to receive this subsidy from Punjab government?

Ankit Patel: Yeah, I have been regularly visiting Punjab and visiting this government body that is called Punjab Invest. At the same time, we are consulting our consultant and in last visit what they guided me is almost 120 companies have already got sanctioned and their disbursement has already started. So it's a regular feature over there and nothing like suspicious or some question mark over there.

Harshil Patel: And That is just what happened that why I'm asking you this because we are incurring a finance cost on these numbers because the government stuck up with Rs. 45 crores are numbers they are not releasing it and another Rs. 45 crores it's stated to the P&L around 8% or 10% towards finance cost. So basically it deteriorates the overall equity return right?

Mayur Padhya: Correct. In fact, here it seems everything is going positive and it should materialize within a quarter or so.

Harshil Patel: And when do we intend to become debt free? Or we keep on doing certain projects here and there so we basically we will be carrying on certain load or debt every year or every 2 years. So can you give us some guidance on debt?

Mayur Padhya: We don't have any specific timeline or any intention to become total debt free. But yes, we definitely want to keep our debt EBITDA within 3. So once we are within 3 and there is a clear visibility about future projects, then only we will consider whether to invest further in new project or further to wait.

Harshil Patel: And we have a recognized goodwill in terms of consolidated financial statement. So which settlement for which this goodwill is recognized in our books?

Mayur Padhya: It is towards acquisition of our Turkish subsidiary that running business was going on that we acquired. So at that time that goodwill was there in picture.

Harshil Patel: Yes, so do you think that is it appropriate we should make an impairment, or we should tested for impairment, I understand is not doing good right because of the political issues and hyperinflationary issues. So just wanted to understand that do you think that we could look into it and if required and both I definitely understand that both must board and your auditor must have considered this thing, but I just wanted to get some idea about it. Do you think that we should make any provision if required towards this impairment of goodwill?

Mayur Padhya: So as you know, unfortunately, there has been a certain incident or certain issues after we acquired this subsidiary, the earthquake, then currency depreciation, then hyperinflation etc. were the issues. So our auditor is constantly reviewing the things. And as per their present comment, there is not required to amortize this goodwill but it's a continuous process. So every year they review the things and whenever they feel, they will consult with us and as you mentioned correctly, a board and auditor will decide whether to amortize this or to continue this on balance sheet.

Harshil Patel: I do not have any further questions and I must thank you for patiently answering my questions. Thank you.

Moderator: Thank you. The next question is from the line of Surya Saraogi from Capitalist Wealth, please go ahead.

Surya Saraogi: Yes, hello, sir. My question is regarding what is the reason behind such a good offtake in dye intermediaries? So are you seeing less dumping from China or which other geographies where you're seeing such high demand?

Ankit Patel: So the change that happened in dye intermediate business recently was this is one space post COVID relaxation and Russia-Ukraine war, I think this was one area which was affected very very heavily. Agrochemicals was another space due to the lower demand across the globe. Textiles was in a bad shape and that is the reason why intermediates was hurt and intermediates in last 8 quarters excluding the latest quarter was our volumes were much lower. There was not too much of a problem of Chinese imports etc. but the problem was the demand. And with the December's performance, we finally, there was a problem with the international pipeline where usual pipelines are usually 2 to 3 months, similarly in agrochemicals. The intermediates and dyestuff pipelines reach to about 12 months or more. So when the slowdown came because of global reasons and Russia-Ukraine war, these pipelines, there were a lot of pending orders in the entire pipeline, and it took almost 1.5-2 years to actually normalize the scenario and then the normalized demand came, I would say more than 6 months back. And that is why the volumes are better, the demands are normal. That's why our numbers, our utilization in that division is very good. So if things remain normal, demand remain normal, then we can continue this kind of performance.

Surya Saraogi: And are you seeing that in the first half of this quarter, till date, like how is the situation even in this quarter till date?

Ankit Patel: Even in the ongoing quarter, the performance is similar only compared to the Q3.

Surya Saraogi: Okay and sir regarding benzene derivatives, so how much of this will be captively consumed in our dye division?

Ankit Patel: The captive is anywhere around 10% to 15%, not too much.

Surya Saraogi: And the rest will be across industries, so your pharmaceuticals and agrochemicals and these industries, right?

Ankit Patel: Correct.

Surya Saraogi: And sir last con-call you had said that you expect approvals to come in by December, so have those approvals been delayed to this quarter or did you get them in December and as the plant is commissioned you will start dispatching?

Ankit Patel: Out of the major pharma customers, we've already got approvals from two players, we already take an order and supply to them as well. The remaining two customers we are working on that and third again customers also approved and we are in the process of working with them, getting orders from them. And the remaining fourth is the largest player and that in fact today, there's an audit going on and so that also we should be able to come through within a month. So we have started supplying to almost, I would say 70%-80% of the customers. Meanwhile, because of the international technologies, there were some teething troubles in the plants as well in the last 2-3 months. So put together, there were some pending approvals as well as some teething problems. So that is why the December targets were not met completely. We did have some sales, some production, but now I think with all the approvals, almost all the approvals as well as plant getting done with all the teething problems. I think going ahead within next 1 or 2 months, I think we should definitely be able to reach 60%-70% plus. And for the next financial year, we should have the 100% contribution, which is about 80% plus utilization and a topline of around Rs. 250 – Rs. 300 crores. So that should definitely happen in the FY26.

Surya Saraogi: And sir what is the cost of debt for the Company today?

Mayur Padhya: Cost of debt is around 9%.

Surya Saraogi: Okay, that's all from my side sir. Thank you.

Moderator: Thank you. A reminder to all participants you may press '*' and '1' to ask questions. Sir, there are no questions in the queue. Shall we close it?

Ankit Patel: Sure.

Moderator: As there are no further questions from the participants, I would now hand the conference over to the management for closing comments. Over to you, sir.

Ankit Patel: With this, we conclude the call and would like to thank everyone for joining us today on this earnings call. If you have any further queries, you can connect with us. Thank you so much.

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