Bodal Chemicals Ltd.
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By online submission

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

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

Dear Sir /ma'am,

Sub: Transcript of "Bodal Chemicals Limited Q1 FY 23 Earnings Conference Call""

We enclosed the transcript of Q1 FY23 Earnings Conference Call with Investors and Analysts which was held on August 10, 2022.

Kindly take the same in your records.

Thanking you,

Yours faithfully,
For, BODAL CHEMICALS LTD

BODAL CHEMICALS LTD.

Ashutosh B Bhatt
Company Secretary
Encl: a/a

“Bodal Chemicals Limited
Q1 FY 23 Earnings Conference Call”

August 10, 2022

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

Moderator: Ladies and gentlemen, welcome to the Q1 FY'23 Earnings Call for Bodal Chemicals Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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 the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ankit Patel, Executive Director of 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 our call today. On this call, we are joined by our CFO, Mr. Mayur Padhya; and SGA, our Investor Relations Advisors. I hope everyone had an opportunity to go through the financial results and investor presentations, which have been uploaded on the stock exchanges and our company's website.

Let me give you a quick snapshot of the recent developments of our company, and then I will hand over the call to Mr. Mayur Padhya to talk about the financial performance. Our company, Bodal Chemicals, is India's largest integrated Dyestuffs and the Dye Intermediates manufacturer. In an environment where Indian suppliers are preferred as reliable partners globally, we have been able to leverage our leadership position.

In domestic market our Dyestuff and Dye Intermediate market shares are around 13% and 20%, respectively. Globally, our Dyestuff and Dye Intermediate market share are around 3% and 6%, respectively. I'm excited to share that over the last 1 year, we have successfully implanted the Chlor Alkali products in our product portfolio. We are expanding our product basketand entering benzene chemistry products, and we are confident that we will be able to replicate a similar success in this new product as well.

Coming to the performance overview during Q1 FY'23. Total revenue for the Q1 FY'23 stood at INR 463 crore, a growth of 8% on a year-on-year basis. Consumption of end-user industries has been on edge headed by many uncertain global events, although the rising raw material price has been positively reflected in our Basic Chemicals and Chlor Alkali business, which has partly negated the adverse performance of the Dye Intermediates business. We will now touch upon each business vertical and its recent developments. Dyestuffs and application industries of Dyestuff like textile, leather, paper have shown some moderation during the last quarter. The Dyestuff business for Q1 FY'23 stood at INR 150 crore compared to INR 131 crore in Q1 FY'22, a growth of 15% on year-on-year basis.

Coming to Dye Intermediates. This segment has seen some pressure due to unprecedented volatility in key products like H-acid and vinyl sulphone prices. This quarter, revenue contribution from Dye Intermediate chemicals stood at INR 122 crore. The lukewarm demand from textile manufacturers due to the steep price hike in cotton has impacted the overall demand for dye intermediates to a certain extent.

Average prices of key products, H-acid and vinyl sulphone have been moderated in Q1 FY'23 to INR 473 per kg for H-acid and INR 290 per kg for vinyl sulphone. More than 40%, 45% of these intermediate capacity is captively consumed resulting in a significant cost advantage for our Dyestuff products. Given the healthy prospects for Dyestuff, we strategically intend to move up the value chain and increase our captive consumption of Dye Intermediates.

Moving to Basic Chemicals. Although our Basic Chemical division also reported healthy performance led by higher raw material prices, close to half of the basic chemical capacity is purely consumed for Dye Intermediates production. Our overall Basic Chemical segment contributed around 15% of our total revenue, Q1 FY'23 with a revenue contribution of INR 64 crore. Chlor Alkali business, this segment has come up well for us and has contributed meaningfully to our overall business. Since March, there has been a disparity in the price reported in India and China.

The overall cost of production and the demand supply gap has been uncertain on the back of various geopolitical events. In India, the demand for key products like caustic soda has been healthy in FMCG, textile and paper industries. The Chlor Alkali business delivered a strong performance with revenue of INR 86 crore in Q1 FY'23. The upgradation of the Rajpura caustic unit is on track and is expected to be completed by October '22. Post completion, our Chlor Alkali business will contribute a significant pie of total revenue.

Our benzene derivatives and sulfuric acid, the Saykha greenfield project is progressing well and is expected to start a trial run in Q1 FY'24. Indian manufacturers import a lot of benzene derivatives. Our main goal is to replace imports and capture business in the pharma and agrochemical markets where such benzene derivatives are used.

Subsidiary performances. Our subsidiary, Sener Boya, has reported a notable performance, whereas the other subsidiaries have reported weak performance, especially the SPS unit due to the lower demand of Dye Intermediate products. In a medium to long-term view, we foresee these subsidiaries will improve in their respective region and will bring meaningful business to our company.

In the last few weeks, we are seeing some green shoot events, and we anticipated a steady performance in the upcoming quarters. We aim to create a sustainable business model without losing the leadership position in our legacy business. In the coming years, we expect our business will be less volatile and more diversified as we will be serving a wide spectrum of end user industries.

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. Overall performance of the company has been steady for Q1 FY'23. Our consolidated performance for Q1 FY'23 is as follows, total revenue stood at INR 463 crore for Q1 FY'23, a growth of 8% year-on-year basis. EBITDA stood at INR 54 crore for Q1 FY'23, a degrowth of 3% on year-on-year basis.

EBITDA margin stood at 11.6% for Q1 FY'23. Net profit for the quarter stood at INR 23 crore for Q1 FY'23, a degrowth of 18% on a year-on-year basis.

As highlighted earlier by Mr. Ankit, the sluggish response from end users has affected our primary business of Dyestuff and Dye Intermediates. Performance of the key subsidiary was healthy. Subsidiary, particularly SPS, posted revenue of INR 23 crore. Sener Boya has reported a total income of INR 26 crore. Total income from the China subsidiary was nearly INR 3 crore.

Segment-wise performance on a consolidated basis for the Q1 FY'23 are as follows, Dyestuff revenue stood at INR 150 crore. Dye Intermediate revenue stood at INR 122 crore. Basic Chemical revenue stood at INR 64 crore. Chlor Alkali division revenue stood at INR 86 crore. TCCA revenue stood at INR 10 crore for the quarter.

Total production volume on a standalone basis for the Q1 FY'23 are as follows, Dyestuff stood at 3,993 metric ton. Dye Intermediate stood at 3,442 metric ton. Basic Chemical stood at 51,594 metric ton. Chlor Alkali stood at 21,299 metric ton, of which caustic soda stood at 15,134 metric ton. TCCA stood at 299 metric ton.

With this, I conclude the presentation and open the floor for question and answer. Anybody who has a question can now start asking questions.

Moderator: The first question is from the line of Yogesh Tiwari from Arihant Capital. Please go ahead.

Yogesh Tiwari: My first question is regarding the Rajpura unit. So like Chlor Alkali, it's about INR 85 crore. So once this gets commissioned in Q2, what would be the revenue contribution of this unit in FY'23?

Ankit Patel: See, currently, the rates of, especially caustic rate is much higher than the average 5 or 10-year price. So if you take it at the current rate, then it will be more than INR 400 crore. But if I calculate it with a 5 or 10-year average prices of finished goods caustic soda, then it will be in the range of INR 300 crore to INR 350 crore.

Yogesh Tiwari: Annually?

Ankit Patel: Annually.

Yogesh Tiwari: For example, if like INR 300 crore additional revenue will come from only this Rajpura unit for FY'23?

Ankit Patel: It is not additional. It is going at that same rate. At a normal price, at an average price, it will be around INR 325 crore. So around INR 80 crore a quarter, which is going on right now also because of the extra higher price.

Mayur Padhya: For your clarification, last year, this division has contributed INR 254 crore. So if we achieve INR 400 crore from this unit, then INR 150 crore is additional revenue from this division.

Yogesh Tiwari: That is helpful. And if you can share what was the realization of caustic soda average realization for Q1 FY'23? And what is the current price of caustic soda in the market, the range?

Ankit Patel: The current price is around INR 55 delivered. So on an average, I think the manufacturers get around INR 53. That is today's market. For most of the August, we expect the price to be around that much for the month of August because there are a lot of exports happening from Gujarat. So August is going to be strong. September also, they are trying to take more export orders, so we can maintain the higher prices. And for this quarter, the average price was around INR 50, ex-plant.

Yogesh Tiwari: And sir, I just wanted to understand both Dyestuff and Dye Intermediates. So it's like there has been a slowdown in textile industry. And that was one of the reasons why Dye Intermediates revenues are down. But on the contrary, Dyestuff is on the higher side. So if you can help me understand if both are related to the textile industry, why is Dye Intermediates underperforming so much compared to Dyestuff?

Ankit Patel: So Dye Intermediates applications or customers are mainly in India. We have only few countries where we can export the Dye Intermediates like Taiwan or South Korea . So basically, our Dye Intermediates sales happen mainly to the local Dyestuff customers here in India. But in Dyestuff, we have Sener Boya, which is our subsidiary in Turkey, so there they sell our Dyestuff. We sell in Turkey and surrounding countries market, which is one of the biggest markets in the world. Again, Bangladesh is a big market. And India, again, across India, there are many textile industries and paper industries.

So what I mean to say is, it's a bigger international market for us. So the sentiment is different when it comes to Dyestuff. So it didn't affect us too much. And usually in the past also, whenever intermediates is slower, I think the same effect is not there in the Dyestuff, because customers are available across the world. Even South America, there is a big market, Vietnam and many other countries.

Yogesh Tiwari: And sir, what would be your exposure to Bangladesh? And do you think that current crisis in Bangladesh can affect the demand for the products going forward?

Ankit Patel: No, our overall exposure to Bangladesh is very small in terms of percentage. And there have been some issues about payments, but we are not facing any. So we have a strong supply chain. I think we are not affected. And also, our exposure is small because Dyestuff is only about INR 500 crore. It's about 25%, 30% revenue for the company, where hardly maybe 10%, 15% of that business. So at company level, our exposure to Bangladesh is probably not even 5%.

Yogesh Tiwari: Sure, sir. And coming back to Dye Intermediates. There has been a very big decline in production volume. So is there a demand destruction or what would be the drivers for such a large decline?

Ankit Patel: There were multiple reasons why intermediates productions were affected, intermediate margins were affected because of these higher crude prices, because of this war-like situation, energy price is mainly coal which is still Rs.10 plus, which on an average is available around INR 5. So intermediates is a , very high energy-intensive industry. So that cost has really gone high. Comparatively, in China, I think it is available a little cheaper. I'm talking about coal. And the raw materials, there are many raw materials that we buy from petrochemicals or refineries. So most of the raw material prices were at maybe 5-year higher or 10-year high, etc. So the input cost had also risen so much in a very short time, which we were not able to pass on immediately.

Also, at the same time, there were some disruptions in China, where China had, in different pockets, COVID issues. The Chinese productions are also affected of Dyestuff. So there was some extra intermediate export availability, which was dumped to India just temporarily, because of all these reasons together, not in the H-acid and vinyl sulphone but in other intermediates, there have been a couple of new units that have started. Some extra capacities have come up in some of the smaller products.

So all these reasons put together, a couple of months where there was a lot of pressure. The margins were definitely impacted big time. So in fact, there were many plants, many facilities were shut. Even we had shut some of our facilities for time being. We had taken some maintenance work, et cetera, because it was not viable to produce. But we have recently restarted our plants, the main plants. And going ahead, a lot of the correction has happened in the raw materials also. And because of many plants were shut for a month or so, all this inventory that was there in the pipeline, most of it is dry now. So what we are expecting is, we are definitely expecting a better time going ahead. I think we expect the Intermediate business to normalize going ahead now.

Yogesh Tiwari: And coming to the benzene derivatives, which will be commissioned in about FY'24. Just want to understand if the margins on these products are more than the current margins which the company is making? And what would be the revenue potential in FY'24 from this product?

Ankit Patel: First quarter of FY'24 is the target to start the trial production. There's a lot of integration, and we are working with 3 international technologies. So I think commissioning this entire project will not be a, very short job for us. It will take us a couple of months or more. And with such kind of processes and plants, it takes time to ramp up the utilization of the plants.

So what I'm expecting is the first couple of quarters of FY'24 could be at 50% utilization. And the last 2 quarters of FY'24 can be around 80%, 90%. So at that rate, I think we should do around INR 250 crore to INR 300 crore of turnover. At full pace in FY'25 when we utilize around 80% plus utilization of around 90%, I think we can do around INR 350 crore to INR 400 crore.

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

Saket Kapoor: Sir, firstly, if you could give us some more color for this caustic soda partner. You were explaining that different geographies are behaving in terms differently, what the China market is and ex-China. So if you could explain to us how is this playing out in terms of prices and also the capacity utilization levels globally? And for us as a country, I think INR 1 million is the addition that we will have in phases for our country caustic soda. So how is this addition is going to play out in terms of margins behaving going ahead? If you could give some more color.

Ankit Patel: I think caustic soda going ahead in the local Indian market is always going to maintain a very strong demand. It is not a recent development where new capacities are coming up. If you notice, the last 5, 6 years, there have been many new plants and many capacities have come up. So for example, DCM Shriram has gone from 500, 600 tons to 1,500 tons per day plant. This happened in the last 6 years. Meghmani went from around 400 tons per day to around 900 tons per day. Nirma also expanded. GACL and NALCO has the joint venture, which is called GNAL, that also recently started a brand-new plant.

Also in north, there's a company called Punjab Alkalies, they have also recently in last 2, 3 years expanded. At the same time, in South Rayal Seema has expanded. So many companies have expanded. I think Atul Ltd. has expanded recently about 2 years back. So many companies have been expanding in the last 4 to 5 to 6 years. And I think still we are going through this patch. It's already been about 8 to 9 months.

So overall, I think the main application for caustic, which is aluminum, where the demand of aluminum in India and even across the world is very, very high. Especially after bouncing back from this pandemic, now all the infrastructure jobs, the pending jobs or the plans to develop infrastructure, et cetera, across the world is really going full swing. So because of these reasons I think I don't see demand of aluminum or even the other applications is like detergents or textiles or paper and et cetera, for caustic. I think going ahead, textile may be a little volatile. But other than that, I think all these other areas, the demand is going to remain very, very solid.

China, which is about 50% of the world's capacity, is not able to set up new plants or increase capacities because there are many environmental challenges. There are reasons that they are not allowing thermal-based power plants, which is mandatory to bring down your cost because power is the main cost where you have to produce with cheap energy, then only you can complete. So that's the problem in China. Many areas are getting banned to develop industries,. So because of all these reasons, there has been hardly any growth that has happened in Chlor Alkali capacities in China, which is the largest market, which is the largest producer.

So because of these reasons, India was at around 4% global capacity. It has already I think gone more than 6%. This has happened in a very, very short time. So India it still has a very small share. But at the same time, there is a lot of consumption that is coming up in India because of all this good overall time that has been going on since last 5, 6, 7 years in agrochemical space, in overall chemical space. So there has been a lot of growth happening everywhere, especially in the western part of the country. So I think going ahead, I see this growth happening continuously for at least another 10 years.

Because I think, right now, India is placed \ very well to grow or establish new products or do some R&D, develop some new products. So there has been a lot of transition of the products also that is coming from MNCs. There is a lot of opportunity already there and being grabbed by all these manufacturers like us to multiply our production, the China Plus One policy, like that trend is also helping us where MNCs and global larger companies are really now taking Indian supply seriously, and they are preferring to have India as a supplying partner.

So all of these, I think, reasons put together, I think the demand of caustic soda is going to remain strong. India and China don't directly compete about caustic soda because caustic soda being a lower value product, countries or regions work in pockets. So for example, North America exports to South America or Europe or Western Africa. At the same time, India, because most of the capacities are in the Western India. So we work around Middle East and East Africa and et cetera, those markets. At the same time, China takes care of the Far East market or the Western U.S. part. So that is how the business works.

And so I think going ahead something like a pandemic can disturb. Because of pandemic, the same caustic soda price was around INR 20, not too long ago. So if something extraordinary happens, then yes, it can go through a bad time. Otherwise, I think it's going to be a good demand overall.

Saket Kapoor: Sir, just to conclude, in terms of this increase of 1 million tons, which is going to be on stream for the country, and we are currently seeing that in the West due to the higher energy prices and because of this conflict of Russia and Ukraine, the cost of production has gone up significantly. So is this a good understanding that a good portion of this incremental capacity will be shipped out as you have already mentioned that the western part has good export order for the month of August also? Is this a good understanding that in earlier cases, when the capacity used to come on stream, there used to be pressure on margins because at one time, your consumption and your industries, the suppliers are limited only. And if you increase your production in incremental way, where would you sell because earlier there was jumping also from purchase order. So has that scenario completely changed, and that is adding to the advantage currently?

Ankit Patel: I think currently, this energy crisis in Europe is definitely helping because whatever markets Europe was catering, I think such markets are probably not getting enough materials. That is why those areas, those pockets have to buy from India or other markets. So that is why these extraordinary prices are there. I don't see these prices remain for a very, very long time. I think once the energy equation settles down in Germany and in other countries in Europe, then I think things will normalize.

But still, at the same time, there's not going to be any growth. It's already been so many months of this war situation. So going ahead also, there is no clarity. So 1 year of that growth that can come up from Europe is not going to happen. This is going to give us ideas. This is going to give Indian manufacturers to establish a good market. So it can definitely come down to those 32, 35, 40 levels. But again, that is again a very good market. I mean, so I think it's better to have a INR 35 price throughout the year, than have INR 50 or no certainty about any price being maintained.

So what I mean to say is I feel that it is going to remain in strong margin levels, but not too much in this range of INR 50 and all. So even the September there is no clarity about September at the moment because there's literally a lot of exports being happened right now in this month. And literally, the Gujarat manufacturers who are exporting, they are short. They are so short that some of them not offering material in the local market. So August looks good. I think September also, I think that because the things are not really changing in Europe and all, I think September also, there should be some exports, which would again support the local prices here.

Saket Kapoor: And the price? The average pricing is above INR 50?

Ankit Patel: For this Q1, yes.. The current price is around INR 53.

Saket Kapoor: And sir, in your opening remarks, you did mention that with the commissioning of the new projects and with the derivatives production coming into play, we will be reporting sustainable set of numbers. So on that aspect, if you could throw some more light. What are you trying to explain in terms of that? And also, sir, I have seen that the finance cost on a Q-on-Q basis as well as on year-on-year basis have gone up significantly, because the absolute number is still lower. So if you could explain the reason for the same? And how are the utilization levels currently for the different verticals for us?

Ankit Patel: So to answer the utilization levels, currently in Chlor Alkali, we have less capacity available because we are upgrading the technologies. We are going to completely phase out the older one and so we are not investing too much in the older technology. So from the available capacity, we are definitely running at 90% plus. In our Basic Chemicals, like sulfuric acid and specialty chemicals like thionyl chloride, these plants are at the moment, they're running at 90% plus. Intermediates, like I said, most of our plants were shut for some time. We have just recently, just few days back restarted the plant. We expect Intermediates to, currently, for the month of August, I think, expected to go at around 50%. And Dyestuff, again, I think it's pretty routine and doing around 60%, 70% utilization. And I didn't understand your question about the derivatives.

Saket Kapoor: Sir, you mentioned that we will be able to have more sustainable set of numbers once our projects get commissioned wherein a lot of raw material we would be having. We would be vertically integrated and the end product prices are not subjected to market variations as has been the case earlier today. So if I've got it right, sir, you were explaining that we are moving to a scenario where we will not be having the variations in our reporting numbers. So if I've got it correctly.

Ankit Patel: We are quickly transforming. If you look at our numbers, let's say, 5 years back, our Dyestuff business or Intermediates going into Dyestuff. So basically Dyestuff sector numbers are 80%, 90%. Only about 10% were coming from Basic Chemicals. We didn't have other specialty chemical like thionyl chloride, we didn't have the Chlor Alkali business. So when this thionyl chloride comes in the picture, it again generates new revenues for us. At the same time, a more steady business and the application is again not into textile. So what I mean to say is that we were depending a lot on a single sector by having revenues of around 80%, 90% from Dyestuff sector only. And again, from Dyestuff, there are other applications also, but the majority goes into the textiles.

So I think because of that, with the volatility of the demand coming from textiles, I think it was affecting a lot. And we were not diversified too much. So because of these reasons, now, like today, if I talk about then a big chunk of revenue comes from Chlor Alkali, which has entire wide applications, new applications where we completely didn't cater before. Thionyl chloride is now there. Again it goes big-time into pharma, agrochemicals, which are growing sectors, very solid sectors.

Again, benzene derivatives, which we are going to do, they are also caters to agrochemicals, pharmaceuticals, some of the new sectors. So we are already I think in a good position. I think with the benzene, I think our overall product portfolio will be much stronger. I think our exposure to the different applications or sectors, I think, will be even stronger. We will have even wider exposure. So this will change that dependability on our textile sector. So I think that's one thing that's changing quickly. One last thing remains, which is benzene, which will be done in about 1 year. So it will add more strength. And what was the other part of your question?

Saket Kapoor: I mean, other was the finance part.

Ankit Patel: Also about why we feel a more sustainable business model overall is that our subsidiaries have definitely been underperforming. So our subsidiaries also, I think most of them, like all 3 of them, Trion which is a water treatment chemical business, which has now already been amalgamated. But that business is also somewhere now doing decent. The plant is running every single month. We are able to export to U.S., which is our main market. So it is somewhere settling down.

SPS also, we acquired it, but then there were some issues there. There were always revenues there, but no profit. So we have added vinyl sulphone plant there. So we are also hoping that integration will help us will definitely do better than it did in last 5 years for us. Also, the Sener Boya, Turkey, which was acquired in 2019, so pandemic created a very key role there. There was a lot of disturbances there for us. But I think now going ahead, I think we don't see a big threat of COVID or pandemic. So I think going ahead, that should also somewhere have a better performance than it did in last 3 years. So we see these improvements coming in from our subsidiaries and also addition of this benzene. So overall, we'll definitely be placed better next year than, let's say, FY'22 or FY'23. That's what I meant to say.

Saket Kapoor: Yes, sir. I got your point. And lastly, sir, if you could give me some color on how are we going to utilize the extra amount of chlorine that is being sold at end market or nearby industry?

Ankit Patel: So we have a new consumer. We already have 4 consumers next to our plant where we sell them chlorine by pipeline. We have one more consumer who is about to start setting up the plant. So in about 8 to 10 months, they should be on stream. So we'll have a new large customer. Also, we are in talks with a couple of other pipeline customers who are planning some expansion. So I think at the same time, we have a couple of captive products where we use the chlorine. One is SBP, stable bleaching powder, another is hydrochloric acid. So in hydrochloric acid, we have 200 tons per day capacity where we can use about 60, 70 tons of chlorine where we are only utilizing about 45% to 50%. So we can increase the HCL production.

We have recently already increased the stable bleaching powder plant capacity. So some of the new chlorine that is going to be produced will be used captively. And again, it will be sold to the pipeline buyers. And also, again, we have to sell by turnouts to the North region players. But I don't see that as a challenge. I know chlorine is a challenge for the Chlor Alkali industry. I think with this recent addition numbers, which will come in next 2, 3 months, I think that is not a problem. If you want to expand in future, then I think we have to plan something different..

Saket Kapoor: Okay. Because large players, sir, I think so selling chlorine had negative realization only. If it is the example of Grasim and others, for them, their ECU realization goes down because of chlorine only. So we are hereby making money also by selling chlorine.

Ankit Patel: Yes. So one thing is good that Gujarat definitely has more and more pressure also on chlorine because we have to even buy a lot chlorine here from Gujarat manufacturers. So Punjab definitely or North India definitely has less pressure of chlorine. So my buying here in Gujarat versus my realization in North India, there is definitely a positive difference for me, for the company. So that is a good thing. I think here sometimes, because of the stock levels and all, some companies get under a lot of pressure, and they start selling in big minus prices.

Saket Kapoor: What have been our realization for chlorine, sir, in the Q4, sir?

Ankit Patel: Currently, last month, I think it was minus INR 4,500.

Saket Kapoor: And we are selling at what price, sir? This is what you are sourcing, I think, sir, from the Gujarat.

Ankit Patel: No. INR 4,500 is our North India ex-plant realization, negative. And our buying for the last month is around that price only in Gujarat. But today, I bought chlorine at a negative INR 7,100 here in Gujarat, whereas we are not selling less than INR 6,000 in North India or even INR 5,500. So there's a gap of 1,500, 2,000 currently.

Saket Kapoor: Okay. Sir, when we say negative, if you could explain what is negative in that way. And if we have our realization, how do you define that negative part?

Ankit Patel: It is negative pricing. So if you buy chlorine from me, if you buy chlorine today, you are a consumer of chlorine in Gujarat today, the company will pay you INR 7,100 per ton. Wherein Punjab, in North India's my plant, today, we are paying our buyers on an average INR 5,500. Yes. So there is a difference of INR 1,600 per ton. And the production is around 190 tons per day. So these numbers are pretty big.

Moderator: The next question is from the line of Priyanka Gandhi from ACE Capital. Kindly proceed.

Priyanka Gandhi: I just have a couple of questions. Firstly being, do we pass on the inflationary pressure to customers immediately or with a lag effect? Can you provide some light on the pricing strategy of the products?

Ankit Patel: So naturally, we are not I think able to pass on every increase price immediately because our model is B2B mainly. So when we make Basic Chemicals, then people make intermediates and then from that the forward integration into Dyestuff or some other applications like agrochemicals. So then it is sold to a consumer. So most of our business is B2B, where the realization or the passing on the price all the way to the consumer doesn't happen immediately. So if the crude prices go higher or lower, I mean we cannot do it in 1 or 2 days or 1 week that we pass on the entire increase or decrease. It does happen for most of the products. It goes higher or lower with the raw material pricing for sure, but not completely.

And our pricing model, obviously, we try to have certain targeted margins with the given time the raw material prices plus the expenses plus the margin, we try doing that. But then supply-demand factor also plays a big role all the time. But in majority, I can say that our target, let's say, is like 15%, 17% EBITDA, so there is not too much of a difference or a variance. So that is how usually it works for us.

Priyanka Gandhi: All right. Got it. My second question is, how has TCCA and thionyl chloride performed during this quarter? Can you throw some color on its demand scenario and expected annual revenue in the next 2 years?

Ankit Patel: So thionyl chloride production was 8,200 tons for this quarter, which was a utilization of 91%. And TCCA production for this quarter was 300 tons, for this quarter. Now, thionyl chloride in terms of production and in terms of sales or the market demand, I think it's quite normal. It's a good positive demand and there are no problems with the production. So I think going ahead for next few quarters or 2 years, you asked, I think we will be doing in the same range. So we will be producing around 68,000 tons of thionyl chloride. And I think our turnover coming from thionyl chloride will be around INR 130 crore. But after that, I think there will be some captive. So just give me a second. It will be at INR 105 crore, INR 110 crore. That will be our revenue for the 2 years from thionyl chloride.

And TCCA was only 300 tons for this quarter, the reason being that because of the high freights and there was an extraordinary demand that happened in that quarter for the global shipments going around, not only from India. So there was a lot of shortfall, there was a lot of demand, shortfall of the supply or the ships. So this product, being in hazardous category, in fact, all the shipping lines were not ready to take the material to the U.S., but that scenario has now eased, that now has changed. So our current rate is very encouraging. The 300 tons of production that we did in Q1, I think, we are already going at 300 tons per month at the moment. So going into next 2 years, we don't have an immediate plan to expand, although there is a brownfield expansion possibility. So going ahead, I think we should do about in the next 2 years 7,200 tons of production, and for next 2 years it would be around INR 120 crore, INR 140 crore of turnover coming from that.

Moderator: The next question is from the line of Ayushi Shah, an individual analyst. Kindly proceed.

Ayushi Shah: So my first question is regarding the cost of production and the cost of basically the selling price disparity between India and China today and like how has that impacted demand for the company? And sir, what led to the significant fall in profitability of SPS subsidiaries? You mentioned that like there was a fall in demand, but are there any other factors that are contributing to this loss?

Ankit Patel: So we are into Basic Chemicals, Specialty Chemicals, Chlor Alkali, Dye Intermediates and Dyestuffs. These are our sectors, where the only business or sector where we compete with China is that Dye Intermediates. Earlier, our company started with Dye Intermediate industry that went forward and backward integration in the last 15 years. And today, now, we have added some other wide chemical products also. So the only area is intermediates and it is around 30% of our revenues. We have multiple plants of intermediates and the main plant being in Baroda, which is our integrated complex, which covers all the product ranges around Dyestuff.

The SPS Processors, subsidiary which you asked about, that is in Uttar Pradesh. It is 2 hours from Delhi. And the problem that happened because of the higher input costs, some extra shipments coming from China and the higher energy cost. So because of all these reasons, there was a lower demand of the product. And again, the cotton prices where the dyes demand was lower, so intermediate demand was lower.

So because of all these reasons, at a company level, where we have multiple plants, all of them in Gujarat and only 1 in subsidiary company, SPS in UP. So the UP plant being a little higher in terms of the cost compared to the Gujarat plants. I think because we didn't have enough market, we didn't have enough orders. So we stopped the plant for some time. So when we stop the plant, there are definitely some fixed expenses, fixed overheads. I think that is the main reason why we have that loss.

Also, the production that we did in that period was also done with a high input cost and high energy cost. So that production cost was very high. And at the same time, the finished good prices crashed in a very short time. So when we sold those products, we didn't realize much or we didn't make any margins. So that's why there was some loss. So it was addition of some fixed expenses when the plants were shut and also product being sold at a negative margin.

Ayushi Shah: All right, sir. That does give me quite some clarity. And sir, my second question is more on the macro level. Sir, what event in the near future do you expect to add as a catalyst in turning around the tides for the industry we operate in, especially with the increase in raw material prices and everything? And you mentioned in your presentation that you saw a few green shoot events in the past few weeks. Like it would be greater if you could throw some light on what exactly were those events and how do you expect it to go ahead going forward?

Ankit Patel: For example, mainly because of this Russia-Ukraine war, the crude prices shot up, and they went up to $125, now they are in the range of around $90, $95. There is a big decrease that has happened in the crude prices. Also, the stability of the crude price is also important, at the same time, there was a lot of mismatch of products being supplied across the globe. There was also this extraordinary demand coming from many sectors because most of the countries had revived or were reviving from the post-COVID kind of a scenario.

So many products were going through a shortfall phase in the world and then for many products, there was no demand. So there was a lot of mismatch,. It was not normal times. So because of our raw materials, most of them are linked to crude. For example, sulfur is one of our main raw materials, products being made from benzene are some of our main raw materials, aniline oil again being made from benzene. So such products are directly linked with crude.

So for example, sulfur average, I think last 10 years price is not more than INR 10, where the price went up to INR 45, where our monthly consumption is 6,000 tons. So if I compare it from average to the peak price, it went from INR 6 crore to about INR 25 crore. So such things happened to many raw materials. But now, sulfur today is around INR 12. So I can say it's a very normal price. So we can still make decent margins when we sell to the market. And also to make intermediates from the Basic Chemicals that we make from sulfur, those are also now in a very normal reach.

So that way, benzene has also come down about 20% in last month or so. So many of the products have really come down.. So now when we produce, with these normalized raw materials, I think that will give us an opportunity to make some margins. If not very high, but at least we can run our plants and we can make some decent margins. So that is our first target. I think the demand scenario is not that excelled, definitely has some volatility, but then we also cater to leather industries and paper industry. So overall, our textile, our Dye business is not to any difficulties to maintain the monthly numbers, et c, of sales. So I think just the intermediate part, I think it may have a little bit of pressure, I think, maybe another 1 or 2 months, but I think that it can come back to normal, which is only 30% of our business.

Ayushi Shah: All right. Sir, just a follow-up question on that. You mentioned that basically because of crude oil prices normalizing now, we are looking at like a better foray for our company. So when looking at energy crisis and like the Russia situation, if crude oil volatility begins again, what have we done at the company level, like what efforts have we taken to address that? Or are like the expansion project that are already in, we just have to wait for them to unfold in order to deal with this volatility?

Ankit Patel: I think we just have to wait because, again, crude prices are not very low. They are somewhere stable. They are lower than the peak, but they are still, I think, I feel very high. So I think there is no point of stocking any raw materials or any crude based products. Unless if cost of sulfur is INR 10 average, if it comes down to INR 9, then I'm interested in stocking those products. So not all the products made from crude are linked directly with the crude plus and minuses. So I think we just have to wait. I mean, we have to defend.

But again, like I said, it is only for Intermediates business. So only 30% of our business and out of that, about 60% of the raw materials and not all are linked to crude. So at a total purchase level, total raw material level, this would be not more than 10%, 15% of our dependency on such products. So it cannot affect us in a big, big way.

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

Ankit Patel: Thank you very much, everybody, for your time. Because of the time constraints, we couldn't do it any longer, but we are definitely available. You can reach out to SGA if you have any more questions or any clarifications. We would love to answer them. Thank you very much, and have a good evening.

Mayur Padhya: Thank you.

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