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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 Q4 & FY24 EARNINGS CALL”

We enclosed the transcript of Q4 & FY24 Earnings Call” with Investors and Analysts which was held on 24th May 2024 at 4:30 PM IST.

Kindly take the same in your records.

Thanking you,
Yours faithfully,
For, BODAL CHEMICALS LTD

Ashutosh B Bhatt
Company Secretary &
Compliance Officer

Encl: a/a

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“Bodal Chemicals Limited
Q4 FY ‘24 Earnings Conference Call”
May 24, 2024

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**MANAGEMENT: MR. ANKIT PATEL – EXECUTIVE DIRECTOR – BODAL
CHEMICALS LIMITED
MR. MAYUR PADHYA – CHIEF FINANCIAL OFFICER –
BODAL CHEMICALS LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Bodal Chemicals Limited Q4 FY '24 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 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. Ankit Patel, Executive Director. 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 exchange and our company's website.

We will give you a quick overview of the recent developments in the chemical industry and then Mr. Mayur Padhya will walk you through the operational and financial performance for the Q4 FY '24 and FY '24 full year.

Industry highlights. Since last couple of months, we have been experiencing stability in the demand for our industry products. It seems destocking position has come to an end and gradual recovery, but at low speed, is there. There is still uncertainty for end of war between Russia and Ukraine, but the industry has started living with the circumstances.

The 2 major markets, the United States and Europe, have been still slow due to multiple headwinds from rising inflation to uncertain geopolitical scenarios. Slowdown in China impacting the domestic demand in China resulting in excess volumes originating from China. Most aggressive interest rate in U.S. causing financial conditions to tighten, and recessionary trends continue impacting the demand.

As per the company's overview, we are India's largest integrated manufacturer of dyestuffs and dye intermediates and hold a meaningful market share in the world. In today's environment where Indian suppliers are emerging as preferred partners globally, we have been able to hold on the leadership position.

Coming straight to the operational performance. Overall business performance for FY '24 has been weak as the company's total revenue stood at INR1,419 crores, a degrowth of 11%, though the company has achieved better production volume compared to previous year. The company has posted degrowth in revenue and margin due to the lower margin and lower realization across the chemical industry.

In Q4 FY '24, during the Q4 FY '24 revenue as well as margin remain almost constant on a year-on-year basis. Company achieved INR399 crores turnover during the Q4 FY '24, which is a 16%

increase on a quarter-on-quarter basis. Average revenue from last 3 quarters was INR340 crores. So Q4 FY '24 represents 17% improvement over average of first 3 quarters of this year.

This gives clear sign of recovery for the company. Management expects to sustain the recovery. Coming to the Dye Intermediates. At present, dye intermediates like H acid, vinyl sulphone pricing have been stable, giving a chance for recovery. For Q4 FY '24, total revenue from Dye Intermediates stood at INR452 crores. H acid and vinyl sulphone prices were near INR432 and INR224 per kilogram in Q4. Being an integrated dyestuff manufacturer, we produced major dye intermediates products, and over 40% of these intermediates capacity is capitally 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. Many intermediates manufacturers in India are still under pressure due to slow demand. However, FY '24 sale revenue from dye intermediates was INR452 crores and 15% improvement on a year-on-year basis, which can expect to improve in coming days. Coming to our Dyestuffs, end application industries like textile, leather, paper, other types of consuming industries have not performed well during the last few quarters. All leading textile companies are facing global headwinds, which have curtailed the outlook for Dyestuffs products.

Revenue from the Dyestuffs business for FY '24 stood at INR471 crores. Coming to Basic Chemicals, about 50% of our basic chemicals is captively used for Dye Intermediates. Our overall basic chemicals contributed around INR121 crores in FY '24, which has declined by 30% due to lower raw material price of sulfur and price of finished goods like sulfuric acid and its derivatives. Coming to the Chlor Alkali business. Chlor Alkali business has reported degrowth in revenue as well as steep declining margins due to adverse market conditions of caustic chlorine industry.

In FY '24, post upgradation in capex, despite the growth in volume by 17% due to substantial price reduction, Chlor Alkali revenue stood at INR268 crores, a degrowth of 18%. Coming to the Benzene Derivatives. Our Saykha Greenfield project has commenced its commercial operation of Benzene Downstream products on 29 December 2023 by starting production of company has started production of MCB.

Company has started production of other products like PNCB and ONCB on 16 March 2024. These being specialty products will require about a quarter to stabilize. Sen-er Boya, our Turkish company is located at Turkey, and Turkey as a country is experiencing hyperinflation. During the Q4 FY '24, on implementation of AS29, there is a INR16 crores loss and the sale is already part of declared results.

Chinese and Indonesian subsidiary have performed satisfactory. Further, the Board of Directors have decided to permanently stop production activities at the manufacturing facilities of Unit 1, Unit 3, Unit 4, located at Vatva GIDC, Ahmedabad, Gujarat. The company has manufacturing facilities of dye intermediates and dyestuffs at Unit 1, dye intermediates at Unit 3 and dyestuffs

at Unit 4. There are small and very old plants constructed between 1989 to 1993. Due to technical changes, these plants are no longer economical viable. Operating capacity has been very low at these plants and for the last several years.

Further, the company has already increased capacity by doing debottlenecking for dye intermediates in Unit 6 and Unit 7. Hence, it will not result in any major production loss for the company. Overall efficiency will improve due to the reduction of the fixed overheads. Furthermore, company will dismantle and sell manufacturing facilities, and it will lead to a reduction of less than 3% in the total tonnage production capacity of the company.

We have been moving up the value chain and working relentlessly towards diversifying the business from our core dyestuffs and dye intermediates business to other specialty chemical products like benzene derivatives. Manufacturers and exporters in India are having a challenging time managing the overhead cost. Over the years, chemical industry has seen a transformation. Long-term story of India remains intact, and the chemical industry is poised to grow from here on. However, we expect overall demand to remain grim for short period.

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 muted for the quarter gone by. Our stand-alone performance for Q4 FY '24 is as follows: total revenue for Q4 FY '24 stood at INR397 crores. EBITDA stood at INR39 crores in Q4 FY '24. Net profit for quarter stood at INR4.9 crores.

Our stand-alone performance for FY '24 is as follows: total revenue for FY '24 stood at INR1,402 crores; EBITDA stood at INR123 crores in FY '24; net profit for the year stood at INR8 crores. Our consolidated performance for Q4 FY '24 is as follows: total revenue stood at INR399 crores for Q4 FY '24; EBITDA stood at INR31 crores for Q4 FY '24 with a margin of 7.7%; net profit for the quarter stood at INR2 crores for Q4 FY '24.

Our consolidated performance for FY '24 are as follows: total revenue stood at INR1,419 crores, this includes export of 72% and domestic sales of 28%; EBITDA stood at INR119 crores, a degrowth of 18%; net profit for the year stood at INR6 crores against INR38 crores of FY '23.

FY '24 performance for key subsidiaries are as follows: Sen-er Boya, our Turkey subsidiary, has underperformed due to post effect of Turkey-Syria earthquake. The country is experiencing hyperinflation. And on implementation of hyperinflation accounting standard 29, there is a loss of INR16 crores due to that.

Chinese and Indonesian subsidiary have performed satisfactory. Segment-wise performance on a consolidated basis for FY '24 are as follows: Dyestuffs revenue stood at INR471 crores; Dye Intermediates revenue stood at INR452 crores; Basic Chemicals revenue stood at INR121 crores; Chlor Alkali revenue stood at INR268 crores.

Total production volume on a stand-alone basis for FY '24 are as follows: Dyestuffs reported 14,209 metric tons; Dye Intermediates reported 22,426 metric tons; Basic Chemical stood at 212,526 metric tons; Chlor Alkali stood at 79,027 metric tons.

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

Moderator:

The first question is from the line of Aditya Khetan from SMIFS Institutional Equities.

Aditya Khetan:

Sir, first question is on to the Sen-er Boya. So what is the business of Sen-er Boya, like it is into the vinyl sulphone, I believe, and this loss of INR16 crores in this quarter, is this a recoverable loss? Or how this loss has been like with the implementation of some accounting rules as this, so this one-off loss has been taken?

Mayur Padhya:

Yes. Sen-er Boya's business is to distribute dyestuffs what we produce in India. We export dyestuff to Sen-er Boya, Turkey, and then they distribute it to nearby country as well as locally.

As far as business is concerned, yes, it has suffered due to severe earthquake. And the players are still recovering. So turnover was very low of about INR9 crores for the quarter. And as country is experiencing hyperinflation since last about 2-plus years, local government has announced in November '23 that every company has to prepare their accounts implementing accounting standard 29, that is for hyperinflation. So, by implementing that accounting standard, there is a one item of loss of INR16 crores. But there are some positives also of about INR8 crores, INR9 crores into deferred tax asset kind of things.

So overall, Sen-er Boya has performed of around INR4.5 crores loss for the quarter. And this loss is a book entry only in a way. So, there is no question of recovery or something like that. Hope I have answered your question.

Aditya Khetan:

Okay. So, this INR16 crores loss is again offset by INR8 crores to INR9 crores, which has been booked into the deferred type?

Mayur Padhya:

Yes.

Aditya Khetan:

Okay. Okay. Sir, onto the benzene derivatives, sir, is it possible to share the volume figures like what sort of volume figures? And what is the utilization of NCB, PNCB and ONCB?

Ankit Patel:

So, the current utilization levels are very low due to a couple of international technologies that are involved. Our first plan is completely ready to go and already been commercialized. We've also sold the material. And also, in the second plant is also we were able to produce the finished goods. But because of the 2 international technologies plus multiple stage of destination, we are still synchronizing the whole complex. And due to that, we are operating at very low volumes at the moment. And we also have some capital consumption.

So, I think for another 1 to 2 months, we'll not be selling much in the market. So, I think after 1.5, 2 months, we will be coming to the market full-fledged with utilization of at least 60%, 70%. So, in the current quarter, we will not get much effect on top and bottom line from this business.

Aditya Khetan:

Got it. Sir, on the commentary side into your initial opening remarks, you had mentioned that management is now witnessing recovery. So, can we believe like, sir, so this fiscal, FY '24, most of the negatives might have been priced in? So, whether it is your lowering of caustic soda prices and other like dyestuffs, dye intermediate production, which is like hovering at lower utilization level. So, you feel that this recovery is sustainable and, consequently, we can expect some quarter-on-quarter good numbers from the company from here on?

Ankit Patel:

So, there has been a recovery since last 2 to 3 months, I would say. And I definitely feel that this recovery is sustainable.

Your next point was whether we would see improved quarters on a quarter-on-quarter basis. It's difficult to tell right now. But I think maintaining how we did in the Q4 and also the current scenario, how it is going, how the raw materials are placed and how the demand scenario is happening for our finished goods. I think going ahead, we should be able to maintain what we did in Q4 and also what is going on at the moment.

Immediate quick recovery or improvement of margins may not happen. But I think gradually, within a few quarters with the addition of new business and economical scenario should also recover at some point and get better. So, I think going ahead, yes, we can definitely expect better numbers, but not very quickly.

Aditya Khetan:

Okay. Okay. Sir, for FY '25, any sort of a top line or EBITDA guidance growth, if you can share?

Mayur Padhya:

As far as top line is concerned; we have done about INR400 crores in last quarter. So, if we assume that run rate, then we can definitely cross INR1,600 crores, plus whatever this benzene downstream can give us. So nearly INR1,600 crores to INR1,800 crores can be a range where we will target to close our business.

As far as EBITDA is concerned, there should be good recovery from this level. Reason behind, there are several things we are doing. We have closed down certain units, which will help us to reduce our fixed overhead. There are certain government incentives that we are eligible in Punjab that should be available to the company that are in the range of about INR20 crores per annum. So, because of election process that has deferred, so we are expecting within 2, 3 months that will be approved by the state government, and that will start accruing to our cash flow as well as revenue is concerned.

At the same time, as Ankit bhai has mentioned, the things are becoming stable for the company. So, what we have ended at INR120 crores EBITDA level in last year, there should be at least

improvement of INR50 crores, INR60 crores, considering all this level. Now it's difficult for us to give clear sign what benzene downstream will perform, and that will be also clear within 3, 4 months that how that performed.

But overall, yes, we are expecting a good EBITDA number. If I give broader range, then it can be in the range of INR160 crores to INR200 crores or something like that.

Aditya Khetan: And sir, this EBITDA figure, which you're mentioning, this is including the other income?

Mayur Padhya: Yes, including other income.

Aditya Khetan: Okay. Sir, my last question is on to the production loss. As you mentioned in your opening remarks that the old plants, which are not economically viable, so to the tune of 3% of production loss to overall sales volume can be incurred. So, this will be done in FY '25 only?

Mayur Padhya: Yes. In current year itself, so that has become effective, we can say. And as mentioned by Ankit bhai in his speech that these are very old plants, and they were not contributing as such to the company's performance. So that will not have much impact as far as the production level or sales level of the company.

Aditya Khetan: But we are not looking at refurbishment for that plant?

Mayur Padhya: No. See, these plants are located in the Vatva industrial area and nearby residence has already been there. So as said, there was not a longer future for this chemical plant into or within the city. So, this step was otherwise also need to be taken within a year or 2.

Moderator: The next question is from the line of Pradeep Rawat from Yogya Capital.

Pradeep Rawat: So, I have a couple of questions. First, regarding the domestic industry structure, so what is the total market demand for dye intermediates and dyestuff? And how much of it is imported?

Ankit Patel: These numbers vary because the imports are not regular. Last 10 years or so, there's a lot of volatility that has been happening. And so annually, if I say dye intermediates, then annually, it's about more than 1 lakh tons is the domestic production and demand scenario. And there are about 30,000 to 40,000 tons of imports on an average basis, if you look at last 5- or 10-years data. That is the size of the dye intermediate business here in India.

Pradeep Rawat: And what about dyestuff?

Ankit Patel: Dyestuffs, the numbers are a little more. Dyestuffs, I would say it's about double. I mean there are a few different categories of dyestuffs. There're dispersed dyes and then there is a textile dyes, reactive, acid, there are also liquid dyes for packaging. And also, I mean, put together, it can easily cross about 3 lakhs to 4 lakh tons a year.

Some of them are pioneered from India and some are not disbursed by which is used in a huge way in India, but majority of the production is taking place in China. Whereas reactive dyes, which is the application is cotton textile, there India and China share equal markets. So, it depends. But yes, the overall the dyes market is around 4 lakh tons a year.

Pradeep Rawat: Okay. Okay. And with respect to our competition, who are our competitors? And are they expanding capacity? Or you have witnessed some capacity that in the industry that are shutting down?

Ankit Patel: Overall, Dye Intermediates and Dyestuffs business competes with China, but both have more of its own captive usage of the production, like we have very, very less exports to China. Similarly, they don't have an export to India in a very big way. We only export some intermediates and that's also not in very huge volumes.

So, the competitors are domestically, there are companies like Colourtex. There are companies like Jai Chemicals, these are a couple of the largest players. There are a few players in Far East countries, Taiwan and South Korea. They are also good sizable players and they also compete with Indian players when it comes to exporting to Bangladesh or exporting to Turkey or Italy. So, India and China don't compete directly too much, only for some intermediates. Otherwise, for Dyestuff, India has competition from Far East countries.

Pradeep Rawat: Yes. And with regard to capacity expansion and shutdown in domestic market?

Ankit Patel: Domestically, there has been I don't think there are any shutdowns other than some old capacities being stopped and may be replaced in the newer units -- bigger units or integrated units. So what the trend in last 7, 8 years has been many companies, so we did have a backward and forward integration in mid 2000. And because of the Chinese environmental issues around 2013, '14, '15, there was a shortage of some intermediates because of which few Dyestuff players have also backward integrated themselves into setting up a couple of the mean dye intermediates.

So that is the latest thing that has happened in the Indian industry. Dyestuffs, I think is a couple of percent annual growth industry. There is not much capacity addition from any major players. But in intermediates, there are some new plants that have come up in the last 2 years. And also at the same time, Chinese imports have also been quite less. But yes, there are new players, integrated players.

Pradeep Rawat: Okay. So my last question was regarding the capacity that we are adding into benzene downstream. So what would be the capex outlay for this expansion? And what would be the annual revenue from this capex?

Ankit Patel: So it is a new greenfield project that we recently started. Being a greenfield project, there were a lot of non-plant expenses like infrastructure expense, land, et cetera. So the total investment other than the land and everything, it's less than INR400 crores, so it's around INR390 crores

that has been the investment. And the expected turnover at 85%, 90% utilization is around INR400 crores.

Pradeep Rawat:

Okay. So payback time for this expansion would be somewhere around?

Ankit Patel:

For this business, these products traditionally have been 17% to 18% EBITDA levels. So, we are expecting a payback of around 5 years. But at the same time, because this is a greenfield project, there are a lot of capex items which were extraordinary, which probably comes in only the first phase. So, in going ahead in future, when we expand more into this benzene derivatives, add more capacities or add more integrated products, I think those will benefit from brownfield projects and those expenses will not be there in future.

Moderator:

The next question is from the line of Aditya Sen from RoboCapital.

Aditya Sen:

Sir, volumes guidance we got, but do we see any recovery industry-wide in the realization of dyestuff and intermediates?

Ankit Patel:

Recovery in the Dyestuff and Dye Intermediates like the best 2 positive things that have happened in the last 3 months. One is the stability of majority of the raw materials because there was a lot of volatility and most of the raw materials are now in the lower cycle or in a viable range.

And second is our volume growing to about 80%. The demand has been a little better, that also saves some of the overhead costs, et cetera. So, it adds a little bit to the margins. So it is definitely a positive scenario that we have experienced in the last 2 to 3 months. And even today, I think a similar scenario is going on. Going ahead, I think we don't see a very challenging picture.

Aditya Sen:

Okay. So you answered about volume, but what about realization? Will it trend upwards going forward in this year?

Ankit Patel:

Realization increased a little bit 3 months before, 2 to 3 months before. Since then, it has been flat.

Aditya Sen:

Okay. All right. And any guidance or any understanding on this one for this year?

Ankit Patel:

So for this year, as per the last quarter of FY '24, we did almost INR400 crores of top line. So we should do minimum of around INR1,700 crores because the new business will also add on. So around INR1,700 crores to INR1,800 crores of top line, we should be able to do. And I think EBITDA level, we can be around 10% to 12%.

Moderator:

The next questions is from the line of Gokul Surya, an individual investor.

Gokul Surya:

What about our company debt clearance and when our company will become debt-free good dividend-paying company, sir? My first question. And my second question is, from last 5 years, Bodal Chemicals shareholders got nothing but only loss. So are you planning for a buyback?

And what about our assets are showing more than our market capitalization? These are my questions.

Mayur Padhya:

Company has a term based and the balance sheet debt is about INR538 crores. And we are going to pay every year INR100 crores to INR120 crores. So we should become debt-free within 5 years.

And as far as dividend is concerned, once the company starts creating good revenue and profit, company has been paying continuously dividend since last 7, 8 years. So once again, it will start paying the dividend. See, company do not have any surplus fund because whatever surplus that is going to generate in the system, that will be utilized for the debt repayment. So there is no plan of buyback of share in the near future. Anything else?

Gokul Surya:

It is showing like our assets are more than our market capital in state market. Because of that, the investors are not happy or investors are bearish with our company.

Ankit Patel:

Yes, it is time being, I feel that because last our market cap is, yes, like you say, it's less than the book value and investors may not be happy because of that. But last few quarters have been margins-wise and business overall revenue-wise, have been very dull. So I think it is the result of that because the sectors that we are presenting, there have been challenges, and they are not performing well.

So I think due to that, the share price has been decreasing. But at the same time, when the business has recovered, when the business is doing better because we have gone through similar sales in the past also. So whenever the business has recovered well and it's generating good top and bottom line, I think the valuation should be back and the share price should be healthy again.

Gokul Surya:

When we can expect the turnaround?

Ankit Patel:

I cannot expect it, but what we are doing and what we are trying is that we are creating a diversified portfolio. We don't want to depend on any particular application where we have to depend too much on a certain consumption, et cetera. So what we have now done, added Chlor Alkali, now we have added benzene derivatives. So now our significant volumes will go into pharma, significant volumes will go into agrochemicals. Again, textiles, we have been catering since a long time and specialty chemicals and a lot of exports also.

So I think put together, we are definitely have created a business model where we don't depend on a certain market or a certain application. So I think this should definitely give us more stability. If you look at our numbers over the last few years, there have been great years, there have been some challenging years. So I think what we are trying to do is trying to create some stability at the business model side.

So I think we have now successfully done it. And we just need some economical support when things are quite normal across the globe. And I think that's when the right result should come for

us when we will be able to utilize all our existing diversified product portfolio, and the markets would be a little normal. So I think whenever that happens, I think we should really have a good value created to our shareholders.

- Gokul Surya:** When can we expect the Turkey turnaround, sir? Is it large book? Or is it continuing still?
- Mayur Padhya:** Still the challenges are there. Volumes are gradually picking up, but it is taking time. As I mentioned earlier, earthquake has affected severely to the Dyestuff industry, consuming industry, that is the textiles industry. So still, it will take time. It's difficult to say exactly by when it will recover, but things should gradually stable and recover.
- Moderator:** The next question is from the line of Rohan Patel from Turtle Capital.
- Rohan Patel:** I'm new to this company. I just wanted to understand that we were enjoying margins on north of, say, 20%, 18% back in 2014 and '15. And since then, our margins have fall down to 7%, more than half. So can you explain me what has happened during this period of time?
- Mayur Padhya:** See, the period of 2013 to 2022 sparing the corona period, the company was enjoying very good margin. And that was one of the reasons was there has been a disturbance at China. So initially, Chinese players were not required to treat the effluent. But then later on, Jinping government from 2012 onwards, gave clear signal that everybody needs to treat the effluent. Now effluent treatment cost is a significant cost. And because of that and several other reasons, their industry was facing certain challenges.
- So every year, one or other unit face closure and there has been customers as far as demand and supply gap is concerned. So because of that Bodal like company enjoyed several percent, like 3%, 4% of additional EBITDA. So the steady level, we were able to generate about 13% to 15% EBITDA with the business model. But because of that, we generated 18% also EBITDA.
- Later on in 2017, '18, we set up several plants in a subsidiary company as well as our own company. One was SPS Processors Private Limited, and another was Trion Chemicals Private Limited. And we expanded our Dyestuff capacity also. So, in the year '17 to '19, we did a capex in the range of INR300 crores to INR400 crores. Because of that, our capacity has expanded. Our overhead also increased, but the revenue and the resultant effect was not there because of favourable reasons, later on corona, et cetera.
- So, our base has increased, but that has not been fully utilized. The additional capacity has not been fully utilized. That's why our overhead cost was higher. So, once we start utilizing these capacities, new plants, et cetera, and once again, we are expecting to reach to 12%, 13% of EBITDA. But this is a phase where even the industry has also suffered a lot during the last 7, 8 quarters. So, every player's margin has reduced. And there was one additional reason of setting up new plants and additional fixed overhead that has affected the company.

- Rohan Patel:** Okay. So, keeping Chlor Alkali and Benzene apart, if we utilize our capacity to full level, say optimum utilization of somewhere around 85%, so can we can expect margins of 11% to 12%, if that happens, if market recovers and our capacity utilization is optimum?
- Mayur Padhya:** Yes, definitely.
- Rohan Patel:** Okay. And what are the margin range for Chlor Alkali? And how big it can be for us in the revenue, top line terms?
- Mayur Padhya:** Chlor Alkali margins vary from say, 16% to 20%. And before 2 years, there was very good time over at that time, even more than 25% margin was also there, but that was normal. We steady case, we can expect about 18% to 20%, 16% to 20% margin.
- Rohan Patel:** Okay. And what kind of revenue we can expect at peak capacity utilization, optimum?
- Mayur Padhya:** It can be in the range of INR350 crores to INR370 crores once the capacity is fully utilized.
- Rohan Patel:** Okay. And another thing I just wanted to know; our inventory days have deteriorated. And like from last year, it has started to improve. But if you see for 5 years, 6 years mainly it has deteriorated. So, what are we doing on that front? How are we trying to make it better?
- Mayur Padhya:** See, our integration has been becoming stronger and stronger. And because of that, we are required to have a larger inventory. At the same time, our final product Dyestuff, over there, there are lots of products, more than 100 products. So, to match the required and quick delivery to customers, we are required to give larger stock. So, this is the level that will remain more or less same. We are not expecting much improvement from this level.
- Rohan Patel:** Okay. So this is with the current capacities and current product profile, this is what it will be seeing?
- Mayur Padhya:** Yes, more or less, this will remain.
- Moderator:** The next question is from the line of Aditya Khetan from SMIFS Institutional Equities.
- Aditya Khetan:** Sir, in this fiscal, in 2025, so we can expect this Chlor Alkali business to reach peak utilization level?
- Ankit Patel:** Yes, it is already at 82%, 83%. I think there is still room to go up to 92%, 93% utilization. And things are in place for that. So I think about 8 months of the year, we should do around 90% and the remaining about 80%. So yes, blended, I think we should be doing about 85%, 87%. So there is some more room for improvement, yes. It will add a little bit to the top line and also add a little bit more to the margins.
- Aditya Khetan:** Okay. And sir, on the Dye Intermediates and Dyestuffs, I believe that volumes have been fairly stable over the last 5 to 6 years. We are at a similar volume level. So any like improvement

now you're witnessing or recovery in demand. So is there any room like we can improve our volumes like on 15%, 20% for the next 1 to 2 years?

Ankit Patel: So Dye Intermediates and Dyestuffs, they are a batch type manufacturing process. So there, reaching 90% plus is not possible. Usually, the work -- the peak utilization is about 80%. We are already close to that. So, the demand is not that great that we can try to push the more utilization or things on that note. So, I think there is no room for some more production or really push the utilization at this moment. That may affect the margins again. If there is more production that happens, I think that may affect the margins also. So I think the...

Aditya Khetan: So, volumes for next year will be flattish sir?

Ankit Patel: Sorry, say it again please.

Aditya Khetan: Sir, volumes from Dye Intermediates and Dyestuffs what we have reported in FY '24, more or less, it will be flattish?

Ankit Patel: Yes. So, I think there is a room for improvement in Dyestuff, but not a major improvement that is possible in Dye Intermediate. So, some improvement is there, but not in a major way. Our focus is to improve or to diversify our business other than the Dye Intermediate and Dyestuff going ahead.

Aditya Khetan: Got it. Got it. Sir, any new capex like, I believe, so we have taken a lot of debt for the Benzene Derivatives. And our clear aim is to reduce the debt. So, for the next 2 years, we would be incurring only the maintenance capex?

Mayur Padhya: Yes. That is what we are planning at present.

Aditya Khetan: And sir, debt levels, what you're looking for the next 3 years?

Mayur Padhya: So every year, there should be a reduction of about INR100 crores. See, at March balance sheet, our net debt was about INR830 crores. This is something a peak debt of what we are estimating. And every year, about INR100 crores reduction should be there.

Aditya Khetan: But sir, suppose if we plan some downstream derivatives into the benzene side, as sir has mentioned, so there is more value into the downstream. So rather than making only PNCB, ONCB, so can we expect like, we would be incurring capex on to that side?

Mayur Padhya: No. For coming 2 years, we are not planning anything. So, we'll give you after 2 years what to do, considering that time ratios and business scenario.

Moderator: The next question is from the line of Pradeep Rawat from Yogya Capital.

- Pradeep Rawat:** So, my question is regarding the question that an earlier participant has asked. So, you have responded that there is an environmental issue relates to effluent treatment in China. So, do we treat effluent in India? Or is it being more of a Chinese kind of thing?
- Ankit Patel:** Since mid-2010, overall practices in India have been very strict. And as per the government's guidance, I would say the industry has been following. I would say, more than 97%, 98% industries, I think, across and especially in the western part of the country, are definitely following as per the government guidelines when it comes to the environment protection. And all the effluents or all the gases emissions, everything is taken care of. So I think it's quite organized across India now.
- Mayur Padhya:** we are much ahead as far as compliance is concerned when we compare to China. Awareness has started in late '90s only.
- Pradeep Rawat:** Understood. And with regards to our debtor days, it has come down considerably. So that was good. So what would be the specific reason for that?
- Mayur Padhya:** See, company business was not doing well. At the same time, we were into capex. So our focus is to utilize every penny wherever it is stuck. So management's 100% focus was there not to hold any fund anywhere. So that's why the recovery was very good. And now the company is focusing to give clear days to customers and recover the fund wherever it's possible. So it's based working capital management, we can say, that has helped the company to recover the debtors days.
- Pradeep Rawat:** So going forward, we should expect similar kind of debtor days?
- Mayur Padhya:** Yes, we can expect for similar.
- Moderator:** Ladies and gentlemen, as there are no further questions from the participants, I would now like to hand the conference over to Mr. Ankit Patel 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, members of the management. Ladies and gentlemen, on behalf of Bodal Chemicals Limited, that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.