EPIGRAL

14.11.2024

To,

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

SYMBOL:- EPIGRAL

Scrip Code: 543332

Dear Sirs,

Sub.: Transcript of Conference Call held on 11th November, 2024 for Q2 FY25 – Results

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith Transcript of Conference Call held on 11th November, 2024 for Q2 FY25 – Results.

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

This is for information and records.

Thanking you,

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

GAURANG GHANSHYAM TRIVEDI
Digitally signed by GAURANG GHANSHYAM TRIVEDI
Date: 2024.11.14 12:22:10 +05'30'

Gaurang Trivedi
Company Secretary & Compliance Officer
M. No. 22307

“Epigral Limited

Q2 FY '25 Results Conference Call”

November 11, 2024

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

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

Moderator: Ladies and gentlemen, welcome to the Q2 FY '25 Results Conference Call of Epigral Limited, hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions 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 would now like to hand the conference over to Mr. Meet Vora from Emkay Global Financial Services. Thank you, and over to you, Mr. Vora.

Meet Vora: Thank you. Good evening, everyone. Thank you for joining us on Epigral Limited's Q2 and FY '25 Results Conference Call. We would like to thank the management for giving us this opportunity to host them.

On this call, we are joined with Epigral's management represented by Mr. Maulik Patel, Chairman and Managing Director; Mr. Kaushal Soparkar, Executive Director; Mr. Sanjay Jain, Chief Financial Officer; and Mr. Milind Kotecha, Investor Relations.

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

Maulik Patel: Thank you, Meet. Good afternoon, everyone, and welcome to the con-call of Epigral quarter two FY '25 performance. I believe you had an opportunity to view the earning presentation that was released earlier yesterday, Saturday. Chemical industry has started improving through a lower pace compared to normal one. We see a good demand at domestic level compared to the global demand. We expect demand scenario to improve from here on, both domestic and global level.

In quarter two FY '25, we had a sales growth of 32% compared to last year similar period. And for H1 FY '25, we had the sales growth of 37%, led by volume growth of 17% compared to H1 FY '24. This growth is majorly coming on account of sales volume growth from our value-added Derivatives & Specialty products. Revenue contribution from Derivatives & Specialty business stood at 59% in quarter two FY '25 versus 46% in quarter two FY '24. Contribution from Derivatives & Specialty business will further increase as all future capex are planned towards this business.

In line with that, we are enhancing our CPVC and ECH capacity. And considering the acceptance of our product, market size and the growing demand for both the products, we are excited to double our existing capacity of CPVC and ECH at our existing complex. We are going to add further 75,000 tons per annum in CPVC resin to reach the total capacity of 150,000 tons per annum, and it will be the largest capacity plant in the world. In ECH, we are going to add another 50,000 tons per annum capacity, and it will be the largest capacity plant in India.

These additional capacities are expected to get commissioned by H1 of FY '27. Having already built a sizable capacity in these products, we believe that our team will be able to complete this project in the estimated timeline and at optimal capex. These projects are expected to contribute in FY '27 onwards.

Our strategy to diversify into value-added import substitute products, strengthening our integrated, complex and continuous capex for growth is playing well for us to grow more efficiently and creating value for our stakeholders.

I now hand over call to Mr. Milind Kotecha, who will take us through the financial.

Milind Kotecha: Thank you, Maulik. Let me take you through the quarterly numbers. So on operational side, capacity utilization of the plant stood at around 83% in quarter 2 FY '25 versus 77% in quarter 2 FY '24. Sales volume grew by 6%, and this was majorly coming from the Derivatives & Specialty business. Revenue from the quarter two FY '25 increased by 32% to INR632 crores versus INR479 crores in Q2 FY '24. This growth is majorly on account of the volume growth coming from the Derivatives & Specialty business.

In Q2 FY '25, revenue contribution from Derivatives & Specialty business has increased to 59% versus 46% in Q2 FY '24 and 53% in Q1 FY '25. So we are moving in line with our diversification and increasing our contribution revenue from Derivatives & Specialty. EBITDA grew by 65% to INR178 crores versus INR108 crores in Q2 FY '24. This majorly happened on account of increasing utilization and volume contribution from the new projects. EBITDA margin stood at 29% in quarter two FY '25 versus 23% in Q2 FY '24.

PAT grew by 111%. It's almost double to INR81 crores in Q2 FY '25 versus INR38 crores in Q2 FY '24. And PAT margin stood at 13% versus 8% in quarter two FY '24. Total debt of the company has reduced to INR895 crores as on 30th September compared to INR963 crores as on 31st March 2024.

Return on capital employed for the trailing 12 months has improved to 24% compared to 21% as on 30th September 2023, on account of better volume growth resulting in a growth in EBIT. Here the capital employed includes the capital work in progress which is yet to contribute to the total revenue. So if we exclude the capital work in progress then ROCE stands around 28%.

Our net debt-to-EBITDA has improved to 1.4x at the end of September 2024 versus 1.8x at the end of September 2023. The ratio has improved in line with the volume contribution from existing as well as the new projects resulting in a growth in the EBITDA, absolute EBITDA, and also a reduction in the total debt of the company.

Now if you look at the half yearly numbers, the revenue has grew by 37% to INR1,285 crores. This is majorly driven by the volume -- sales volume growth of 17% coming majorly from the Derivatives & Specialty business. Derivatives & Specialty business contributed 56% of the revenue in first half of FY '25 compared to 42% in first half of last year.

Capex utilization of the plant for first half of FY '25 stood at 83% versus 74% in first half of FY '24. EBITDA grew by 75% to INR355 crores leading to EBITDA margin of 28%

compared to 22% in first half of FY '24. PAT grew by 139% to INR166 crores and PAT margin stood at 13% versus 7% in first half of FY '24.

With this, we can open the floor for the questions.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Parth Mehta from Vallum Capital. Please go ahead.

Parth Mehta: Yes. Hi, team. Good evening and thank you for taking the question. Just wanted to know, what is leading to the pricing pressure in the domestic market for caustic versus the global export markets?

Milind Kotecha: So, the domestic caustic soda prices have also kind of bit moved upward direction. So that was something which happened at the end of September. So that will be -- so in line with the global prices, even the domestic prices of the caustic soda has gone up. But that will be reflected majorly in the Q3 and not in Q2.

Parth Mehta: Yes. So when I -- when you look at the Q2 revenue numbers, they have decreased during the quarter. When I compare it Q-on-Q versus our COGs has remained flat, in fact increased marginally. And then...

Milind Kotecha: We cannot hear you clearly. Can you...

Moderator: Mr. Parth, your line -- please may you use your handset because there is a lot of disturbance from your line.

Parth Mehta: Yes. So wanted to know, when we look at our Q2 revenue numbers, they have decreased quarter-on-quarter versus our COGS have remained – look COGS have remained flat. In fact, they have increased marginally. And then our other expenses has reduced drastically, and our net-net EBITDA has remained flat. So is there any cost item that has been shifted from other expenses to COGS?

Or is there any product that we used to outsource and put that expenses -- put that cost in the other expenses and now that we have started making it in-house and then added it in the COGS?

Milind Kotecha: See, as such, there is no change in the COGS and also in the other expense item. It is in the routine course of business which has happened. So as such, there is no change in any accounting practice that we have which will change things. If the -- if we look at the Q-on-Q, which is quarter-on-quarter, as you said, so that is again the current quarter, it's bit -- you can say, the things have improved because of the improvement in the products or the margins in the work that we have sold.

So otherwise it's a normal course of thing. It's not anything that we have moved on other expense to COGS.

Parth Mehta: Okay, so it is more of the other expense? The numbers are -- there's a fall of almost INR20 crores, INR21 crores. Is that a one-off?

Milind Kotecha: Yes, it's a one-off kind of thing. It's nothing like any kind of change.

Parth Mehta: Okay. And last one, when we look at our volumes Q-on-Q, they have reduced. So any particular reason why there is a fall in volumes and which product would have -- we have seen a fall in the volumes?

Milind Kotecha: So, again, in the sales of volume also, the other products have remained a bit with here and there. But again, at the few specific products, there was bit slow down because generally it's not this -- in this particular season, which is a monsoon. Few of the products are in lesser demand. Otherwise, it's in a steady mode. So you will see a Q3 in a better position.

Parth Mehta: Okay.

Maulik Patel: Compared to Q-on-Q. When we compare Q-on-Q, so that will be in a better position because, generally, for a few of the products, Q2 is kind of an off-season.

Parth Mehta: Okay. And if you could just help me with the utilization for caustic.

Milind Kotecha: Sorry, what about caustic?

Parth Mehta: Utilizations.

Milind Kotecha: So caustic utilizations has been around 75%.

Parth Mehta: Around 75%. And our chloro -- hydrogen peroxide.

Milind Kotecha: So it is somewhere around 95%, 100%.

Parth Mehta: Okay. Thanks.

Milind Kotecha: Yes.

Moderator: Thank you very much. The next question is from the line of Nirav Jimudia from Anvil Wealth. Please go ahead.

Nirav Jimudia: Yes, sir. Thanks for the opportunity, sir. I have two, three questions to ask. So first, you have mentioned in your presentation that our caustic realizations were down Q-on-Q. But when we see the international prices, I think they were predominantly stable, right, in terms of between the quarter. So just wanted to understand from you, like was this fall was more because of the chlorine prices?

And if you can also help, like how were the chlorine prices in 2Q of FY25 versus 1Q of FY25?

Milind Kotecha: So caustic soda, what you said is true. It is partly because of the chlorine impact that we have in India compared to the global market. So that is where it has been down. So chlorine, if we look at the last quarter, it would have been somewhere around negative of around INR4,000 and this quarter it could be somewhere around INR6,000, INR7,000 negative.

Nirav Jimudia: Correct. And sir, when we see the per kg margins for our caustic soda business, like there was something like -- if we compare the ECU, there was a fall of close to around INR2.5, INR3, if we see on a sequential basis. But when we compare our cost in terms of energy cost because now, we have an entire captive power plant also running for our caustic soda business.

So have we seen some sort of cost savings there, which would have negated ECU realization to an extent of INR2, INR2.5? If you can share your thoughts here.

Milind Kotecha: So in caustic, what you said is true. I mean, to have our own captive power plant, that definitely helps in terms of rationalizing the cost. But again, in -- since beginning, since 2009, when we started our plant, we have our own captive power plant, so we are optimized in terms of the cost of production since beginning. So it's not that suddenly something has come up.

But yes, we have also entered into 18.34 megawatt of wind-solar hybrid power plant, which helps us to reduce our overall cost for the cost that we were -- we are getting from the grid. So to that extent, yes, we have got the benefit in this year fully.

Nirav Jimudia: Got it. And you also mentioned that, by the end of September, we have seen some sort of price increases in caustic. If you can just quantify like in terms of the quarterly prices of caustic what we have realized and how much we have seen the price increases or possibly? What sort of price increases the industry would have taken?

Milind Kotecha: So caustic soda prices have gone up in line with the global market. But again, at the same time, the chlorine as we were discussing what it was earlier and what it is right now in a situation, so the ECU which is a down the line number has moved up marginally up. So last quarter, the -- I mean Q2, the ECU was around INR26,000, considering the price which has gone up and the chlorine, which has further gone down in terms of negative, the ECU goes around INR30,000, INR31,000.

Nirav Jimudia: Okay. Got it. Sir, second question is on the chlorine production. So I think if we do some calculation based on our chlorine production of close to around 850 TPD currently, if you can help us understand like how much we use internally, how much is our pipeline sales and how much we sell in the spot market?

Milind Kotecha: So we say, captive consumption that we have is around 80% as of now as we have expanded our CPVC capacity has come. So compared to like Q2, we consuming -- captive consumption was around 70%, that has gone up to 79% captive consumption. And there is 21%, which we still sell in the market short on us.

And as we are -- have further announced to enter into expanding CPVC and ECH capacity, we are targeting this to further go up to consume captive -- consume chlorine more captivity.

Nirav Jimudia: This captive doesn't include the pipeline sales, right?

Milind Kotecha: It includes the pipeline customers, so yes.

Nirav Jimudia: Correct. So does the pricing for those pipeline customers also are on the similar lines on how we sell in the spot market, or there the pricing is slightly different in terms of the contracts with the customers?

Maulik Patek: Ex-plant, the pricing of the -- more or less, most of the players, I think, the chlorine price is similar.

Nirav Jimudia: Got it. Sir, last bit from my side, like if you can share your thought process about the total market size of chlorine in Gujarat currently, like how it is placed and how the players are currently expanding? So how do you see, eventually not today, but let's say over two, 2.5 years because a lot of other players also expanded their capacities in and around Gujarat.

So if you can share your thought process about the market size of chlorine in Gujarat? And how do you see that industry growing so that the rest of the players selling their extra chlorine doesn't put a pressure on your caustic prices? Thank you so much.

Maulik Patel: So I think the caustic soda is -- Indian caustic industry, chlor-alkali industry is driven by the caustic soda because of lack of propylene in India.

Nirav Jimudia: Correct.

Maulik Patel: And then mainly because of the PVC production. So definitely, going forward, as the country is going at 7.5%-8%, definitely our caustic demand is also, I think going with the same speed. So definitely demand of caustic is going to go up and the chlorine derivative people need to find a way to utilize the chlorine internally.

So that's why we are expanding CPVC and ECH. And I think, overall and after commissioning of both the project, the 21% -- at the 75% running capacity, we are selling 21% in the outside in the market. That will almost become, I think, only 10% in the market after we commission both the project.

Nirav Jimudia: Got it. And, sir, any idea about the market size of chlorine in Gujarat?

Maulik Patel: It's a very unorganized market. So it is difficult to make out exact demand and supply. But definitely, major industry is a downstream chemical industry and depends on the sector. The market situation keeps changing. Depend on the agro chemical market, that is the major one. So all derivatives and intermediate manufacturers, their demand supplies also keep changing.

So everything, never it is running on the peak normally. Depends on the cycle of the industry, it is keep changing. So it is very well diversified. It is not focused on one particular industry in India, other than -- if you see, other than PVC application, I think, it's very well diversifying. So many different application and the end use, including the water treatment also.

Moderator: Thank you very much. The next question is from the line of Rohit Sinha from Sunidhi Securities.

Rohit Sinha: So a couple of questions from my side. One is, as we are expanding our ECH and CPVC, and others players are also expanding into this space, so just wanted to know what kind of outlook we have and what kind of demand growth we are expecting in both the segments down the line in next 2 years?

Maulik Patel: So, both the products, CPVC and ECH, both are growing almost at double-digit in India. If you see all the epoxy manufacturers, they are already expanded, almost doubled down their capacity. Even new players are also expanding their capacity of epoxy resin. I think, in the last three years, the ECH demand has gone up almost double in India or going to probably next 1 year once the optimum level, all the epoxy resin manufacturing capacity will run.

Other than the unorganized sectors, which is also buying Epichlorohydrin as a raw material for other application also. That is also growing at double-digit. So, we are expecting this market is growing double-digit. And I think it will reach to a very high potential. And that's why we are the first ones right now in the Epichlorohydrin in manufacturing. So, we thought we would like to take a call to double the size of the plant to, we are forecasting, I think, 2 years down the line, again, the supply-demand gap will come in the ECH sector.

Rohit Sinha: Okay. And for CPVC?

Maulik Patel: And the CPVC also, everybody is expanding, everybody is adding their capacities. People are present in North; they are adding capacity in South. People are in East; they are adding capacity on West. So North, South, East, West, all-India, PAN-India, people are expanding their capacity of the pipe manufacturing.

And there are new players are also coming to enter like Sintex's-like companies. They are also coming into India. So, they are also going to expand the CPVC business along with the other pipe also. So, we are expecting good demand in coming years, and it will grow in the similar speed or higher speed in next 2 years' or 3 years' time.

Rohit Sinha: Okay. And our ECH capacity is running at what utilization?

Milind Kotecha: Currently, we are running almost 85% capacity.

Rohit Sinha: Okay. And the realization for all these CPVC, ECH, apart from caustic, I think all have remained flattish or slightly negative for this quarter?

Milind Kotecha: So in quarter two, I think, it's almost same for the derivatives segment, I think, almost same marginal changes, not major changes in terms of the realization. Yes.

Rohit Sinha: Okay. And in the caustic side, you have mentioned that we are operating at around 75% right now. So for second half, a lot of companies in the chemical space also are indicating for a better demand outlook for H2. So just wanted to understand that whether our utilization level are expected to touch or cross 80%-plus or would it be in the similar range for the coming quarter as well? And what kind of, right now, capacities are operating in India?

Because we heard that few capacities went for shutdown maybe on the maintenance side only, but there has been some shutdowns also which has helped in this price increase. So how to see that angle?

Maulik Patel: So we are expecting good demand in quarter three compared to quarter two in terms of caustic and in terms of the chlorine utilization also, because as Milind has mentioned that some of the derivatives which is not in very high demand in terms of the monsoon season. So I think we are expecting good demand in quarter three. So definitely, our plant will run. As you rightly said, that will run more than 80% capacity in terms of the quarter three.

Rohit Sinha: Okay. And one last question, apart from this CPVC and ECH expansion, are we may be looking at any other opportunities as well?

Maulik Patel: Yes. Now I think, we have captively consumed almost 90% of our chlorine in terms of the ECH and CPVC and other application also, in the chloromethane also, and the pipeline customers also. So, we are only going to sell 10% of the chlorine in the market. And definitely, 2 years back, already we have announced that we have taken a land of almost close to 100 acres. So there, in that, we are going to start a new value chain. But still, we are under evaluation. Probably by end of March, we are able to discuss more about that value chain.

Milind Kotecha: Just to add to that, again, so the new land will have all together a new chemistry. And again, it will be kind of an import substitute product. So that's where we are looking for similarly what we have done in a CPVC and ECH kind of a thing.

Rohit Sinha: Okay, sir. Great. Yes, thank you. That's it from my side. And best of luck.

Moderator: Thank you very much. The next question is from the line of Meet Bhatt from Alembic Pharmaceutical. Please go ahead.

Meet Bhatt: So, sir, just wanted to understand, what is the market environment and how is demand-supply currently working in the market because we are facing realization pressure for all of our products. So, this is one view I want to know from you. And the second part is, where the capacities lie in terms of our products which are putting pricing pressure for our products?

Milind Kotecha: See, what you said is true. I mean, there is a bit impact in the realizations, but that is marginally plus and minus. But considering the capex that we have done so far that is contributing in terms of the volume growth that we have seen like first half of FY25, we have seen a sales volume growth of 17%. So that is something which is driving the growth that we have. And plus, the realizations that we are seeing is at the kind of a bottom level. Again, when it will go up, that is to anyone's guess. But whenever that happens, that will be an additional benefit.

So overall, industry is moving up. Whatever we are seeing is the bottom of situation, things might improve from here on. The pace might be different for different set of application industries, but we believe that considering the industries to whom we are serving and the capex and the capacities that we have, we would have a volume growth.

And that will ultimately drive the value growth because the volume growth that will be coming will be coming from the high value products compared to our earlier products. So that will ultimately drive the value growth as well in the coming years.

Meet Bhatt: Okay. And second was there any discussion or update on chlorotoluene value chain products we are coming up with?

Maulik Patel: Yes. So chlorotoluene project, we have a three block. So we have started commissioning one by one each block. The first block, we have commissioned. The second block, we are going to commission probably in this quarter. And the last block, we will commission in the last quarter. So probably, fully commissioned will be done in the quarter four.

Meet Bhatt: What about the ECH?

Maulik Patel: Yes

Meet Bhatt: Okay. And the third was just a bookkeeping question. What is the volume growth for this quarter?

Milind Kotecha: So, volume growth for this quarter is around 6%.

Meet Bhatt: 6% is YoY or QoQ?

Milind Kotecha: YoY.

Meet Bhatt: So I am asking about QoQ?

Milind Kotecha: It is flat.

Meet Bhatt: Okay. That's it from my side.

Moderator: Thank you very much. The next question is from the line of Vinay from PP Ventures. Please go ahead.

Vinay: Recently, the Commerce Ministry had announced an anti-dumping duty measure on suspension PVC import. This is yet to be finalized by the Finance Ministry. But is this the kind of PVC we use for our CPVC production? And how do you think it will affect us?

Maulik Patel: Yes, suspension PVC, we use in our CPVC production. And this is very special PVC, which is not manufactured in India, so people are not manufacturing in India. And we are importing. So yes, there will be impact of anti-dumping duty of PVC on the CPVC pricing as well going forward.

Vinay: Okay. So I have heard in investor calls of DCW and also understand that Reliance is planning to start their own CPVC production and announced a capacity increase. And DCW uses their own PVC for CPVC production. So when you say this is not available in India, how does Reliance and DCW manage the same?

Maulik Patel: See, so far, we know it is not manufactured in India. So, we don't know about future, it will start manufacturing or not.

Vinay: Okay. So, we also talked about you having a major capacity addition. We also know Lubrizol is adding capacities, Reliance is in the line. DCW is also adding capacities. So, by the year 2027, do you think the pipe demand will catch up to the amount of capacity increases? Or what percentage of capacity addition do you think we'll be at?

Milind Kotecha: So, considering the growth in the CPVC market, we expect the demand to reach around 3,30,000 or 3,50,000 once we commission our plant which will be in FY27. So still even after that, India will be a net importer of CPVC, somewhere around 1,00,000 or 1,10,000 kind of CPVC resin.

Vinay: Wow, that's good to hear. Recently, you've started a 35 KT compound plant for CPVC. What capacity percentage utilization are we at for this compounding plant?

Milind Kotecha: So the CPVC compound we commissioned in June. We have made our products. It is under trial with various players. At few levels, it has been approved. At few levels, it is still at the testing phase. So I guess it will start contributing in a sizable way from the Q4 onwards.

Vinay: Okay. Recently, there has been extension in CPVC anti-dumping duty. Has that affected our realization prices at all? Because last quarter, the realization seems to be status quo.

Maulik Patel: Yes. So currently, also, the realization has been status quo. It is in the same range.

Vinay: What percentage of our CPVC capacities did we utilize last quarter?

Milind Kotecha: It has been around 70%.

Vinay: 70%.

Milind Kotecha: 65%, 70%.

Vinay: Thank you so much for answering my questions.

Moderator: Thank you very much. The next question is from the line of Bobby from Falcon. Please go ahead.

Bobby: Hi. On Chlorotoluene could you collaborate a bit on whether the capacity is for domestic use or for exports?

Moderator: Mr. Bobby, may I request you to please speak a little louder and use your handset while asking a question.

Bobby: Yes, I'm using the handset. All right.

Moderator: Okay.

Bobby: So for Chlorotoluene are you going to be using the capacity for exports or for domestic use?

Maulik Patel: So our major -- our planning to use domestically which is all specialty chemical companies who are growing in India for the agrochemicals or the pharmaceutical intermediate. And some portion we will export to European region to start with. But definitely, on a longer term, definitely, our focus is going to be India, Indian specialty chemical companies.

Bobby: Right now, the year -- so your end segment is agriculture and pharmaceutical, correct? So right now where are you getting Chlorotoluene from?

Maulik Patel: They are they getting it from Japan, they're getting it from China, Japan and some portion is coming from Europe also.

Bobby: All right. So when you set up your plant, are you going to be competitive with these countries given they are operating at a much larger scale?

Maulik Patel: Yes, we believe, we are domestically available. It is much easier for our customers also. And all the products, majority of the products are in the liquid phase. So there is not easy to transport in terms of the -- when the quantum is increasing for the customers. So yes, it is much easier for our customers to procure it from the domestically compared to the import.

Bobby: So when your capacity comes on stream, you expect them to switch over to you from their current suppliers?

Maulik Patel: Yes, but it will take time. It is not going to do overnight because the customer also need to -- I think, it will take time to build a confidence between the supplier and the customer. So gradually, it will increase the volume. So we are expecting, once we commission fully in quarter four, it will take minimum 3 month to 6-month time to approve each and every customer to a desired level. Definitely, small orders we can get in initial first quarter, but actual volume will pick up in the second quarter of next year.

Bobby: Right. So it's pretty much the same situation you had for ECH, correct? So for ECH, at this point, what percent is sold domestically versus exports?

Maulik Patel: Yes, I think it is -- you are right, we had a similar situation in ECH.

Bobby: So how much are you selling domestically right now for ECH?

Maulik Patel: We are selling almost 80% in domestic and 20% for the export.

Bobby: All right. So it took some time for you to scale up to the domestic customers. Initially, you're exporting a lot and then you gradually got customers?

Maulik Patel: Yes. And I think it is -- the volume is increasing in India and all the players are expanding. And not only the epoxy resin, but the other application people are also expanding. And consumption of ECH is growing in other smaller application as well. So we thought it is good time to expand. And yes, our long-term planning is to sell maximum in the domestic and then around 20% for the export market.

Bobby: Understand. So for Chlorotoluene is it a technologically complex process? How come you're the first one to set up the manufacture?

Maulik Patel: Yes, it is not easily manufactured because there are so many number of products in the Chlorotoluene value chain. It is not a one product like Epichlorohydrin or the CPVC or -- it's very complex. And to get it approved to each and every process, each and every molecule and the isomer balance, yes, it is bit complex.

Bobby: Right. So do you have a technology partner for this or are you doing it alone?

Maulik Patel: No, we have -- in some of the products, we have a technology partner. Some of the products, we are doing in-house. So it's a mix. It's a whole -- it's a 10 to 15 different products in entire value chain.

Bobby: Right. So LANXESS is the global leader here. Do you think your quality will be on par with LANXESS?

Maulik Patel: Which quality will be?

Bobby: Will it be at par with LANXESS, the German company that manufactures Chlorotoluene?

Maulik Patel: Yes, out of I think the 10 products or 15 products which we are planning to manufacture, out of only I think couple of product is manufactured by LANXESS, but it is going to be at par with LANXESS. So for any product, right now, I think we have to be par with the best product which is available in the market. Otherwise, it is difficult to sell. So that is the mandatory requirement for any kind of manufacturing once we enter.

Bobby: I understand. So for CPVC, who is your technology partner?

Maulik Patel: CPVC, it is not a one particular technology partner, it is a different kind of -- it's mainly not a technology in the process, it is a lot of equipment, lot of engineering is also, so we took the help of different consultants also for the commissioning of the CPVC and the technology, and we've also taken a help of some of the equipment supplier also.

Bobby: Okay. Because, originally, the understanding was when a few years back, that CPVC was a very technologically advanced compound and only few people could manufacture. But now it seems a lot of players are manufacturing it. So the capacity...

Maulik Patel: Yet, people are not manufacturing, a lot of people wanted to manufacture, but yes you are right, it is -- earlier -- it is still. It is a very complex process. In terms of the engineering, it is very complex. In terms of the corrosiveness it is highly corrosive. And in terms of the customer also in the -- in terms of application, you need to have a lot of infrastructure in terms of the application also.

So it is not that easy to manufacture. It looks very simple once you see the chemical process, chemical formula, but it is difficult -- it is very difficult to take approval of the customers also along with the application and other applications. So it's a complicated process. It is not just once you commission and you can establish the customers very easily.

Bobby: I understand. And you have all this talent in-house. You don't outsource it. So all the engineers are in-house, employed by Epigral?

Maulik Patel: Yes, that is our strength.

Bobby: All right. Thank you for answering my questions.

Maulik Patel: Thank you.

Moderator: Thank you very much. The next question is from the line of Rahil Shah from Crown Capital. Please go ahead.

Rahil Shah: Yes, just one question. So I was going through the Q1 con calls. And I believe you had said that you expect revenue to be in the region of INR2,500 crores to INR2,600 crores with a PAT of INR300 crores, INR350 crores. So do you still think you can achieve numbers in the current situation, the change in pricing and everything?

Milind Kotecha: So considering the volume growth that we have right now, we will be moving in that line only.

Rahil Shah: And what is volume growth? Can you just reiterate?

Milind Kotecha: Sorry?

Rahil Shah: What kind of volume growth are you expecting in the second half or for the full year?

Milind Kotecha: So I can say that second half will be better than the first half. Let me put it that way rather than giving any specific number.

Rahil Shah: Okay. And margins, you expect to be in the range of 24%, 25% for the full year, EBITDA margins?

Milind Kotecha: Sorry, I didn't get you.

Rahil Shah: The EBITDA margins, do you think they will be in the range of 24%, 25% for the full year?

Milind Kotecha: Yes. So we believe that the year put together, we will be having a margin of 25%, though, in first half, we had a EBITDA margin of 28%. But on a conservative side we can take around 24%, 25% margin.

Rahil Shah: Right. Okay, thank you. And all the best.

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

Rohit Sinha: Yes. Sorry, my line got dropped. So maybe this question was already asked. Just one thing on the export side. So for ECH, how much was the export, and the total overall export was how much for this quarter?

Maulik Patel: So 20% is the export and 80% is domestic so 25%, 75% you can say that, yes, for this quarter.

Rohit Sinha: 25% 75% is for complete business, right?

Maulik Patel: Yes.

Rohit Sinha: And for ECH only?

Milind Kotecha: No, for the ECH. This was 25%, 75% was for the ECH. Company put together, the export is in the range of around 10% kind of thing, company put together.

Rohit Sinha: Okay. And when we are looking at this expansion of ECH, so this 25% would be similar or we expect a higher number on that side?

Milind Kotecha: Considering the growth in the Indian market, we think, majorly, it will be consumed in India only. So we are putting the additional capacity considering the growth that we are going to see in the Indian market. So it will be major in India, but again time will tell.

Rohit Sinha: Okay. I think, by first half FY27 on both these capacity would be operational, CPVC and ECH?

Milind Kotecha: Yes. So we expect in the first half of FY27, both the capacities will be commissioned. So it will -- again, as it will be commissioned, it will take time to ramp up. So it will contribute partially in FY27. And we expect it to run optimal in FY28.

Rohit Sinha: Great. And again, I mean, looking at our first half margin, which still I think around 28% and you are still seeing for 25% for full year, I think that number looks quite conservative. And we can easily put together, I think, 27% to 28% kind margin would be definitely possible as we are anticipating a better number for second half. So I know, being a conservative -- I mean, keeping a conservative number is there, but I think 27% to 28% kind of margin should definitely be possible?

Milind Kotecha: So, Rohit, what you said is true. See, first half we have done 28% kind of margin. And we said in a normal situation, we can be in the range of around 25% to 27%. But when I say 25%, it is for this year, it is for next year. So we are putting it that way. But what you said is also true, first half, we are at 27%. So then it will be definitely on a higher side compared to 25%, but if you ask me, if you're asking for a guidance kind of thing, then we will stick -- would like to stick to 25% margin.

Rohit Sinha: Okay. Fair enough. Thank you, sir. Thank you.

Milind Kotecha: Thank you.

Moderator: Thank you very much. The next question is from the line of Sanket Baheti from GeeCee Holdings. Please go ahead.

Sanket Baheti: Hi, thank you for the opportunity. I had a couple of questions. Of the INR780 crores of capex that we plan to put, what would be the capex split for the 75,000 metric ton of CPVC capacity that we are putting?

Maulik Patel: Sorry, we missed the question. Can you repeat? Sorry.

Sanket Baheti: So of the INR780 crores of capex that we are planning to put, what would be the cost of capex for 75,000 metric ton of CPVC?

Milind Kotecha: So it's -- INR780 crores is for both CPVC and ECH. And also in line with that, we are spending the amount on the basic infra as well. So that's where we are not giving the bifurcation of the capex.

Sanket Baheti: Okay. And would it be possible to quantify the impact of provisional anti-dumping duty of PVC resins that we might face due to increase in pricing?

Milind Kotecha: Yes. So see generally, what we have seen in the past also, our realizations of the products has moved in line with the raw material cost. So if there is an impact on the raw material prices, then that will be reflected in the realization as well. So we tend to maintain what we had done in the past.

Sanket Baheti: Okay. And would you be able to help us with the selling price for CPVC currently or the realization of CPVC currently?

Maulik Patel: Sorry, realization of what?

Sanket Baheti: CPVC.

Milind Kotecha: So that is what it was in last quarter as well. It has been around that only, maybe 2%, 3% here and there. So no major difference as such.

Sanket Baheti: Okay, thank you.

Moderator: Thank you very much. We will take that as the last question. As there are no -- I now hand the conference over to the management for the closing comments.

Maulik Patel: Good evening, everyone. In conclusion, I would like to convey that we are moving in line with our strategy through our expansion plans and diversification in terms of multiproduct catering various industries. We are targeting consistent growth. And I would like to thank you all of you for joining us here today. Please feel free to reach our IR, if there are still any unanswered questions. Thank you, everyone, for your participation.

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