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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 Q4 FY22 Results Conference Call"

We enclosed the transcript of Q4 FY22 Results Conference Call with Investors and Analysts which was held on 27th May 2022.

Kindly take the same in your records.

Thanking you,

Yours faithfully,
For, BODAL CHEMICALS LTD

Ashutosh B Bhatt
Company Secretary
Encl: a/a

“Bodal Chemicals Limited Q4 FY22 Results Conference Call”

May 27, 2022

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

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

Moderator: Ladies and gentlemen, good day and welcome to the Bodal Chemicals Limited Q4 FY'22 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 '*' 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. 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 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 everybody had an opportunity to go through the financial results and investor presentation, which has been uploaded on the stock exchanges and on our company's website.

To begin with, I will give you a quick overview on the recent developments in the chemicals industry and our company, and then Mayur Padhya will walk you through the financial performance.

With over three decades of experience, Bodal Chemicals is India's Largest Integrated Manufacturer of Dyestuff and Dye Intermediates. In today's environment for Indian suppliers are emerging as preferred partners globally, we have been able to leverage our leadership position. We have meaningful capacity across various products to serve the demand of end user industries.

In the domestic market, our market share stood at 13% for dyestuff and 20% for dye intermediates business.

In the global market, our market share stood at 3% for dyestuff and 6% for dye intermediates.

We are expanding our product basket and including benzene derivatives, chlor alkali products, which have applications in pharma, agrochemicals, paper and other industries.

We are moving forward and adding additional capacity across multiple products across different chemistries.

Performance of FY'22: Total revenue for the FY'22 stood at Rs.2,068 crores which is the highest ever annual performance for the company. This growth was primarily driven by a better product mix and higher price realization.

Talking about the Intermediates, Q4 FY'22 prices of H Acid and Vinyl Sulphone, that's about Rs.474 per Kg and Rs.288 per Kg respectively. At the same present are Rs.460 per Kg and Rs.275 per Kg respectively. This price has remained volatile during this fourth quarter.

This year dye intermediates chemicals made a revenue of Rs.735 crores for us, an increase of 33% on year-on-year basis.

Many textiles SMEs are struggling to keep their businesses afloat because of the unprecedented volatility in the cotton prices, which has impacted the overall demand of dye intermediates. Although we consume more than 45% of our dye intermediates to produce dyestuff, we still have significant demand to serve.

Close to half of the basic chemicals capacity is captively consumed for dye intermediates production. Our overall basic chemicals segment contributed around 10% of our total revenues during FY'22.

Chlor Alkali Business: Our endeavor is to move up the value chain and diversify our business from core dyestuff and intermediates into other specialty chemical products, such as benzene derivatives and chlor alkali products. Strong tailwinds and high demand aided the Indian chlor alkali business.

We purchased Rajpura Punjab facility in the first quarter of FY'22. Chlor Alkali business delivered a strong performance with revenues of Rs.254 crores in FY'22.

We are confident that demand from FMCG, textiles and paper industries will be sustainable and we will be the reliable and preferred partner.

After the technology upgradation program, we expect this unit to generate total revenues of Rs.325 crores, at optimum levels in the normalized scenario.

Benzene derivatives and sulphuric acid derivatives - Our Saykha Greenfield project is in progress and we plan to have it commercialized same by Q1 FY'24.

The capacity of sulphuric acid and derivatives will be 3,40,000 tons per annum which will include products like sulphuric acid, oleum 23, oleum 65, liquid SO3, chloro sulphonic acid, liquid SO2, etc.,

We will also manufacture benzene-based downstream products such as MCB, PNCB, ONCB, MNCB, DNCB, PNA, 2,4 DNCB and MPDSA at the same Saykha location.

We should be able to sell these products to our existing clientele and partly will be used for our captive purposes. We expect this project to generate additional revenues of around Rs.550 crores at optimum utilization levels in normal scenario.

32% of our total business came from exports. Hence, the increase the freight and transportation costs has increased our other expenses considerably.

On other developments, we do business in over 45-countries and have a product portfolio of over 200 products. This diversification requires significant resources for managing the inventory of critical raw materials and finished products, as well as the lengthy transit time.

In the event of supply chain disruption, we prefer to preserve inventories and satisfy our clients need in the shorter timeframe. We have formed several trading and marketing subsidiaries to build a stock point and expand into new geographical markets. Our Turkey subsidiary, Sener Boya sales dispatches have improved meaningfully in the last one year.

We have acquired remaining 20% equity stake of Sener Boya to make it a 100% subsidiary.

Bodal China and S P S unit have also performed well with significant growth in top line. We are in process to amalgamate the S P S with Bodal.

In a medium to long term view, the subsidiaries will penetrate the respective region and will bring meaningful business to our company.

The primary goal of earlier investment has been to bring a long term sustainable business model without losing the leadership in the legacy business.

FY'22 has been good for us bringing better stability to overall business. We foresee our business would be less volatile and more diversified in the coming years. We will be catering to a broad end use application market with a wide product basket. Global protocol and compliance have essentially redirected the demand to organized players like us.

Indian chemical companies like us are poised for growth owing to increase in preference for a sustainable partner.

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

Mayur Padhya: Good evening, everyone. Overall performance of the company has been robust for the Q4 and FY'22. Most of the facilities were operating at the healthy level. This growth is driven by better price and product mix.

Our consolidated performance for Q4 FY'22 are as follows:

Total revenue stood at Rs.600 crores for Q4 FY'22, a growth of 39% year-on-year basis. EBITDA stood at Rs.56 crores for Q4 FY'22, a degrowth of 4% year-on-year basis. Net profit for the quarter stood at Rs.29 crores for Q4 FY'22, a growth of 33% on year-on-year basis.

Our consolidated performance for FY'22 are as follows: Total revenue stood at Rs.2,068 crores, a growth of 66% on year-on-year basis. Around 32% of the business is contributed by export and balance is 68% from domestic sales.

EBITDA stood at Rs.237 crores in FY'22 against Rs.120 crores for FY'21, a growth of 97.7%.

The Turkish Lira has been volatile throughout the year and has affected the annual performance.

The impact of full year basis has been incorporated into the consolidated financial. However, we have taken appropriate steps to address the FOREX exchange fluctuation and the same is reflected in the Q4 FY'22 performance.

Other expenses on full year basis has also increased primarily due to additional overhead costs from Rajpura unit, coupled with higher power and logistic cost.

Net profit for the FY'22 stood at Rs.99 crores against Rs.40 crores of FY'21. FY'22 performance of the key subsidiaries were healthy.

S P S posted revenue of Rs.159 crores, a growth of 62% on year-on-year basis.

Sener Boya has reported a total income of Rs.85 crores, a growth of 16% on year-on-year basis.

Total income from China's subsidiary was Rs.36 crores, a growth of 124% on year-on-year basis.

Segment wise performance on a consolidated basis for the FY'22 are as follows:

Dyestuff revenue stood at Rs.700 crores, a growth of 75% on year-on-year basis. Dye Intermediates revenue stood at Rs.735 crores, a growth of 32% on year-on-year basis.

Basic Chemicals revenue stood at Rs.196 crores growth of 57% Chlor Alkali division and TCCA revenue stood at Rs.254 crores and Rs.35 crores for the FY'22.

Total production volume on a standalone basis for the FY'22 are as follows: Dyestuff reported 20,058 MT for FY'22 against 14,756 MT for FY'21 Dye Intermediates reported 25,985 MT for FY'22 against 21,811 MT of FY'21.

Basic Chemicals stood at 1,92,051 MT for FY'22 against 1,56,382 MT for FY'21.

Chlor Alkali stood at 79,773 MT, of which, Caustic Soda stood at 57,938 MT.

TCCA stood at 1,270 MT for FY'22 against 1,461 MT for FY'21.

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

Moderator: We will now begin the question-and-answer session. Our first question is from the line of Surinder Kumar Aggarwal, an investor. Please go ahead.

Surinder K Aggarwal: What are the updates relating to recovery of bad debt decided by the company?

Mayur Padhya: There is still no recovery from that bad debt. The person who was responsible is out of India and we are not able to trace him. So, till now there is no recovery from that bad debt.

Surinder K Aggarwal: My second question is when Rajpura plant commence operation and manufacturing?

Mayur Padhya: Rajpura plant upgradation and capacity expansion work is going on and we are expecting that to complete in Q3 FY'23, we are expecting that to be functional with modern technology as well as additional capacity. Presently that plant is working and at the time of switching to the new technology, we are required to keep that plant closed for a week or so, otherwise it will go on working.

Moderator: Our next question is from the line of Devendra Pandey with DP Financial. Please go ahead.

Devendra Pandey: So, we have seen many factory closures in Gujarat, which are producing dye intermediates. So, what would be the reason behind this?

Mayur Padhya: For dye intermediates, particularly, after March, we are facing some issues particularly rise in price of basic chemicals and coal prices. Now, for dye intermediates, the immediate competitor for us is China, and in China we have experienced that, because of COVID last three, four months they were disturbed and the raw material prices, particularly, basic chemicals prices have not increased to the extent which are in India. So, there is a disparity as far as cost of production in India and China. If you take example of caustic soda, which is prevailing at present Rs.60 in India, and in China it is still traded at about Rs.40, 45. Other products like sulphur, caustic soda, and even coal, there are some differences, which is because of this temporary disruption COVID. Cost of production is bit higher compared to China. And that's why some of the units have closed their production. This is the reason. So, once there is a parity, they will once again start production.

Ankit Patel: I would like to add a little bit on this. Some of our competitors, their model is a little different, where they are standalone intermediate players. So, in a time like this, they shut down the plant, but we have a 45% captive consumption. So, at the same time, we are comfortably operating the plant but it is obviously at a lower production level right now. But I think we experience a similar scenario..

Devendra Pandey: My second question is what is the current market of Vinyl Sulphone and H Acid? And do we have enough orders to serve this vertical?

Ankit Patel: So, Vinyl Sulphone overall is in a better position. H Acid is where the pressure has been created, because there's a lot of coal consumption and caustic consumption is there. And like Mayur bhai was explaining, there's a little difference in the cost at which India is buying and China is buying. So, that is hurting a little bit in H Acid. So, for that, we have lowered down our production levels, but we are catering to our captive consumption. And at the same time, it may go on for a month or two like this. Like I said in the past this has happened and then it comes back to routine. And H Acid constitutes around 10% to 15% of our total revenues. I mean, it may affect our revenues, but similar things happen all the time when we are working in three, four different sectors, at the same time, a couple of other sectors are doing very well. So, they are operating at 100% available capacity and the margins are good. So, in general, this is the combination of our business goes, at times one or two sectors are a little dull, and then they come back to routine.

Moderator: Our next question is from the line of Pankaj Jain with Mahavir Investment. Please go ahead.

Pankaj Jain: My first question is if you can throw some light on chlor alkali business?

Ankit Patel: In Chlor Alkali, we have acquired the capacity at Punjab. Because it was an old plant, they are operating with the older technology where the consumption of the power is more which results in higher cost. So, we have immediately placed the orders and in fact received the main technology machinery in the last few days only. And by Diwali, we are planning to upgrade the technology, which will bring down our cost annually around Rs.25, 30 crores. Also, at the same time, we are increasing the capacity . So, our capacity will also go up by 100,000 tons per year, in FY'22 we did about 55,000 MTPA. Also the consumption areas of caustic are doing very well right now. That is why the prices of caustic has been historically high and they are sustaining since last three, four months, and going ahead, also June still looks very strong, because there are regular exports that are happening from the western part of India that is helping these higher prices in India to sustain. So, I see at least few more months where the prices of caustic to be sustained, the current levels are around 60, 65, even a price of 45, 50 is very good even if it starts coming down, it takes about three, four, five months to normalize.

Pankaj Jain: Secondly, if I recollect correctly, earlier you were targeting an annual revenue of approximately Rs.300 crores from our Punjab plant. So, if I say this inflationary cost pressure, so, any revised guidance of revenue from that plant?

Ankit Patel: We had given a guidance of around Rs.300 crores. At current levels, obviously, it would probably cross Rs.400 crores. But if I talk about some average prices in the last 10 years, then it should do about Rs.325 crores.

Pankaj Jain: Not a major jump. Lastly, as you mentioned the Rajpura plant will be operational by December or so. So, what would be the opportunity that the revenue potential from the Rajpura plant?

Ankit Patel: Rajpura plant is chlor alkali plant only. So, that is where we had Rs.255 crores of revenues in FY'22 which will go up to about Rs.325 crores, from diwali onwards it will run at annual basis.

Pankaj Jain: Demand scenario is robust, right?

Ankit Patel: Yes, absolutely.

Moderator: Our next question is from the line of Aditya Kaetan with SMIFS Limited. Please go ahead.

Aditya Kaetan: What is the caustic soda volume figure for FY'22?

Ankit Patel: It is around 50,000 MT.

Aditya Kaetan: So, when we talk about the annual volume figure for dye intermediates for FY'22, so, that is around 20,058 tons. So, this includes the captive consumption or it excludes it?

Mayur Padhya: For dye intermediates, production figure includes captive consumption. And on your earlier question caustic soda, last year's production was 57,938 MT.

Aditya Kaetan: Now, a question on the dyestuff front. From post-March what we are witnessing is that the cotton prices have shot to a record levels and that has led to some sort of unstability into the textile production. So, most of the textile players are out of the market as of now, because of the lack of cotton. So, how does this impact our dyestuff business because almost 60% of the dependency of dyestuff business is on the textile side, so, how you see this thing to shape up and will this impact our Q1 FY'23 revenues considerably?

Ankit Patel: You're right about the cotton quarter prices are being very volatile, but if I share my knowledge about last few days or a few weeks, it's not volatile anymore and prices have been correcting and I think that somewhere it would be settling which will give opportunity to the textile players to stabilize the business and maybe pass on whatever the increase in the raw material prices are. Yes, it did have a few months of volatility, but I think we are going towards stability now. And I think cotton is definitely one of the reasons why there was some disturbance in the overall textile demand. That led to some lower demand of dyestuff, that again led to some lower demand of dye intermediates, which is the reason why there is some slowdown at the moment in the dye intermediates production capacities also.

Mayur Padhya: Another thing is we export dyestuff almost 70%. So,, there is not big disturbance what we feel in India, at the same time dyestuff we do have some long-term order. So, we are comfortable as far as the dyestuff division is concerned. It's not that it's booming, but, yes, to some extent we are better positioned compared to other players.

Aditya Kaetan: Sir, on the caustic soda side, just I made some calculations. So, the average selling price for caustic soda in this year FY'22 was Rs.48 a kilo, means considering we had acquired the plant on a slump sale basis, the quality of the plant was not good , still we're able to get some sort of high realization. So, what makes the case for upgradation of the technology into the caustic soda side when the existing plant only yielding some sort of Rs.48-50 a kilo caustic soda realization?

Ankit Patel: When we acquired the asset, at that time the prices were very low. In fact, at net profit level we had some small losses in the first couple of months, because the prices were under pressure at that time. Has the scenario changed about six months ago? Yes, that is why the prices went up to Rs.70. The average price looks very strong. But, if I look at the last 10 years price including even couple of extraordinary times like this, it won't be more than Rs.35. So, to operate in that Rs.35 business, if I look at the next five or 10 or 20 years, we have to be competitive. So, the main reason was to upgrade the technology. We got the asset at a very attractive price. And immediately after the acquisition, we have placed the orders for the technology upgradation which I already mentioned that we will save around Rs.30 crores for us annually. So, again, to be competitive in the market against the competitors and also to save the Rs.30 crores on annual basis, that is the key. Even at Rs.48 or Rs.60 or Rs.30 selling price, that Rs.30 crores annually will be saved for sure, because it is on the cost side, it will save our power unit consumptions.

Aditya Kaetan: Sir, you said that to an earlier participant that there's a disconnect in the prices when we look at caustic soda or any other sort of raw material. So, considering if there is a shutdown considerably because of COVID in China, so, the vinyl sulphone and H Acid prices should have been skyrocketed, so, considering we are the largest manufacturer. Still we are not witnessing that sort of a trend on both the prices globally. So, what is the possible reason you foresee? So, still there is supply in the market considering there is another near country which is supplying good amount of H Acid or vinyl sulphone.

Ankit Patel: China, was shut down, but not the entire country was shut down, it was partly, especially the manufacturing hubs are usually away from the cities, where COVID spreads are not as bad as in the cities. But being in the city, having been affected by COVID is , very high, I think, they had certain quantities available, which are usually aren't. So, what I would take is that their demand was a little disturbed, whether maybe a supply of the raw materials or intermediates was not disturbed that much. And another reason is, it's not that a lot of the raw material is coming from China, but that cost is a little lower because their coal prices are much lower at the moment. The coal prices have been controlled by the central government from Beijing, wherein in India, the coal prices are higher. Also, a couple of the key raw materials are also much lower in China for a few reasons. So, that is why their cost only in H Acid at the moment is coming a little lower. So, when the cost is coming low, they are able to offer to Indian buyers at the lower price. So, that's why there's some pressure here. But I think once COVID normalizes there, then their consumption of the H Acid will be normalized, I think then there wouldn't be much raw materials available also. Also, there are a lot of volatilities in terms of logistics, coal, the raw materials, basic chemicals, and basic components. So, this is also affecting. In some products, India may be cheaper at the moment, in some products, China may be cheaper. So, I think this is just a little extraordinary time which we are witnessing, but I think if the COVID goes away, then it will be normal, where Indian supplier, would be able to meet the Indian demand well and there shouldn't be much disturbance from Chinese supplier.

Aditya Kaetan: Sir, just a follow up on this. So, suppose the disparity in prices continue for the next two months, so, do you foresee any substantial impact on the business, because considering the situation today, so, China is offering at a steep discount, so, definitely, there would be good amount of pressure if the situation continues for the next two months also?

Ankit Patel: Even if it continues for, let's say, a quarter or two, it doesn't affect us in a big way. Because as I mentioned earlier, the revenues from H Acid we get is around 10% to 15%. So, even if, , we are able to operate only at 50%, then maybe we would get affected by 5%, 6%. And at the same time, we are also into many other sectors and other businesses, where we are seeing improvement. So, I don't think it's a big setback for us at all. I mean, this can happen again, if the caustic soda prices goes down to Rs.40, then again, it may have a hit of 5% on annual revenue side. I think manufacturing business goes through cycles like this all the time. Now, we are into five or six different product lines, at any given time maybe under little pressure. I think this is very common. If we depend at 30%, 40%, 50%, on H Acid, and if my plant is at 50%, or if my plant is been shut down, then it's a big setback, it can affect the annual numbers, it can affect the quarterly numbers, but I think H Acid is a very small portion for us now.

Moderator: Our next question is from the line of Saket Kapoor with Kapoor & Co. Please go ahead.

Saket Kapoor: Just to get the point forward, which you mentioned currently, the caustic soda prices are in the vicinity of I think $700 in the international market. So, just trying to get a sense of the disparity which you are having in terms of Chinese prices being much, much lower than what the other geographies are quoting, if you could clarify on that sir?

Ankit Patel: Chinese domestic prices are around Rs.45, where again if they want to export to India, but which is not available, because again the logistics cost is very high. Also, their own demand is pretty high. So, the domestic production goes towards the local demand. But I think they are the largest producer of caustic; they are at around 45%, 50% of the installed capacity of the world and their lower buying of coal is also supporting them and keeping their caustic cost down. So, I think India and China are not directly connected or related in the caustic business, where there are no imports coming from China. If you look at the western region, where the chemical hubs are, then there is hardly any consignment that comes from China even in the last five or 10 years. So, India and China both work in different regions. It affects us in our intermediates business, but in our chlor alkali business, it makes no difference. And like you said $700, yes, for June, Indian companies have got orders for $720 and $740 for the June shipments. So, that's a very good realization again, and this has been happening in last few months. So, that is a big support that the Gujarat players are getting. That is why across India, the prices are remaining very high.

Saket Kapoor: You have put a number that the next month deliverables are at $740 for caustic soda export?

Ankit Patel: Yes, there are already orders. In Gujarat, three companies have already got orders for caustic soda exports for the month of June at average around $730.

Saket Kapoor: So, sir, then this relevance of China quoting lower, is it only a misnomer or is there a different geography or different work altogether, what should we draw conclusion from the prices trading lower at the Chinese market?

Ankit Patel: When we say Rs.45, that is a local price in the chemical hub. If China wants to export, then from the chemical hubs, they have to go to the ports, there is a packaging cost, there is a big freight cost, which is very high at the moment. So, let's say if you want to buy that Rs.45 material in Gujarat, it will not cost you less than let's say Rs.55, 60. At a such high price, shipping cost is also high. So, at the same time, there are no imports here at all, because from western part of India, there is a demand, which caters to let's say, Africa, or Middle East, that's why the Indian companies are able to export, where China is mostly consuming the materials within the country. Because it is a low value product, you have to sell to the closest buyer. For China they will realize more money if they sell it to South Korea, or Taiwan or Vietnam, or Malaysia, even to western United States, countries. So, that's India and China, we both work in different regions. Being a smaller value product, if it is a Rs.200, Rs.300, Rs.400 product per Kg, then extra logistic costs can be absorbed, then the products can be probably exported from India to maybe even Europe or US. That happens in intermediates and dyestuff and all that.

Saket Kapoor: If you could give us some more color on the current business environment for the entire value chain for us, what was it at March end, and how are things shaping up for dynamic execution in continuation to the basket in which we operate?

Ankit Patel: Overall, there's a good development in the TCCA where there was an issue about exporting the material to US being a hazardous product, and there's so much of demand for containers to US, most of the shipping lines were not taking this hazardous material, but now since one and a half, two months, we are able to regularly export. So, I can say the plant and the exports have regularized for us which is a good sign. Then caustic is doing well; the prices are sustaining easily around Rs.60. So, that is making good money for us. On Basic chemicals, where there is an issue with the higher input cost, where sulfur is the main raw material, which is around Rs.40 right now per Kg, which is four times than the last 10-year average. So, that is still we are able to pass on the increase price and we are still able to make some normal margin. Our chlor alkali business is doing very well; it is running at more than 100% capacity, and the margins are sustaining there also. Our dyestuff, because we have some good orders, I think our dyestuff quantities are doing well, where we are able to consume our intermediates by about 45%, 50%. In intermediates, which is again about 30% of our revenues, there are some issues right now at the moment because some of the raw material costs are high. And in H Acid, there is a cost advantage, China has a little low right now. That is affecting us a little bit. So, overall, compared to Q4 FY'22 versus Q1 FY'23, there may be a little slowdown in terms of volumes or numbers, yes, but I think it's not a very concerning numbers.

Saket Kapoor: Sir, when we look at your consolidated numbers on a QoQ basis also, the subsidiaries are making losses. So, what are the key reasons that we are seeing losses from Sener Boya and especially S P S in particular, reporting losses for the financial year 2022? And what steps are we taking? Whether it is the lower utilization levels, if you could clarify on the same?

Ankit Patel: So, S P S was definitely hurt by this H acid, because S P S only has a H Acid plant. Recently, we have started with vinyl sulphone production also which is now stabilizing, it will take some time. But H Acid is being the key product there because of the cost being higher especially the manufacturing unit in north India. So, it has a little bit of a higher cost compared to the Gujarat unit also. So, H acid production is what hurt us in this last quarter in SPS. I think some big losses are coming from there. But the steps we are taking for SPS is, we have already started the vinyl sulphone production there which works in a good synergy and which brings down the overall cost and both together create a good margin. So, that is what we are doing right now, within a few months, both should be operating at a healthy utilization and we should not be making any losses and maybe create some decent margins also there. In Sener Boya, I think it was a good move, but the COVID affected us big time. So, in 2019 we acquired 80% stake, but then immediately, we had these issues of COVID, so, it has been difficult and challenging right for us. In the Q3 FY'22, we had an issue because of the FOREX, lira being depreciated , I think we made some losses there. But our financial team has done the right thing, we have converted all our exposure into the local loans, etc., in Turkey, which removes the risks that we face and we had to book some losses one-time. So, there also we are moving from exposing the loans from Indian parent company to Turkey and we have stopped doing that and we are taking local currency loans, which doesn't affect us in terms of the currency or maybe Mayur bhai can explain a little bit better about what we are doing in Sener Boya, Turkey.

Saket Kapoor: But we acquired another 20% stake, so, what valuation did we paid for it earlier and what have been the valuation currently for Sener Boya and the reason for acquiring?

Mayur Padhya: Earlier, we have paid about Rs.32 crores when we acquire 80%. At that time, the company's volume was about 100 MT per month, because it's a trading company, so, its volume is important. And even though there is a COVID in the last two years, we have reached to more than 250 MT per month. So, it has a very good potential to grow further. And considering all these things, we paid about Rs.31 crores for balance 20%. So, we have acquired 100% stake in this company and as mentioned by Ankit bhai, since there was a COVID, we could not perform fully. So, without COVID, we will be able to perform better and it can grow further. So, this is one area. Your second question regarding the steps taken by us in Sener Boya, earlier there was payable as far as trade credit as well as foreign currency loan in Sener Boya which was to the tune of about $8 million when we conclude the quarter of December '21. So, that was the main area which has affected or which has created loss for the company, because the lira depreciated heavily and having a loan in US dollar, there was a huge loss for us. But now we have paid off all the loan which was there in foreign currency. For that we have acquired some local currency loan and some funding we have done from here to there. So, whatever loan we have given to

Sener Boya that also we have converted into capital. So, at present, there is no US dollar borrowing or payable by way of loan. At the same time there is some receivable in US dollar because we export about 30% of our volume to Uzbekistan. So, there is a positive position as far as Sener is concerned. So, if there is a further depreciation, we will earn something from FOREX area rather than we pay or we lose something as far as FOREX loss is concerned. So, we have taken enough steps and there is no possibility that we can face further loss. All the experts are saying that lira can depreciate further, but there is no regular or further appreciation is visible.

Moderator: Our next question is from the line of Anik Mitra with Voltfort PMS. Please go ahead.

Anik Mitra: Sir, my first question is regarding capacity utilization. Can you give numbers of capacity utilization in dye intermediates and dyestuff?

Mayur Padhya: Dye intermediates capacity utilization was 95% in Q4 FY'22 and dyestuff it was a bit lower for Q4FY22 it was about 50%, but for the full year it was about 57%. For basic chemicals it was more than 106%. For Thionyl Chloride also is 109%.. Caustic Soda , , we were running with the older technology, so we have mentioned earlier that we will be able to operate at about 70%.

Anik Mitra: Sir, regarding dyestuff capacity utilization, like what is the outlook going forward in another few quarters, especially in FY'23?

Ankit Patel: For FY'22 we did about 57% utilization, which is not bad, because dyestuff has a wide range of products, where we have to switch from product-to-product having different shades. So, I think the peak utilization is around 70%. So, we did about 57%, which is not a bad number. I think going ahead, we do have many long term orders and our order book looks very strong right now. So, even in the coming quarters, I think dyestuff business should do quite stable.

Anik Mitra: Do you see any impact of Ukraine war in your business?

Ankit Patel: So, we have not seen a direct impact of Ukraine war in our business, but there are some indirect effects, I think specially in chlor alkali business where Russia supplies gas to almost all the countries in Europe, where there are some disturbances because of which in the chlor alkali plants which is in Europe, most of them are based on gas. And again, Europe has about 20% of global capacity in chlor alkali industry. So, there are some difficulties of productions and some utilizations that have gone down. I think that is probably creating some supply global constraints, that is probably helping, the manufacturers globally to sustain a high price that has been happening in the last few months.

Anik Mitra: Sir, you were referring higher prices of cotton which keep lots of textile players out of the business. Sir, you rightly told like cotton price is settling down, but sir still it is elevated. No one knows like what will happen going forward in another three, four months, whether it will finally settle down or again it will make a new high, because it happened this time also like after cooling off, again it went up. So, what measure have you taken like in case cotton price keeps on rising, because your 60% of business is very much dependent on textile players?

Ankit Patel: Yes, so, our dyestuff sales are around 30%, out of which, 60% depends on the textiles. So, if I look at the overall top line, then it is not that significant number, but, at the same time, this logistic is playing a key part, because even in cotton there is a global supply and demand internal in different regions. So, if you look at logistics or at basic costs, most of the things had reached a peak, where now either they're slowing down or either they will settle in those levels. So, going ahead, I don't feel that cotton prices can be even higher than the certain levels. But I see maybe in coming two, three quarters, actually correcting a little bit and maybe settling where the textile players will be able to absorb the cost and pass it on to the selling prices, where the consumers also absorb the increase in the price.

Anik Mitra: Have you taken any price hike in the last couple of quarters?

Ankit Patel: Yes, absolutely. So, depending on cost increase, we definitely on day-to-day basis are applying the cost increase to our selling prices, where we talked about H Acid today where it is difficult to pass it on, but able to absorb all the increase very comfortably.

Anik Mitra: Regarding margin, like as all of us know, that freight cost is higher, coal prices are also very much elevated, so, what do you assess like regarding margins?

Ankit Patel: Coal prices have been higher for more than six months now. We can say is that has already been absorbed. Even all our major raw materials, the prices have been on a higher side for last two, three quarters now. So, there has already been absorbed. So, if you look at our even Q3 that include most of the raw materials being on a higher side. So, that shows that we are able to pass it on and we are still able to do some decent margins.

Mayur Padhya: One thing I would like to add for your earlier question. When you mentioned that dyestuff business of 60% we are dependent on textile business we do have dyestuff factories, which is not dedicated for textile dyes only, it's a fungible capacity we can produce laser dyes as well as paper dyes in the same complex to some extent. So, there is a possibility we can switch over and do additional production for laser dyes or something like that.

Moderator: Our next question is from line of Ayushi Shah, an investor. Please go ahead.

Ayushi Shah: Sir, my first question was regarding the committee that we made for exploring inorganic growth opportunity. So, do we have any idea what exactly are we looking at, Like, is it basic chemicals, dye intermediates, dyestuff, which sector are we looking at for inorganic growth opportunities?

Ankit Patel: So, if I talk about the organization where my father has done a lot of acquisitions, but obviously, they were very small back in the day, but that has definitely helped us to create a good growth path, and that is the reason why we have reached a certain level in the manufacturing numbers and, top line . What we felt is that we were not formally active in the M&A space, and in the market, where I think we needed to be. So, until now, other than the Punjab acquisition, everything had come to us on a local network, but we were never in the market at India level or international level where we look for opportunities. So, that is why we have taken a formal organized step, where we have created a committee, which will meet on regular basis and explore, we will obviously be more aggressively active in the networks in the M&A communities. So, just to explore these opportunities in a more serious manner, we have done this. We are not clear what kind of acquisitions we are looking for. The Punjab acquisition has been fruitful for us, but we definitely would look for specialty chemicals or some value added products, obviously, nothing of a commodity nature and all that. But, the strategy is not very clear at the moment. We just want to activate ourselves into that space, which can bring in more and more opportunities and we can probably encash on that.

Ayushi Shah: Sir, my next question was about what is it the breakup of the revenue just to understand in terms of what is organic, and what has contributed from increase in prices? Sir, if you could give me the guidance for the next year like revenue levels, if it would have been segment wise, that would be great?

Ankit Patel: So, our intermediates business in the last couple of quarters, the prices have not been very high. So, which is around 700, 800 crores, I think, it can be flat going into the next year also. Dyestuff, , I can say that it can be flat, because, it is directly linked to the raw materials of dye intermediates. Chlor Alkali, where we did about Rs.250 crores, which prices may correct, but again, we are adding more capacity. So, maybe that can also will increase, it will have a higher topline, it should be from Rs.255 crores to around maybe Rs.300 crores plus levels. Other areas like Trion Chemicals, where we had about Rs.35 crores, there we are now doing much better than the last few quarters. So, that also can add a bit more revenues. And SPS, we started the VS production there. So, that can also add a little bit of more revenues. So, overall, I think we can have a flat year as far as the current business . We will be starting our Saykha production around May 2023. So, that will be in fact in the next year. But for this current ongoing year, we can have a flat year,. So, maybe Rs.100 or Rs.200 crores of more revenues in the current financial year.

Ayushi Shah: So, basically the flat growth that you expect and the next two or three quarters is expected to go on for the entire year you are saying?

Ankit Patel: Yes,, but then again in FY'24, we should definitely have a jump around Rs200, crores and again FY'25 when we have a fully utilization of our Saykha digital projects, there we are forecasting around Rs.2,700, 2,800 top line. So, within next two years, it can go from around Rs.2,000 crores to about Rs.2,800 crores.

Ayushi Shah: In the last conference call, you've given a guidance that we are increasing our debt by around Rs.350 crores or something like that. We already have increased our debt by around Rs.200 crores in this quarter. So, what is the plan going ahead and where will this debt majorly be used?

Mayur Padhya: As far as the term debt is concerned, we are raising debt for this Saykha project as well as this modernization at Punjab unit. So, at present, term debt in the balance sheet is about Rs.213 crores and during current year it may get added by about Rs.300 crores considering the growth in the project. So, that will be a kind of Rs.500 crores plus/minus should be there at March '23. And as far as working capital is concerned, we are really focusing to reduce from this level, because in last two quarters itself, there has been a jump in prices of basic chemical which has increased our blockage in working capital particularly in trade receivable as well as inventory. So, we are doing conscious effort to reduce debt and even utilization of working capital from the current level.

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

Saket Kapoor: Coming to this debt part only, currently, what is our cost of funds currently for the long term debt that we have tied up?

Mayur Padhya: For long-term debt it is about 6.7%, in some of the case it's about 7%. So, on an average it's about 6.8%. But since the RBI has increased the repo rate that can increase to that extent going ahead. But our working capital is at much lower, because we are using about Rs.125 crores of foreign currency loan, where the cost is up to 2.2% to 2.5%. And whatever rupee loan we use for working capital, that is around 5%. So, blended, we can say it's about 4.5% to 5% at present.

Saket Kapoor: That is stated to go up only because now the environment has changed. On an absolute number, this was Rs.29 crores for this financial year. So, this number should increase only since we'll be drawing more funds for this year.

Mayur Padhya: Yes, interest cost will definitely increase because RBI has given clear signal that it can have another round of repo rate increase, and at the same time, Fed is also increasing rate. So, that is also at the increasing trend.

Saket Kapoor: I would like to have some more understanding on slide 29 and 30 of your presentation. Herein, you have mentioned about the next level of CAPEX to drive next level of growth and this moving up the value chain with new chemistry. So, these two aspects if you could delve more on explaining what are we eyeing currently?

Mayur Padhya: There are two areas where we are doing growth. That is one at one Punjab site and another is a Saykha south Gujarat site. As far as Punjab site, we have already acquired running unit of Mawana Sugars for chlor alkali. So, it is a running unit, it is contributing to our revenue as well as bottom line. And over there, we are doing modernization kind of things. So, upgraded technology we are installing. So, that process as mentioned by Ankit bhai by diwali or by

December, that process will over So, that will have a production of about 1 lakh MTPA.. That will have a CAPEX of about Rs.270 crores as far as Punjab is concerned. This is one area. So, this is a new line of activity we have started. Earlier, we were not into chlor alkali business.. Another, Saykha site, we are going to have two plants; one is sulfuric acid plant, that will be capacity addition for the company. We already have 500 MT per day plant for sulfuric acid at our Padra site, and another about 1,000 plus whatever metric ton per day plant we will have at our Saykha site. That will also have sulfuric acid as well as its derivative like chloro sulphonic is 23%, oleum is 65%,. At the same site, we will also have benzene downstream product., Benzene will be our raw material and from benzene, we will produce MCB. So, MCB will be fully captively consumed. From MCB, we will produce PNCB, ONCB, MNCB, DNCB kind of products. So, out of that, PNCB will have a further consumption as well as sales in the market. And from that we will produce PNA as well as 2,4 DNCB. At the same time from 2,4 DNCB, we will produce MPDSA. So, there will be three, four stages of integration and basket of six to eight products that we will start manufacturing and that is a new line for us in a way. Though, out of this product to PNA and MPDSA, we are producing at our Padra site but in a lower quantum. So, the sulfuric acid and benzene, both put together will add about Rs.550 crores of revenue for the company and this will be operational in Q1 FY'24. Hope I have covered all your question.

Saket Kapoor: Sir, just to come to this derivative part of benzene, abbreviations which you have mentioned, the products will be catering to which segment? In your business highlight, you mentioned H Acid price is Rs.474 per kg. So, what have been the price trend for last year, if you could give some color on it?

Mayur Padhya: During last year also, H Acid price was more or less similar in the range; it was ranging between 450 to 500 in that range.

Ankit Patel: In benzene derivatives, there is a lot of import that happened since many years. So, what we are trying to do is we are trying to substitute the imports that come into India. That is the one of the main reasons. Second is that out of all the products that we are going to produce, there are three products that we consume captively in our intermediates space. So, we also want to synergize some of our raw material needs. Like the areas you ask for, where it is used, I think pharma is one of the main spaces, PNCB is used in a major way. Agrochemicals is another space where it is consuming in a big way. And , dye intermediates, there is also some export opportunities as well. So, again, we are getting into a business where it goes into multiple sectors. We don't want to depend ourselves where we expose ourselves to limited or one or two sector only. We want to be producing specialty products which has multiple applications not only in India, but across the world.

Saket Kapoor: Just to take things offline, do we need to approach SGA for any one-to-one conversation going forward, if I could not cover every point here and I have something else to ask post the call --?

Ankit Patel: It is fine, you can contact them, please let us know we can set up a quality time or we can do in-person meeting also any time.

Saket Kapoor: Just to derive some merit, if we could provide the numbers in lakhs and crores? You are also conducting the call wherein we are using terminologies of lakhs and crores, but in the presentation it is all about million. So, if it is not for any other purpose, if you could convert it into this lakhs and crores that will be more familiar in the investing community. Just a suggestion on my front if that would be looked in it if anyway –

Ankit Patel: Yes, it makes sense, but in the in the past, we've had international investors also, we also at the moment have international investors. So, that is the reason why we moved to million, where we can have common numbers where everybody can understand. But, Mayur bhai, we can maybe consider this and maybe move to crores.

Saket Kapoor: For H Acid, you were mentioning something that there was some price disparity or some fluctuation that resulted in lower profit. So, since you have told me the prices were averaging only from Rs.450-500 crores, the mention of the same sir, I could not follow the point.

Ankit Patel: At the moment the input cost to manufacture H Acid is very high. The finished goods price of H Acid is around the same level, but the input cost for some of the raw materials are high. We are not able to pass on the increase in the cost in H Acid because there are some quantities available from China where their input cost is a little less. So, especially last about 20, 30 days, this has happened in the industry, where the Indian manufacturers of H Acid are not able to make decent margins in H Acid. So, there is some disturbances in that space. So, the primary reason is, things like coal, caustic or some of the other raw materials, are a little bit higher compared to how much they are available at it in local Chinese market. So, I think it is a temporary thing. So, it may have an impact temporarily.

Saket Kapoor: Just to conclude, this 20% stake for Sener Boya, is Sener a local person, how many parties were there, from whom we purchased the 20% and was there any clause in which we had to buy back this because we paid a big valuation change and this Sener Boya is only a trading company or do we have a manufacturing facility also there, correct me sir?

Ankit Patel: So, there is a value addition facility, but it is not a complete manufacturing set up. So, Sener Boya was our first buyer in Turkey, which is one of the largest textiles processing in the world. So, them being our regular buyer since the beginning days, they had a strong position in Turkey and surrounding country markets. So, we were actually planning to set up our own subsidiary company and start from scratch, which wouldn't have given us the quantities that we have already achieved. So, the idea was to take over this majority trading company, where they have a position in not only Turkey, but the surrounding countries also. So, for us to grow in dyes sector, we had to start selling more to these strong areas where they consume a lot of dyes. So, if we would have started from scratch, it would have taken us a lot of time, we may not have even reached this level even after five or 10 years. So, that is the reason why we bought the stake, where it was a ready-made structure, where they already had a good size market, and we are able to already more than double what they used to do, because of the support that we give our own dyestuff. So, there was no clause or anything, but it's better off to do things independently. We wanted to wait to buy the remaining stake just to keep them active in the company. And Turkish people are definitely local. We wanted to keep them active in the business until we are confident and we learn about the business. And then at this point, we are satisfied with the growth that we have done in terms of volumes. And we have appointed people from India and local Turkish people also. So, I think, we reached the point where we are confident about the growth that we had forecasted, that is why we had gone ahead and bought the remaining stake.

Moderator: Ladies and gentleman due to time constraint, there will be no further questions. I would now like to hand the call back to Mr. Ankit Patel for closing remarks.

Ankit Patel: Thank you very much, everybody present on the call. Thank you, SGA. Definitely, myself and Mayur bhai are available if anybody needs to connect to us one-on-one, or via e-mail or on a call or anything. Please contact SGA and we can we can schedule a call, or even a personal meeting at our office in Ahmedabad. Thank you very much.

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