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

SYMBOL:- EPIGRAL

Scrip Code: 543332

Dear Sirs,

Sub.: Transcript of Conference Call held on 24th July, 2024 for Q1 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 24th July, 2024 for Q1 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 Trivedi

Company Secretary & Compliance Officer

M. No. 22307



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“Epigral Limited Q1 FY25 Results Conference Call”

July 24, 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 KOTECHEA - INVESTOR RELATIONS, EPIGRAL LIMITED
MODERATOR: **MR. MEET VORA – EMKAY GLOBAL FINANCIAL SERVICES**

Moderator: Ladies and gentlemen, welcome to the Q1 FY25 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 at the end of today's presentation. Should need assistance during the conference, please signal an operator by pressing '*' then '0' 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 – Emkay Global Financial Services. Thank you and over to you.

Meet Vora: Thank you. Good evening, everyone. Thank you for joining us on the Epigral Limited Q1 FY25 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 a Q&A session. Thank you and over to you, sir.

Maulik Patel: Thank you, Meet. Good afternoon everyone and welcome to the call to discuss Epigral's quarter one FY25 performance. I believe you had an opportunity to view the earnings presentation that was released earlier today.

Chemical industry had started witnessing recovery in the few pockets and we expect that to further improve for year as a whole for FY25. Realizations for majority of the products are at bottom level and for few segments realizations are expected to improve in coming times. We ended Q1 FY25 with highest ever quarterly revenue of Rs. 651 crores and this growth is on account of volume growth from the new capacities and the improvement in utilization on overall plan. We witnessed the volume growth of 29% in Q1 FY25 versus Q1 FY24.

In line with our strategy to diversify our business model, revenue contribution from the derivatives and the specialty business stood at 53% in Q1 FY25 versus 37% in Q1 FY24. We expect this contribution to further increase in coming time. For CAPEX plan in the previous quarter, we commissioned CPVC resin and the compounding facility. And this quarter we expect to commission Chlorotoluene value chain facility. We expect this will drive volume growth for FY25 and FY26. We are focused on expanding derivatives and the specialty business, diversifying the business model and strengthening our integrated complex. We believe this strategy will bring a consistent growth in coming years and will lead to create

value for our stakeholders. I now hand over the call to Mr. Sanjay Jain – our CFO, who will take us through the financials.

Sanjay Jain:

Thank you, Maulik. Let me take you through the numbers.

For the quarter, capacity utilization of the plant stood at 80% against 71% in Q1 FY24. Sales volume grew by 29% year-on-year basis and 14% quarter-on-quarter basis. Revenue for Q1 FY25 increased by 43% to Rs. 651 crores compared to Rs. 455 crores in Q1 FY24. This growth is majorly on account of the volume growth.

In Q1 FY25 revenue contribution from derivative and stationary business increased to 53% versus 37% in Q1 FY24 and versus 48% in Q4 of FY24. EBITDA grew by 85% to Rs. 176 crores against Rs. 95 crores in Q1 FY24. This is on account of the higher capacity utilization and volume contribution from the new projects. EBITDA margin stood at 27% in Q1 FY25 against 21% in Q1 of FY24. PAT grew by 172% to Rs. 88 crores in Q1 FY25 against Rs. 32 crores in Q1 FY24. And the margin stood at 13% against 7% on account of last financial year. Return on capital employed for the trailing 12 months stood at 21% compared to 17% as on 31st March 2024. This improvement is on account of better volume growth.

The ROCEs calculated includes capital work-in-progress, if we ignore the capital work in progress, the ROCE stands at 24%. Our debt to EBITDA stood at 1.59x at the end of June 24. This is again 1.99x at the end of March 24. The ratio has improved in line with the increase in profitability and reduction in debt.

With this, we can now open the floor for Q&A. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. First question is from Priyank Chheda from Vallum. Please go ahead.

Priyank Chheda:

My question is on the overall volume growth of 14% that you have reported quarter-on-quarter versus a revenue growth of 24%. So, there has been a pricing element growth of 10% positive. While we see your commentary with respect to the derivatives, you have seen a price decline of say 1% to 7% quarter-on-quarter, which also means that caustic soda prices would have gone up by more than 20% given the mix. Would you like to confirm anything on that side plus and the pricing growth in the caustic is a function of you selling lower chlorine and consuming in house more Epigral ECU would have also gone up versus market ECU. So, these are the two questions on the pricing side.

Milind Kotecha:

So, basically, the volume growth that we have seen of 14% Q-on-Q that is basically coming from the derivatives and specialty segment where the realizations in terms of value is higher compared to the traditional business of Chlor-Alkali. For example, the ECU of the caustic soda is somewhere around 30,000 whereas if you see the realization for the new product that we have entered is in the range of 100-130 per kg. So, that's where the volume growth is coming

from the product which is of higher value and that's where you can see the value growth in the top line.

Priyank Chheda: So, would it be possible Milind, if we can break this down, what would be the volume growth in derivatives and the mixed price or mix led growth because of the derivatives which we are selling higher. So, it will give us a lot of clarity where is our derivative portfolio moving outside the revenue breakup which you have already given, in case if you can help us with the volume growth in derivatives and the price or mix led growth because of the derivatives?

Milind Kotecha: So, again, as you had said, we have specified in the presentation, the derivatives is contributing somewhere around now almost 53% of our total revenue. So, that is there, and if we look at the Chlor-Alkali it has grown by somewhere around 11% and the balance is coming from the derivatives and specialty.

Priyank Chheda: And on the ECU, would you like to comment something which is a differential of the ECU versus the market and the Epigral ECU because the chlorine consumption that we have which is going in-house is going to go up as and when we commission the new plants. So, will that also help us earn more spreads per kilo?

Milind Kotecha: ECU currently what we have witnessed is around 30,000 for Q1 FY25 and when we say the chlorine negative is that we are getting benefited, but that is always to be looked at the company as a whole rather than product-to-product. So, when we say ECU, chlorine is factored already in that, but it is benefited in other products. So, company put together, yes, we get a benefit as much as we get more integrated in terms of consuming chlorine in-house.

Priyank Chheda: So, Rs. 30 per kilo is the ECU for us in Q1. What was this in Q4?

Milind Kotecha: It was somewhere around 29,000.

Priyank Chheda: And anything with respect to the cost savings that we have seen in this quarter because of the power cost or the coal prices going down quarter-on-quarter? Anything that you can spell out in terms of what would be the cost savings because of this raw material which is one of the significant raw material for you?

Milind Kotecha: So, I believe the realizations and the raw material prices are moving in line only. It's not drastic movement. So, that's why we have ended up with an EBITDA margin of 27% in Q1 FY25. So, there is no drastic movement as such to comment on.

Priyank Chheda: And if it's possible for Maulik to confirm, have we finalized on the new product, the CAPEX that we plan to do for FY25, which is 250 crores, where would this be spent? And on the chlorotoluene also, what should be the full year utilization in case we start this from, say, end of Q2? What should be the revenue expectations coming up from the chlorotoluene project also?

- Maulik Patel:** We are planning to commercialize production from end of quarter two for the chlorotoluene and its value chain and it will take probably 3 months' time to take approval from all the big suppliers and probably you will see the movement from the supply side will start happening from quarter four itself. And actual benefit will come from next year onwards. And this is for the chlorotoluene value chain and other CAPEX, we are planning to integrate more and more which we are consistently saying from last one year. Still, we would like to integrate our complex. We wanted to strengthen our integration more and more in terms of the chlorine derivative and in terms of the hydrogen derivative. So, we are focusing on the new molecules on the same side. For next two years, probably we might announce probably next three months' time the new projects and CAPEX. We are under evaluation of the chlorine derivatives and the hydrogen derivatives right now. But actual confirmation we will do it once we announce and the board will approve.
- Priyank Chheda:** Perfect. And we will wait for that. And in case, whole of the 250 crores might not get spent in this year then shall we expect a drastic reduction in the debt which we were planning to do anyways, given the size of a cash flows that we are generating, we would be generating in FY25?
- Maulik Patel:** Yes, that is for sure. Yes, the CAPEX will not be deployed completely, what we have already mentioned. Definitely our focus is to reduce the debt also the same time. So, yes, you will see the reduction of the debt as well in the coming time.
- Priyank Chheda:** Got it. And just last question, can you confirm what would be the chlorotoluene prices as of now given whatever the price declines that have happened in the quarter? Is it still yet around 200 to 225?
- Milind Kotecha:** As we had earlier conveyed, there are range of products. So, the prices range somewhere between around 100 per kg and it goes up to Rs. 350-400 per kg as well. So, it's a combination of products put together. So, it's difficult to give one single number for the whole plant.
- Priyank Chheda:** Got it. But for us to think of a 15,000 tons plant of chlorotoluene, we would be somewhere in the average range of say around 200-225. That should remain intact, right?
- Maulik Patel:** Yes, as of now you can say that will remain intact.
- Moderator:** Thank you, sir. The next question is from Arpit Shah from Stallion Asset. Please go ahead.
- Arpit Shah:** You have done a remarkable job of increasing the share of derivatives and specialty chemicals from almost 0% in FY19 to almost 53% now. But can you help me what would be your share of profitability for these businesses? I said 53% is our revenue share this quarter. So, would you be able to break it up? What would be in terms of profitability in terms of EBITDA? What would be our share from Chlor-Alkali and what would be our share from derivative and specialty chemicals?

- Milind Kotecha:** In terms of our EBITDA margin for each of the products that we have selected, all consists in the range of 25%. So, it might be for one quarter or maybe for one year here and there in terms of, but overall put together when we select projects it is in the range of 25%. So, we generally don't share product wise EBITDA margin, but when we select any product line the EBITDA margin focus is somewhere around 25%. So, it will be in that range only.
- Arpit Shah:** What would be your largest revenue in the specialty chemicals and derivative space? Would it be CPVC or would it be some other product, CMS or H2O2, which would be that product? Which would have the highest revenues in that pie?
- Milind Kotecha:** It's all put together. Considering the CAPEX that we have done so far, the recent one that we have announced is something which is more because the size of them in terms of value or realization is also more and also in terms of the capacity that is high. So, the projects that we have recently commissioned.
- Arpit Shah:** In FY25, what kind of volume growth would you be targeting and what kind of margins and profitability we would be targeting for FY25?
- Milind Kotecha:** We are not giving any guidance, but considering what we are seeing right now, we believe somewhere around 24%-25% of the time margin is something which can be achieved in FY25, considering the current situation.
- Arpit Shah:** And the volume growth would continue at 29%, you think that would be a reasonable estimate?
- Milind Kotecha:** Y-o-Y, it will be in that range around 20% that can be definitely achieved.
- Arpit Shah:** So, your revenue estimate for FY25, given that volume growth would be 29% for the rest of the quarters, so your revenue could be around Rs. 2500 crores to 2600 crores. And your PAT could be still around Rs. 300 crores to 350 crores. Would that be a reasonable estimate according to you?
- Milind Kotecha:** Yes, it should be in that range, looking at the current situation.
- Arpit Shah:** Rs. 300 crores to 350 crores. That is what the number would be, right?
- Milind Kotecha:** I guess you can calculate the way you have mentioned in terms of capacities and average realizations you know, so I guess it should come in that range. But again, let the other quarters come so we have more clarity on this.
- Moderator:** Thank you. The next question is from Pritesh Chheda from Lucky Investments. Please go ahead.

- Pritesh Chheda:** Sir, just one clarification first. So, this 83% capacity utilization which you have mentioned in the presentation, includes the CPVC capacity which has got commenced in quarter one, right? Including that is 83%?
- Milind Kotecha:** Yes, that's right.
- Pritesh Chheda:** Can you tell us the capacity utilization of CPVC?
- Milind Kotecha:** So, capacity utilization of CPVC would be somewhere in the range of around 60% because the old capacity that we have in running at optimum capacity utilization, whereas the new one is still yet to get ramp up. It will take time. So, maybe by end of September, it might reach optimum.
- Pritesh Chheda:** So, let's say this capacity which you have right now on ground, what should be the utilization of these assets existing which is 4 lakh plus tons of caustic and about 2,35,000 ton of derivative. So, these capacities, what kind of utilization should one look at in FY25 and FY26?
- Milind Kotecha:** So, we believe that 80% capacity utilization on the Chlor-Alkali, 80%-85% is something one can expect. We are also targeting for that. And in terms of derivatives and specialty as the time goes, it will ramp up because the CPVC we commissioned on April and the compound is commissioned on 30th June plus chlorotoluene we will commission in September. So, considering the base increasing, the capacity utilization again should improve somewhere maybe 65 kind of a thing, 65-70 kind of a thing all put together.
- Pritesh Chheda:** This is for derivatives or all put together?
- Milind Kotecha:** For derivatives.
- Pritesh Chheda:** So, 70% of 250 you are referring to because you're including tolling capacity also, right?
- Milind Kotecha:** Yes.
- Pritesh Chheda:** This 70% next year should be what? Can it be 90%?
- Milind Kotecha:** Next year we expect all the plants to run at 80% capacity utilization.
- Pritesh Chheda:** Okay, next year. So, Chlor-Alkali plus derivative should be 90% capacity.
- Milind Kotecha:** No, all put together because see, we cannot like fix any number or anything.
- Pritesh Chheda:** All put together should be 80% utilization in FY26. That's what you're referring to as of now.
- Milind Kotecha:** Yes, that's right.

- Pritesh Chheda:** So, then I am wondering, sir, it is 83 in quarter one. How it can be 80 next year? It has to be 90, right?
- Milind Kotecha:** No, but the base will go up, right? CPVC compound was just commissioned on 30th June, CPVC resin we commissioned on 3rd of April, so Chlorotoluene will commission end of September. So, the base will go up considering that not everything will run at full optimum. Currently the base was small, that's where it's around 83% but as the base will go up, we need to ramp up the new capacity that will come.
- Pritesh Chheda:** And what is the optimum these capacities can run at?
- Milind Kotecha:** Around 80%-85%.
- Pritesh Chheda:** Okay, that's the optimum. So, which means you have to go through your next round of capital expenditure plans which you have to decide over the next..?
- Milind Kotecha:** So, the CAPEX that we have commissioned and that we will commission in this year will drive the value and the volume growth for FY25 and FY26. Similarly, as Maulik earlier said, we will be announcing in a three-month time another CAPEX that will drive the volume growth and the value growth in FY27 and 28.
- Pritesh Chheda:** Those also have to be in derivatives, right because you have plus chlorine capacity?
- Milind Kotecha:** Yes. So, that's where we are more focusing on to strengthen our integrated complex and all the CAPEX that we are planning in future is all towards derivatives and specialty to bring more consistency in topline and bottomline.
- Pritesh Chheda:** And these CAPEXES come at what ROIC?
- Milind Kotecha:** So, we generally target for ROCE for our products where we focus that it should be around 25% of ROCE we should get from the project. So, that will be this. And once we announce this project and we commission this project, so by 2027 or 28, the revenue bifurcation will be like 70% from the derivatives and specialty and 30% from the Chlor-Alkali which is what we are focusing on.
- Moderator:** Thank you. The next question is from Riya Mehta from Aequis Investments. Please go ahead.
- Riya Mehta:** What percentage of chlorine is used for internal consumption?
- Milind Kotecha:** Currently, the chlorine consumption in and out is around 65%. And as we ramp up our further capacities, that will inch up by maybe end of this FY25.
- Riya Mehta:** 65%, right?

- Milind Kotecha:** Yes.
- Riya Mehta:** And currently, in terms of caustic, what would be the volumes this time for us? What would be the capacity utilization, if you want to mention in that?
- Milind Kotecha:** Capacity utilization of caustic is around 80%.
- Riya Mehta:** Caustic is around 80%. Since we are seeing an over capacity in the industry, I was reading quarterly updates of one of our competitors which said that the ECU levels have fallen further in July to 27,000. So, are you seeing a similar trend?
- Maulik Patel:** Yes, so right now the chemical industries, the export market is not great. So, all the specialties and the derivatives who are depend on the export business, they are not doing good. So, it is on the recovery mode. So, it has started moving upward. Unlike last year, now the industry is in much better shape. And quarter-on-quarter we will see the improvement. So, in terms of caustic also, we will see the consumption will go up in the coming quarter.
- Riya Mehta:** Okay, for us how much is the exports for caustic?
- Maulik Patel:** Not caustic as such we are doing in export. We are doing caustic flakes as a solid, we are doing exports. But I am talking about the industry as a whole and the derivatives which is caustic consumption is mainly in the specialty chemical. I am talking about those industries and those end market will improve indirectly.
- Riya Mehta:** But for us, how much is caustic exports?
- Maulik Patel:** Caustic export is very hardly. We are doing not significant in terms of the quantity which we produce. We are doing hardly less than almost 5% kind of exports we are doing it.
- Riya Mehta:** Got it. And in terms of power cost savings, are we seeing any further scope of improvement with the lower coal prices?
- Maulik Patel:** The coal price is not much different compared to the last 2-3 months. It is on stable conditions almost. The variations are very minimal. So, we don't see any big change in the coming quarter in terms of the energy mix going forward unless and until there is a big change in terms of the international situation, but we are not seeing any such kind of situation or indication right now, so I think the coal prices is more or less it is going to be in the stable condition for this financial year.
- Riya Mehta:** Got it and in terms of volume growth for caustic you mentioned it's around 11% right Y-o-Y?
- Milind Kotecha:** Yes.
- Riya Mehta:** Coming to ECH, what would be the realization level like currently?

- Milind Kotecha:** Realization is somewhere around Rs. 1 lakh a ton.
- Riya Mehta:** And in terms of exports, how much are we exporting?
- Milind Kotecha:** Export is somewhere we have focused and that's where we are almost you can say around 30% of our production goes into the exports.
- Riya Mehta:** So, are we also incurring higher freight cost and we might see margin compression going forward?
- Milind Kotecha:** Yes, for a time being that is true, that is there. But again, so yes, that is true for a time being. So, that is witnessed in the Q1 FY25. And also it might get impacted in Q2 as well.
- Riya Mehta:** And in terms of capacity utilization for ECH, how much would that be?
- Milind Kotecha:** So, capacity utilization for ECH is in the range of 55, 60. It has been inched up in line with the exports that have increased.
- Riya Mehta:** Got it. And these contracts are generally short term contracts or annual contracts?
- Milind Kotecha:** As such it's more on the spot basis only, even if that happens it's majorly you can say for a 3 months' time.
- Riya Mehta:** And CPVC what are the realizations?
- Milind Kotecha:** It is somewhere around Rs. 1,30,000 – Rs. 1,35,000.
- Riya Mehta:** And we're reading currently the CPVC prices are going down so have we seen the impact?
- Maulik Patel:** Yes, it is moving in line with the PVC prices that are going up and down.
- Moderator:** Thank you. The next question is from Pinaki Banerjee from AUM Capital Private Limited. Please go ahead.
- Pinaki Banerjee:** Actually my first question is related to what is the trend in the caustic soda prices at present because there is a news that due to a hurricane in USA, the caustic soda prices have increased towards the second half of July. What is your take on it?
- Maulik Patel:** The caustic soda prices will see the improvement based on the specialty chemicals which is a major sector in the western part of India, depends on that and the export market once will open up. And that is improving on quarter-on-quarter basis compared to the last year. But because of the logistic issues, also last couple of quarters the shipments were not export from the western part of India also. So, you will see that change will happen from the coming quarters once the logistic situation will be improved. So, we are expecting the export of the quantity of the caustic soda will start doing from end of this quarter onwards.

- Pinaki Banerjee:** Sir, my next question is regarding that your ratio of this derivative and specialty chemicals to Chlor-Alkali, now 53 to 47. So, ideally where would the ratio be by the end of this financial year or going forward?
- Maulik Patel:** At the end of the financial year, it is very difficult to comment exact number, but our goal in two years down the line once we announce new CAPEX, which we are further integrating and strengthening our chlorine derivatives and the hydrogen derivatives, our target within 2 years down the line once the new capacity, new products will be coming online and once it is reaching 80% optimization, I think we are targeting around 70% revenue will come from the derivatives and specialty and 30% from the Chlor-Alkali.
- Moderator:** Thank you. The next question is from Naitik Mohata from Sequent Investments. Please go ahead.
- Naitik Mohata:** Most of my questions have been answered. The first question is, as we have commented in our presentation that realization for most of the derivative products are decreased during the quarter. So, is there a particular product which has decreased drastically? And is it the CPVC resin only or is it something else as well?
- Milind Kotecha:** See, the realizations have dropped, but it's not like a drastic drop. It is in the drop range of around 1% to 7%.
- Maulik Patel:** So, this much fluctuation will happen based on the raw material cost will go up and down and as well as the realization may differ because of the logistic challenges which everyone was facing in last three months.
- Naitik Mohata:** Okay sir, understood. So, my second question is, we do quote that the overall revenue contribution from caustic is 47% and from derivatives is around 53%. Can you give me the number same regarding EBITDA? Like how much is from the caustic complex and how much is for derivatives in total? Not any particular product, but the derivatives in total.
- Milind Kotecha:** I am sorry, but we are not giving product-wise margin. That is one thing. Second thing, as I said earlier, when we select any product, the margin ranges around 25%. So, one or two quarter, I mean, different product will have different margin, but all put together it's 25%.
- Moderator:** Thank you, sir. The next question is from Dipesh Sancheti from Manya Finance. Please go ahead.
- Dipesh Sancheti:** Just wanted to know what is this current sales contribution in terms of percentage from derivatives and Chlor-Alkali?
- Milind Kotecha:** Derivatives and specialty contributes 53% and the Chlor-Alkali is 47%.

- Dipesh Sancheti:** 47% and as you had mentioned that going ahead in FY28 you are planning to make this 70% through derivatives and 30% Chlor-Alkali. Is that right?
- Milind Kotecha:** Yes, that's right.
- Dipesh Sancheti:** I think you mentioned that you don't mention margins product wise, but can you mention the margins approximately for derivatives and how much the margins for Chlor-Alkali? Is that possible?
- Milind Kotecha:** It is in the range of 25%. It's not that the Chlor-Alkali makes a lesser margin or the derivative makes a higher margin. If we put together, it's 25% margin that we make.
- Dipesh Sancheti:** And right now your focus is to reduce the debt, but you're also planning to do a CAPEX in this for to drive FY28. So, how are we going to fund this CAPEX? Are we going to plan a preferential? I mean, are we going to go to the markets for raising funds or we are going to go through debt only?
- Milind Kotecha:** Considering the current situation, the CAPEX that we have announced so far, the internal accruals are good enough for the CAPEX that we want to do. But future CAPEX that we do, at that appropriate time, we will evaluate whether we want to do any kind of raising or we can do a mix of internal accruals, debt and also raising.
- Dipesh Sancheti:** What is the current CAPEX scheduled in this year?
- Milind Kotecha:** The CAPEX that we have planned for this year is around Rs. 300 crore and that will be also for next year. But once we announce the CAPEX, I guess that will give more clarity.
- Dipesh Sancheti:** No, I mean, how much of your previous CAPEX is going to be commissioned this year and next year?
- Sanjay Jain:** So, the total CAPEX for this year is about Rs. 300 crores as Milind said. And the commissioning of plant you are talking about, one we already commissioned the CPVC and the next plant is Chlorotoluene which is likely to commission by end of Quarter 2. This total investment will be around Rs. 500-Rs. 550 crores.
- Moderator:** Thank you sir. The next question is from Priyank Chheda from Vallum Capital. Please go ahead.
- Priyank Chheda:** Sir, my question is slightly on a strategic part. The new product that you plan to do as a part of your CAPEX, till now what we have seen is you have incrementally moved towards a higher value chain in the derivatives right from say Rs. 50 kilo a product to Rs. 200 kilo a product. What would you look forward to when you think about a new product development? What kind of a value chain should it minimum meet your criteria and then only you would look forward to enter into that value chain. So, looking forward for your thoughts on this?

- Maulik Patel:** Yes, you are right. Once we commission the Chlorotoluene value chain, we are also looking for a down the line value chain of Chlorotoluene also as a future CAPEX. And along with that, we are also looking not based on the value of the product, but based on the ROCE where we can generate 25% ROCE. That is our focus, even if it is not based on the value of the product. So, we are continuing the product of the chlorine derivatives in the future also which we are already producing right now as well as in the future, the derivatives which we are already there we are also planning downstream of that. So, it is multiple but the first CAPEX which is based on the market and the import substitute will happen in India. Based on that, we will decide where we will deploy. So, there are three to four projects which we are evaluating right now but exact confirmation once we announce and the board will approve probably will announce in next 3 months' time, but that is for sure all future CAPEX will happen only in the derivatives and specialty as we have mentioned and our target to achieve 70% revenue coming from the Chloro-Alkali and the derivatives by FY28.
- Priyank Chheda:** Very clear. Now my second question is just on a clarification, given the optimal utilization that you would reach in FY26 on the CAPEX which you have already incurred, what kind of revenues at this current prices if they were to remain at the same level, what kind of revenue would you estimate based on the CAPEX and the capacities which you have already installed?
- Milind Kotecha:** The capacities that we have announced so far and considering the 80% utilization and you know the market value, I guess you are the best person to calculate that. We would avoid giving any kind of guidance in terms of the absolute value.
- Priyank Chheda:** No problem. And again, within on the clarification for the margins for the full year, which is the guidance of 25%, right? Now Q1, where the derivatives, prices have slightly corrected. Despite that, we are at 27% margins. What we understand is the derivative is the conversion margins that you want, not the per kilo spread that you want, right? So, as and when if in case, because of the Red Sea crisis or whatever, in case derivative product prices move up, given the same percentage margins that you would have, the absolute cash flow that you would generate would be much higher versus what you have been guiding for the full year. So, what my question is essentially, why should we think of ending FY25 at 25% versus Q1 at 27% while the utilizations are just going to go up only from here?
- Milind Kotecha:** So, what you said is true. If we look at the Q1, the similar situation continues for the full year, we can end at 27% as well. But when we say 25, that is on a conservative side.
- Priyank Chheda:** Right and fundamentally correct me if I am wrong. So, in case if prices of derivatives move up, your percentage margin still remains same, right?
- Milind Kotecha:** Yes, it should be in that range, but generally what we have seen is the realizations and the raw material prices move in line. So, that's where we believe that around 25% is something which is achievable on a conservative side.

- Moderator:** Thank you sir. The next question is from Anushka Raj from VLS Finance Limited. Please go ahead.
- Anushka Raj:** My first question is caustic soda industry dynamic, what is the status for our caustic soda products and are we still the net importer or have we been able to move towards the net exporter?
- Milind Kotecha:** So, in terms of caustic soda, as we said in the earlier comments, the caustic soda demand has been balanced out of it right now. It can improve as the customers whom we are servicing their exports increase. So, that's where we are expecting the caustic soda market to improve over the coming quarter. In terms of exports in a company, Epigral is more focused on the Indian market and we are majorly focused on the products that we want to cater to the Indian market. So, we are not actively looking for increasing our exports contribution to a large extent, but if we get a better realization, then we might do. But when we say that we are expecting the exports to improve that is for the customers to whom we will be selling the caustic soda, that market where they are catering to exports they might improve in the coming quarters, maybe second half of this year and that might a bit inch up the demand for the caustic soda and maybe result in the realization going up.
- Anushka Raj:** My second question is, please elaborate in qualitative way what has been the most cost saving in the caustic soda segment?
- Milind Kotecha:** Most cost saving?
- Anushka Raj:** Yes, sir.
- Milind Kotecha:** I mean again there also if we look at the realizations and the cost in terms of manufacturing the caustic soda that the raw material prices and the realization moves in line which was a bit impacted in Q1, but things have better off compared to Q1 FY24 as of now.
- Maulik Patel:** And the Chlor-Alkali, the major cost is the energy and energy we are fully backward integrated and we have also done solar and wind hybrid power plant investment in last couple of years and that advantage is also the company has started getting it. So, in terms of energy also, we are fully backward integrated, and we are optimized already.
- Moderator:** The next question is from Rohan Mehta from Ficom Family Office. Please go ahead sir.
- Rohan Mehta:** My question to you is, so the Chlorotoluene commissioning that was pushed from Quarter 4 of FY24 to the second quarter of FY25 during the last quarter results. So, any reason for the delay that has happened here?
- Maulik Patel:** Yes, so in the Chlorotoluene if you divide, we are having three different blocks, out of one block we have started commissioning, second block will be done probably in this month and the last block we are going to do it in the month of September. So, once all the blocks will be

ready, we are going to announce together as a commissioning of the plant, successfully commissioning of the plant but the commissioning activity actually it is started from the Quarter 2 onwards, from last month onwards, it is already started. But as a project, yes, you are right that we are supposed to start in the end of Q4, but the couple of equipment and the mechanical completion was delayed than what we have expected. And I think we are able to do it and compensate probably by end of this quarter, we are going to commission the plant.

- Rohan Mehta:** And so on the CPVC compound side, can you tell me what the capacity utilization factor is?
- Milind Kotecha:** CPVC compound, we just commissioned on 29th June. So, it is yet to contribute anything in terms of value. It might start, but again, it will take time to ramp up. It might contribute in a meaningful way, maybe by end of December.
- Maulik Patel:** Yes, so in the quarter two, this quarter also we are going to do the sampling and the customer approval, probably you will see the revenue generation from the CPVC compounding from Quarter 3 onwards slowly and in optimized way probably in the quarter four.
- Moderator:** Thank you sir. The next question is from Shikhar Mundra from Vivog Commercial Limited. Please go ahead.
- Shikhar Mundra:** Wanted an understanding on the tax rate. Why is the tax rate so high, like 34%?
- Sanjay Jain:** Actually, the company is still in the higher tax bracket of 35%. We have not opted for the discount rate of 25% as of now. So, because we had a credit of net saving is there. So, we are just taking benefit out of that. So, because of that, we will be remaining in the higher tax bracket of 35%.
- Maulik Patel:** So, right now we are in the bracket of 35%, but the cash outflow is only 19%. And because of the MAT credit which was available with the company, we have not shifted to the 25% bracket yet. But in the future, once the MAT credit will be utilized, we will be converted to the 25% bracket in the future.
- Shikhar Mundra:** How much MAT credit is remaining and till when it will be utilized?
- Sanjay Jain:** We expect that we still have a MAT credit of Rs. 30 crores as of now. And we expect that in next coming two years, it will be utilized fully.
- Shikhar Mundra:** And second question, when you say Rs. 300 crore CAPEX, so that includes our maintenance CAPEX as well for the existing plant?
- Milind Kotecha:** Yes.
- Shikhar Mundra:** And how much will be the maintenance CAPEX? And how much is the new CAPEX?
- Milind Kotecha:** Maintenance CAPEX is generally around 1% or 1.5% of the gross block. It ranges around that.

- Shikhar Mundra:** And what kind of debt numbers are we looking at the end of the year since a lot of CAPEX is not planned this year.
- Milind Kotecha:** So, currently our debt as of 31st March was around Rs. 960 crore and considering the current situation if considering after doing the CAPEX and the cash remains, then we would definitely reduce our debt. But all put together, it should be somewhere in the range of Rs. 850-Rs. 900 crore only.
- Moderator:** As this was the last question for today, I now hand the conference over to the management for closing comments.
- Kaushal Soparkar:** Good evening everyone. In conclusion, I would like to convey that we are moving in line with our strategy to our expansion plans and diversification in terms of multi-product catering in various industries and we are targeting consistent growth. I would like to thank you all 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:** On behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.