

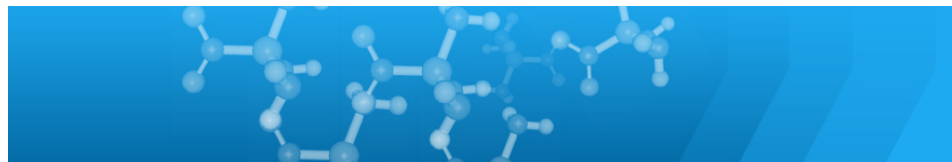
Bodal Chemicals Ltd.
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Bodal Chemicals Limited

Q3 FY2018 Earnings Conference Call

February 7, 2018

**MANAGEMENT: MR. ANKIT S. 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' Q3 FY 2018 Earnings Conference Call. Joining us today on this call are Mr. Ankit Patel – Executive Director and Mr. Mayur Padhya – Chief Financial Officer.

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 telephone. Please note that this conference is being recorded.

Before we begin I would like to mention that some of the statements made in today's call may be forward-looking in nature and may involve risks and uncertainties. For a list of such considerations, please refer to the earnings presentation.

I would now like to hand the conference over to Mr. Ankit Patel. Thank you and over to you, sir.

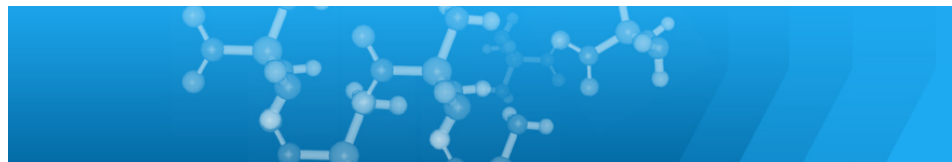
Ankit Patel: Thank you very much. Good afternoon to all. Thank you for joining the Q3 and 9 months FY18 Results Conference call of our company. On today's call I have with me our CFO Mr. Mayur Padhya as well. I hope all of you have got an opportunity to see our financial results and analyst presentation filed with the stock exchanges and uploaded on our company's website.

For the quarter ended on 31 December 2017, Bodal Chemicals has reported standalone net revenue of Rs. 306 crores, EBITDA of Rs. 54.8 crores and Profit After Tax Rs. 30.5 crores. During the quarter our net revenue grew by 10.1%, our EBITDA margin was 17.9% and our Profit After Tax margin was 10%. Margins were relatively lower than the year-on-year quarter due to very strong prices of dye intermediates in the previous year-on-year quarter. However, you would notice our EBITDA margin and PAT margin are now consistently around 18% and 10% respectively over the first three quarters of FY18.

We are pleased to mention that the quarter represented return to the normalcy. There was a healthy operational performance across all our business segments. Sale of products of our dyestuff, dye intermediates and basic chemicals grew by 28.7%, 4.8% and 11.7% respectively during the quarter. This was after taking the shutdown of about a month of our sulphuric acid plant for routine maintenance and statutory compliance.

The quarter witnessed a continued increase in crude prices which we were in turn able to pass on to the customers. The quarter also witnessed a significant movement in currency however we remained neutral because of our consistent policy of hedging our currency exposure.

Coming to our subsidiary associates and new projects, we continue to work on stabilization of SPS and Trio Chemicals. The projects identified in our QIP continued to be executed along planned lines.



At the beginning of the year we had mentioned that we view this year as a consolidation year for our future growth. We had also mentioned that we anticipate this year to be flattish over FY17.

As you would notice we have covered a fair bit of ground in aggregate over the 9 months period of this year. We continue to be excited about our strong foundations, new projects and our growth in the coming years. We look forward to discussing this in more detail over the conference call today.

I now request Mayur to walk you through our financial performance details.

Mayur Padhya:

Thank you, Ankit. Good afternoon everybody. Thank you for joining our Q3 & 9 months FY18 Results conference call. Numbers mentioned on the call for Q3 FY18 and 9 months FY18 are on standalone basis. Let me take you through our results highlights using our analyst presentation.

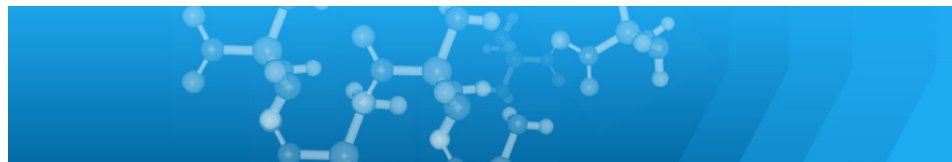
Slide #4 provides details of the quarter's financial performance. Here the important comments are: sale of all of our products grew during the quarter particularly the share of dyestuff have continued to grow significantly in our revenue mix. It has grown year-on-year by 28.7%. Share of exports decreased year-on-year during the quarter to Rs. 28% from 35%. However, this decrease did not impact our profitability as our realizations in domestic market are also fairly good as our export realizations.

We maintained our EBITDA margin around 18% during the quarter. We would like to mention that in Q3 FY17 there were exceptional items of Rs. 40 million, which was profit that we had realized from sale of plant and machineries of unit 5 in that quarter, which was not operational. And that unit was not operational. Therefore profit before tax without exceptional items would be Rs. 471 million in Q3 FY18 versus Rs. 473 million in Q3 FY17, with y-o-y degrowth of 0.5%.

Similarly Profit After Tax and total comprehensive income before exceptional items year-on-year change would be broadly similar to Q3 FY18 versus Q3 FY17.

In addition to the product-wise revenue figures, let me provide you with the product-wise production data in metric ton. Dyestuff Q3 FY18 was 3,956 metric tons vis-à-vis Q3 FY17 was 2,863 metric tons. So there is a growth of 38%. Dye intermediates Q3 FY18 is 5,917 metric tons vis-à-vis Q3 FY17 was Rs. 4,720 metric tons so there is a growth of 25%. Basic chemicals Q3 FY18 is 37,858 metric tons vis-à-vis Q3 FY17 was 40,284 so there is a degrowth of 6% and others which includes LABSA Q3 FY18 is 517 metric tons whereas Q3 FY17 was Rs. 1,568 metric tons leading to a degrowth of 67%.

Sale of products: Slide #5 provides sale of product mix for the quarter. Please note that this is based on net revenue and it does not include operating other income.



Financial comparison: Slide #6 in the presentation provides a graphical comparison of quarter's financial performance on an year-on-year basis.

Nine months performance: Nine months FY18 result is represented by Slide #6 to Slide #9 which provides our nine-month FY18 financial result.

For 9M FY18 net revenue is lower by 5.9% as compared to 9M FY17. Here too you can see on Slide #10 our EBITDA and PAT margin are maintained around 18% and 10% respectively. Tax on 9M FY18 was 35.3% compared to 33.7% in 9M FY17.

Our leverage and ratings are showed in Slide #13 in the presentation, which provides our leverage and ratings details. As on 31 December 2017, we have fairly maintained our conservative net debt-equity and debt-EBITDA profile with the QIP funding that we have received for our growth projects. Ratings were stable.

Shareholding data and listing data are provided in the Slide #15.

Outlook: On our previously conference call, we had mentioned that we anticipate FY17-18 to be flattish over FY16-17, with possibility of decrease of 3% to 5% over the previous year.

With our Q3 and 9M FY18 performance, we are fairly along these lines. In broad terms we expect Q4 FY18 to be similarly stable as Q3 FY18.

Now we welcome your queries on the conference call.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin with the question-and-answer session.

We take the first question from the line of Sreenath Sreedhar from ICICI Securities. Please go ahead.

Sreenath Sreedhar: I wanted to know what is the revenue of SPS so far in the nine months?

Mayur Padhya : From SPS till December there is revenue of Rs. 46.32 crores.

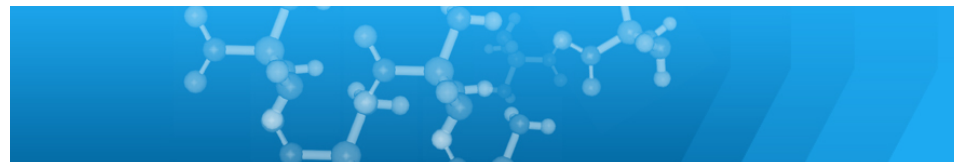
Sreenath Sreedhar: And sir, has the vinyl sulphone capacity started over here?

Mayur Padhya : No, it has not yet started.

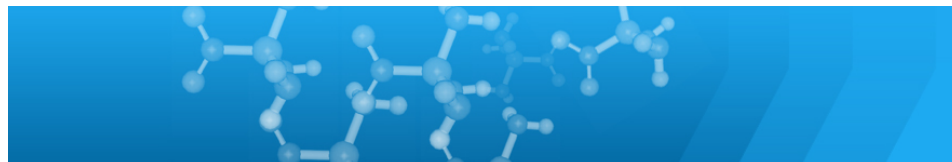
Sreenath Sreedhar: Will it start this quarter or next quarter?

Mayur Padhya : No, it will take some more time because some safety guideline by Reliance has changed so we are anticipating few more months we will require to start vinyl sulphone production.

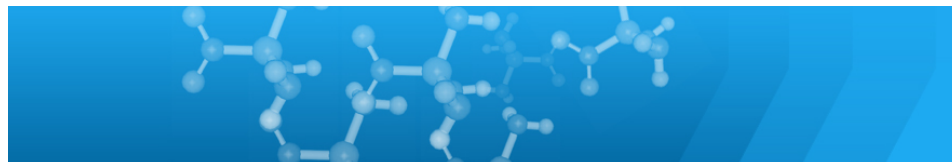
Sreenath Sreedhar: Okay so maybe Q2 FY19 only?



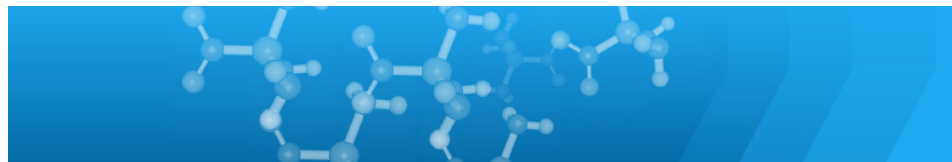
- Mayur Padhya :** By Q1 end it should start.
- Sreenath Sreedhar:** Okay fine. And sir the other question was we had some issues in Trion Chemicals with regard to effluent and production last half, have those been stabilized and are we at you said we will be at 15% utilization levels for the second half? Is that on track?
- Mayur Padhya :** Yes, whatever the issues were there, that has been sorted out. And now production should stabilize and it should be in the range of 25-30% utilization level.
- Sreenath Sreedhar:** So H2 25-30% utilization?
- Mayur Padhya :** No, it will be reflected majorly from next quarter.
- Sreenath Sreedhar:** So Q4 25-30% utilization?
- Mayur Padhya :** See from this month it should be 25% to 30% and stabilization we can consider from first quarter of next year.
- Sreenath Sreedhar:** Okay sir and since our loss you said that Trion was facing some Rs. 3 crores to Rs. 4 crores loss till last half. What will be the full year loss in this then?
- Mayur Padhya :** See nine month net loss is about Rs. 5.5 crores.
- Sreenath Sreedhar:** So full year we can expect around Rs. 7 crores or something?
- Mayur Padhya :** Yes, more or less.
- Sreenath Sreedhar:** And hopefully next year we will be in breakeven plus profit?
- Mayur Padhya :** Yes, surely.
- Sreenath Sreedhar:** And sir in your other segment that you mentioned, which is Rs. 36.6 crores what is the breakup between LABSA and liquid dyestuff?
- Mayur Padhya :** It is majorly, see liquid dyestuff is hardly Rs. 3 crores for the quarter and balance is LABSA.
- Sreenath Sreedhar:** Okay no I am asking in the nine months?
- Mayur Padhya:** Nine months liquid dyestuff was about Rs. 9 crores and balance was LABSA.
- Moderator:** Thank you. We take the next question from the line of Anand Bhavnani from Samiksha Capital. Please go ahead.
- Anand Bhavnani:** The first question is about our plans for dyestuff plant which was slated to be operational in March 2018. So is this on track?



- Mayur Padhya:** Yes, it is on track.
- Anand Bhavnani:** Okay and for our co-gen power plant we had cited in last quarter that in Q1 FY19 it should be up and running. So again if you can update, is it on track the co-gen?
- Mayur Padhya:** Yes, captive power plant as well as our Thionyl chloride both are on track.
- Anand Bhavnani:** And sir in this Q3 we had slight reduction in gross margin by around 2% points so like this reduction is it expected to continue going forth or are we likely to get back to 35% odd gross margins if you can comment a bit on the gross margin levels?
- Mayur Padhya:** See, we have been guiding market since long that sustainable margin is about 15% to 16% but we are able to generate better since long. So it may correct to some extent.
- Anand Bhavnani:** And finally you had mentioned in the results that land is being purchased in Dahej, so any quantum that has been kind of decided about for the land?
- Mayur Padhya:** See, land we have got the Board's approval and we are going ahead for that and we are targeting about 100 acre land over there.
- Anand Bhavnani:** And sir, how much should this cost us approximately?
- Mayur Padhya:** It can be Rs. 90 crores to Rs. 100 crores.
- Moderator:** Thank you. We take the next question from the line of Pragya Vishwakarma from Edelweiss. Please go ahead.
- Pragya Vishwakarma:** I wanted your view on vinyl sulphone and H-Acid prices YoY and QoQ and how are we finding them now?
- Mayur Padhya:** See H-Acid prices presently prevailing is about Rs. 350 to Rs. 360 per kg and vinyl sulphone is presently traded at about Rs. 230 to Rs. 240 per kg and we are expecting this to stabilize for a longer-term near longer-term.
- Pragya Vishwakarma:** Okay and can you give me average pricing for the quarter for you?
- Mayur Padhya:** Average price was similar for VS it was about Rs. 240.
- Pragya Vishwakarma:** This is for third quarter 2018 you are saying?
- Mayur Padhya:** Yes, third quarter 2018. Vinyl sulphone it was Rs. 240 and H-Acid it was around Rs. 350.
- Pragya Vishwakarma:** So prices are still holding up from that average level, right?
- Mayur Padhya:** Yes, correct.



- Pragya Vishwakarma:** And if you have to compare it on YoY basis like what would be the differential, I assume it is on the positive side like what were the prices for you in the last year like last year same quarter average prices?
- Mayur Padhya:** Sorry that data is not available at present with me. You can connect me later on and get it.
- Pragya Vishwakarma:** Okay because your dyestuff volume has grown by 36% but in value terms we have only grown by 28%. So obviously there is a price decline from last year right?
- Mayur Padhya:** Yes because last year vinyl sulphone had a rally and correspondingly dyestuff prices were also at higher levels and they are normalized in current year.
- Pragya Vishwakarma:** Okay and talking about dye intermediates, volumes have really shown good growth, it is about 25% but in value terms we have only grown by 4%. So the realizations have come really down so the prices are really high for vinyl sulphone and H-Acid last year right. And what would be our average realization in dyestuff?
- Mayur Padhya:** Correct. Dyestuff we have a variety of products but it can be near to Rs. 230 to Rs. 240 per kg.
- Pragya Vishwakarma:** Okay and about Trion Chemicals if you can give some guidance at what capacity utilization you think you will achieve breakeven point?
- Mayur Padhya:** That is difficult to say at present, reason behind is the raw material which is used in TCCA the price has rise in last quarter particularly Cyanuric acid which is the main raw material and at the same time caustic soda which is another raw material. Prices for both have improved including chlorine. So it is difficult to say at present but once the production gets stabilized then we can guide.
- Pragya Vishwakarma:** Okay and next year any guidance you can give at what utilization you think you can operate for the full year?
- Mayur Padhya:** It should be better than 30%.
- Pragya Vishwakarma:** Okay and this is majorly an export oriented product, right?
- Mayur Padhya:** Correct.
- Moderator:** Thank you. Next question is from the line of Mayank Bansal, individual investor. Please go ahead.
- Mayank Bansal:** My question is as you mentioned this year is a consolidation year for the company so when are we expecting the growth to come back?



Mayur Padhya: Correct so from next year growth should be there because we are going ahead with new projects like expansion in dyestuff, cogeneration power plant as well as Thionyl chloride. All will become fully functional next year. So next year there has to be some growth.

Mayank Bansal: And then what is the reason for no growth in this year?

Mayur Padhya: Sorry I could not follow you?

Mayank Bansal: Sir, this year as we know is the consolidation year. What is the reason for that? Why we did not grow in this year?

Mayur Padhya: Yes, see last year FY17 there was abnormal rally in vinyl sulphone prices that has lead to some extra profit. If you see the FY16 our net profit was Rs. 86 crores so at the starting of FY17 we were anticipating say about Rs. 100 crores for the full year. But because of this extraordinary impact we ended up at about Rs. 128 crores that is why we are considering this as a consolidating year.

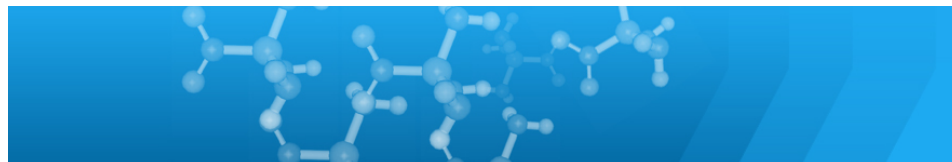
Mayank Bansal: Okay thank you and one more question if you allow me. About the China problem so the factories that are in China are they starting again and what is the impact that these factories that are starting will have in our business?

Ankit Patel: There are a couple of important points I think I should mention here about China. One is that no major capacity has come up in China within our sector in the last one year. Even the world's largest player which is Hubei and almost two years ago they faced some issues from the government and their plant was shut down for more than six months and then they were able to restart but they are now steadily operating around 50- 60%.

So earlier they used to operate at 80-85% plus which they are not able to go back to those levels and now it is now close to a year since they are operating around 50%. So that is one indication that producing large capacities in China is becoming difficult and it is becoming more of a steady trend and other than this there is a new development very recently in January about the environmental tax policy in China.

So from April government is going to charge extra taxes for any manufacturer who is involved in any kind of pollution so whether it is air pollution or water pollution or any other kind of pollution. So from April it is going to be implemented and that is going to put even more burden on their overall costing. So Indian players being their direct competitors that should actually help the Indian players because we do not have any extra cost as far as the environmental or pollution goes. So this is a benefit for Indian players.

Mayank Bansal: These environmental norms are these already present in India or they might come in India also moving forward?



Ankit Patel: Theoretically they are present everywhere. Basically you know these are all theoretically laid down norms and guidelines you know which companies have to follow but companies did not really follow them. Even Indian companies earlier about ten fifteen years ago did not follow much. And Chinese companies had even more liberty earlier. But in India the strictness about following these norms came about ten years ago come around 2005-2006 lot of changes were happening from the government side. But in China it started happening about five years ago. So India the problem started in India much earlier and that is why Indian players were much more compliant compared to the Chinese when the real problem started in China. So comparatively it is a newer problem, more latest problem in China.

Mayank Bansal: So you are actually saying even after all these environmental compliances we are still we are cheaper producer as compared to China, right?

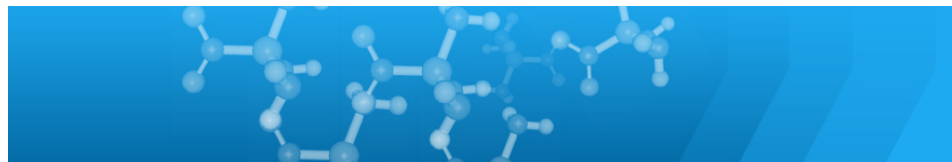
Ankit Patel: I would say it is very difficult to find out who is the cheaper producer but there are a few things which were in their favor earlier which are not anymore. Like large capacities in their favor that used to be, that used to bring the cost down. The capacity here used to be smaller. There were some other benefits like cheaper electricity, and there were some export benefits. So those are all gone. Now most of the players are not able to operate at 80-90%. Till new capacities were coming up, they were growing really fast. So there was a very fast expansion and new companies kept coming up in the same segment. But now since the margins have come down there is very less growth that is happening in China plus the government is very serious and very strict about giving any new permission so that is why the new growth is not coming. That is benefiting Indian players because India has about 10% of the global market and in India similar problems happened earlier so India was really much ahead.

That is what is helping the Indian players right now. So without any disturbance Indian players are operating at decent levels, our utilization and capacity is at decent numbers and competing with the Chinese also at the global level.

Moderator: Thank you. We take the next question from the line of Anand Bhavnani from Samiksha Capital. Please go ahead.

Anand Bhavnani: Sir, you just mentioned about environmental stress in China. So I had a follow up question first for that. What kind of overall price increase the Chinese players will have to take in order to drop this stress for our two key dye intermediates, vinyl sulphone and H-acid and for broadly dyestuff in general. If you can give us some ballpark sense of what could be the price hike from April onwards?

Ankit Patel: There is actually an article which I was reading earlier the actual exact guidelines have not come up, the Finance Ministry from China they have mentioned that it will come out with exact guidelines very soon. There is a range of 1 Yuan to 14 Yuan per unit that is the general guideline and each individual states are supposed to decide their own tax level and so something like Beijing or Beijing area it might be in the levels of 12 and 14, it is a metro, it is the most important area for them it is a very delicate situation there.



So something very far from all the metros or from the Eastern China and something in the west or in the north may be lower. But even if small this is manufacturing and all the processes are commodities. They are all around 8% to 12% net margin products. Even something that is added by may be couple of percent or even 4% that is when we call a business. But this information is publicly available. So there is a lot of articles about it and once there is a clear policy may be in the next quarterly conference we can talk about it.

Anand Bhavnani:

And sir the last question there was some mention that due to the impact of GST on textiles, we had some lower off take of volumes because 60% of our revenue is exposed to textiles. So how is the situation now and was there any higher offtake this quarter to compensate for lower offtake in Q2?

Ankit Patel:

There is definitely an improvement in that. You know with time the problems that were there because of the GST have been easing up, have been clearing up. So there was a lot of cash business involved in the textile segment because there was no excise. And that is why it was one of the areas which opposed the GST most. So it took them a bit longer than other industries to actually digest the fact of the GST and to implement and get used to the GST systems.

So but this quarter we had comparatively much better time. I think our numbers got much better and we are also expanding very quickly in that domestic dye segment where our presence compared to the couple of the largest players of India our stake is very small. So that is our primary target to continue to grow in the domestic market. So it is looking positive now for where we were about two to five months back when because of the GST it was a bit difficult time to sell in the local market. But now I feel it is back on track and it will probably get better also with time.

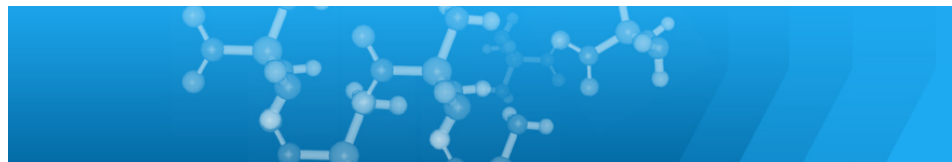
Anand Bhavnani:

And in dyestuff we did like Rs. 92 crores of revenue what is like revenue per quarter or annual revenue for the bigger players and if you can give a sense of where do we stand in the pecking order of that?

Ankit Patel:

It is difficult to tell the numbers but if I talk about revenues it is difficult to explain the revenue numbers because both the companies are private companies so their numbers are not really public. And, but from what we know from the market they are the largest player in market which is Colortex they may be selling around 5,000 tons per month of dyestuff.

So what we are doing right now is around 1,000 to 1,300 range and then we are adding around 1,000 tons more per month. So after that execution you know we will probably reach around 2,000 to 2,500 tons per month. So that will happen in about 2-3 years and the largest player will get around 5,000, second largest player their installed capacities are also around 4,000 to 5,000 but I think their achieved numbers sales numbers would be probably around 3,000 to 4,000 tons.



And we are also more integrated than them. They are stronger because their history has been all about dyestuff. Last fifteen to twenty years we were busy building our integrated model rather they are an older company, also they grew majority of their growth came in the dyestuff only. So they did not do much of integration but they grew a lot in dyestuff. Because they were older companies they also enjoy better brand in the market but we are continuously getting, our brand is continuously getting, much stronger in the local market.

So we should reach their level, my target is to reach their numbers in about five years and I do not think there should be any problem, because of the global situation and our integration it should really help us becoming the leading company of dyestuff in India.

Anand Bhavnani: Sir, you mentioned some target for five years, what is the exact number?

Ankit Patel: The target for five years what I mean to say is whatever the leading companies of India whatever their numbers are, so their number is around 5,000 tons per month. So my target is to reach somewhere in that level. So that is what my growth plan as well we are targeting to grow about 1,000 tons per month capacity every two years so next about four to five years.

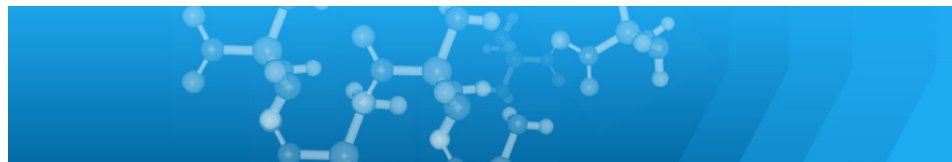
Anand Bhavnani: Okay and sir for Thionyl Chloride if you can give us some sense of the size of the market and how would our positioning be in that market in terms of size after we start?

Ankit Patel: The Thionyl Chloride market is about between 13,000 to 15,000 tons per month and we are coming up with 3,000 tons per month capacity. It is a low value product so comparatively it is about the average pattern may be around Rs. 15-Rs. 16 per kg and the majority of the market is near about 200 km from Baroda so our location-wise this will be the best plant and being a low value product, we will have some advantage about the logistic cost, and in current year also the price has gone up from Rs. 14 to Rs. 18 in a very short time. So there is a good gap because there has not been any new plant in the last five years.

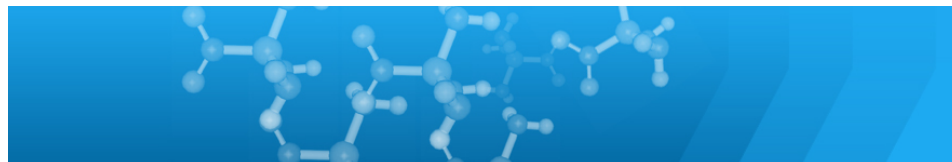
Anand Bhavnani: Prices have gone up from Rs. 14 to Rs. 18 is it?

Ankit Patel: Yes it went from Rs. 14 to Rs. 18. Here with Thionyl chloride what happened is there has been no new capacities in five years but its main consumption is in agrochemicals and vinyl sulphone. Now vinyl sulphone and agrochemicals both sectors are doing very well in India in last about four, five years. So because of this there has been growth in vinyl sulphone and agrochemicals so the demand for Thionyl chloride is continuously growing but the new capacity did not come up in last five years. We are one of the largest player of vinyl sulphone so obviously we are also one of the largest consumer of Thionyl chloride. So we have a very good integration so this is the reason why we are putting it up.

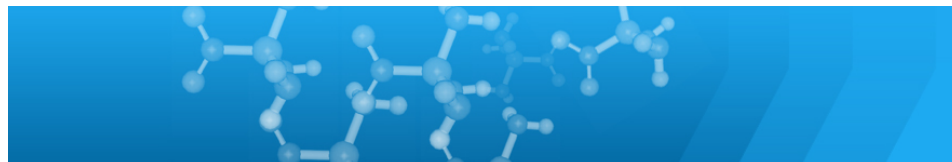
Anand Bhavnani: Sir, you said 13,000 to 15,000 tons per month is size of the market how much it would be import, is there any import in this market?



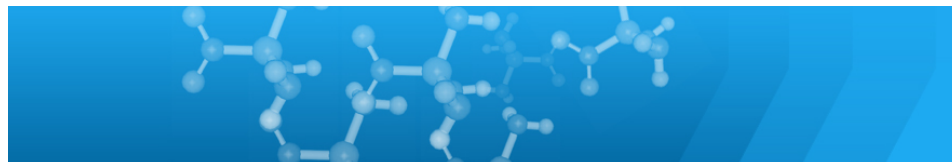
- Ankit Patel:** No, there are no imports or exports of this product, the reason is that it is very hazardous and it is also low value product so export or import becomes unviable.
- Anand Bhavnani:** Fine and our sales in the dye and dye intermediate space what percentage of our sale is through dealers versus direct sales?
- Ankit Patel:** So in dye intermediates most of our sales are direct. We do not sell too much through the traders. In dyestuff, we have different strategies because we sell that into the company, we also sell to lot of the traders, we also sell to some of the dealers. We have a dealer network in India so lot of the material goes through them. Internationally, we sell to some of the traders because lot of the market, the large market like Turkey, Bangladesh, Pakistan and some parts of Europe. In these countries there are a lot of strong companies, strong people who have a great presence in the market. So we have to sell to them to get larger orders and to achieve more number of orders. So we have a mix of strategies for our dyestuff sales.
- Moderator:** Thank you. We take the next question from the line of Shashank Kanodia from ICICI Securities. Please go ahead.
- Shashank Kanodia:** My question pertains to dyestuff product. So time and again our realizations have always been in the range of Rs. 230 to Rs. 240 per kg. So is there any value addition that can move up the value chain in this segment?
- Ankit Patel:** I am sorry can you repeat the second part of your question?
- Shashank Kanodia:** See in dyestuff our realizations have largely been in the Rs. 230 to Rs. 240 a kg. So is there any value addition moving up the value chain in this segment?
- Ankit Patel:** There are some products, which are much higher as well. There are also some products which are called vat dyes those are anywhere between Rs. 1,000 to Rs. 2,000 per kg. But again, those have applications only into very niche markets, they are very premium and luxury textiles. So what we are doing is our applications are mainly for the cotton, and paper and leather. So we do these three and our average price is around Rs. 230 to Rs. 240 but we do have some products which are higher than Rs. 400 and some may be lower than Rs. 230 or even Rs. 200 as well. So some of the commodity products, which are around Rs. 200 to Rs. 250 and the specialty products in the dyestuff they go for around Rs. 350 to Rs. 400.
- Shashank Kanodia:** So on the blended level they are supposed to remain at these levels for quite some time right, going forward as well then? Or is there any scope for improvement here?
- Mayur Padhya:** See - this is Mayur - whenever there is an improvement in dye intermediate price, corresponding improvement also happens in the dyestuff prices. So presently, what we have been seeing that H-acid and Vinyl Sulphone they are stable at a higher level. So prices in dyestuff has also improved to that extent it is consumed in that production.



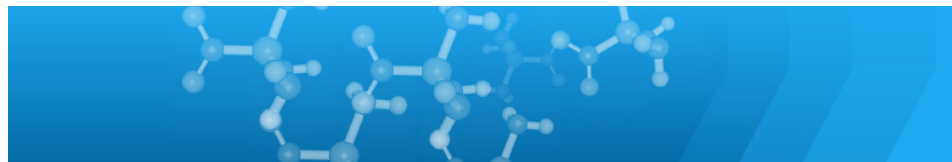
- Shashank Kanodia:** Is it possible for you to share the sales number for dyestuff and dye intermediates for the quarter sales volume?
- Mayur Padhya:** No, that will be difficult that we are not sharing at present.
- Moderator:** Thank you. We take the next question from the line of Giriraj Daga from K M Visaria.
- Giriraj Daga:** Just one clarification. When you give the production number let us say dye intermediates, is it a net of captive consumption?
- Mayur Padhya:** No, it is the gross number, it includes captive consumption also.
- Giriraj Daga:** Okay and what is the input output ratio you will put it for dyestuff, the intermediate dyestuff?
- Mayur Padhya:** That varies between product-to-product.
- Giriraj Daga:** But on a blended basis?
- Mayur Padhya:** That is largely you can put in 1 kg of dye intermediates can produce 1.5 kg of dyestuff.
- Giriraj Daga:** Okay, because if the point I was also looking for the sales volume what was that if we do the revenue number what you had given in the presentation the realization looks high on intermediate side if you do the inter segment adjustment?
- Mayur Padhya:** Yes, at intermediate prices are a bit higher compared to the dyestuff. When we produce dyestuff we produce at a crude level over their strength is at higher level. But markets requirement is of lower strength product so we need to add salt and reduce its strength and then we market.
- Giriraj Daga:** Just a second question related to on our cash situation like what have been the cash deployment in last quarter?
- Mayur Padhya:** Third quarter cash deployment data I do not have at present, you mean to say in project?
- Giriraj Daga:** So that point I am looking at is that for net debt has gone down by somewhere about Rs. 124 crores, while we raised Rs. 225 crores QIP so ideally some Rs. 100 crores has somewhere been deployed, either it is working capital projects that was the idea I was looking at for the reconciliation of that number?
- Mayur Padhya:** See we raised Rs. 225 crores as a QIP and till date we have deployed about Rs. 98 crores to Rs. 100 crores on the ongoing project. This quantum is up to 31st December 2017. There is a liquid fund investment at about Rs. 87 crores. There is a repayment of short term borrowings which was about Rs. 17 crores.



- Giriraj Daga:** No, I got the details in the presentation. The only point I am looking at is that we have deployed this Rs. 98 crores to Rs. 100 crores in last quarter itself completely because up to September quarter the net debt was Rs. 155 crores?
- Mayur Padhya:** Yes the investment were happened well before.
- Giriraj Daga:** Okay, the entire amount has been deployed.
- Moderator:** Thank you. We take the next question from the line of Amol Joshi from SPS Securities. Please go ahead.
- Amol Joshi:** Other expenses have increased a bit in this quarter so is there any specific reason for other expenses increasing I guess they have increased 13%?
- Mayur Padhya:** There is no specific reason but I do not have the data we can connect later on and can have the discussion. Nothing specific is there.
- Amol Joshi:** Okay and the raw material expenses also have increased 13%. So the raw material expenses which are majorly responsible for this increase can you just give some names?
- Mayur Padhya:** Raw material increase is led by increase in prices of crude. So majority of our raw material are related to crude, naphthalene, Aniline Oil, and ethylene oxide all these are some of the main raw materials.
- Moderator:** Thank you. We will take the next question from the line of Kavita Thomas from First Global. Please go ahead.
- Kavita Thomas:** My question is on CAPEX. Sir, we have guided towards the CAPEX of around Rs. 340 crores over the next two years and around Rs. 153 crores or something is what we had envisaged for FY18. So is that likely to be the CAPEX for this year or going to be higher or lower?
- Mayur Padhya:** See for this year as far as new projects are concerned, CAPEX would be around Rs. 130 crores and if we buy land at Dahej during this quarter then whatever we buy, whatever we deploy that will be additional and balance part of about Rs. 60 crores will be in next year as far as project goes.
- Kavita Thomas:** So does that mean that Rs. 130 crores for the projects that are ongoing and Rs. 80 crores to Rs. 100 crores based on whether we purchase the land or not?
- Mayur Padhya:** Correct.
- Kavita Thomas:** And Rs. 60 crores will be next year.
- Mayur Padhya:** Yes.



- Kavita Thomas:** And sir overall how is the export scenario because overall exports there is competition as we had discussed in the previous quarter overall competitive scenario have increased in the export market. So could you just throw some light in terms of how do we see that market moving or will the domestic sales take care of these fall in revenues in the export market?
- Mayur Padhya:** See for us export or domestic both are more or less equal. Export or domestic market both are more or less equal for us as far as realization goes, and see in September quarter there was a effect of GST but in last quarter we have recovered and there is no negative impact as far as GST is concerned or anything else is concerned. So market domestic as well as export is stable and growing.
- Kavita Thomas:** Sir, actually if we see nine month also the export revenues are down by around 8%. So is it primarily because of dyes or dye intermediates or any light on that?
- Mayur Padhya:** See last quarter there was a droppage majorly in export and that has impact even in the nine month.
- Kavita Thomas:** And sir, what was this one month shutdown that we spoke about, was that related to our dyes intermediate facility or dyes and dyes intermediate facility or the basic chemical?
- Mayur Padhya:** No it is in Sulphuric Acid, which falls into basic chemical and we are required to shut it down for statutory boiler inspection and some maintenance. So it is a routine process for us.
- Kavita Thomas:** So only Sulphuric acid and by and large the dye intermediates and all were running on a normal basis?
- Mayur Padhya:** Yes, normally dye intermediate runs on a normal basis.
- Kavita Thomas:** Okay so only the basic chemicals were affected?
- Mayur Padhya:** Yes, Sulphuric acid, oleum, chlorosulfonic these products get affected.
- Kavita Thomas:** Is there any amount you could quantify because despite that we have reported a very good top line?
- Mayur Padhya:** Basic chemical contribute hardly 10% to 12% in our total revenues. So that will not have impact much on our total performance.
- Kavita Thomas:** And the crude impact how much could we pass it on to the customers at the top line?
- Mayur Padhya:** See, as far as the number shows it seems that we could pass it on totally.
- Moderator:** Thank you. We will take the next question from the line of Shiv Kumar from Unifi Capital. Please go ahead.



Shiv Kumar: With respect to Trion Chemicals you had mentioned that the loss for the year would be around Rs. 7 crores. So this is our share or the total loss of that JV?

Mayur Padhya: Total net loss of the company.

Shiv Kumar: For Trion so our share will be proportionate to our stake?

Mayur Padhya: Correct.

Shiv Kumar: And what would be the similar number for SPS in terms of like 9 months what is the P&L and what would it be for the full year?

Mayur Padhya: Nine months SPS net loss is about Rs. 3 crores, which is the total loss. And for us the 70% holding so you can consider correspondingly.

Shiv Kumar: Yes, for the full year, do you expect losses to increase further or will it?

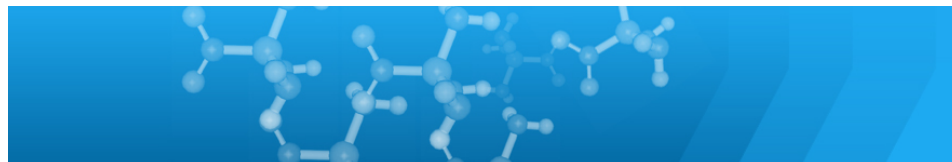
Mayur Padhya: It can increase marginally not much as far as SPS is concerned.

Shiv Kumar: Second question for the next year financial year do you see a revival in the export growth also because we will be adding new capacities so we may or may not be able to utilize all those capacities only for the domestic so export needs to be?

Ankit Patel: This is Ankit here. Let me try to answer that for you. See our exports declined and it was more of our choice it is not that there was no marketing exports but now after China is not being too much of a dumping player to India which is of last 15-20 years. We now also have a better marketing within India. So lot of our intermediates which we were earlier exporting to the consumers outside of India we do have a similar kind of a margin realization in India as well. So that is one point.

Second is that as I mentioned earlier in dyestuff we were a late entrant compared to the larger players of India. So that is why we share a very small stake in the Indian market. So we continuously try to grow in that and we have already established our dealer networks and our warehousing network throughout India. So that is why we are very aggressively growing in India as far as our dyestuff sales goes.

And one more thing the export market should be strong is that for dye intermediates the manufacturing is only there in India and China but in dyestuff the manufacturing is there in India, China and some of the Far East countries. Now these Far East countries they are mainly in Taiwan and Korea and some are there in Thailand and Indonesia and Japan. But these South Koreans and Taiwanese companies though they do not have a dye intermediate facilities in their countries they have become a very strong player even bigger than the Indian larger players. And the reason why they grew so much and they became a very strong player is that there was another competition between India and China for the dye intermediates.



So raw materials we used to have a competition at a global scale. So the consumers which were buying the dye intermediates always had a good time and they were always getting the dye intermediates at a very competitive pricing. So in those countries they were not required to put money in intermediate plants. So 15, 20 years they had a good time but now after the environmental concerns in China there has been no growth in dye intermediates in China.

And the existing capacities are also running a bit tight and India is also not easily growing the capacity of the dye intermediates. So this third area which was depended on India and China for intermediates their raw materials have seen a lot of difficulties to procure their raw materials at a competitive pricing.

So because of this they are actually losing lot of the share from the international market. And may be next five to ten years I see them becoming non-viable that share will be taken by Indian and Chinese. So I think exports of dyestuff will continue to grow. The potential of exports of dyestuff will continue to grow from India.

Shiv Kumar:

And Dahej land what is the rationale for the 100 acres land in Dahej?

Ankit Patel:

So in Baroda we had bought our land long time ago and we have a few different plants in Baroda where we grew from 2006 to 2013 we are still growing all our existing plants are coming up over there. That is also placed at 100 acres. So it took up more than 10 years to grow that. So in our kind of industry we have to plan much ahead to the land so we are planning for land right now and then we are considering lot of projects.

We are considering more than +15 projects right now and out of that we are trying to find the best combined set of chemicals, which can be integrated and we can create an integrated complex just like what we have done in Baroda which is our strength. So we are innovating a lot of projects right now and we will shortly also come out with what we are planning to do at Dahej as well.

Shiv Kumar:

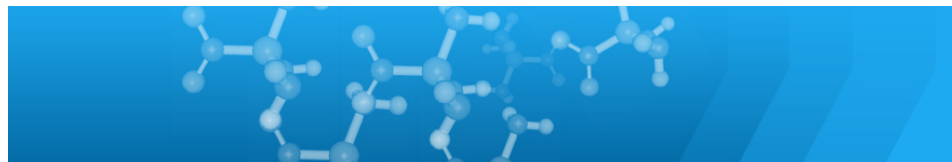
Is it in the dyestuff and dye intermediate segment or totally different segment?

Ankit Patel:

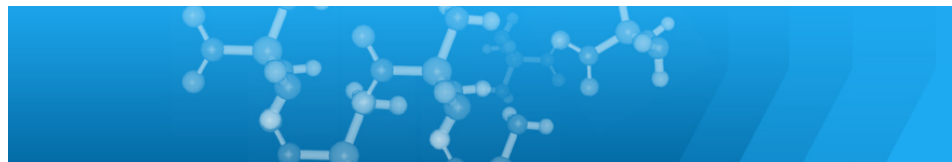
No, dyestuff and dye intermediates we do not have to do anything there because we already have a provision for dyestuff growth in Baroda and since it is a brownfield project growth in Baroda it is not advisable to do an entirely new site. So we do have land in Baroda, we do have the permission in Baroda so we will continue to grow our dyestuff segment there in Baroda at our existing units. And for our Dahej we are considering some other set of chemicals but they are also somewhat connected and integrated to our existing products as well.

Moderator:

Thank you. We take the next question from the line of Pragya Vishwakarma from Edelweiss. Please go ahead.



- Pragya Vishwakarma:** I wanted to know about your QIP deployment. As you said that Rs. 100 crores we have already deployed and may be another Rs. 30 crores or so would go by the time this financial year end and if we have decided to purchase this Dahej land probably another Rs. 100 crores would go there. So next year do you think you would have enough internal accruals to fund your Rs. 60 crores of CAPEX as planned?
- Mayur Padhya:** Yes definitely.
- Pragya Vishwakarma:** So we do not see our borrowings going up next year because of the CAPEX plan, right?
- Mayur Padhya:** No, whatever is our CAPEX plan we are considering our ongoing presently for that we are not required to raise any funds.
- Pragya Vishwakarma:** And maybe we have discussed this in the past but it will be great if you can help me with it again. We have done a lot of investments that will help us enhance our profitability in last one year and probably the investments are yet to commercialize in next six months or so. So from strategy wise is it possible for you to sum up everything and give two year picture for Bodal where will it be in terms of revenue because I understand that most of the investments have gone in an area which will enhance our margin. But what will be the key driver of your revenue growth for next two years?
- Mayur Padhya:** See key driver for revenue growth will be one is our dyestuff expansion. Second is better utilization of our existing facility at Trion and third is new vinyl sulphone plant at SPS Processors. These are the main three growth drivers for us.
- Pragya Vishwakarma:** And so Thionyl chloride mostly we will be consuming it internally right and very little will be sold to the consumer?
- Mayur Padhya:** It is a new value item so it will not much impact our topline. But it will have some impact at our bottom line.
- Pragya Vishwakarma:** And your LABSA sales have really been impacted YoY I think it is down by some 67% or so. But are we considering an alternative to this investment or how do you see it going ahead?
- Mayur Padhya:** See LABSA presently we are using whenever sulphuric acid pricing are even lower than our cost of production. So at that time to make value addition we are using LABSA and reduce net loss. This is the main purpose of LABSA at present. Over there the CAPEX was also hardly Rs. 10 - Rs. 12 crores.
- Pragya Vishwakarma:** And my last question is on your land acquisition. So any guidance you can give by when you will finalize it and by when will you start any kind of construction or any guidance on that?



Ankit Patel: It is a bit difficult to give a guidance on that because there is a lot of process. Some procedural part that is to be done with the government department. So currently we will be getting the land from the government which is the GIDC they will probably take couple of months at least. And then once we have the possession then only we can in chemical industry so many factoring you have to apply for the environmental clearances. That can take anywhere between one to three years. So you never know.

In the past it has taken up to three years also for us. But in general if I can give some idea that may be a few months to get the possession of the land and then immediately after that we can apply for all the projects that we intent to do at our site which can take about one year. So may be the construction part can start from today it will be at least one year and three months or four months at least.

Pragya Vishwakarma: May be it is too early to ask but any guidance you can give on which area we try to enter or we think to enter it will be a very normal kind of thing or?

Ankit Patel: It is very difficult for me to give guidance on that right now. The reason is that now we have built a very strong model, integrated strong model in the dyestuff. Now that has happened after almost 30 years of our journey. So what we are doing is we are applying all our experience and now we work we have a lot of international exposure as well in at least about five to ten years because of our growth. So what we have been doing we have studied a lot of products last about four years.

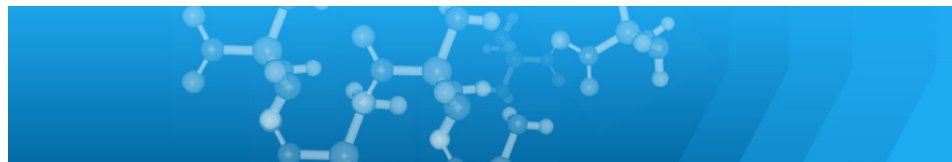
We have not done anything large in last about four years. We have studied a lot of products that are there in China and Europe. We are trying to find out products, which are, may be being, affected in China because of the environmental concerns, which you can bring to India. So we are trying and we are assessing many products but for now we have not finalized on what the combination of products to go with. So unfortunately I cannot give any guidance on that right now.

But we will definitely be coming up with very integrated and a strong model of set of chemicals and this is going to happen after 30 years. So obviously we are going to put all our experience to it and chemical industry is also at a stage where it is a great opportunity actually for any established player to enter into new set of chemicals.

Pragya Vishwakarma: So probably this is the next leg of growth for Bodal, right apart from the current investments which you have already made in your existing business?

Ankit Patel: Yes, you can say that.

Pragya Vishwakarma: And like I have already asked this but like you to comment on that. With the current set of projects we have what is the size we attain in next two to three years?



- Ankit Patel:** We will continue to grow because in dyestuff we have a plan to grow. We are already implementing right now 1,000 tons per month. Once that stabilizes in about two years we will do one more expansion of around 1,000 tons per month. So our dyestuff and our current business will continue to grow. What we are doing at Dahej is completely new. So that will probably start after two years or may be commercialization in about three to four years. So that is the thing.
- Pragya Vishwakarma:** FY18 we have had a very flattish but FY19 and FY20 we can safely assume a higher double digit growth on topline?
- Ankit Patel:** I do not know about double digit growth and all but the number should definitely improve.
- Moderator:** Thank you. Well, that seems to be the last question. I now hand the floor back to the management for their closing comments.
- Ankit Patel:** Thank you very much for the part of our conference call today. And if you have any other queries or any other questions, please connect with us and we will be more than happy to answer that. Thank you.
- Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Bodal Chemicals Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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