



“Bodal Chemicals Limited Q3 FY2020 Earnings Conference Call”

February 12, 2020



ANALYST: MR. TANMAY MEHTA – SBICAP SECURITIES

**MANAGEMENT: MR. MAYUR PADHYA – CHIEF FINANCIAL OFFICER -
BODAL CHEMICALS LIMITED
MR. MEET CHANDE- HEAD OF INVESTOR RELATIONS -
BODAL CHEMICALS LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Bodal Chemicals Q3 FY2020 Earnings Conference Call hosted by SBICAP Securities Limited. 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 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. Tanmay Mehta from SBICAP Securities. Thank you and over to you Sir!

Tanmay Mehta: Thank you Raymond. Good evening everyone. We at SBICAP Securities are pleased to host the Q3 and 9 months FY2020 earnings conference call of Bodal Chemicals Limited. The management team of Bodal Chemicals is represented by Mr. Mayur Padhya, CFO; and Mr. Meet Chande, Head of Investor Relations. We will begin the call with opening remarks from the management followed by a Q&A session. So, without further delay, I would like to hand over the proceedings to Mr. Mayur Padhya. Over to you Sir!

Mayur Padhya: Thank you very much, Tanmay. Good evening everyone. Thank you for joining Q3 FY2020 conference call of Bodal Chemicals Limited. On today’s call, I have our IR, Mr. Meet with me as well. Mr. Ankit Patel is not on the call due to some urgent travel plan suddenly. I hope all of you got an opportunity to see our financial results and presentation filed with the stock exchanges and are also uploaded to our website.

First, I will highlight current industry scenario and our business strategy, and detailed financial performance will be taken up by Mr. Meet later.

At present, as we all know, there is a lockdown in Wuhan city in Hubei province in China due to coronavirus epidemic. Due to the lockdown, for more than 15 days the chemical companies at Hubei province have been impacted and we believe there might be a labor issue in the near future once they reopen.

Prices of our dye intermediate products have improved significantly after December due to these events along with closure given to one of the domestic dye intermediate player. Currently, the prices of Vinyl Sulphone is around in the range of Rs.280 to Rs.300 per kg, which was around Rs.185 in Q3 FY2020, and the prices of H-acid is around in the range of Rs.240 to Rs.500 per kg, which was around 350 in the Q3 FY2020. Along with the prices, the demand scenario has also improved globally after the ease of trade tension between the U.S, and China and end of holiday season in December. In the domestic market also, we believe consumption level should improve gradually from the current levels.

On the business strategy front, as you are aware we have opened several warehouses and marketing offices in India and overseas as well, which we will be adding further in near future as per requirement. In addition to that, we acquired 80% stake in Sener Boya, a Turkey-based company, and opened a subsidiary company in Bangladesh mainly for marketing of our dyestuff. We will be increasing the share of B2C in overall dyestuff business going ahead. All these efforts will increase dyestuff share in total revenue, further integrate our business leading to stable margin and increasing profitability in the coming years.

Our total production for Q3 FY2020 improved by 11% year-on-year to 52,084 metric ton. Our dyestuff production grew by 11% year-on-year mainly due to increase in capacities while basic chemical production grew by 13% year-on-year mainly due to higher utilization and additional of Thionyl Chloride. Production of dye intermediate was flat year-on-year. Thionyl Chloride production has picked up and reached to almost 50% utilization in Q3 FY2020 and it has further improved to almost 90% utilization in January 2020. Total production for 9-month FY2020 grew by 3% year-on-year.

The Board has approved acquisition of 100% stake in Trion Chemicals. Earlier, we were facing challenges to run the plant due to partnership nature of the business. Now we are confident to start the production at Trion from April 2020 and we will expand our efforts for marketing in U.S. market. With these changes, we believe it should be turned into profitable in near terms.

I am confident about the business outlook in the near term due to favorable industry scenario and increase in the prices of our finished products.

Thank you and I would like to request Meet to take up financial performance in detail.

Meet Chande:

Thank you Mayur bhai. Good evening to all of you. So, on the quarterly financial front, our standalone total income declined by 7% year-on-year and increased by 19% quarter-on-quarter to Rs.3,086 million. Our standalone EBITDA including other income stood at 315 million in Q3 FY2020, which was higher by 13% quarter-on-quarter. Standalone EBITDA margin stood at 10% including other income and our finance cost has increased year-on-year to Rs.29 million mainly due to high utilization of working capital limits. The profit before tax declined by 57% year-on-year and it grew by 21% quarter-on-quarter to 224 million. The net profit for the quarter stood at 190 million. Our exports stood at 1,306 million and its share in total revenues was at 44% in Q3 FY2020.

On the subsidiaries front, SPS posted the revenues of 288 million with EBITDA of 7 million in Q3 FY2020 and Trion posted the loss of 39 million in Q3 FY2020 and we are committed to minimize the losses at subsidiaries going ahead.

Thank you and now I open the floor for the question-and-answer session. Over to operator!

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Kishan Shah from Isha Securities. Please go ahead.

Kishan Shah: Sir, on the financial side, accounting side, other expenses have increased by roughly 36% on a consolidated basis so what component resulted in the increase?

Mayur Padhya: Yes. As far as other expenses are concerned, if we compare year-on-year there seems to have increase, but if we compare with the last quarter, sequential quarter then there is a slightly reduction in the expense. So, what we are comparing with maybe one of the quarters, otherwise other expenses are in the range of this level only so there is no significant increase or decrease in the other expense.

Kishan Shah: So, they are on a 9-month level, as a percentage of sales they are at 20%, and historically it has been at roughly 14% so the 20% as a percentage of sales will this remain the same going forward?

Mayur Padhya: No, what we can see is in the absolute number, this will remain more or less similar, but when we compare with the sales, it may reduce drastically once our performance improves in current quarter and next quarter.

Kishan Shah: What was the reason for other income to increase it is at Rs.4.8 Crores?

Mayur Padhya: No. Other income is more or less will remain flat level. There is no expected increase is possible. There can be some reduction or in the similar level it will remain.

Kishan Shah: But this Rs.4.8 Crores, what has increased in that?

Mayur Padhya: I need to check. We can take this question separately.

Kishan Shah: Sir could you tell us the Thionyl Chloride prices for the quarter that has gone by end of the last year same quarter prices?

- Mayur Padhya:** Thionyl Chloride last quarter it can have average price of Rs.12 per kg, it is a rough estimate.
- Kishan Shah:** Same period last year?
- Mayur Padhya:** Last year it was very high maybe about Rs.30 or something like that.
- Kishan Shah:** Why have the prices fallen so much, it was at Rs.30 and if I recollect trend, in Q2 FY2019 it was at Rs.40.
- Mayur Padhya:** Correct.
- Kishan Shah:** This 9 month year-to-date, the average prices are at, I guess, Rs.16, Rs.17 per kg so why has it fallen so much?
- Mayur Padhya:** See, some new capacity has come up in the market. Apart from Bodal, I think Kiri's plant for Thionyl Chloride has also started and earlier level were abnormal level. So, another thing, the raw material prices have also fallen down. It has two raw materials mainly sulphur as well as chlorine. So earlier, sulphur before 1 year was traded at about Rs.15, Rs.16 per kg. At present that is hardly Rs.6 per kg and chlorine was also positive about 1 year before, Rs.5 to Rs.6 per kg. At present, it is about Rs.0 or Rs.1 per kg or something like that, so raw material prices has also fallen down as well as some new supply has come up in the market, but still at this level also we are very much comfortable and we are making good money.
- Kishan Shah:** What is the estimated total demand for Thionyl Chloride in India?
- Mayur Padhya:** Thionyl Chloride, it can be approximately 12,000 metric ton per month or something like that.
- Kishan Shah:** Okay, 12000 per month.
- Mayur Padhya:** Per month, yes.
- Kishan Shah:** Basic Chemicals, the production has increased really good so we at this management commentary, where you have said that Thionyl Chloride's improvement in utilization has contributed to this increase so could you quantify how much is contributed by Thionyl Chloride out of this 42532?

- Mayur Padhya:** Whatever addition is there, that is by Thionyl Chloride only. See, corresponding last year's third quarter there was no Thionyl Chloride and in this Q3 FY2020 4300 metric ton is the production of TC, and that is almost the level what is increase in the production.
- Kishan Shah:** Right. So, 4,300 at average utilization of 50%.
- Mayur Padhya:** Yes. Last quarter, it was at 50%, yes.
- Kishan Shah:** Alright. So, if you are saying that if it is at 90% right now, so then these levels should increase further.
- Mayur Padhya:** Correct definitely.
- Kishan Shah:** I will get back in queue if I have any other questions. Thank you.
- Moderator:** Thank you. The next question is from the line of Anubhav Sahu from MC Research. Please go ahead.
- Anubhav Sahu:** I have a couple of questions, sir. First, starting with China situation, we also have a trading company in China so could you quantify what is our sales and raw material exposure to China?
- Mayur Padhya:** Sorry, can you repeat?
- Anubhav Sahu:** Yes. What are our sales and raw material exposure to China, how far it will be sourced from China and what is sales contribution from China?
- Mayur Padhya:** As far as sales to China is concerned, it has reached to second number as far as the list of our export countries after South Korea, but over there, some fluctuations are there, but we do have other destinations where we can make up if China is not working there are other 45 countries where we export, and as far as raw material is concerned, there are few raw materials for which we are dependent on China. That is like J-Acid, Tobias acid and Thionyl Chloride. These are some raw materials, which we source from China and we are happy to tell you that we already have about 3-month stock what we consume for these 3 raw materials.
- Anubhav Sahu:** Among raw material how do we source aniline, aniline is mostly locally sourced or it is also imported?

- Mayur Padhya:** Both things are possible, at locally we buy it from GNFC as well as import is also possible from Russia and some other countries, so both options are fully available with us.
- Anubhav Sahu:** Got it Sir.
- Mayur Padhya:** Whatever you import from China it is a very insignificant quantity as far as whatever we consume at our factory.
- Anubhav Sahu:** Got it Sir. We have not focused on vertical integration. Earlier we have been doing forward integration Thionyl Chloride for backward and also some time back announcement for caustic soda, which would have benefited us on a backward integration point of view, so are you going to review that plan or that plan is not shelf for now and secondly any thoughts on other raw materials, which the possibility of backward integrating other import costs are concerned particularly aniline or naphthalene. Not sure on the chemistry side of it, but is it possible for us to backward integrate of even those chemicals?
- Mayur Padhya:** No. If I answer your second question first then for aniline it is a very capital-intensive project so presently we are not considering naphthalene as well. I do not have exact idea, but it is not available majority in India and also rather not feasible for Bodal. So, whatever was feasible that was caustic and chlorine that we were considering, but presently we have put that project on hold and considering current scenario it is certain that down the line 6 to 8 months we are not going to start that project. So, we can say from next year after Q2 we will reconsider when we can start this project so for other backward integration we are not considering at present anything.
- Anubhav Sahu:** Got it Sir. Very helpful and coming back again to China situation, for example, if the epidemic just remains contained to Hubei province, is there anyway can we quantify that how much Hubei province per se contributes to dye intermediates business globally in terms of sales as well?
- Mayur Padhya:** Yes. See, for dyestuff industry, the two main raw materials are Vinyl Sulphone Ester and H-Acid. So, for H-Acid, in China there are some several plants, they are scattered geographically, but for Vinyl Sulphone almost 90% of the production happens at Hubei as well as another province, it is Hainan or something like that, so in these 2 provinces only 90% of the China's production happens for Vinyl Sulphone, and they are closed at present.
- Anubhav Sahu:** On the ground feedback we have about all the factories, which are closed right now, what time period they are closed and when are they going to review start-up production?

- Mayur Padhya:** Yes. See, it is now almost more than a month. They are closed earlier because of their vacation and they could not restart after the vacation. We do have our subsidiary company over there, our employees, so we try to contact them, and they say they are at home only. There is a total kind of lockdown and nobody is moving out, at the same time the biggest producer at the world level that is Hubei's Wuhan that is also located in this province and they are also closed. So, people are in fear very much, and according to them, it does not seem that in near future they can restart and we also come to know from several news that is coming up and some news clearly claim that whatever figure officially released are very much less than what actually is happening over there. So, it is very clear that within a month or 2 it is not possible for them to restart even if they come up for any solution within 10, 15 days.
- Anubhav Sahu:** Okay, quite helpful. Sir you mentioned about Kiri Industries plant, the new plant they have started in India, any thoughts on that, particularly, if you could share what is the plant capacity they have, which they have started in India?
- Mayur Padhya:** No, I do not have exact number or data.
- Anubhav Sahu:** You have mentioned in your presentation about the closure of one domestic dye intermediate player could you share further details on that, how big is the plant and if you can name it also?
- Mayur Padhya:** Yes, it is Mayur Dye Chem, they are unlisted player, and I understand their capacity for Vinyl Sulphone is almost 6,000 metric ton per annum and for H-Acid is about 3,000 per annum metric ton.
- Meet Chande:** These are approximate figures.
- Anubhav Sahu:** Got it Sir. There was another related media report that 3 of these small players in the dye intermediate space may close down and I assume it is mainly because of the few of the raw materials, which they have to source from China, it is not available, what is your assessment about the industry in general?
- Mayur Padhya:** It is correct. Those who do not have raw material in-house and for that raw material if they are dependent on China then they have to definitely close down their factory. At the same time, for Dyestuff players also those who are not backwardly integrated, for them also it will be difficult for them to solve or continuously run the factory because of the addition or rather improvement in dye intermediate prices. If they are not able to absorb it and sale them then that will be difficult for them to continue production for a longer period.

- Anubhav Sahu:** Got it. That is very helpful Mayur Sir. Thanks a lot, and all the best.
- Moderator:** Thank you. The next question is from the line of Ayush B from Equitas Investment. Please go ahead.
- Ayush Bhutada:** Sir, you mentioned that we are dependent on China for some raw materials, those were J-Acid, Tobias acid and one more was which?
- Mayur Padhya:** Cynuric Chloride.
- Ayush Bhutada:** Which chloride, sorry I did not get.
- Meet Chande:** Cynuric Chloride.
- Ayush Bhutada:** Okay. So sir, just wanted to understand how significant are these raw materials compared to our overall cost of raw material because even if the situation does not improve after 3 months we will have to eventually source them from somewhere else, right?
- Mayur Padhya:** See. As far as total raw material cost of the company is concerned, this can be hardly 2% to 3% or like that and that is required to produce some of the Dyestuff. So, their share is very insignificant as far as the consumption for raw material at the company level is concerned, but yes definitely that much Dyestuff we do have a quantity for about 3 months, so prices for that Dyestuff will definitely improve sooner or later and we will definitely get benefit out of this.
- Ayush Bhutada:** Correct. So, because of prices of dye intermediates almost doubling, so how does it impact a company, which is fully integrated, does our margins improve significantly or we will have to absorb everything in our dyestuff margin?
- Mayur Padhya:** See, for some time, we will not get improvement in Dyestuff prices till the time the consumer has stock in-house and we continuously review the situation. If they feel that prices are further going to improve then they will start sourcing. So, at intermediate level, yes, we have started orders at the improved level, but Dyestuff we need to wait for some time maybe 30 days to get approved in the market.
- Ayush Bhutada:** Right. So currently Dyestuff prices have not increased?

- Mayur Padhya:** Yes. Mostly, that has not improved, but looking to the scenario, manufacturers are not even quoting because they are also waiting for better time to come and not in hurry to sell everything.
- Ayush Bhutada:** But Sir, do you feel that because of, going ahead even though Dyestuff prices increased, but the textile industry currently the demand situation is already bad, this might further affect the demand because of the huge increase in prices?
- Mayur Padhya:** Yes. See, when we save Dyestuff, which are used in textile, and textile industry is not working better, at that time we claim that textile industry is not doing profit. But volumes have not drastically came down because it is related to population of the world. Till the time their quantity is there our consumption of Dyestuff will be there. So, we are not much affected by the textile's performance as far as profitability is concerned, but what we are concerned is with the volume what they work with.
- Ayush Bhutada:** Correct. Okay Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Ravindran Viswanathan from Unifi Capital. Please go ahead.
- Ravindran V:** Sir, you had mentioned from the ground level in China because you have a subsidiary there, you do not expect any production to restart in the next 1 month, have I heard you right?
- Mayur Padhya:** Correct.
- Ravindran V:** You have only a marketing and trading office, right, you do not run a facility there or you have a facility there?
- Mayur Padhya:** No, we have only marketing setup.
- Ravindran V:** Second question is on Trion Chemicals. So how much would you have to spend for Trion to make this 100%?
- Mayur Padhya:** It is about Rs.6.5 Crores.
- Ravindran V:** So, stake is increasing from what percentage to what percentage?
- Mayur Padhya:** From 59% to 100%.

- Ravindran V:** Nine months you have said that Rs.39 million loss at the PAT level represents 59% stake, right?
- Mayur Padhya:** No, that is 100%.
- Ravindran V:** So, the 100% loss is Rs.4 Crores, almost approximately Rs.4 Crores for the first 9 months.
- Mayur Padhya:** Correct.
- Ravindran V:** You expect production to start from Q1 or already started Q4 you will start?
- Mayur Padhya:** No, we are expecting from Q1.
- Ravindran V:** So what is the loss estimate for Q4, how much it will go Rs.4 Crores, how much of it will go up?
- Mayur Padhya:** I do not see further increase. See, whatever is there mainly interest cost that is whatever Bodal has financed to there so apart from interest, which is lockdown at the consolidated level there is an expense of about 15 lakhs to 20 lakhs per month that will be there. Other than that, at the consolidated level there would not be any expense because whatever term loan, etc., was there, that also we have repaid.
- Ravindran V:** Okay. So in the Dyestuff segment, have you seen any volume growth in this first 9 months, what is the volume growth you would have seen in the Dyestuff segment?
- Mayur Padhya:** For this quarter, there was 11% increase in production volume year-on-year. So, there is not a significant improvement. Significant improvement is yet to come for Dyestuff of the increased capacity.
- Ravindran V:** No, for the 9 months, also a similar number, 9 months?
- Meet Chande:** For Dyestuff 9-month data it is 13,885.
- Mayur Padhya:** Hardly 1% improvement as far as 9-month total is concerned year-on-year.
- Ravindran V:** When you say like situation is, outlook looks better than what it was, you are referring to volume growth, anyway the dye intermediates pricing will be beneficial, but you are also expecting additional volumes, right?
- Mayur Padhya:** Yes. Volume as well as margin growth, both should happen in the Dyestuff.

- Ravindran V:** Similarly, in dye intermediates, whatever decline we have seen, is it only price decline or has there been any volume issue there also?
- Mayur Padhya:** No, at the 9-month level there was almost flat at the volume level, but yes pricing were down compared to last year.
- Ravindran V:** Understood. A couple of bookkeeping questions, how should we understand the tax part, reported tax of the year?
- Mayur Padhya:** So, we have estimated tax as per the new regime of 22% plus the surcharge, so total it comes to 25.17% and we have certain additional depreciation when we compare to book depreciation. So effectively it can be 20%, 22% tax regime, not more than that. It can be even lesser than that.
- Ravindran V:** But from 9 months basis the reported tax looks quite low that is why I wanted to know.
- Mayur Padhya:** Yes. For earlier year it was about 35%, and even if we include the effect of additional depreciation then that might have about 32% or something like that, so there is a drastic reduction of almost 10%, 12% when we compare with the last year's tax provision at the same time total profit before tax has also come down, so both these things lower profit as well as lower tax rate, that has contributed to lower tax provision.
- Ravindran V:** And you have moved to the new regime, right, 22% plus?
- Mayur Padhya:** Yes. Considering the things, it seems that we will go for this only.
- Ravindran V:** Thanks Sir. I have some more questions, but I will join back the queue.
- Moderator:** Thank you. The next question is from the line of Ritesh Chheda from Lucky Investment. Please go ahead.
- Ritesh Chheda:** Yes. Sir, just wanted to know in your quarter gone by what would have been the realization for your intermediate products, that is, H-Acid and Sulphone, would it be at least Rs.180 for Sulphone and Rs.350 for H-Acid or a different number?
- Mayur Padhya:** For Q3 FY2020, H-Acid average was Rs.355 and Vinyl Sulphone average realization was Rs.187.

- Ritesh Chheda:** So, it is a similar number only. Second, what would have been your capacity utilization of intermediate and what is your sales mix for intermediate, so in your total revenue, what would be intermediate sales?
- Mayur Padhya:** In the total revenue for the quarter you want to know?
- Ritesh Chheda:** Quarter or 9 months, whichever you are comfortable. I am okay for the 9 months also.
- Mayur Padhya:** Yes. For the 9 months, intermediate has contributed 38% as far as revenue is concerned.
- Ritesh Chheda:** Okay, and what is your capacity utilization?
- Mayur Padhya:** Capacity utilization is almost 70%.
- Ritesh Chheda:** From your comments about China, so is it fair to conclude that these capacities might take some time to come on system, considering the labor shortage, etc., so if you have to hazard a guess that it is going to be a couple of quarters affair for the whole capacity to come online or it can be shorter than that?
- Mayur Padhya:** So, as I mentioned, it will take time and the news what we have been getting from the news channel and whatever we get from our personal sources, everything is closed as far as Hubei province is concerned and nearby provinces are concerned and as I mentioned earlier almost 90% of the Vinyl Sulphone capacity is situated over there and Vinyl Sulphone is the main raw material for production of Dyestuff as well as main products for Bodal Chemicals. So, it will take time. Even if the solution comes within, say, 10, 15 days, then it will take at least 2 months for them to be on stream and it can further take some time for their material to come to India and can affect the India's price structure.
- Ritesh Chheda:** What is capacity expansion lined up in India, industry capacity expansion, if any, in the next 6 months, any capacity is coming?
- Mayur Padhya:** No, we do not have any capacity expansion, almost nil, whomsoever has expanded and already expanded in the last couple of years.
- Ritesh Chheda:** What would be the industry capacity utilization, if it is 70% for you?
- Mayur Padhya:** It can be a similar number for industry.
- Ritesh Chheda:** Thank you very much and all the best to you Sir.

- Moderator:** Thank you. The next question is from the line of Parth Adhiya from B&K Securities. Please go ahead.
- Parth Adhiya:** Sir, could you just share the current domestic capacity of Vinyl Sulphone and H-Acid total capacity for India?
- Mayur Padhya:** Total capacity for H-Acid is about 8000 per month and for Vinyl Sulphone it can be 18000. This is the rough estimate.
- Meet Chande:** 18,000.
- Mayur Padhya:** 18,000 per month.
- Parth Adhiya:** How much of this capacity has come up in last 1 year?
- Mayur Padhya:** Nothing has come up for VS. I think for H-Acid, I think this AksharChem has done some expansion apart from that we have not heard anything.
- Parth Adhiya:** What would be the current consumption of H-Acid and Vinyl Sulphone in India?
- Mayur Padhya:** I do not have the exact number.
- Parth Adhiya:** Any idea what would be the projection for next year?
- Mayur Padhya:** No.
- Parth Adhiya:** No issue Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Ravindran Viswanathan from Unifi Capital. Please go ahead.
- Ravindran V:** I think if the coronavirus outbreak is going to influence the demand side also, so taking that into account do you still believe that volumes will pick up?
- Mayur Padhya:** Yes, volume should pick up. See, at the world level almost 90 countries are there, which are using these dyestuffs, and majority of supply was from India and China. So, when China is again the biggest player that is affected then the dependency for all the countries is mainly on India so that should definitely pick up.
- Ravindran V:** The reduction in demand from China per se will not have any influence on the pricing?

- Mayur Padhya:** Whatever China was producing that was enough for them so they are not required to source anything from outside world. They are basically exporting dye intermediate and maybe to some extent Dyestuff, but Dyestuff their export was not that big, but they are not sourcing anything from the other country.
- Ravindran V:** The 3 raw materials let us say for some reason this prolongs and we are not able to source it from China do we have alternate sources or you will have to, we will have to compensate on quality terms or some part of the production has to be kept idle?
- Mayur Padhya:** No. Capacity we have not kept it idle because the capacity is fungible, we can produce 1 color instead of other color, so at the Dyestuff level there is no fixed capacity for fixed color. Capacities are like that. We can manufacture any color. So, if down the line 3, 4 months we are not getting that raw material we can produce other colors so capacity will not remain idle.
- Ravindran V:** Sir, can you help me with the 9 months segment revenues, you have given in the presentation...
- Mayur Padhya:** Yes, it is there in the presentation. There are 3 slides as annexure also after the thank you slide.
- Ravindran V:** You have given 9 months also because 9 months production numbers are given, sales numbers, it is not there in the current presentation, and H2 also, I think you will...
- Mayur Padhya:** These number, which do you require?
- Ravindran V:** In Slide #29, you have given Q3 numbers.
- Mayur Padhya:** Correct.
- Ravindran V:** Similar numbers are available for 9 months for the year.
- Meet Chande:** I can give you that. So, for Dye Intermediates, it is around 3,274, Dyestuff is 4,015, Basic Chemicals is 949, and others is 438.
- Ravindran V:** How much did you say for Dyestuff?
- Meet Chande:** 4,015.

- Ravindran V:** No, that is for Dye Intermediates, right?
- Meet Chande:** Dyestuff is 4,015; Dye Intermediates is 3,274.
- Ravindran V:** Got it and last year numbers or equivalent numbers?
- Meet Chande:** So last year, Dye Intermediates was 5,052.
- Ravindran V:** Okay.
- Meet Chande:** Dyestuff was 3,653.
- Ravindran V:** Okay.
- Meet Chande:** Basic Chemicals was 1,171.
- Ravindran V:** Okay.
- Meet Chande:** Others were 548.
- Ravindran V:** You have mentioned that Vinyl Sulphone SPS processes capacity, considering the market situation you have not commenced, but is it ready for production, all the other issues, logistics issues have been sorted out?
- Mayur Padhya:** Yes, logistic issues have already been almost sorted out. So, once we want to start the production, it will take, say, 15, 20 days to final work to be completed, not more than that.
- Ravindran V:** The approval for transportation has been received?
- Mayur Padhya:** Yes.
- Ravindran V:** Fine Sir. All the best.
- Moderator:** Thank you. The next question is from the line of Bhavesh Jain from Ariston Capital. Please go ahead.
- Bhavesh Jain:** Sir, out of the total Vinyl Sulphone capacity and H-Acid capacity, how much do we use for Dyestuff that is in-house and how much is supplied to the outside market?

- Mayur Padhya:** See, presently, almost 40% to 45% of the capacity we are consuming for captive purpose, and once the Dyestuff production increases this captive consumption will also increase to that extent.
- Bhavesh Jain:** So, our total capacity for Vinyl Sulphone, if I am correct, is 15000?
- Mayur Padhya:** Yes, almost to that extent.
- Bhavesh Jain:** So, should we take around 40% or 45% for the Dyestuff, right?
- Mayur Padhya:** Yes, at the overall intermediate level, it is 40%, product to product it can vary to some extent.
- Bhavesh Jain:** Okay, and same for H-Acid as well?
- Mayur Padhya:** Correct.
- Bhavesh Jain:** Also Sir, for the SPS processes, the H-Acid plant is already active, and I believe as the Vinyl Sulphone's commercial production was pending, so what is the capacity there?
- Mayur Padhya:** Yes. Capacity for Vinyl Sulphone, what we have erected is 6000 metric ton per annum.
- Bhavesh Jain:** This is still not produced right now?
- Mayur Padhya:** No, production is yet to start.
- Bhavesh Jain:** So total capacity for Vinyl Sulphone would be 15000 plus 6000, if we do the commercial production?
- Mayur Padhya:** Yes.
- Bhavesh Jain:** Would you mind telling us who are the largest Vinyl Sulphone producers in India?
- Mayur Padhya:** Bodal is one of the biggest players.
- Bhavesh Jain:** Okay.
- Mayur Padhya:** Bodal, Kiri Industries and Kutch Chemicals, they are also bigger players, 3 main big player for Vinyl Sulphone, and once we start production at SPS we are going to be the biggest player in Vinyl Sulphone.

- Bhavesh Jain:** Thank you so much Sir.
- Moderator:** Thank you. Next question is from the line of Ayush B from Equitas Investment. Please go ahead.
- Ayush Bhutada:** Sir, I just wanted to understand, so a lot of countries are dependent on China for Dye Intermediates, right, so is India now receiving any queries from other countries where they know to shift their suppliers or is it too soon?
- Mayur Padhya:** See Dyestuff production is happening at India, China as well as there are 5, 6 Far East countries, so these Far East countries like South Korea, Japan, Taiwan, Indonesia, they were sourcing Dye Intermediates from India as well as China.
- Ayush Bhutada:** Okay.
- Mayur Padhya:** Now China is closed so their inquiry is definitely going to come to India.
- Ayush Bhutada:** Okay.
- Mayur Padhya:** People are still in the scenario of wait and watch, so we have yet to see that significant inquiry from these countries.
- Ayush Bhutada:** But I mean there are chances that...
- Mayur Padhya:** Yes, definitely, there are chances because they are dependent on Chinese intermediates.
- Ayush Bhutada:** Correct. So as a producer, is India the lowest cost producer or was it on par with China?
- Mayur B Padhya:** We can say, it is almost par with the China. There are certain advantages with China, and there are certain advantages with India. Like labor cost, what we pay in India is about Rs.13000, Rs.14000 per month, whereas China needs to pay rather almost more than a double. There can be some other parameters where India may be costlier, like interest cost. So overall, parity is there.
- Ayush Bhutada:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Kishan Shah from Isha Securities. Please go ahead.

- Kishan Shah:** Sir, as you said earlier that demand might shift from China to India, so could you quantify like what percentage increase are related, the tonnage increase in the demand would come to India?
- Mayur B Padhya:** Your question is properly demand from China to shift to India?
- Kishan Shah:** Sir, demand from China is expected to shift from China to India. So could you quantify, like, let us say, suppose India contributes to almost 10% of the total demand of Dyestuff or Dye Intermediates, so that this 10% could increase to 12% or 13%. Is there any such figure if you could give us?
- Mayur B Padhya:** No, it is difficult to give any figure.
- Kishan Shah:** Okay, and what about the prices, like prices have increased by roughly 10%, 15%? What is the maximum extent that you expect these to go up?
- Mayur B Padhya:** The prices have improved almost by 40% to 50%.
- Kishan Shah:** These would go up till?
- Mayur B Padhya:** Anything as far as Vinyl Sulphone is concerned?
- Kishan Shah:** Yes.
- Mayur B Padhya:** For H-Acid in 2015, it has gone to as high as Rs.1800 per kg.
- Meet Chande:** These all depends on the China situation how it prevails.
- Kishan Shah:** Thank you.
- Moderator:** Thank you. The next question is from the line of Dhavan Shah from ICICI Securities. Please go ahead.
- Dhavan Shah:** I have a question on the Vinyl Sulphone. So, if I look at from the Ministry of Commerce and the import of Vinyl Sulphone from China is just 50-odd Crores in FY2019 vis-à-vis if I look at the export was around 300 Crores to China and Korea was around 275-odd Crores and Taiwan was Rs.80 Crores. So, I just wanted to understand the Vinyl Sulphone demand from Korea as well as from Taiwan in terms of value and volume, if you can share on the yearly basis? You also mentioned that you are witnessing some order inquiries, but that has

not been materialized yet, right? I mean they must be having 2 months inventory as well. So, is there any possibility that you will reduce your captive consumption of Dye Intermediates because the Dyestuff prices are almost stable, and you will rather more be interested to export the Dye Intermediate if you can shed your thoughts on that?

Mayur B Padhya: See, it is quite possible that we may restrict the captive consumption of Dye Intermediates to some extent because if we are getting better price at Dye Intermediate level and the Dyestuff higher price has not yet been absorbed in the market, then to some extent, yes, we can do that, and historically, that has also happened earlier so to the extent we have already accepted the order for Dyestuff, we will produce that much Dyestuff, and then it is possible that we may go for reduction in Dyestuff, but not that much significantly.

Dhavan Shah: In terms of the volume and value demand of this Vinyl Sulphone from cogen Taiwan, if you can share, I mean, their yearly consumption?

Mayur B Padhya: No, I do not have the data as far as their consumption but we can say like that that whatever India's production of Dyestuff, similar production is by these 4, 5 Far East countries. So, their capacity is almost similar to India's capacity as far as Dyestuff is concerned.

Dhavan Shah: Okay, and out of this Rs.740-odd Crores, Dye Intermediates' exports to various countries in FY2019, can you share in terms of the quantity, what was the export?

Mayur B Padhya: No, I do not have the data. But I can say that we are continuously exporting to these Far East countries, and South Korea is at the top level in our export country list.

Dhavan Shah: In terms of TC, you mentioned that you will be profitable maybe from the next quarter. But if I look at the sulphur prices right now, it is also at around Rs.9, Rs.10 per kg and the TC pricing is still at Rs.12 per kg. So how can you be profitable? I mean if you can share your thoughts on that?

Mayur B Padhya: See, let me correct. At the TC, we are profitable even today, and going further, it can improve, and as far as sulphur prices are concerned, it is almost Rs.6 per kg presently and not Rs.9. Rs.9 was maybe before 4, 5 months. So continuously, 3, 4 months, it is in the range of Rs.3, rather Rs.6 to Rs.8, and presently it is Rs.6 to Rs.6.5 per kg.

Dhavan Shah: Thanks.

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

- Rohit Nagraj:** Apologies, I joined the call later. So, this question may be answered earlier. This is broadly on the strategy perspective. Last time, you indicated that we have deferred the plans of sulfuric acid and chlor alkali expansion so anything else that we are currently thinking from an expansion perspective? And what would be those areas if we are looking at?
- Mayur B Padhya:** No. Presently, we are not considering any other capex, and as I mentioned earlier, caustic and chlorine plant also, we will review at the end of second quarter of next year.
- Rohit Nagraj:** Okay. So till that time, we will be having our normal maintenance capex of, say, Rs.25 Crores, Rs.30 Crores.
- Mayur B Padhya:** Correct.
- Rohit Nagraj:** Just looking at the 9-month numbers of Dyestuff production and sales that we have had, which may be indicative of the industry itself. So, it is largely flattish on a Y-o-Y basis for 9 months. So, do you foresee that, I mean, has the industry grown from Dyestuff's perspective, Vinyl application perspective and what is your sense of whether there will be growth in the coming year or not?
- Mayur B Padhya:** See, as far as Dyestuff demand at the world level is concerned, it is increasing every year 3% to 4%, and for Bodal, we have expanded our capacity by almost double in last, about 2 years, and presently, we are running at about 55% of the utilization level. So, we are expecting improvement in the utilization in the next coming time. As far as the demand scenario is concerned, demand has definitely improved compared to last two quarters that we keep experiencing in current quarter.
- Rohit Nagraj:** That is helpful. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Siddharth Oberoi from Prudent Equity. Please go ahead.
- Siddharth Oberoi:** I would like to know what are the prices of TC, currently.
- Mayur B Padhya:** It is about Rs.11 to Rs.12 per kg.
- Siddharth Oberoi:** So there has been no increase due to this China factor?
- Mayur B Padhya:** No. See, Thionyl Chloride is not being imported from China normally. So, it is not being affected at present.

- Siddharth Oberoi:** What about the raw materials of this? So, is there going to be an impact due to that?
- Mayur B Padhya:** Raw materials are sulphur and chlorine, and another one is SO₃. So, they are ample available in India itself. Yes, for sulphur, some import is there, but there is no change, which has took place in last couple of months as far as prices for raw material as well as finished goods of Thionyl Chloride is concerned.
- Siddharth Oberoi:** That is all from my side. Thank you.
- Moderator:** Thank you very much. That was the last question in queue. I would now like to hand the conference back to the management team for closing comments.
- Meet Chande:** Thank you, everyone, for participating on our call, and we hope we have answered all the queries, and if your query remains unanswered, then you can contact us directly offline. Thank you.
- Moderator:** Thank you very much. On behalf of SBICap Securities, that concludes the conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.