



Bodal Chemicals Ltd.
COLOURS. INTEGRATION. INNOVATION.

By online submission

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To,
The General Manager,
Department of Corporate Services
BSE Ltd.
1st Floor, New Trading Ring,
Rotunda Building, P. J Tower,
Dalal Street, Fort
Mumbai-400 001
BSE Code: 524370

To,
The General Manager,
National Stock Exchange of India Ltd.
Exchange Plaza,
Plot No. C/1, G Block,
Bandra Kurla Complex,
Bandra (E), Mumbai-400 051.
NSE Code: BODALCHEM

Dear Sir /Madam,

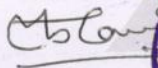
Sub: Submission of Transcript of Q2 & H1FY2019 -Earning Conference Call

Ref: Regulation 30, Schedule III Part A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

With reference to captioned subject and as per Regulation 30 and Para A of Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, We herewith enclosed the transcript of Q2 & H1FY2019- Earnings Conference Call arranged by the Company on 25th October, 2018, to discuss the financial and business performance of the Company.

This is for your information and records please.

Thanking you,
Yours faithfully,
For, BODAL CHEMICALS LTD


Mayur B Padhy
Chief Financial Officer



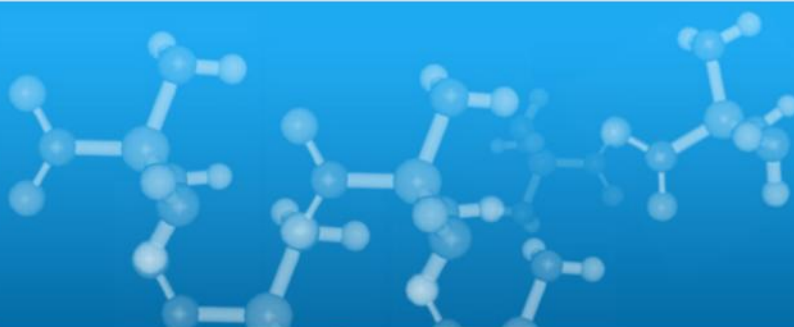
Encl: as above

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Bodal Chemicals Ltd.
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Bodal Chemicals Limited

Q2 & H1 FY2019 Earnings Conference Call

October 25, 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 Q2 FY19 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 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 maybe 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 Q2 FY19 results conference call. 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 analysts’ presentation filed with the stock exchanges and is also uploaded on our company’s website. I am glad to say that we have clocked the highest quarterly production volume during this quarter. Top line was one of the highest in Q2 FY19. In this quarter, we have registered one of the highest growths of 43% in operational revenue. Export sales are up by 179%. This has been possible due to our recent capacity expansion, our integrated business model and continued efforts towards market penetration. Increase in production volume of Dyestuff was up by 54%, Dye Intermediates by 12% and Basic Chemicals by 15% year-on-year (YoY). In this quarter, the sales realizations in some of the key Dye Intermediates and volume in all sub-segment have increased, which have contributed for better operating profit in comparison with previous year. Prices have normalized since August 2018 but they are still better than the last year prices. For the quarter average realization for Vinyl Sulphone VS was Rs. 272 per KG and for H-Acid it was Rs. 451 per KG.

Operational EBITDA margins have expanded by 250 bps to 20.2% YoY. We expect to continue the good performance due to our focus on higher capacity utilization and integration. During this quarter newly added Dyestuff capacity has performed better than original expectation and cogeneration power plant started contributing. SPS posted profit for this quarter and expected to remain in profit for the year.

In Trion, we have started production and expect to minimize the losses. Taking into consideration sharp quantity growth achieved in the quarter by our recently expanded Dyestuff facility, we are encouraged to consider further growth in the area which is ahead of our original plan. Now, we are building additional Dyestuff production facility of 6,000 tonnes per year at the cost of Rs. 26 crores. By this expansion our total Dyestuff capacity in powder form will increase to 35,000 tonnes per year from 29,000 tonnes per year. Since majority of our support facilities are ready, we are expecting this expansion to be functional by Q1 FY20.

Considering the emerging opportunity due to China’s recent environmental issues and rising demand from Dyestuff and the Intermediate markets during last 6 months, we plan to set up a trading business as a separate segment to capitalize it by forming new wholly owned



subsidiary company of Bodal Chemical Ltd. This entity will focus mainly on trading of Dyestuff, Dye Intermediates and other chemicals. Further for making stronger presence in global market, we are setting up a new subsidiaries in Bangladesh and Turkey along with China in due course of time. Apart from this, there has been an incident of accidental ammonia leakage which leads to a disruption of our some of Dyestuff and Dye Intermediate production facility. Considering very small contribution by that facility in overall capacity it will have very small impact on yearly performance of the company. We are hopeful to restart the production in few weeks only. Overall, we continue to view FY19 as an important year for us and we remain confident about our medium and long-term growth prospects.

The detailed financial numbers would be given by Mr. Mayur Padhya.

Mayur Padhya:

Thank you Mr. Ankit. Good afternoon to all. Thank you for joining our Q2 FY2019 results call. Figures mentioned on the call for Q2 FY2019 are on standalone basis. Let me take you through our results highlights using our analyst presentation. Slide 10 covers quarterly highlights. During this quarter volumes have increased across all sub-segments and got better realization in some of the key Dye Intermediates. Our exports grew by 179% from Rs. 619 million to Rs. 1,730 million. Our new capacity expansion of Dyestuff has started contributing better than expectation. The production volume in Dyestuff grew by 54%, Dye Intermediate grew by 12% and Basic Chemical grew by 15% on YoY. This is an another sequential outperformed quarter where we achieve growth in volume and value with higher realization in Dye Intermediates and our Dyestuff expansion is making integration further stronger. Our operational revenue is increased from Rs. 2,625 million to Rs. 3,743 million which grew by 43%. Our operational EBITDA is increase from Rs. 464 million to Rs. 758 million which shows growth by 63% and EBITDA margin stands at 20.2% for this quarter. The net profit improved from Rs. 261 million to Rs. 431 million which grew by 65%.

Slide 13 provides sale of product mix for the quarter. Share of export increased YoY during the quarter to 47% from 24%. Recently company got rated by CRISIL and we got rating of A1+ for short term and A+ for long term for bank credit facility. Our leverage and rating slide 23 in the presentation provide our leverage and rating details. As on 30th September, 2018 our net debt was almost zero leading to net debt to equity ratio and net debt to EBITDA ratio at almost zero. Slide 26 and 27 provides the management comments on result and update. Coming to our subsidiaries associate and SPS has started contributing during this quarter and it has achieved revenue of Rs. 305 million and net profit of Rs. 16 million. In Trion we have started the production and targeting to minimize losses in the coming quarter. We now welcome your queries on the conference calls.

Moderator:

Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Ayush Bhutada from Aequis Investments. Please go ahead.

Ayush Bhutada:

My first question would be, so have the Dyestuff prices also increased during the quarter?

Mayur Padhya: Yes, it was bit better compared to earlier quarter.

Ayush Bhutada: So, like can you give me an approximate figure for Dyestuff?

Mayur Padhya: No, it will not be possible because there are number of product, more than 100 products.

Ayush Bhutada: But they have increased during the quarter, right the Dyestuff prices also?

Mayur Padhya: See, Dyestuff price normally behaves according to intermediate prices. So, when you are getting to jump in intermediate price, there is a slowly but gradually improvement in the Dyestuff prices also.

Ayush Bhutada: Yes, with some lag right?

Mayur Padhya: Yes, there can be some lag depends upon the demand situation at that time.

Ayush Bhutada: And I wanted to know about this, about these chemicals plant shutdown that are happening in Jiangsu in China. So, can you just throw some light on it, exactly what is happening, what is the situation is?

Ankit Patel: Yes, it is a bit difficult to find out exactly what is happening in China with particular companies. But as per my latest information, most of the larger companies that we compete on a global scale are operating at around 40-50% capacity and couple of companies that are shutdown.

Ayush Bhutada: So, even that Hubei Chuyuan which was shut down in 2016 but it restarted. But it was operating at low capacity. So, is it operating at low capacity yet or has it capacity increased?

Ankit Patel: As per my information Hubei Chuyuan is operating around 50% currently.

Ayush Bhutada: So, you are saying overall the bigger competitors are operating fewer than 40-50% capacity?

Ankit Patel: Yes.

Ayush Bhutada: And sir, do we export Dyestuff or Dye Intermediates?

Ankit Patel: We export both.

Ayush Bhutada: So, this quarter what have we exported more like because exports have increased by 179%, so was it because of Dyestuff, export or Dyes Intermediate export?

Ankit Patel: It is mainly because of the Dyestuff and you can go through there is a particular slide. You can see the difference in which segment it has been increased.

Ayush Bhutada: And one last question, so I wanted to know who would be our major clients?

- Ankit Patel:** Our major clients in Dyestuff industry are particularly some of the MNCs like Clariant Chemicals, BASF Chemicals and in Dye Intermediates there are some of the large Dye manufacturers. So that includes Dyestuff players in China, in South Korea and many players in domestic market also. For our basic chemical we also supply too many large companies like Aarti Industries, SRF, GFL and Reliance. For Dyestuff now we also have direct consumer sales and supply to large players like Arvind and also some of the other large textile players.
- Ayush Bhutada:** So sir, basically what I wanted to understand here is, so a new plant acquisition like how difficult is it to acquire new plant and once it is acquired like, is it easy for the kind to switch from one supplier to another supplier? How does that work?
- Ankit Patel:** In Dyestuff it is a bit time taking process because we have to offer a basket. The people, most of the large companies, they are not interested in buying from product to product from different suppliers. Because the Dyes purchase is comparatively smaller for them compared to other raw materials for textiles companies. So, the first thing is you have to offer basket. You have to offer what all colors they need that is why we sometimes, sometimes what companies do is if they do not made all of the colors like there are few companies which make number of Dyes like we do. So, other companies get it difficult to do the consumer sales and very few companies are able to do consumer sales in India. One thing is you have to offering basket and again, the quality and the price, competitive price is also a big criteria.
- Ayush Bhutada:** And what about that Dye Intermediates?
- Ankit Patel:** So, we are going through one of the fastest growth in Dyes of industry. We are among the leading 3-4 companies in India, we are the youngest player in Dyestuff industry and the growth that we have done in about 12 to 15 years is the fastest growth, mainly because of our integrated modal and we make more than 20 intermediates in-house. This integrated model is actually helping us to be very competitive and our business model is also helping us to set up the required distribution set up.
- Ayush Bhutada:** But this you told about Dyestuff, right and what about Dye intermediates business?
- Ankit Patel:** Dye Intermediate is mainly B2B only. So, the consumers are the Dyestuff manufacturers. So Dyestuff manufactures are present in India, China and in some of the Far East countries. They are not everywhere, so they are not present in Europe or South America or North America. So, for our Dye Intermediate business it is mainly B2B and it goes too mainly to our local Dyestuff suppliers and it also goes to the some of the large players in Far East Countries in Taiwan and South Korea. And now last about 6-10 months there has been a very good demand coming from China. Because of this Dye Intermediate productions being running at around 40-60% they are not able to meet demand coming from the textile industry in China. India being the second largest player in this segment in Intermediate and Dyestuff, so India is getting a good opportunity and lot of demand from China.



- Moderator:** Thank you. The next question is from the line of Jatin Damania from Kotak Securities. Please go ahead.
- Jatin Damania:** Sir, couple of questions. Firstly on the realization front, as you stated that the VS and H Acid realization for this quarter was Rs. 270 and Rs. 451 which was almost around 9% and 15% growth compared to the previous quarter. Sir, where are these realization currently, are in the same range or are we seeing any further growth in the realization?
- Mayur Padhya:** Presently, H Acid is traded between Rs. 420 to Rs. 430 levels and Vinyl Sulphone is around Rs. 260 levels, Rs. 250 to 260 levels.
- Jatin Damania:** Sir, what is the reason for this decline in the realization from the previous quarter?
- Mayur Padhya:** See, whenever there is a sharp hike then will definitely be some decline just like what we see in the share market also.
- Jatin Damania:** No, but yes agreed but when you shared that the Chinese situation is still not improved and they are operating only at 40-50% utilization and we are getting majority of the export order from China than a decline in the realization seems to be ...
- Ankit Patel:** Yes, so the prices actually went up because there was a very good demand coming from China. When Chinese companies are buying their enquiries are very large quantities. So post that what I would feel is that then the prices got softer. So, the demand is still not bad but then some of the large orders have already being executed. So, when the large orders are done and dusted then the same demand is difficult to continue. So I think that is what happening last few months and when initially, when there was a huge demand that came from China I think that helped the prices to go up in a very short time. And once some of those large orders were all placed or executed, I think the prices got softer, I think this is what happened.
- Jatin Damania:** No sir, it does it means that going ahead because see, Q3 and Q4 because the December month and January, February when there is a Christmas eve globally and when Chinese player go out for a New Year in February we expect prices to correct from the current odd level or it will remain at the same time?
- Ankit Patel:** I think, more or less the current levels are something sustainable. And the Christmas does not affect the Chinese markets much. The Chinese markets slows in February at the time of Chinese New Year.
- Jatin Damania:** So, because of the textile market gets affected because the export demand gets down that is the reason?
- Ankit Patel:** Yes. So lot of the MNCs that buy Dyestuff and they distribute through their channels like BASF, Clariant, Huntsman and DyStar all these companies are procure from the manufacturers through the distribution channels. Most of these companies are Europe based and they slow

there operations in in December for about 15-20 days. So, traditionally also we have noticed that Q3 and Q4 comparatively are bit down compared to the first 2 quarters

Jatin Damania: And sir secondly, can you help us in giving the raw material prices strength? How was the raw material in the last quarter and how do we see going ahead?

Ankit Patel: So, raw material prices we actually had some issues in the previous quarter and the first quarter of FY18-19 because of some of the raw materials were much higher like caustic. Caustic was very high particularly and other petrochemicals with this raw materials also higher. But they corrected up to some extent and they are also now stable. So, for example caustic is it was in the Rs. 50 level now it is around Rs. 40 and last about 3-4 months it is being, there has not been a very steep hike in that. So that is one good example where the prices have been very volatile. And some of the raw materials related to petrochemicals were crude they have also been corrected. Like for an example, aniline oil, so that the price had gone to more than Rs.120-Rs. 130 that has also been corrected.

Jatin Damania: So, what are the current price from Rs. 130 to Rs. 120?

Ankit Patel: They are in the range of Rs. 100, right now. And then there are this one more chemical called PNCB that Aarti Industry makes. So there also the prices had gone higher. Now it is they got corrected a little bit. So raw material prices wise, I think it is the good thing is they are stable. It does not have to be on the lower side it has to be stable for us to do operate smooth.

Jatin Damania: So, with this kind of raw material prices and possibility of subdued Q2 and Q3 because of lower realization. Do we expect margin to remain in the range of 18% to 19% or we have expect something softening in the EBITDA margin going ahead?

Ankit Patel: No, we expect a margin to continue in the same range.

Jatin Damania: And sir, coming to your Dyestuff the new facility was operated what capacity?

Ankit Patel: It was 12,000 tonnes per annum.

Jatin Damania: No, operate at what level, utilization level?

Ankit Patel: They are around 70%.

Jatin Damania: We operated around 70%, new capacity which is of 12,000 tonnes?

Ankit Patel: Overall 72%, so I think new one would be around 65%. In the earlier would be in the range of around 75-80%. So, I think average was around 72%.

Jatin Damania: And sir, you said that because of the leakage in the ammonia we had to take a shut down. Is that the reason where we have seen the decline in the Dye Intermediate production sequentially?

- Ankit Patel:** No, that particular unit has Dyestuff and Dye Intermediate production both but it is comparatively a very small plant. It is a plant that we acquired in 2004. So, that hardly contributes around 5-10% of our total revenue. That will probably be shut for only few weeks maybe 3-4 weeks. It happen about 15 days back, so currently that particular facility is not operational.
- Jatin Damania:** So, sir what will be the reason for decline in the Dye Intermediates production in the quarter as compared to the last quarter?
- Mayur Padhya:** There is hardly decline of about 2%-3% and this is normally happens sometime because of change in product mix. There is no other issue. Some product once we produce say X product we can produce 300 metric tonnes per month and if you switch to another product we can produce even lesser because that occupies much of the inventory much of the facility. So, otherwise there is no issue.
- Jatin Damania:** And sir what will be the total captive consumption for basic chemicals to Dye Intermediate, Dye Intermediates to Dyestuff during this quarter?
- Mayur Padhya:** For the quarter, we do not have the data. But normally, what we have seen is Basic Chemical which to be consume at about 45% and for Dye Intermediate our captive consumption is about 40%.
- Jatin Damania:** So, remaining 60% is being sold in the market?
- Mayur Padhya:** Yes, normally such trends we have seen.
- Jatin Damania:** And sir as far as your Trion is concerned as you have started seeing the production going up and revenue has also increase in the previous quarter. So, how was the Trion in terms of the pricing and the raw materials on the Trion front?
- Mayur Padhya:** See, in Trion the raw material prices has softened to some extent but they are not that encouraging which were prevailing say a year before or so. But as I mentioned they have softened to some extent we have started the production but we are not expecting much profit at present from that. We may reach to breakeven level but our expectation is that it will minimize the losses which was there in last 2 quarters.
- Jatin Damania:** So, breakeven by end of this financial year?
- Mayur Padhya:** That is what we are targeting.
- Jatin Damania:** And sir, as far as your SPS is concerned we had the seen the sharp jump in the volume, is it that because of the Vinyl Sulphone VS plant which has started in SPS or it was just because of the higher realization in H-Acid that has given the support?



- Mayur Padhya:** Yes, it is the second part. H-Acid realization was at higher side that has supported. Vinyl Sulphone plant is yet to start.
- Moderator:** The next question is from the line of Tanmay Mehta from SBICAP Securities Ltd. Please go ahead.
- Tanmay Mehta:** I had a couple of questions. First one is on SPS and Trion if you could give us some broad guidance on how they would be performing going ahead? And the second is on realization of Dyestuff, how it will pan out in the next year with the new capacity coming in if you could give us some broad guidance on that the realization numbers?
- Mayur Padhya:** See, as mentioned earlier, in Trion we have started the production and targeting to reach to breakeven level by this year end. But till that time we expect losses to minimize. As far as SPS is concerned that is operating at present. H-Acid prices remain at higher level so it is making profit and we expect that will make profit for this current year. As far as Vinyl Sulphone plant is concerned we have not been able to start that till now because the governmental permission is yet pending and it is difficult to commit by when we will be able to start. And as far as Dyestuff is concerned we are doing really very well and in Q2 our overall capacity utilization was 72%. So, considering that sharp jump in the capacity utilization we are preponing our expansion plan and we are adding 6,000 MT per annum. So, that should be operational and optimally utilize the current capacity by Q1 FY20.
- Tanmay Mehta:** What will be the broad base CAPEX for FY2019 and FY2020? You have mentioned in the presentation that in H2 already Rs. 74 crores have been incurred on CAPEX. So, what will be the number for the second half of FY19 and FY20 if you could just give us some guidance incurred in the new capacity expansion?
- Mayur Padhya:** See, we are expecting about Rs. 120 crores because we are adding this Dyestuff expansion. TC plant is yet to complete, so over there some expenditure will be there. And balance will be spent in Dyestuff expansion.
- Tanmay Mehta:** So, these Rs. 120 crores are for this year or the next year?
- Mayur Padhya:** This is for this year. So, Rs. 74 we have already done, so balance will be done during this year.
- Tanmay Mehta:** And sir, if you would just give out some numbers on liquid Dyestuff? What was the numbers, the production numbers and the realization for this quarter?
- Mayur Padhya:** Liquid Dyestuff is operating at about 30% capacity. So, slowly but gradual improvement is there but this also is an area where we will not be able to commit anything.
- Tanmay Mehta:** And sir, in the previous concall you mentioned that SPS processes sales its product to Bodal and then Bodal in turn sales it outside. So, most of the revenues have accrued in this quarter, if I see from the presentation. So just if you could give us some flavor on the accounting entry how we are doing that in the consolidated front?



- Mayur Padhya:** Normally the SPS plant is located at Uttar Pradesh and the market for finished good is not located anywhere in the North India. So, the market is available in Gujarat only. So, normally we procure SPS production to Bodal and from Bodal we market it to wherever we want to do. There can be certain transaction where we have the order or we can get the order we supply directly but whatever we get from SPS to Bodal that is knocked off when we prepare the consolidated number.
- Tanmay Mehta:** And sir, just one last question we had a land of Rs. 85 crores at Dahej and we were waiting for environmental clearance on that. So, do we have some idea on what project are we are going to pursue?
- Mayur Padhya:** See, for this we have yet to apply for environmental clearance. I think we will be able to apply in next month.
- Moderator:** Thank you. The next question is from the line of Ankit Gor from Systematix Shares. Please go ahead.
- Ankit Gor:** My question with regards to understanding the rationale behind aggressively expanding Dyestuff capacity while there is an immense shortage of Dye Intermediate into the world market and that is one part. And second with regards to that only if we keep on increasing our Dye Stuff production still you believe that since we believe the Dyestuff has a lower margin compared to Dye Intermediate. In that case should our margin be normal at 18-20% range and if it is that the case then why it should? Are we doing some exotic Dyes like Indigo Dyes or something like that that should give us a higher margin? That is first question. My second question with regards to setting up a trading company there, setting up a trading company first of all what is actually need of setting up a trading company since we export from our, currently also we are exporting without trading company if you can give us some highlights sir, thank you.
- Ankit Patel:** So, to answer your first question, so we are only currently consuming around 40-50% of our captive intermediates. Our company started about 30 years back with intermediate business and we entered the Dyestuff business later on 2006. But the couple of the leading players in India in the Dyestuff segment they are about 40-50 year old companies and their market share is much larger than ours. Though we have a more number of Dye Intermediates which is the raw materials they are still leading the particular industry and having more market shares than us. And Dye Intermediates, this is a challenging environment to develop further in the Dye Intermediate business because recently there have been restrictions on giving the clearances on Dye Intermediates. For example, in Gujarat which is probably about 90% of the production of Dye Intermediate is there in India. GPCB which is the clearance giving authority in Gujarat, have restricted the main 13 Dye Intermediates only to be produced in Dahej. So, they are restricting the clearances out of all these so many GIDCs across Gujarat, industrial assets in Gujarat. They are restricting them to only one industrial estate and that is also on a zero discharge basis. So when zero discharge bases, when you produce on zero discharge basis the cost is also higher to produce overall. So, there have been restrictions like that in the Dye

Intermediate development further. And the second is last year we acquired a company called SPS Processors we bought about 70% stake there. So, that was the last company to come in India in the intermediate space. And that company had an existing H-Acid plant and also had permission for Vinyl Sulphone plant. So, that was one of the main reason we bought that off stake in the company. So, the latest incomer on the industry also we bought and we are yet to start the Vinyl Sulphone plant there in SPS. So, overall our Dye Intermediate capacity and production numbers are much larger compared to anybody else in India. We are already too big in Dye Intermediate and we are targeting is not a short term gain by selling the intermediate what we are targeting is to create a consolidated business model which is depended on the integration and we want to create a business model where we can have more sustainable growth.

Ankit Gor: But will it if affect our EBITDA margin since Dyestuff considered to be a lower the margin product? So range, if you are saying range will remain same 19-20% sort of EBITDA margin. Then what are we banking on there?

Ankit Patel: Margins, I think what we are actually what we are targeting is to increase margin by about 1% EBITDA margins every year. That is what we are working towards and that is our ultimate goal to have a maybe about 24-25% EBITDA in about next 3-5 years. So, we are working towards that and Dye Intermediate again has a lot of challenges like environmental control. The future is probably not same also just like China that can happen in India also 5 years down the line. So, instead of just growing in the products where we know it is looking so good, I think, it is better for us to create a better and a stronger business model. Plus in Dyestuff also there has been a development after China and India there is a third area where the large companies are there in Dyestuff manufacturing which is Far East countries, that is mainly in Japan, Taiwan and South Korea. Now last 2-3 years since there has been an effect on the supply of Dye Intermediates globally. The problem is that, the third area where there is no Dye Intermediate production at all, they are finding it very difficult to continue with that business because now earlier there used to be competition between India and Chinese to supply to that area. Now, India and China hardly have any spare quantity that can be sold to the Far East countries. So because of that already couple of the very large companies they have stop productions in South Korea. I think between those few companies in Far East their market share was as much as India's market share on the global map. So there also we see as an opportunity where in a long term we will not be able to operate. So only the integrated players based in China and India will be facing more and more share globally. That is also another reason. One more reason in Dyestuff industry is that because of this GST and demonetization in textile they were not taxes earlier. So, because of that there were lot of cash transactions in textile area because of which many small companies were there of Dyestuff which was supplying to textile and doing lot of the businesses in cash. Now the problem after this GST and demonetization those smaller companies again finding it difficult against these integrated in larger companies. So, I think somewhere, I think the ratio was around 40-50% of that unorganized sector in the Dyestuff industry in India. In a short and long run that particular share of market share will move to organized integrated players in India. So, we overall see a very good opportunity in a continuous and a gradual way in the Dyestuff.

- Ankit Gor:** What was the tonnage sold in Dyestuff tonnage sold in quarter, tonnage wise?
- Mayur Padhya:** See, it is already mentioned in our it is 5,200 MT of Dyestuff that is what we sold during last quarter and that is up by 54% compared to corresponding last year's quarter.
- Ankit Gor:** And last question with regards to trading company.
- Ankit Patel:** Yes, trading company it is not our priority or we are not, really treating it as a commercial activity for us. But in last about 2 quarters there is a lot of sourcing that is taking place from the market. For example, there has been good demand from China and rest of the world, volumes are growing and we are going through, it is not a very smooth process because there has been some volatile demand. So, because of which in intermediate sometimes we have to procure some raw materials from the market even though we make it just to have it on time for our own manufacturing of Dyestuff we have to, what we noticed is that we sourced some of the materials from the market though we manufacture them and the bigger part was that for Dyestuff to offer the entire basket like I earlier said now Arvind Limited B2C models that we have executing now. So, though we have the largest number of Dyestuff products available in our product list we are still short of some products, some colors, some shades, and some strength. So, for that we have to procure from the market and that happens to the export market and the B2C domestic markets also. During last our couple of quarters we had notices that there has been increasing that activity. For address this we are opening the subsidiary company mainly in China. In China also we will procure lot of raw materials from China some of the intermediates that we do not produce. Sometimes some of the basic chemicals, Petrochemical are also available and we import from China. So, such activities we are targeting that our Chinese subsidiary will help us to procure at better prices. In Bangladesh and Turkey also we are opening our subsidiaries companies. Instead of bringing trading business into our manufacturing company we want to keep it separate and integrate all of these activities. From trading activities the bottom lines are rarely profitable or may be 1-3% on the higher side. So, that business, I think does not mix with our manufacturing business. That is the sole reason. We are not making it our priority and it is just a requirement.
- Moderator:** Thank you. We move to the next question from the line of Sunil Rawtani from Artifice Advisors. Please go ahead.
- Sunil Rawtani:** Just going through the inventories have almost doubled, can you justify what is the reason for the inventories going, rising significantly?
- Mayur Padhya:** Yes, see there are 2 reasons why inventories have gone up. One is we are moving towards our company to convert into a Dyestuff company and Dyestuff business itself demands higher inventory. So, because of the number of products and number of shades we need to have inventory at higher level compared to intermediate. And another reason is as we have mentioned even in last conference call like demand was bit slow from August to September end. And that is why we could not deliver some of our final product and that will be served in

current quarter. So, that is the reason otherwise we also accept that this is one of the reason and that will be sorted out in December quarter.

Sunil Rawtani: And as we said the exports have taken almost 180% growth from Rs. 67 to more than Rs. 100 crores. What impact has the Rupee depreciation led to the margins on to this side?

Mayur Padhya: See, Rupee depreciation definitely improve our competitiveness but here, see the supplier countries are very few for any customer who is buying Dye intermediate or Dyestuff. So, they are also closely monitoring our currency and wherever there is depreciation they ask for some discount compared to the last price. So, it is not that we gain fully out of this but definitely our competitiveness improves.

Sunil Rawtani: And with the prices, what are the agreements for how many days and how much is the contract cycle days for the tonnage and period do we quite often change our contracts on a fortnight basis or a monthly basis?

Mayur Padhya: See, there are varieties of contract. Some contract are on spot basis, so by single truck load or container we can dispatch the total quantity some contracts are of a higher volume say 500 MT that we can supply over a period of month and a half. But normally we do not enter into contract which is to be serving more than 2 month or so.

Sunil Rawtani: And it varies depending on the Rupee-Dollar exchange rates, that is what it is. It is not fixed in the Dollar term?

Mayur Padhya: Yes.

Sunil Rawtani: And have we increased our stake in the Trion Chemicals? How much by what percentage we increase and how much we paid for it?

Mayur Padhya: We have increased it to 59% from 42%.

Sunil Rawtani: And what value consideration we paid for it?

Mayur Padhya: We have issued new equity from the company in favor of Bodal and there is no new investment for the Bodal, we have brought back some unsecured loan which was there and then invested it as equity. So, that is a hardly new funding which was required but yes to the extent whatever loss it is making we are required to fund that.

Sunil Rawtani: Sir, if you can explain the entry, the unsecured about converted into the equity and what valuation we have made it at the share premium for the ...

Mayur Padhya: It was about Rs. 3 crores was the valuation which we have already declared everything at the exchange.



- Sunil Rawtani:** And we are just saying a minimal employee cost has raised from Rs. 10 crores to Rs. 17 crores just something want to that the year-on-year basis.
- Mayur Padhya:** See, that are 3 reasons why it has increased. One is regular increment to the existing staff. Second is because of the new projects which has started there has been a new employee to which we have recruited and third one is see, last year and the year before management has sacrificed their sales commission which they were eligible otherwise. That they have drawn-in for so in current 2 quarter the management has provided 6 crores for their sales commission because of that employee cost has increased.
- Moderator:** Thank you. The next question is from the line of Naushad Chaudhary from Systematix Shares. Please go ahead.
- Naushad Chaudhary:** Continuing on this subsidiary thing question, how much initial working capital you would require for this entity?
- Mayur Padhya:** We have not finalized the figure that is yet to be worked out.
- Naushad Chaudhary:** When are you expecting this thing to start?
- Mayur Padhya:** Maybe after one month or so. But it will not be huge because it is a trading activity only, so whatever minimum requirement that much fund will be transferred from parents company to subsidiary company.
- Naushad Chaudhary:** So, you would have estimated typically at what percentage of your total turnover would be required as a working capital? You would have estimated there because you are expecting it to start in next one month, right?
- Mayur Padhya:** Next one moth we will incorporate the company. I think, trading may start later.
- Naushad Chaudhary:** Last thing on the margin side, sir if I look at the historical realization of our Dye Intermediates and if I look at the immediate quarter 1Q FY18 we had an average of around Rs. 250 to Rs. 255 of Vinyl Sulphone and Rs. 385 of H-Acid. And that has around gone up by 10-20% in this quarter and you mentioned the raw material was there was a pressure in 1Q but raw material prices have soften in this quarter. So, just wanted to understand the margin has if I compare it quarter-by-quarter there is hardly any improvement despite the decent growth in the realization and softening of marginal raw material prices also. So, what is the thing I am missing here, sir?
- Mayur Padhya:** See, your thinking is correct but see the prices what you are considering is Vinyl Sulphone and H-Acid and that contribute hardly 35% of the company's total turnover. So, what has happened in balance 65 that is also important.
- Naushad Chaudhary:** Even our bulk chemical businesses also the Sulphur prices were also at very good level in this quarter.

- Mayur Padhya:** Sulphur prices, I do not have the exact data at present but that has move up to Rs. 17 and then softened. But let me give you another aspect of your question's answer. You might have seen in earlier question that there is an inventory built up in the system of WIP as well as finished goods to the extent of Rs. 63 crores. So, if we would have dispatched that quantity in last quarter itself that might have added something to the topline. Another area is the FOREX losses which is there as per IndAS we need to provide that book entry. So, these are the several reasons why you cannot see exact reflection of H-Acid and VS prices into profit of the company.
- Naushad Chaudhary:** How much was the FOREX loss, sir in this quarter?
- Mayur Padhya:** It was Rs.6 crores.
- Naushad Chaudhary:** That is in other expenses item?
- Mayur Padhya:** Yes.
- Naushad Chaudhary:** So, do you see at a normalize rate your other expenses should be at around Rs. 50 crores which is Rs. 55 crores or Rs. 60 crores which is at this moment at around Rs. 70 crores?
- Mayur Padhya:** Correct. So, to that extent it is higher if we remove that then that is something normal level where it should be. We have given bifurcation in our presentation on slide #15. You may refer to that also.
- Moderator:** Thank you. The next question is from the line of Anand Bhavnani from Unifi Capital. Please go ahead.
- Anand Bhavnani:** Sir, with effect to that trading company, just wanted to understand would the company be trading raw materials that we need and finished goods that we produced or we are also trading other chemicals?
- Mayur Padhya:** No, it will be other chemicals which we do not consume or we do not sale rather. So, it is with the parent company it will only capitalize the opportunity which is available in the market at present.
- Anand Bhavnani:** So, it is a general chemicals trading company. So, wherever there is opportunity we would be opportunistically trading is that right?
- Ankit Patel:** Yes, that is the correct understanding.
- Anand Bhavnani:** And sir, with respect to our payables there is a sharp increase, so is it like because our overall bargaining power with the suppliers increased or is it one-off and the payables will fall again. If you can help me understand.

- Ankit Patel:** They will fall to some extent. Inventory as well as stable are bit higher level they are not regular level.
- Anand Bhavnani:** And sir lastly in terms of profitability I see that at standalone level profit is Rs. 43.25 and console Rs. 45 so then Rs. 1.75 crores of profitability. If you can help me understand from which of the subsidiaries it is coming because if I look at individual subsidiaries the quantum is not Rs. 1.75. So if you can reconcile?
- Mayur Padhya:** See your understanding is correct. Here the entry which is missing is capital rather capital reserve that got created because of the induction of Trion as a subsidiary company. See as per accounting standard 110 and 103 we need to get the fair valuation of the assets of the subsidiary whenever we do consolidation. So when we revalue rather when we found out the fair value as per outsider expert in this line. Fair value was about Rs. 4 crores higher compared to the book value of asset of the company and that has been reflected as an income at the consolidated level and because of that this anomaly is created.
- Moderator:** Thank you. The next question is from the line of Shikhar Mundra, an individual investor. Please go ahead.
- Shikhar Mundra:** Wanted to understand what this increase of Rs. 228 crores of fixed assets is in your annual report AR-18.
- Mayur Padhya:** See last year we had acquired about Rs. 86 crores land at Dahej then there has been an expansion in dyestuff facility that contribute about Rs. 56 crores. Another about Rs. 57 crores for cogeneration power plant. Other than that we have started building up Thionyl Chloride plant where we had about Rs. 15 crores in last year.
- Shikhar Mundra:** So what will be this revenue potential of this Thionyl Chloride plant?
- Ankit Patel:** Thionyl Chloride plant the capacity is 3,000 MT per month i.e. 36,000 MT per annum. Prices have been very volatile last 2-3 years average price around Rs. 15 and last 6 month's average price is more than Rs. 40. So it depends on what prices you take so even if we take at a Rs. 20 it says about Rs. 80-90 crores of total revenue that can be generated from the projects. We will have about 30% captive. So about net effect at Rs. 20 per kg would be around Rs. 70 crores and additional topline and at the current level if assets remain at the current level, it can be Rs. 150 crores.
- Shikhar Mundra:** And margins are expected at?
- Ankit Patel:** Currently the margins are great, I mean I think the raw materials cost is not more than Rs. 10 and this product is being sold at Rs. 40. So I do not know, I am just hoping that when I start my plant and I am hoping for few more months like that so I think just that I can get my money back to the CAPEX that we are doing. So, difficult to tell but I think the margins are really good even at 50-50 the margins are really good.

- Shikhar Mundra:** And just wanted to understand like suppose making 1 MT of Dyestuff approximately how much tonnes of Dye Intermediates are required as raw material on an average.
- Ankit Patel:** 1 kg of Dye Intermediate can produce 1.5 to 2 Kg of Dyestuff depends upon the product.
- Shikhar Mundra:** And for your Dyestuff how much are you selling in India and how much abroad as in and for Dye Intermediate also the split I wanted in India and for abroad.
- Mayur Padhya:** Yes, for Dyestuff almost 70% of the turnover is through exports and in Dye Intermediate ratio varying that can be between 20-40% of exports and balance is local.
- Shikhar Mundra:** And how do you see the market in India moving as in the growth rate and all and how big is the market? Because I think you have given some market share in your presentation.
- Mayur Padhya:** See market is dependent with the growth in the population. At the same time it is related to improvement in the standard of living of people. Because it is a thing to be utilized in the day-to-day consumption. The final product what we manufacture that is Dyestuff that it consume further in textile, leather as well as paper. Because of such online shopping activity, etc., the packaging industry is growing and requirement of red color is also improving. At the same time leather and textile they are also improving between 3-5% growth is there. But as far as India is concerned and for Bodal it is concerned, it will be much higher than 3-5%. Because we are the integrated player and as Ankit bhai mentioned earlier in the call that Fareast market is not competitive so their share is diminishing. China is not exporting Dyestuff so their competition is not there and in India the unorganized market which is losing their share because of GST and demonetization. So, their share is also expected to shift to bigger and integrated player like Bodal. So it is a very good opportunity for Bodal like players.
- Shikhar Mundra:** So just wanted to understand like we have shown a production of Dye Intermediates of 6,031 MT on your last slide 32. So, how much of that was captively consumed and how much was sold or is this the number which was sold out directly.
- Mayur Padhya:** No this is the number of production.
- Moderator:** Thank you. Ladies and gentlemen, this was the last question for today. I now hand the conference over to the management for their closing comments. Over to you, sir.
- Mayur Padhya:** Thank you very much for the patient listening and whomsoever question is remain unanswered they can directly contact us, will be happy to answer that. Thank you, thank you very much.
- Moderator:** Thank you very much, sir. Ladies and gentlemen on behalf of Bodal Chemical Limited that concludes this conference call. Thank you for joining us and you may now disconnect you lines.

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Note: This transcript has been edited to improve readability

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