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Bodal Chemicals Limited

Q1 FY2018 Earnings Conference Call

August 24, 2017

**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 Q1 FY2018 Earnings Conference Call. Joining us on the call today 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 phone. 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 the Q1 FY2018 Results Conference Call of our Company. On today’s call, I have with me our CFO, Mr. Mayur Padhya. 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.

Bodal Chemicals has reported another important quarter Q1 FY2018. Our performance during the quarter has been on the back of 1) Very strong expansion of revenue and profitability in FY2016-2017 2) Moderation of product prices during the quarter; 3) Significant addition of upfront fixed cost from ongoing expansion periods.

We have maintained our higher profitability with an EBITDA margin of 20.1% for the quarter. This has been possible because of continued focus on the technology efficiency, side integration across product use and waste minimization. Bodal is making serious investments for its future growth over FY2016 to FY2020 and beyond. We see FY2017-2018 as an inflection year in the growth of our Company. I request Mr. Mayur to walk you through our financial performance.

Mayur Padhya: Good afternoon all. Thank you for joining our Q1 Results Call. While total income on standalone basis is flat over Y-o-Y quarter, EBITDA and PAT are lower Y-o-Y by 4.3% and 6.1% respectively.

During the quarter, Dyestuff production improved by 32.9% from 2,950 metric tonne to 3,920 metric tonnes. Dye Intermediate production declined by 14.1% from 5,973 metric tonne to 5,129 metric tonnes. Basic chemical production declined by 3.2% from 48,865 metric tonne per annum to 47,277 metric tonne.

Our revenue stability during the quarter was achieved in spite of the following material developments. One is Gujarat Pollution Control Board’s initiative to lay reinforce pipeline for the discharge channel, this necessitates lowering the production for about 15 days at our Unit VII. The work has been completed in our area.

Second introduction of GST, which resulted in destocking by many domestic clients in June. As far as revenue mix is concerned, share of Dyestuff has increased Y-o-Y from 26.5% to 31.1% of

the total revenue. Share of export revenue increased from 28.6% to 30.1% of total revenue. This helped us in maintaining our EBITDA margin about 20.1% during the quarter.

Slide 7 of the presentation provides quarterly trend. As you can be see, we have been able to maintain revenue and margin stability through up down of market price. As far as leverage is concerned, we continue to maintain our conservative gearing and a healthy cash buffer while we implement major projects ahead.

Outlook and funding: There has been a number of queries regarding outlook and funding particularly in light of the QIP resolution for consideration before the board. We have therefore built a section on the subject in the presentation.

In August 2016, we shared our Company's broad growth aspiration. We had also shared expansion projects at hand. I refer to slide 12 and 13. In November 2016 at our investor and analyst day, we shared further insights in to our thinking. We have again delved on the projects at hand, refer to slide 14.

We had additionally mentioned certain range of revenue and EBITDA margin estimates heading to FY2020 to provide a directional guidance. In summary, we had mentioned the revenue range of Rs. 15,500 to 19,500 million and EBITDA margin range of 15-17% by FY2020.

Slide 16 recaps the strategic way that our board has defined for our plan ahead. The guidelines include maintaining debt equity at or below 0.5x level. Slide 17 to 20 provides an update regarding outlook and funding.

As can be seen in slide 18, we have begun well towards our goal in FY2017. We grew 35.9% in consolidated revenue to Rs.12.4 billion. Importantly, our EBITDA at above 19% is now significantly higher than our long-term historical average. The projects mentioned in our outlook discussion in August and November 2016 has since been initiated except further expansion in of LABSA, which we **have put on hold because** of the FMCG industry dynamics.

During FY2017, we have also added SPS Processors to our portfolio at a transactional enterprise value of about Rs. 510 million. This is the seventh acquisition of strategic investment in the history of our company. As Ankit Bhai mentioned, we believe that FY2018 is a very important year in the progress of our Company. We believe it will be an inflection year for us. Our focus this year is on consolidating our revenue and profit position at the higher base that we have built to implement the project at hand to further enhance our efficiency, initiatives and to keenly maintain financial discipline.

The list of project on hand amounting to Rs.3,420 million is stated on slide #19. With such an emphasize we believe that we are building the required thrust to be around the upper end of revenue by FY2020 that we have mentioned earlier and to exceed the EBITDA margin percentage range mentioned. This will then take us to a higher plan of growth. So far as given in FY2018

outlook, the specialty chemical business is a game of building internal technical capabilities, client relationship and world-class capacity.

Unlike FMCG or other industry that can outsource production, in this industry capacity is core strength. Therefore, to build a high growth specialty chemical company one has to build this strength at all three-growth levels of the business plan. One is primary that is base business, second is secondary recently started fast growing business streams and third is tertiary business of a future, which need to be sort today. We had talked about revenue and profitability initiatives in our base business. We have also talked extensively about new projects on hand to see, seed, high tertiary growth that is beyond FY2020 we have been seriously contemplating opportunities both organic and inorganic. We are actively considering building a new integrated specialty chemical complex, which would be similar or bigger in impact to over a world-class site at unit VII.

Our management has shortlisted site auction of about 80-100 acres at Dahej, Gujarat. The site would be to produce certain specialty chemistry base products drawn from our existing expertise. We are also encouraged by the quality of inorganic growth opportunities that seems to be emerging as the sector consolidate in favour of large players. With our team's long expertise of integrating and growing assets, this is a serious growth avenue for us. At the moment, we are not at a definitive stage on any transaction but we intend to remain alert and responsive to the opportunities available to us.

We believe that the primary, secondary and tertiary growth initiative put together will help us sustain growth of revenue and profit at the higher level that we anticipate in the near future. Experience has thought us that we should be conservative in our capital structure. You would appreciate that Bodal has been very conscious of its fiduciary responsibility all stakeholders, debt and equity.

One would have also observed that Bodal has not raised any major external capital over all these years. Our intent all the time is to conserve and use capital minimally. Considering that we wish to stick to a low gearing below 0.5 and significant opportunities at hand though we might have to raise some new equity to further strengthen our balance sheet, the enabling board approval is sorted in this regard.

We welcome your queries or questions on this conference call.

Moderator: Sure, thank you very much. We will now begin with the Question-and-Answer Session. We have the first question from the line of Saravanan Vishwanathan from Unifi Capital. Please go ahead.

Saravanan V: Couple of questions. One you have spoken about new getting into a new chemical Thionil chloride and also a new ice plant, I want to understand how it fits into the current product portfolio that we have and the current customer profile that we are dealing with?

Ankit Patel: I am going to try to answer that for you. Thionil chloride is a specialty chemical. There are only three producers in India and it is very well integrated with us because it is one of the main key

raw materials for Vinyl Sulphone (VS) Production. So as we are one of the largest producers of VS and with a proposed VS new plant at SPS it will make us a largest producer of Vinyl Sulphone by a good margin. So Thionil chloride becomes a very important raw material for us and the product has been a very good margin in last few years because we have been a buyer of that product since more than 15-20 years. It has very good applications not only in the intermediate segment but it also has applications in pharma industry. So the product itself has a good retail market as well as the industrial use in a bulk size marketing. That is one area and the proposed capacity that we want to put we have a captive consumption of around 30-35% so that will also provide us a good integration.

One more thing is that the raw materials involved there are only two raw materials. One raw material is we already have in-house available in our basic chemicals complex. The second raw material is chlorine which a very common commodity and very largely available at actually free cost in India. So the buying pattern is going to be also very easy and integrated for us. The largest consumer base that I think about is also in Gujarat and surrounding our industry in Baroda where we are proposing to put up the plant. Other two the biggest manufacturers of that product in India are, one plant is in Madhya Pradesh and other is in Kutch, Gujarat. So both the locations with the suppliers are very far away from the main industrial belt of North Gujarat to South Gujarat. So will also give us some better competitive edge versus the other existing players. There has not been any new plant of that product in more than seven years so there is a good demand also in market. We are very confident about that particular specialty chemical to sell it commercially as well and make good margins out of it.

So that is Thionil chloride and ice is actually going to be part of our Dyes expansion. When we produce Dyes need I think very large quantity so as a cap to give a usage plan we intend to put two large size ice plants within our thin complex of Unit VII adjoining the Dyes facility. So it has 100% usage and so that is all the ice plant is going to be associated with our existing set up.

Saravanan V: Okay so here ice is the normally is that we all know it is not some abbreviation for some chemicals.

Ankit Patel: No it is just a normalize ice but it is in a very large size and for the industrial usage and we actually already have a ice plant in our unit so it is nothing new for us. It is just that we want to expand our Dyes capacity so in a parallel it is better that we do not be depend on outside supply because ice the temperature that there is a lot of loss in the product when travels from outside supplier to our plant. So that is one difference it in somehow it can even lose up to 75% of existing of there we actually have.

Saravanan V: Thionil chloride I wanted to just understand I just want to summarize and check whether I have understood properly. You are saying 35% of production will be for captive consumption and 65% we are going to sell outside primarily to domestic consumers.

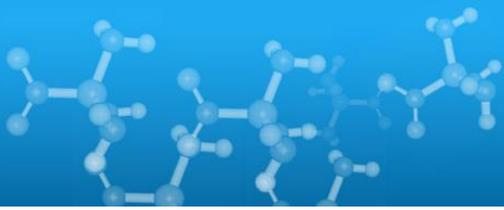
Ankit Patel: Yes.

- Saravanan V:** To create this capacity what is the time period that we are envisaging?
- Ankit Patel:** The time period it will be one year.
- Saravanan V:** It will take one year from we start. It will be in the existing site or it will be all together new sites?
- Ankit Patel:** It will be in the existing site and the location has been already identified and the consultants in the technology providers have already also been identified and we also have the permission in place.
- Saravanan V:** Including pollution control permission?
- Ankit Patel:** Yes, 100% all the permissions are there.
- Saravanan V:** Okay that is great. Second question is on Trion Chemicals could you help us with the numbers for this quarter what were the sales and how is that business shaping up?
- Mayur Padhya:** Trion presently we are utilizing at about 25% to 30% capacity. Slowly and gradually we are building up as we have mentioned it is something we are manufacturing for the first time in India so it will require about two to three years to reach to the optimal capacity and we are going ahead as per the plan. Export rather regular export to US have started and quality have already been approved from our customers, repeat order has already started. But as far as numbers are concerned, we are anticipating about Rs.45-50 Crores of revenue this year and quarterly sales number right now I do not have it at present but for this quarter after depreciation there was a loss of about Rs.1.5 Crores. So we are reaching within a month or so to the breakeven point and then will start generating profit from our units.
- Saravanan V:** What about liquid Dye Sir? What was the sales contribution of liquid Dyes in the first quarter?
- Mayur Padhya:** That figure I do not have at present but that contribution is not that much. That is also utilized at about 25-30% and in the second half of the year, we are expecting to have jumped in the utilization of capacity because very good efforts are being done by our marketing team at Europe but since this product is taking time in the approval etc., but we are very hopeful in this area also.
- Saravanan V:** Thionil chloride what will be the capex for that project alone?
- Mayur Padhya:** It is about Rs.40-45 Crores.
- Saravanan V:** At full utilization what sort of revenues it can generate?
- Mayur Padhya:** It will not generate much revenue. It is hardly about Rs.13-15 per kg item and we are going to setup plant for 36,000 metric tonne per annum. It can generate about Rs.40 Crores production value and if you consider at 80% utilization that can generate about 30% to 35%. Important point here is the margin what we will get from this and there is also a possibility to use this product into pharma sector in the pharma sector once we use it when once we sell it over there very good margins are available and many pharma companies are using this product.

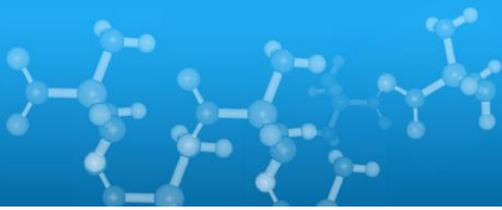


- Saravanan V:** Sir you had mentioned that capacity creation will take a year's time so when will the commercial sales will start because for this a new product you have to identify new set of customers and there will be a lead time right before you start supplying trial batches and converting into actual sales?
- Mayur Padhya:** No. This is not like the Trion. That is a product we have been continuously consuming and our targeted customers are also the Dye Intermediate producer and technology etc., are very much available with us. We have experts who can handle this product so this will not require just the set up time or something like that. One year what we are seeing in one year we will start commercial production and there gradual production setup will not require from the first year itself we can reach to a 50-50 level.
- Saravanan V:** You are saying like it will not be increase the topline but margins will go it will be a material boost to our margins?
- Mayur Padhya:** Yes, that will increase our margin.
- Saravanan V:** Thanks I will join back the queue. I have some more questions I will join back the queue.
- Moderator:** Thank you. The next question is from the line of Jatin Damania from Kotak Securities. Please go ahead.
- Jatin Damania:** Good evening Sir. Just continuing with the earlier questions where you said that the TCB plant that you are going to setup will able to have the Company to push the margin so can you help us understand the once the facility comes on stream so obviously the commercial production what will be the actual saving that we will be doing it?
- Mayur Padhya:** If I can say this Thionil chloride as well as the utility section upgradation that we are planning that co-generation plant both this put together we are expecting 2-2.5% margin jump in the overall business at the company?
- Jatin Damania:** This will inclusive both but if I am just looking for the TCB because that will be the key contributor for our Vinyl Sulphone raw materials because anyway the second raw materials of Vinyl Sulphone the chlorine, which is available at the free half that at this point of time so just wanted to know if I just calculate on the TCB perspective what will be the actual change that we can get from the TCB not from the ice plant?
- Mayur Padhya:** Ice plant is a different thing. TCB plant if we say roughly 1% of the overall EBITDA margin that we can say about Rs.15 Crores is something we can generate from one year so in that case we can consider about three year is something what payback period for the project.
- Jatin Damania:** So how much I did not get that?
- Mayur Padhya:** See about Rs.15 Crores we will save at the production of Vinyl Sulphone and considering about Rs.40- 45 Crores of its capex we are can have about three year of payback period.

- Jatin Damania:** So when can we expect this facility to come into operation?
- Mayur Padhya:** Within one year we are targeting.
- Jatin Damania:** So probably can we assume that by end of FY2019 we should see that TCB plant is up in running?
- Mayur Padhya:** Yes very much before that.
- Jatin Damania:** Coming to the second question now we have seen that the Dyestuff expansion plan, which was stated earlier of 8,000 tonnes we are planning to expand into 12,000 tonne in the Phase I so is this 12,000 tonnes is an inclusive of because earlier we were doing 8,000 tonne in three phases so are we doing 12,000 in two phases or it is 12,000 in three phases.
- Mayur Padhya:** No we are converting 8,000 space into 12,000 space so now more steadily will have a 12,000 two phase last year we were considering 8,000 three phase but considering to the GST and as earlier mentioned because of the GST Dyestuff and particularly big player will going to benefit a great we have changed and considering other things we feel it better to go for 12,000 instead of 8,000.
- Jatin Damania:** So that our end use capacity remains same as 24,000 expansion there is no change in that and also when are you expecting phase I to commence and phase II?
- Mayur Padhya:** Phase I to complete by March 2018 and phase II we have not yet decided but it will be after about one year or so once we start phase I production.
- Jatin Damania:** Sir it will be great because since we have already identified that you will be spending about Rs.340 Crores for our expansion plan if you can break that Rs.340 Crores across your product vertical that will be great and how much capex are you going to spend for Dyestuff and all other thing that we are going to undertake in the next few years?
- Mayur Padhya:** Sure we will discuss I think that after line in detail.
- Jatin Damania:** Second is that we will take it on detail but Sir if I want to look on the coming to the operational numbers so since Mr. Ankit Bhai has already stated in his comment that the prices were moderated in during the quarter if you can help us the VS and H-acid prices what was then in this quarter as compared to the last quarter and how are the Dyestuff intermediates and in Dyestuff prices are moving ahead?
- Mayur Padhya:** Dyestuff and Dye Intermediate prices are more or less stable we can say in last seven month or so from January 2017 Vinyl Sulphone prices are more or less at the range of Rs.225 to 240 and Dyestuff prices are in the range of Rs.230 to 250 per kg.
- Jatin Damania:** And H-Acid?
- Mayur Padhya:** H-Acid is Rs.320 to 330.



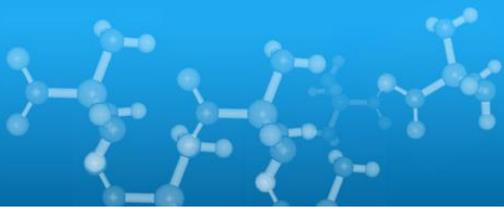
- Jatin Damania:** Sir just coming to prices and now moving to your Trion Chemicals now we are expecting a breakeven in the month end - by the end of next month, which was third quarter end so what is the profitability that we are seeing in the second half of this financial year you can help us the broadly what is the monthly run rate and the EBITDA that we are doing in Trion Chemicals currently?
- Mayur Padhya:** As I mentioned we have reach to cash breakeven once we include one depreciation that will cross by the next month and since this is as I mentioned we are producing for the first time we are anticipating to reach to about 50% utilization by the end of this year. So we will start generating profit in the next half of the year, to quantify at present is difficult.
- Jatin Damania:** Sir agreed, but in still August that you are saying that we are basically cash breakeven so you can help us in getting the numbers what is the breakeven value at this point of time?
- Mayur Padhya:** I could not get you.
- Jatin Damania:** What will be the current breakeven point at this point of time?
- Mayur Padhya:** It is about 35% utilization. Once we cross that 35% utilization we will start generating some profit. At present it is at 30%.
- Jatin Damania:** That is all from my side. If I have any further questions I will get back in to the queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Naushad Chaudhari from Systematix Shares & Stocks. Please go ahead.
- Naushad Chaudhari:** Thanks for the opportunity. Just one very quick question I missed on this point you mentioned the Unit VII plant was closed for 15 days due to Gujarat Pollution Board thing so if you can repeat those sentences by explaining a bit more?
- Mayur Padhya:** We at Unit VII there is a canal passing just beside our unit where we discharge our affluent and that canal is required to be reconstructed kind of thing because of that renovation work, work some of the plant not total Unit VII some of the plant particularly of Dye Intermediate, H-Acid and Vinyl Sulphone has suffered some production loss and that has already been completed two months before so there is no issue so far as future is concerned.
- Naushad Chaudhari:** Last one Sir I missed on this point H-acid prices have moved in this last three, four months?
- Mayur Padhya:** As I mentioned it is remain more or less stable between Rs.320 to 340 per kg.
- Naushad Chaudhari:** Thank you so much. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Kavita Thomas from First Global. Please go ahead.



- Kavita Thomas:** Thank you for taking my question. Sir could you just quantify in terms of what has been the revenue from LABSA in this quarter and in terms of even profitability how has it performed?
- Mayur Padhya:** LABSA it was not done the great performance as I mentioned that because of the slow in FMCG item and particularly GST all our other products fell in the 18% slab, but LABSA is coming under 28% slab and there is an unorganized market also to our customer level so I do not have that exact number what has that contributed but its contribution is insignificant compared to the total turnover of the company.
- Kavita Thomas:** Sir could you just quantify in terms of as you mentioned two factors one was GST destocking by many clients and the other is lower production for 15 days and lowering of production for pollution control methods that we implemented. Could you quantify in terms of how much has been the revenue loss on account of that?
- Mayur Padhya:** There has been about 14% droppage in the Dye intermediate production compared to earlier year's quarter so we can calculate on that basis there can be about Rs.25 Crores or so that is the loss which we have suffered this droppage.
- Kavita Thomas:** Sir in terms of volumes could you get because see the Dye Intermediate prices have almost remain stable so could you just tell us in terms of on a sequential basis because year-on-year I can understand the prices probably in the first quarter last year was higher and what it was this year, but if I see sequentially the prices have almost remain stable in spite of that why have the Dye Intermediate revenues fallen so much, could you just help us understand in terms of volume how much was the volume growth and price growth?
- Mayur Padhya:** There is a volume growth compared to even sequentially we consider in the earlier quarter production was 3,294 MT and in last quarter it was 3,920 MT that it not much reflected in the turnover maybe because of some of this cost which has been built because of GST.
- Kavita Thomas:** The 3294 MT was this quarter?
- Mayur Padhya:** No that was for the fourth quarter of last year.
- Kavita Thomas:** And 3920 MT was first quarter this year.
- Mayur Padhya:** Yes current year.
- Kavita Thomas:** And 2950 MT was in Q1 FY2017?
- Mayur Padhya:** Correct.
- Kavita Thomas:** I just missed on the numbers the production numbers for Dye could you just give us that number because I just missed on that 597 you had mentioned?
- Mayur Padhya:** It was 5,973 MT for the FY2017 and 5,129 MT for Q1 FY2018.

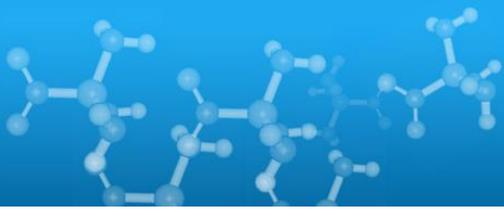
- Kavita Thomas:** Sir what was one more number hike in the basic chemicals was how much?
- Mayur Padhya:** Basic chemical was almost flat. FY2017 Q1 was 48,865 MT and Q1 FY2018 was 44,277 MT.
- Kavita Thomas:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Anand Bhavnani from Sameeksha Capital. Please go ahead.
- Anand Bhavnani:** First question is on the capex of Rs.153 Crores that you have mentioned in that you mentioned Rs.45 Crores would be for the Thionil chloride and rest can you give the breakup for ice plant and expansion of utilities?
- Mayur Padhya:** About Rs.45 Crores is for the Thionil chloride and Rs.55 Crores is for ice plant, Dyestuff expansion of 12,000 metric tonne as well as ETP new ETP which will be built for this Dyestuff expansion that put together and there is an utility upgradation, which covers co-generation plant that is of about Rs.50-55 Crores so these three put together that comes to this year.
- Anand Bhavnani:** Sir this rest of the capex in representation you have mentioned capex plans for around Rs.300 Crores this particular capex that it include the Rs.153 Crores that have been mentioned in the financial?
- Mayur Padhya:** Yes that has already been included in that.
- Anand Bhavnani:** So the additional capex would be around Rs.190 Crores in addition to this.
- Mayur Padhya:** No that is not all the capex that also includes the additional requirement of working capital because of the production of all these products, which we may not require in this year but we will require in next year that is what we have done.
- Anand Bhavnani:** So Rs.340 Crores would includes working capital requirement?
- Mayur Padhya:** Yes includes additional working capital also.
- Anand Bhavnani:** Sir my second question is on the plan for QIP now. Sir we are a debt free company and currently the debt rates are not very high and overall we have like Rs.360 Crores of reserve so even if we have to assume debt to equity ratio on the basis of last financial year we can raise Rs.180 Crores of debt this year and still we would be below that. So Sir doing the QIP at these levels what is the rationale instead of using debt?
- Mayur Padhya:** When I say 0.5% gearing ratio that includes even short-term borrowing also. So that is why our room available at that is bit low and that also we are going to utilize we will incur additional debt to the extent of 2.5% and for the balance requirement we are going to raise fund from QIP.
- Anand Bhavnani:** Sir this QIP is there any informal timeline that you are thinking off?

- Mayur Padhya:** Not exactly, we have initiated the activity but definite timeline we have not yet derived and further still resolution to be passed at AGMs so before that as such it is not possible.
- Anand Bhavnani:** I will come back in the queue for additional questions.
- Moderator:** Thank you. The next question is from the line of Srinath Sridhar from ICICI Securities. Please go ahead.
- Srinath Sridhar:** Good evening Sir. Thanks for taking my question. Sir just to clarify you said Dyestuff production for the quarter is 3,920 MT right?
- Mayur Padhya:** Yes.
- Srinath Sridhar:** So that means with 17,000 tonne capacity right now we are almost at more than 85% utilization level?
- Mayur Padhya:** Yes, it is almost at the peak level.
- Srinath Sridhar:** So what is this there would not be any scope for expansion Dyestuff usually operate at 85-90% maximum right?
- Mayur Padhya:** Yes you are very much correct that is why we are building new capacity.
- Srinath Sridhar:** Agreed, so in this year we can expect this run rate to continue and we will achieve 16,000 tonnes sales per Dyestuff this run rate can continue throughout the year right?
- Mayur Padhya:** Yes correct.
- Srinath Sridhar:** In the intermediate space can we expect about 22,000 to 23,000 tonnes from your current Gujarat facility?
- Mayur Padhya:** Yes it is possible. The intermediate also we cannot expect more than 90% but up to 85% we can reach and we mentioned from the first quarter there was a disturbance because of that we had to hold our capacity fully.
- Srinath Sridhar:** But when you say this that your production is 5,129 MT this does not mean outside sales right this only means production level?
- Mayur Padhya:** Yes this only means production.
- Srinath Sridhar:** So do you know or can you give us the outside sales because you use this captively about 30% to 40% you use captively right?
- Mayur Padhya:** Yes, so the balance is outside sales.

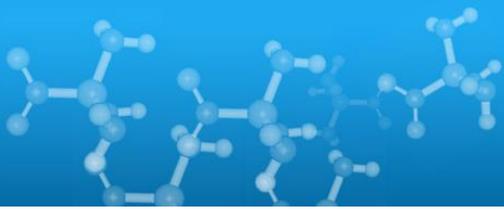


- Srinath Sridhar:** Okay so 30- 40% internally and balance is outside sales.
- Mayur Padhya:** Balance is outside sales roughly that is correct.
- Srinath Sridhar:** 30% is captive.
- Mayur Padhya:** Yes about 40% normally we can captively use.
- Srinath Sridhar:** Okay 40% and Sir the SPS can you throw some light on that how was the first quarter for SPS?
- Mayur Padhya:** SPS for the quarter it was not that great or something like that. For the first month once we acquired the plant there was no production because some modifications are required so that we had carried out and another thing is that over there H-Acid plant is there.
- Srinath Sridhar:** Right no Vinyl Sulphone as of now.
- Mayur Padhya:** No Vinyl Sulphone is there so at the standalone H-Acid plant the affluent treatment cost is higher that is why we are setting up Vinyl Sulphone plant over there.
- Srinath Sridhar:** And when you have that be active by?
- Mayur Padhya:** We had a plan to start it by September but one of the product that is raw material for Vinyl Sulphone is Ethylene Oxide and supplier for Ethylene Oxide is only Reliance and it is kind of highly inflammable product so earlier Reliance has permitted us that they will supply but later on they have said that the distance is higher so they require some additional precautions to complete things etc., are required to build and that is why that has been deferred, that is why we were on the track that because that relative it was not possible and we are now anticipating by end of next quarter this should be operational.
- Srinath Sridhar:** But Reliance will be able to able to supply by then?
- Mayur Padhya:** Yes they have agreed but some modification etc., are required in the tank in which this will be carried out.
- Srinath Sridhar:** So currently nothing has been done over there.
- Mayur Padhya:** Yes, the H-Acid production is going on.
- Srinath Sridhar:** If I am not wrong last year I think you have made about Rs.80 Crores sales from that unit right.
- Mayur Padhya:** Yes correct.
- Srinath Sridhar:** So that trend that level of utilization is not going on now.

- Mayur Padhya:** Yes that is going on but as far as profits are concerned that is not there even if you refer the last year's profit and loss account there is hardly profit.
- Srinath Sridhar:** Yes last year was zero I think because standalone consolidated was the same?
- Mayur Padhya:** Yes.
- Srinath Sridhar:** I will get back in the queue for further questions.
- Moderator:** Thank you. Next question is from the line of Dheeraj Dave from Samvad Financial Services. Please go ahead.
- Dheeraj Dave:** Sir one thing which we find and probably you had also give an explanation but to be constantly find promoters equity at least that level group of your company is constantly selling so is there anything which the company can look into that or like or when we shall expect that selling will get over if you can give some guidance on that?
- Mayur Padhya:** In last few months the quantity sold was from **Mr. Bansi** Patel and Mr. Rakesh Patel. They both have joined company as a professional and Mr. Suresh Patel is the main core promoter family and Mr. Suresh Patel family has increased their share say from **44-51%** in last one year but these two are in a professional category and they got that equity kind of free equity. So they find it good level to sell it and the total sales they have done that is to some fund or something Chennai or something like that we have not sold a single share to market and both are not having now hardly having 30,000 something quantity is led to them.
- Dheeraj Dave:** So there is limited quantity available. Secondly Sir on the various plants, which we mentioned Unit VII and kind of it I understand that units level, contribute the major chunk of our states?
- Mayur Padhya:** That is almost 70%.
- Dheeraj Dave:** Yes okay so 70% sales come from Unit VII. Thirdly on this Dahej 100 acre land, which we have identified, have you made any payment or make some lease payment or whatever any update on that part on Dahej part?
- Mayur Padhya:** No we have not made any payment but we are in the process of identification of a single plot of about 100 acres we are under process of finalizing that.
- Dheeraj Dave:** Lastly Sir why we name our company as Bodal because when we look at the chain of companies it was a JK Pharma care or something and then subsequently it has been named as Bodal so what is the Bodal stand for if you can explain?
- Mayur Padhya:** Correctly speaking it is Bodal in Gujarat it is name of native of our Chairman.
- Dheeraj Dave:** Thank you Sir. Thanks and wish you all the best.



- Moderator:** Thank you. Next we have a follow up question from the line of Saravanan Vishwanathan from Unifi Capital. Please go ahead.
- Saravanan V:** Sir this 12,000 metric tonnes of Dyestuff capacity, which is in the phase I so this will come on-stream by end of FY2018 and on a commercial scale what is the time period it will take first to get to this 80-90% capacity utilization?
- Mayur Padhya:** This is our regular product so it will not require any justification time but then from day one we can utilize but I think so this is a big volume so the market will require sometime so in the first quarter itself we are expecting about 50% utilization overall and from the next year say FY2020 we will reach to optimal level.
- Saravanan V:** I missed one data point, I think you shared to a previous participant so this GST related destocking can you quantify the impact?
- Mayur Padhya:** No, we have not quantified the impact but earlier participant's question was what we had suffered because that the lower production in Dye Intermediate that we had quantified maybe roughly up to Rs.25 Crores.
- Saravanan V:** So that is account of pollution related Gujarat pollution related affecting your production?
- Mayur Padhya:** Yes canal upgradation etc.
- Saravanan V:** How do you see the quarter going forward? This has been resolved right so can we see gradual uptick in production as well as sales for the next three quarters?
- Mayur Padhya:** Yes very much.
- Saravanan V:** For the year as a whole, we will be able to show a meaningful growth about 10% or above.
- Mayur Padhya:** You are talking about?
- Saravanan V:** The volume growth, the topline volume growth which will again translate into topline also.
- Mayur Padhya:** Yes topline growth depends upon.
- Saravanan V:** The prices also?
- Mayur Padhya:** Yes prices also.
- Saravanan V:** But in terms of volume or at least in EBITDA level can we look for a growth?
- Mayur Padhya:** Volume yes because of addition of this SPS and Trion volume growth will be there and in Dyestuff production also we have seen in the first quarter itself that good volume has been picked up and that should be there for the balance three quarters and EBITDA also at the same level, we



are expecting so in and all further growth is there but let me clarify let us see in FY2016 we had a profit of Rs.86 Crores from that level, we have been anticipating that there will be 15-20% growth every year, but in last year itself there was a growth of more than 35% so this year is a kind of stabilizing year we are not expecting much growth. It maybe more or less flattish but from next year once again a good growth will be there.

Saravanan V: Thank you all the best.

Moderator: Thank you. Last question is from the line of Saurabh Mehrotra, who is an Individual Investor. Please go ahead.

Saurabh Mehrotra: Thank you for taking my question. The first question is between Vinyl Sulphone and H-Acid what would be the margins for those two products, I mean are they were same or one is giving you a high margin? The second question is last year we saw that the lot of Chinese companies had shut down and so that reason the H-Acid prices have gone up so are we seeing that the Chinese capacities are coming up. I believe they are coming up slowly but they are not selling too much to the outsiders, it is more for in-house consumption could you throw some light on that part? How do we visualize that situation in the future in case no capacities come up or when do we visualize those capacities coming up?

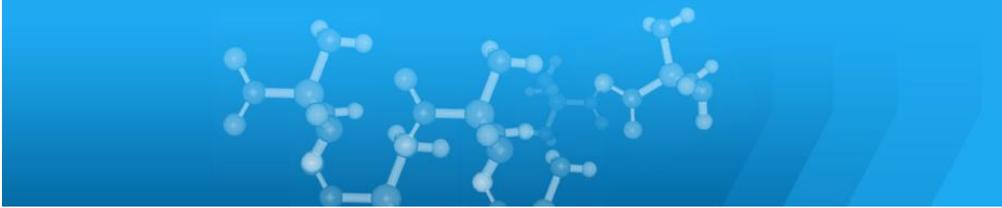
Mayur Padhya: As far as your second part of the question is concerned in China there has been some closure of the capacity but they were not at all a permanent closure mainly for the unit they need to close down the unit till the time they establish affluent treatment plant and start following the norms which have been finalized by the government so slowly and gradually all Chinese facility has once again started and there is no major shutdown that is there at present but because of certain disadvantages rather the advantages they were enjoying earlier they are not there that is why for Chinese companies to go further in this production of Dye Intermediate is very less likely and that is how Indian manufacturer has become competitive and further growth in India is very much possible and anticipated. As far as the part of your question is concerned in last year we can say three four years H-Acid and Vinyl Sulphone has given a very good EBITDA margin that was even up to 18-20% but presently as I mentioned earlier since last seven month or so the prices of both these products are stabilized and there is a reasonable margin of about 15% or so that is available when we consider at standalone level.

Saurabh Mehrotra: My question was on the margin same for both the products are high one is giving you more margin one is giving you less something on that.

Mayur Padhya: No more or less same.

Saurabh Mehrotra: Thank you.

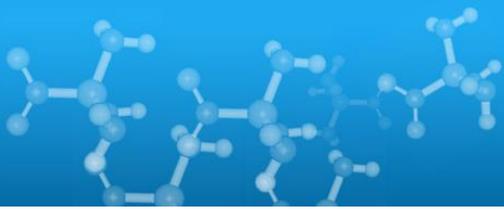
Moderator: Thank you very much. We will take that as the last question. I would now like to hand the conference back to the management for any closing comments.



Mayur Padhya: Thank you very much for joining in conference call. If anybody's question has remained unanswered, you can call directly to us we will be happy to answer that. Thank you very much.

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

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Note: This transcript has been edited to improve readability

Mayur Padhya
Bodal Chemicals

mayur@bodal.com
+91 79 2583 5437

Ajay Tambhale
Churchgate Partners

Bodal@churchgatepartners.com
+91 22 6169 5988

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