

06.08.2025

To,
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Bandra (East) Mumbai 400 051

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

SYMBOL:- EPIGRAL

Scrip Code: 543332

Dear Sirs,

Sub.: Transcript of Conference Call held on Monday, 4th August, 2025
for Q1 FY26 – Results

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith Transcript of Conference Call held on Monday, 4th August, 2025 for Q1 FY 26 – Results.

The said Transcript is also available at www.epigral.com in the Investor Relations section.

This is for information and records.

Thanking you,

Yours faithfully,

For Epigral Limited

(formerly known as 'Meghmani Finechem Limited')

Gaurang Trivedi

Company Secretary & Compliance Officer

M. No. A22307



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“Epigral Limited
Q1 FY '26 Earnings Conference Call”
August 04, 2025



MANAGEMENT: **MR. MAULIK PATEL – CHAIRMAN AND MANAGING
DIRECTOR – EPIGRAL LIMITED**
**MR. KAUSHAL SOPARKAR – EXECUTIVE DIRECTOR –
EPIGRAL LIMITED**
**MR. SANJAY JAIN – CHIEF FINANCIAL OFFICER –
EPIGRAL LIMITED**
**MR. MILIND KOTECHA – INVESTOR RELATIONS –
EPIGRAL LIMITED**

MODERATOR: **MR. MEET VORA – EMKAY GLOBAL FINANCIAL
SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Epigral Limited Q1 FY '26 Earnings Conference Call hosted by Emkay Global Financial Services 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 this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

With this, I now hand the conference over to Mr. Meet Vora from Emkay Global Financial Services Limited. Thank you, and over to you, sir.

Meet Vora: Thank you. Good evening, everyone. Thank you for joining us on Epigral Limited's Q1 FY '26 Results Conference Call. We would like to thank the management for giving us this opportunity to host them.

On this call, we are joined with Epigral's management represented by Mr. Maulik Patel, Chairman and Managing Director; Mr. Kaushal Soparkar, Executive Director; Mr. Sanjay Jain, Chief Financial Officer; and Mr. Milind Kotecha, Investor Relations.

I would like to invite Mr. Maulik Patel to initiate the proceedings with his opening remarks, post which we will have an interactive Q&A session. Thank you, and over to you, sir.

Maulik Patel: Thank you, Meet. Good afternoon, everyone, and welcome to the call to discuss Epigral's quarter 1 FY '26 performance. I believe you had an opportunity to view the earnings presentation that was released earlier on Saturday.

Chemical industry is on the growth path, but a slower pace. Volatility was witnessed in quarter 1 FY '26 and is expected to continue on account of uncertainty on tariffs from the U.S. and also because of the geopolitical situation. However, domestic demand remains strong compared to the global demand.

In the quarter ended June 2025, we had a revenue degrowth of around 6%, mainly on account of decrease in volumes due to the maintenance work happening at the plant and which will end by end of this quarter. We expect optimum utilization to start by end of quarter 2 FY '26 and also because of the early monsoon.

Hence, we believe that second half of FY '26 will be better compared to first half of FY '26. But even in this situation, we were able to maintain our EBITDA margin of 27% on account of maintaining our efficiency level and because of a better product mix.

Revenue contribution from the derivatives and the specialty business stood at 50%, and we expect this contribution to increase in coming years, along with the commissioning of reaching optimum of announced capex projects.

Our capex projects of doubling capacity of CPVC resin and Epichlorohydrin plant and 19.80 megawatt of wind and solar hybrid power plant are moving as per the schedule and are expected to be commissioned within the time line and budget announced.

We expect this to strengthen our diversification and reach to a 70% revenue contribution from the derivatives and specialty business. This expansion, along with Chlorotoluene value chain, which got commissioned in March 2025, are expected to drive growth in FY '27 and FY '28.

The Chlorotoluene value chain plant was commissioned in March 2025 and products are at various levels of approvals with customers. We expect to generate sizable revenue from this by the end of this financial year. Our quarter 1 FY '26 P&L numbers include depreciation and interest on the Chlorotoluene value chain project without much contribution to the top line and bottom line.

As mentioned earlier, we have also ventured into 19.80 megawatt of wind solar hybrid power plant. Once it is commissioned, our total plant capacity will reach to 38.14 megawatts as a hybrid power plant. Approximately 15% of total energy requirement will be met through green energy contributing towards the environment by reducing carbon emissions.

On the future capex side, we are focused and working on 2 major things. First, in the current complex, even after CPVC and ECH doubling expansion, we will be left with a land parcel where we are evaluating a project to further strengthen our integrated complex and optimize on the infrastructure that we have invested.

This project is at the evaluation stage, and we will announce details once it is freezed and approved by the Board. Second, as we have conveyed earlier, we have bought around 100 acres of the land in Dahej, just 1 kilometer away from our existing complex for expansion and growth for the next 7 years. At this new land, we are also evaluating new chemistry to have the next leg of growth beyond 2028.

This new chemistry will be in line with the company's strategy, import substitution product where demand is expected to grow in double-digit percentage for next 10 years or so, and we can generate good ROCE.

We have been working on this since long, and we are closer to finalizing the same and maybe in the couple of quarters, we will announce, once it will -- it is freezed and approved by the Board. In line with this plan, our team is focused and geared up to move forward in our direction of scalability and profitability, strengthening our integration and creating value for our stakeholders.

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

Sanjay Jain:

Thank you, Maulik. Let me take you through quarter 1 numbers. Our overall plant utilization stood at 73% versus 76% in previous quarter. On a year-on-year basis, revenue dropped by 6% to INR615 crores. This is mainly on account of lower volumes in quarter -- lower volumes.

Revenue contribution from Derivative and Specialty business stood at 50% against 53% in quarter 1 '25. But as mentioned earlier, we expect to reach to 70% by FY '28. EBITDA and absolute value dropped by 7% to INR163 crores. However, despite the lower utilization and decrease in volume, company is able to maintain EBITDA margin at 27%, and this is on account of operational efficiency.

Till March '25, company was in old tax regime considering the benefit which were available such as additional depreciation, benefit of API and MAT credit entitlement. On completion of MAT credit available, company has reassessed its long-term growth strategy and consequential tax implication and shifted to new tax regime of 25.17%.

This reduction of tax rate by 10% not only led to tax savings, but also improved profit after tax and EPS going forward. With shifting to new tax regime, the provision of credit deferred tax liability has onetime credit of INR81 crores, thus resulted in increase in PAT to INR160 crores in quarter 1 FY '26. If we exclude this onetime credit, the PAT stood at INR79 crores.

As such, the PAT margin increased to 26% in quarter 1 '26. In case if we exclude the onetime credit, the PAT margin remained almost at the same level of 13%. As mentioned earlier by Maulik, in quarter 1 '26, the PAT has also been impacted on account of interest and depreciation expenses of chlorotoluene project as the project is yet to contribute to top line and bottom line in a sizable manner.

ROCE grew to 24% as of 30th June '25 versus 21% as on 30th June '24 due to improvement in earnings. Our net debt to EBITDA reduced to 6.06x as on 30th June '25 versus 1.6x as on 30th June 2024. This is mainly on account of reduction in net debt. In quarter 1 2026, company has spent almost INR122 crores for ongoing expansion of ECH and CPVC.

With this, we can now open the floor for questions.

Moderator: Thank very much. We will now begin the question and answer session. The first question comes from the line of Nirav from Anvil Wealth.

Nirav: Sir, I have a few questions to ask. Sir, first is on the ECH. So out of our total ECH volumes, how much would be on spot and how much would be on contract?

Maulik Patel: So ECH, it's running at almost 70% to 80% capacity plant. The exact contract and how much those details we are not able to disclose at this point of time.

Nirav: Yes. Sir, one more thing here, like when we see the ECH prices, which have recently strengthened. Sir, two things here. One, possibly we are using the crude glycerin for our refined glycerin plant and then converting to ECH.

But when we see the delta in terms of the crude glycerin, the prices have gone up more than what we have seen the prices of refined glycerin going up. So any particular reason for the same why such discrepancy in terms of the prices between the crude and the refined one?

Maulik Patel: Sir, crude and refined, I think both are moving in the tandem only. So when the crude is increasing, the refined is also increasing in the same line. There is no differentiation in terms of the price to go up. But yes, you are right that the price of the glycerin has gone up recently, and that was because of -- it is because of I think the demand in the biodiesel is not picking up and the production of the biodiesel is slightly lower compared to the past.

People are moving -- all the countries are moving to increase the biodiesel in their sustainability program compared to the diesel -- normal diesel, but that is not moving as the speed of biodiesel capacity is coming up.

So -- but going forward, definitely, country like Indonesia, Malaysia, Brazil, they are moving - increasing the percentage of blending with normal diesel. It is increasing on year-on-year basis. So in the future, we believe that we will have more biodiesel -- the glycerin coming in the future. But yes, you are right that this year, yes, because of the supply-demand issue, there is a high glycerin crude oil and the refined glycerin prices moving ahead, yes.

Nirav: Got it. So that could be the only reason why ECH prices have been moving up or are there any plants which have been under shutdown and because of which we have seen the strengthening in the ECH prices?

Maulik Patel: So globally, if you see the propylene based ECH capacity is shutting off. That's why the new -- all new capacities are all glycerin-based. And that is the demand of glycerin is also increasing. And the same time when normally the global economy is doing good, the normal glycerin consumption in other applications other than the manufacturing as a raw material that is also moving up in the consumer products.

So when the country's economy is doing like U.S. numbers are great, and they are doing great. So they are importing -- compared to the previous year, they are importing more glycerin in this financial year. So that kind of things are affecting the overall glycerin price.

Nirav: Correct. And sir, normally, like it is difficult to differentiate between the spot and the contract volumes for ECH. But normally, when we enter into contracts with the customers, are they 1-month contract or they are slightly a prolonged one in terms of pricing?

Maulik Patel: In terms of prices are -- it's on the monthly or the quarterly basis, but the volume contract is on the yearly basis.

Nirav: Got it. Got it. Sir, second question is on the Chlorotoluenes. You mentioned that we have already commissioned the plant. And possibly by end of this year, we could see the products or the volumes ramping up based on the various products in between we have on the Chlorotoluene chain.

So just wanted to understand from you like excluding interest and depreciation, if we take our fixed cost for the entire complex on a base of 100, how much fixed cost would have gone up with the commissioning of Chlorotoluene?

Milind Kotecha: See, in terms of that, this is every year going to happen whenever we commission any plant, there will be a cost by the time we reach the optimum for that particular plant. So it's difficult to give a specific number for this particular project and how much it would be there in the P&L and how much it will be not once we reach the optimum.

Nirav: Correct. Got it. And sir, last question is on the ECU. So if you can just highlight what was the ECU realizations for this quarter? And how much was chlorine negative?

- Milind Kotecha:** So the ECU was around 34,000, 35,000 and the chlorine was somewhere around minus 5,000.
- Nirav:** Perfect. Sir, just a follow-up here, like if you mentioned ECH capacity at 70% to 80%. If you can just separately give us for peroxide and caustic, that would be very helpful.
- Milind Kotecha:** So caustic utilization is somewhere around 70% to 75% and hydrogen peroxide is running at 100%.
- Moderator:** The next question comes from the line of Jatin Damania from Svan Investments.
- Jatin Damania:** Just carry on to the earlier participant question in terms of ECU. Sir, what is the current scenario when you compare with the ECU and chlorine prices when you compare with the last quarter?
- Milind Kotecha:** So compared to the last quarter, ECU has been INR1 here and there. So it's not a major move. But compared to -- if you see in the last quarter, and it is higher by maybe 2% kind of thing. So it's not much more. It keeps on revolving around INR32,000, INR33,000 kind of thing.
- Jatin Damania:** And in last quarter, if you look at our overall capacity utilization was lower at around 70% to 75%. So I understand there could be a maintenance shutdown. So is this maintenance shutdown -- I mean, the cycle is completed or we would see some sort of subdued utilization in the Q2 as well?
- Milind Kotecha:** So it has been in the same range what it was -- what it is in the Q1. So that will -- as Maulik earlier specified in the opening remarks, the maintenance work will be majorly completed by end of this quarter. So maybe Q3 onwards, we will get the optimum utilization of the caustic soda. And that's where we have said that H2 will be much better than H1.
- Jatin Damania:** Sure. And on the chlorine consumption front, now we have already started -- commissioned the Chlorotoluene. So definitely, the benefit will come in the second half, the major benefit. So just want to understand in terms of the chlorine consumption, captive consumption, which is 76%, which was last year, what would be the optimum chlorine consumption once the Chlorotoluene comes in place?
- Milind Kotecha:** So what I understand is you are asking about the chlorine consumption. So chlorine has been in similar range around 75% captive consumption. But down the line, as we will be expanding in CPVC, CCH, that percentage will go up.
- Maulik Patel:** Just to answer your question, the Chlorotoluene, in terms of capacity, in terms of chlorine consumption is almost negligible compared to the plants of Epichlorohydrin and CPVC and the Chloromethanes.
- Moderator:** The next question comes from the line of Rohit Sinha from Sunidhi Securities.
- Rohit Sinha:** One question is on PPT, you have mentioned about looking for a new chemistry. So can you just elaborate on what kind of chemistry we are exploring now? And what's the timeline which we are expecting to be breaking through?

- Maulik Patel:** Yes. So Rohit, we are right now evaluating the project. So as I mentioned, we are evaluating one more project in the existing site also to make our entire integrated complex much stronger. And that will be, I think, the last project at this site. And then we are also working on the similar line, much bigger size of project on the new land. But once the Board will approve, then only we are able to discuss probably in the next -- in the quarter 2 or quarter 3.
- Milind Kotecha:** Rohit, just to add to what Maulik said, it is the new land, the new project will be into the similar lines of what we have done in terms of import substitution product where the demand is expected to grow in a double-digit percentage, maybe 12% to 13% CAGR for next 10 years and where we can generate a good ROCE.
- So similar to what we have done in our import substitute products like ECH and CPVC. So again, as Maulik said, it's still in the working stage. It's -- but soon in a couple of quarters, we will announce.
- Rohit Sinha:** Okay, got it. Secondly, on the CPVC side, just wanted to know what's the scenario right now given the ADD on PVC, how we are looking at this segment? And how is the price movement there?
- Maulik Patel:** So Rohit, currently, the CPVC price realization is also lower because of the same time, the PVC price has also gone down. So yes, it is like in glycerine and the ECH, the price is moving in tandem when the raw material price increase also the finished good price. Same time in the CPVC, PVC price has gone down.
- That's why the CPVC realization has also gone down. But after antidumping duty, I don't think so it is going to be the major change in India in terms of the price because of the global demand is lower in terms of the PVC. Definitely, the India's demand is very high, but the global demand is still on the downside, yes.
- Rohit Sinha:** Okay. Got it. And just one clarification, sir, I think I missed the number. Our caustic plant was operated at 73% in this quarter. How much right now we have achieved after 1 month? And what kind of level we are expecting for the Q2?
- Maulik Patel:** Yes. So Rohit, every 8 years, we have to do major change in the membranes and the coatings of the electrolyzers. So that process is going on in the site right now, so which will end up by end of September. And probably from quarter 3 onwards, we are able to run at higher capacity.
- Rohit Sinha:** Okay. And just if you can share the capex and debt numbers for FY '26, '27, which we are looking at?
- Milind Kotecha:** FY '26, the debt number should be -- I mean, the net debt number should be in the range of around INR600 crores to -- INR600 crores kind of thing. And the capex, as we have said, this year, we'll be spending around INR450 crores. So out of that, we have spent around INR120 crores, so balance will be spent in 9 months. And again, next year, the capex will be in the same range, around INR400 crores -- INR400 crores, INR450 crores.
- Moderator:** The next question comes from the line of Kautuk Yemdey from Axanoun Investments.

- Kautuk Yemdey:** I just had a couple of questions. Can you give me the utilization levels for the Chlorotoluene plant for this quarter?
- Milind Kotecha:** Sorry?
- Kautuk Yemdey:** The utilization levels for the Chlorotoluene plant?
- Milind Kotecha:** It's still at the trial stage. I mean, in terms of the products that are getting out and we are at the approval stage with the customers. So it's difficult to give any number in terms of utilization. It's too early.
- Kautuk Yemdey:** Okay, sir. Understood. And the last question is what is the competitive intensity that you are anticipating in the next couple of years?
- Milind Kotecha:** Sorry?
- Kautuk Yemdey:** Sir, competitive intensity.
- Moderator:** Sir. Sorry to interrupt. May I request you to use the handset?
- Kautuk Yemdey:** So what is the competitive intensity you are anticipating in the next couple of quarters?
- Maulik Patel:** So this is a trial production and the samples we have given to the customers. Once they will approve, it will give us a trial order. And once the trial order will be given, then the commercial order will be converted. So this cycle will take some time. So we are expecting by quarter 3 -- end of quarter 3, I think we are able to done with this and the commercial run at a full -- an optimum level we can able to run from the quarter 4 onwards.
- Kautuk Yemdey:** I was asking about the competitive intensity that you are anticipating and the existing...
- Milind Kotecha:** As of now, we are the only player in India. And yes, there are players who have announced. But as of now, we have not seen anything on the ground. So once it comes, it will be clear. But considering the way India is growing, there is going to be a good demand in this particular segment as the agrochemical and the pharmaceutical segment improve further.
- Moderator:** The next question comes from the line of Jyoti from Samco Mutual Fund.
- Jyoti:** My question is regarding ECU realization. Like does this include flakes and hydrogen utilization realization as well while calculating utilization?
- Milind Kotecha:** So ECU realization includes the sales value of caustic soda minus chlorine price.
- Jyoti:** It does not include flakes. It means.
- Sanjay Jain:** Sorry, does not include?
- Jyoti:** Flakes -- flakes and hydrogen?

- Maulik Patel:** No. Flakes is converted to 100% in the liquid form and it is -- indirectly flake quantity and ECU is converted, yes.
- Jyoti:** And like how much is the proportion in that?
- Maulik Patel:** So currently, our capacity is what we produce in the liquid. We have a 20% capacity converted into the flakes.
- Jyoti:** Okay. And what about hydrogen? Hydrogen is included in ECU utilization? Hydrogen...
- Maulik Patel:** No, hydrogen is also not included in the ECU, yes. See ECU is a global term derived for only caustic soda and the chlorine.
- Jyoti:** Okay. And my second question is regarding captive consumption of chlorine. As you said, it is 75%. Then how much is the pipeline sales included in 75%?
- Maulik Patel:** So when we say 75%, that is including the pipeline customers. Yes.
- Jyoti:** So how much is pipeline?
- Maulik Patel:** Yes, 20% to 25%, yes.
- Jyoti:** Okay. And my last question is regarding that you have mentioned that we have entered into energy supply agreement. So how much like power we are expecting from this agreement?
- Maulik Patel:** So it is 19.8 megawatt as a hybrid power. It means 19.8 megawatt is solar and 19.8 is windmill. So in terms of total wind and solar together is 36 megawatt -- 38 megawatts, but it is considered as a 19.8 hybrid policy. So this is -- earlier also, we have done the similar size and this we are adding. So total hybrid capacity has become almost 38 megawatts.
- Jyoti:** Okay. And 38 is at peak, correct?
- Maulik Patel:** At this moment of time, on this site, yes, 38 megawatt is considered as a peak.
- Milind Kotecha:** Future requirements we'll be getting through wind solar only.
- Maulik Patel:** Yes. So now no longer we are going to add a coal-based power plant in our premises and as well as in the new site also. So mostly, we will do it in the future also in the wind and solar hybrid only.
- Moderator:** The next question comes from the line of Pratik Oza from Systematix Group.
- Pratik Oza:** Sir, my question is on Chlorotoluene value chain and its go-to-market strategy. So will we be initially leading with less complex, higher volume intermediate to secure faster customer approval or our focus will be towards more complex, higher-margin derivatives from the outset? So I mean that would be a more deliberate ramp up? Just wanted to understand that.

- Maulik Patel:** So Pratik, we are starting with a basic molecule only right now. But yes, definitely, we are working on the higher derivatives also. And going forward, we eventually we will convert into the value-added chemistry only from this value chain.
- Pratik Oza:** Got it. And sir, in the previous call, you mentioned about the membrane replacement for the caustic soda plant. I guess it is completed in May. So in 2Q -- from 2Q onwards, we will be seeing a higher operational efficiency, right, from the caustic soda plant perspective?
- Maulik Patel:** Yes, that's right.
- Pratik Oza:** And if you can give how much reduction can we expect in terms of power consumption per tonne of ACU because of this membrane replacement?
- Maulik Patel:** See, it is -- the entire plant is not on the maintenance side. So some of the plants -- so we keep changing -- some of the elements that keep changing on every 4 years. So half the plant is on the completely new, half the plant is on the moderate level.
- So every -- average out, I think it remains the same level. I don't think so it will add certain things. But because of the efficiency point of view, you have to keep changing this in every 8 years. But average, overall, I think our consumption will remain more or less in a similar manner.
- So by the time it will -- new will start with a better efficiency and better energy consumption, another -- the plant which is running currently, which will become older. So that will have a higher consumption. So the way the people are operating globally.
- Milind Kotecha:** So on an average, we are at currently efficient only.
- Moderator:** The next question -- the next follow-up question comes from the line of Nirav from Anvil Wealth.
- Nirav:** Sir, one question on the power side. So if you can help us explain like what would be our total requirement of power considering our 75% capacity utilization. I think in last of the interaction, you mentioned that it was close to around 130, 140 megawatts. So if you can just let us know the total requirement of power currently? And let's say, once Chlorotoluene's ECH expansion and CPVC also comes through, what will be our peak power requirement?
- Maulik Patel:** So peak power requirement will not increase -- so it is including the captive power plant -- captive power consumption also, our power requirement will not increase more than 135 megawatts from this complex.
- Nirav:** Got it. So what would it be currently, sir, if you can highlight?
- Maulik Patel:** Currently, that number, I don't have it in my head. Yes.
- Nirav:** Got it. Got it. And sir, you mentioned that the additional wind hybrid would be available to us from 1H of FY '27. So total would be close to around 38. So what sort of PLF we should take

on this 38 megawatt? Or this is the peak load which we could achieve and 38 megawatt is the contribution to be available from these projects altogether?

Maulik Patel: So normally, in the solar and wind, you can consider almost 50% is a factor -- is a reasonable factor based on the current in Gujarat. So we can consider almost 50% efficiency from this total hybrid power plant capacity. And...

Nirav: And rest would be available from our captive coal-based power plant?

Maulik Patel: Rest will be available from captive power plant, and we also do buy government power also. From grid.

Nirav: Got it. Sir, just a follow-up on the chloromethane. So what was the utilization for our Chloromethane's plant in first quarter?

Maulik Patel: 100%.

Moderator: The next question comes from the line of Rohit Nagraj from B&K Securities.

Rohit Nagraj: The first question is on Chlorotoluene. So in terms of -- I mean, we'll be utilizing the capacity eventually optimally. But have we faced any teething problems or it is just a normal process of increasing the capacity over the next few quarters?

Maulik Patel: Sorry, Rohit, can you repeat your question? We missed it.

Rohit Nagraj: Yes. So we will be increasing the capacity over the next few quarters at optimal level, right? So have we faced any teething issues or it is just a course of action that slowly we will be increasing the utilization level?

Maulik Patel: So normally, we are running at 80% capacity because we are not able to increase the capacity so far in the chlorine and caustic capacity because of the chlorine is a limitation. That's why we entered into the chlorine derivatives, and we try to remain increase our capacity, how we can remain efficient. So probably once our expansion of ECH and CPVC will be over, we are able to run much better efficiency than the 80%. That was the target what we have.

Rohit Nagraj: My question is slightly different. In terms of Chlorotoluenes, have we faced any teething trouble and that's why we are going slowly? Or is it just a normal process that we start with 10%, 15% and eventually over a quarter -- few quarters, we will reach to maybe 70%, 80% utilization?

Maulik Patel: No, no. It is not because of that. That is the normal way because downstream pharma and agro customers, they don't approve like the other products which get approved in the shortest span of time, so which takes time for the approval. And that is the cycle which need to set and then only you can reach to optimum capacity.

And that will take time. Even though the samples are approved, trials are approved, then to reach to a commercial level quantity on a continuous basis that the vendors also need to have a confidence we are able to supply the same quality consistently. And then only they transferred

slowly and gradually the volume to the domestic level compared to the import. Till that time, people continuously import. Yes. So this is a cycle only in this segment.

Rohit Nagraj: Got it. And second question, in terms of the Chlorotoluenes products that we are likely to manufacture, which particular markets will be displaced where it is coming from? Is it predominantly China? Or are there any other areas or other countries from where currently these products are being substituted?

Maulik Patel: So there is one plant in Japan and one plant is in Europe also -- a couple of plants in Europe. And the remaining everything, all capacity is coming in China. So -- but European capacities are not running full and the European manufacturing are in trouble already in this chemistry. Japanese, we heard that, that is also running at a lesser capacity. So mainly, you can consider that is negligible volume coming from other than China, yes.

Rohit Nagraj: And one just last bit. In terms of the newer chemistry or platform that we are targeting for new site, are we again looking at the same kind of user segment or user industry? Or will we be looking at some new user industries than currently which we are serving?

Maulik Patel: So new site, which -- it is going to be completely different. It is not going to depend on our existing customers or existing site, no. It is going to be completely different value chain. So yes, it is not going to be the same users or same customer base, yes. It might be overlapping some of the customers. But as a segment-wise, I think it is going to be completely different on the new side, yes.

Milind Kotecha: It will further diversify in terms of our all product portfolio put together.

Moderator: The next follow-up question comes from the line of Jyoti from Samco Mutual Fund.

Jyoti: We have seen that Adani and Reliance is going to come with a bigger capacity in financial year '27. So what we are expecting regarding chlorine prices, it will go further down?

Maulik Patel: So chlorine, they are -- I think they are converting most of their chlorine into the PVC. So I don't think the chlorine -- that chlorine will come in the market.

Jyoti: And what about lye?

Maulik Patel: Lye, they are able to -- mostly they will come in the market, and they will be mostly they are focused on the export market as this is -- they will produce in the liquid and majority in the bulk, and they are near to the port area, both the location, they will target mostly the export market, Southeast Asia or the global market, yes.

Moderator: The next question comes from the line of Shubhanshu, an Individual Investor.

Shubhanshu: There's a higher interest cost on this quarter. What is the primary reason behind that? And will this be the normal going forward on the INR600 crores net debt that we have?

Sanjay Jain: Shubhanshu, yes, you have correctly observed. Interest cost has gone up in this quarter compared to previous quarter, but this is mainly on account of the negative impact of mark-to-

market provision. That is in the tune of around about INR10 crores to INR11 crores. If we ignore that, our interest cost is compared to previous quarter has gone down by almost INR1 crores or something like that.

Shubhanshu: So these derivatives and hedging, is it on forex or on interest rate hedging where we have received such loss?

Sanjay Jain: This is -- we enter into the interest rate swap derivatives. So this is against that.

Shubhanshu: Okay. So this should not be really expected going forward because -- if interest rate regularized?

Sanjay Jain: It maybe remain the same level, but it may depend on the -- along with the currency as well as the interest rate, how it is going to move forward.

Milind Kotecha: Yes. So it will get -- I mean, maybe on this level or it might actually give a gain in the next quarter because of mark-to-market because if you see our Q3 FY '24, FY '25, where we had actually zero interest, but there we got the mark-to-market gain. So overall put together, it will be -- it's just a mark-to-market, whereas our interest expenses in the range of the year put together would be in the range of INR45 crores.

Shubhanshu: For the entire year, I should look at. So you're saying I should look at the entire year and the entire year should be -- should remain constant. In some quarters, there might be gain in some quarters, there might be loss.

Milind Kotecha: Yes.

Shubhanshu: Sure, sir. And can you tell us how much from the Chlorotoluene plant, right, in the quarter 4 FY '26, how much revenue can we expect when you are saying it will start -- we might start getting commercial orders by then?

Milind Kotecha: So commercial orders, I mean, it's on the trial side. As we discussed earlier, the sizable level revenue should start from the Q4 onwards. So I guess it's too early to give you exact number. Maybe Q4, we'll be able to provide more clarity.

Shubhanshu: Sure, sir. And in the R&D center that we have inaugurated some 2 years back, is it primarily being used for the Chlorotoluene chemistries or for all the chemistries that we have?

Milind Kotecha: It is for both the things because in Chlorotoluenes also, there is -- I mean, we are already going 2 levels down in terms of the reactions at the plant. We are further working on the downstream of the downstream that we are going to do at the plant. So the R&D is working on that as well as there are further molecules in the specialty segment where the R&D is working. So it's for both.

Shubhanshu: Got it, sir. And -- so can you be utilize the same R&D center when, let's say, you were talking about some newer chemistry might be coming up. So will that be feasible there or not at this stage, we cannot say?

- Milind Kotecha:** So that way, we have kept the provision in terms of the space at the R&D center, and we have created that kind of infrastructure where we can do further new chemistries as well in the current R&D.
- Shubhanshu:** Sure, sir. Just one last question. You mentioned about the pipeline customers for chlorine. Who are these pipeline customers? Is it being sold in general market? Or is it our sister company?
- Milind Kotecha:** So there are various companies. There are the -- I mean, the Meghmani company as well as well as there are other companies who are next to our plant where we provide chlorine through pipeline.
- Moderator:** The next question comes from the line of Dhviti from Molecule Ventures.
- Dhviti:** Yes, Sir, I had questions regarding the CPVC. So the current demand scenario is a bit sluggish and one of our competitors have started their production facility. So in the coming quarters, do we feel that there will be impact on our realization?
- Milind Kotecha:** So realizations of the CPVC moves in line with the PVC prices. So as of now, we don't see that. But currently, there is a monsoon season. In fact, the monsoon started earlier in this year because of which there is a bit sluggish in the demand, but we expect that to -- I mean the demand should start from the Q3 onwards once Diwali starts. So as of -- I mean, we don't see major impact on the demand side. It's just the monsoon because of which there is a bit slow demand as of now. It will pick up once the monsoon ends.
- Dhviti:** Okay. And sir, this ADD on PVC, will this have any impact on our EBITDA margins?
- Maulik Patel:** So that will be applicable for all the manufacturers. Eventually, yes, it is. It will impact the CPVC pricing as well. So as Milind has mentioned, it will move in tandem with PVC price. So CPVC price will also increase.
- Milind Kotecha:** Yes. So that will not impact our EBITDA margins in that way.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.
- Milind Kotecha:** In conclusion, I would like to convey that we are moving in line with our strategy for our expansion plans and diversification in terms of multiproduct catering various industries. We are targeting consistent growth. I would like to thank all for joining us here today. Thank you, everyone, for the participation.
- Moderator:** Thank you very much. On behalf of Emkay Global Financial Services Limited, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.
- Sanjay Jain:** Thank you.