

DCW Limited
Earnings Conference Call
February 15, 2023

Moderator: Ladies and gentlemen, Good day and welcome to the Investor Call of DCW Limited hosted by Dickenson World. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone telephone. I now hand the conference over to Mr. Rahul Jaju from Dickenson World. Thank you and over to you, Sir.

Rahul Jaju: Thank you. Good evening everyone. A very warm welcome to everyone present here for the Investor Concall of DCW Limited. I would like to remind you that today’s remark might include forward-looking statements and actual results may differ materially from those contemplated by forward-looking statements. Any statements we may make on this call today are based on our assumptions as of the date and we have no obligation to update this statement as a result of new information about future events. Today we have with us the management of DCW Limited represented by Mr. Saatvik Jain – President of DCW, Mr. Sudarshan Ganapathy – COO of DCW and Mr. Pradipto Mukherjee – CFO of DCW. I would now like to invite Mr. Saatvik Jain to make his opening remarks. Over to you, Sir.

Saatvik Jain: Thank you, Rahul. Good evening everyone and welcome to DCW’s Quarter 3 FY23 con call. Thank you all once again for joining us today. We will start today’s call with a brief on the company’s performance of the last quarter and then move on to some of our new initiatives. We hope all of you have gone through our press release and investor presentation that has been uploaded on the exchanges and our website. To begin with, we are happy to say that DCW has reported strong numbers for Q3 and the 9 months that ended FY23. Even on the back of severe volatility in the chemical space and global inflationary pressures, revenue and EBITDA for the 9 months have increased 17% and 47% year-on-year respectively. DCW is blessed with a diversified and balanced portfolio of specialty and commodity chemicals that help in achieving this. Our specialty chemicals continue to deliver stability in earnings with EBITDA growing by 35% year-on-year for the 9 months ended FY23. We expect the year to close with specialty chemicals contributing around 27% to our EBITDA.

On the other hand, our commodity chemicals business also added to the company’s growth momentum in the 9 months with EBITDA growing by 57.5% year-on-year. As a specialty segment gives us stability and consistency, the commodity business gives us additional bandwidth to play on favourable market dynamics. Over the past couple of years, the

company has garnered the benefits of this strategic combination. FY22 was a good year for PVC while FY23 has been favourable for caustic soda and soda ash until now. As mentioned at our last interaction, we continue to invest in specialty chemicals that will further strengthen our portfolio. Our two projects which are the additional 10,000 tons of CPVC and line balancing CAPEX on SIOP are underway. Progress is being monitored closely and both are around 50% completed as we speak. We are trying our best to have these projects fast-tracked and hoping for completion before the second half of FY24.

Also, to add to our new initiatives we are exploring possibilities of replacing some of our energy requirements with renewable power which drives our awareness of a sustainable future and making efforts to reduce our carbon footprint. Additionally, we have also set up an internal committee to drive operational efficiency at our plants to unlock additional value from our existing businesses. To touch briefly on each of our products, CPVC has been a consistent player in our portfolio producing at maximum capacity and running a backlog on the order book. The market also continues to be strong and is growing. We are eagerly waiting for our new capacity to kick in to meet the demand from a customer and maintain our first mover advantage.

Coming in to SIOP, the management's consistent efforts have led to a positive turnaround of this division with consistent improvement in capacity utilization. This has improved to 74% in Q3 from a mere 20% in FY20. For the 9 months, it is reported that this division has had revenue growth of 62% year-on-year and an EBITDA growth of a staggering 300% year-on-year. On the commodity business, the caustic soda and soda ash divisions have outperformed our overall results for Q3 FY23 that is thanks to the better market dynamics and the company strategy of strategic decisions of tying up with clients at appropriate times. Global disruption has also kept prices favourable in this quarter while soda ash realization continues to remain firm. We are seeing a significant reduction or softening of prices of both caustic soda and synthetic Rutile which comprise the caustic soda division.

Moving on to PVC- as you may have observed, PVC prices have been on a roller coaster ride over the last two years. FY22 has witnessed an extremely favourable market while FY23 began with softening of the same. Towards the end of Q3 we finally saw a recovery of the free fall in realization and it is now expected to be favourable as we speak. The stability of pricing is now showing an improvement in the demand situation for this product. To touch briefly on our financing efforts the refinance of our high-cost debt at the end of Q2 has started yielding results. Finance costs have seen a significant reduction of almost 29% year-on-year in Q3 FY23. This has given an additional boost to the company's growth momentum. The company expects a further reduction next year which we expect would be around a 45% to 50% reduction of the FY23 finance cost numbers.

With this, I will hand it over to Pradipto Mukherjee, our CFO, to detail our performance and then we can take on some questions. So, over to you, Pradipto.

Pradipto Mukherjee:

Good afternoon everybody. Thank you Saatvik and I would like to welcome everyone to the Q3 Earnings Call for DCW. Before we move into the specifics of Q3 performance, I would like to take this opportunity to put forward some broad financial trends for the company. Considering the quarter finished, it is evident that for four quarters in a row DCW has achieved and maintained an operating EBITDA of above 100 crore. The phenomena started at 100 crore plus from Quarter 4 of last Fiscal FY22 operating EBITDA. So if we talk about our last Fiscal, the operating EBITDA for the company was 330 crore for the entire year and that is the best performance in the history of the company. Just to touch upon that the performance for This fiscal achieved an operating EBITDA of 340 crore which is 10 crore more than our annual EBITDA achievement for last year.

Coming to the interest cost as Saatvik has already mentioned for this quarter, our interest cost is around 19.5 crore which is the lowest in many quarters. We have returned to the interest level which we used to service FY17. This is predominantly because of the refinancing activities of KSSF debentures which we did last quarter.

Coming to the specifics of the quarterly performance, we will start with the revenue. The revenue for the quarter was around 580 crore which is 17% lower than the last quarter, and 12% lower than Q3 of last year. The PVC division has been the major cause for the reduction in the top line in Quarter 3. The PVC production & sales for this quarter compare to the earlier quarters which is been compared - it was lower by 20% which is at 20,000 tons as compared to the earlier quarters. During the first half of this quarter, the PVC prices were in a declining trend starting from Quarter 1 itself, as mentioned earlier. Till the first half of this third quarter, it was reducing and was our VCM prices. The company had incurred losses in the first few quarters and at this point, the company tried to time the VCM purchases to reap the maximum benefits of the input pricing.

In this process, we undertook a PVC plant shutdown during November for 15 days. By the quarter's end, we are now holding an almost minimal amount of PVC inventory. As a result of this strategy, which we undertook for PVC procurement in Quarter 3, our December months of PVC performance have been positive and the impact of high-cost inventory of VCM holding has more or less gotten wiped off. You can observe the benefits of the PVC in the bottom line from Quarter 4 onwards. The second big impact of the revenue reduction in Quarter 3 of this Fiscal was also the price erosion for the PVC business. The average NR or net realizations for this quarter were 14% lower than the last quarter, and if you compare it with Quarter 3 of last Fiscal, it is down by 47%. For the quarter, this year's revenue compared to the last quarter, there was also one more factor of lower sales of synthetic Rutilite which had an export cut-off issue at the quarter end.

Coming to the EBITDA margins- the company has done an EBITDA of 105 crore which is almost in line with Quarter 2 EBITDA despite our revenue fall. Therefore, the EBITDA margin for the company stood at 18.25% for the quarter which is the highest ever for the company.

The EBITDA margin for 9 months stood at 17% against last year's EBITDA margin of 13%. Coming to EBITDA in value terms, the last quarter (Quarter 2), we clocked an operating EBITDA of 110 crore- this quarter we did 105 crore. The 5 crore quarter-on-quarter dip was typical because of our windmill business in Rajasthan which has a one-time impact of expenses of 2.5 crore.

As mentioned before, SR sales were lower because of the cut-off issue and hence we saw a dip in EBITDA by 22 crore in the caustic division. However, with better supply chain management and the late increase in the PVC prices, this helped us to trim the PVC losses from 22 crore last quarter to 2 crore this quarter, recording an improvement by 20 crore in the quarter. As we spoke about the interest cost, the interest cost has been the lowest in many quarters. This Company is now also looking at the possibility of refinancing one last leg of its legacy loan which is 100 crore, and we are targeting or evaluating to do it in Quarter 4 this year itself. The present loan which we are in consideration of is IRR 10.75% and we are expecting the refinance loan to be at IRR 9.25%.

However, this would have a one-time net of cash and non-cash of approximately 7 crore so it is at an evaluation stage within the company. If we do this refinancing, then we will be able to hit the lower end of the expected interest for FY24 which we anticipate to be ranging between 65 crore to 70 crore. Last year we concluded the interest at 113 crore ,this year we anticipate the interest cost would be around 120 crore to 130 crore depending on the decision we take on refinancing this. Coming to the other financial aspects, the current ratio for the company as of 31st of December stood at over 1.3 as against 1.02 in March, showing a significant improvement in the current ratio. The gross borrowing stood at around 535 crore in December and it would be at a level of 515 crore by the end of the Fiscal year.

The company continues to maintain a healthy warchest of cash of 150 crore plus to support and fast-track the CPVC and SIOP expansions which have been announced. Having said this, I think we can keep the call open for Q&A. Thank you.

Moderator:

Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Kalpesh Agarwal from Voyage LLP. Please go ahead.

Kalpesh Agarwal:

I want to understand in terms of volumes- you have seen PVC remaining stable, I want to understand if is there any plan for increasing that capacity going ahead, for example, you mentioned that 27% will come from specialty chemicals so I want to understand what could be the maximum percentage of EBITDA that can come speciality chemical after this CAPEX is done in CPVC?

Pradipto Mukherjee:

So, I think what Saatvik has shared is that we will continue this year at a specialty percentage to EBITDA of 27%. We have not built up into specialty from last year -only from October

onwards have we announced that we are building capacity into CPVC which is doubling our capacity from 10,000 tons to 20,000 tons while also doing line balancing CAPEX into synthetic Rutile which will augment our capacity by 33% from 60 tons per day to 85 tons per day. Having said this, I think we are looking at 35% to 40% of our EBITDA next year that is to be contributed from the specialty segment. However, that depends on how the EBITDA is achieved from the other businesses which are the commodity businesses, but on a rough scale, we are looking at 35% of EBITDA contribution from the specialty segment in FY24.

Kalpesh Agarwal: So you want to say is that out of 340 crore that you made this year, 25% will be for specialty chemicals which are close to around 80 crore. So in absolute terms, what could be that amount from specialty chemicals? I want to understand- that right now for CPVC, we are making around 40 crore of 9 months, so we have made 40 crore of EBITDA, so this 10,000 tons will give us double that so that is 80,000 crore of EBITDA from CPVC, and SIOP will be another 37 crore close to 120 crore from that? So when you say that 40%, 45% will be specialty chemicals, I understand that you are lowering the EBITDA number for the company overall?

Pradipto Mukherjee: So, the EBITDA for these 9 months of CPVC is 40 crore. So, if you annualize that then we are talking of a CPVC EBITDA of around 60 crore, while the SIOP of our annualized EBITDA would be around 50 crore plus. The CAPEX that we are doing for both of these specialties will double our CPVC capacities and profits, and our SIOP will improve by 33% in the profits. However, the benefit of that will be achieved for half of the year for next fiscal, because we anticipate the capacity on board somewhere from H2.

Kalpesh Agarwal: What is the CAPEX you have incurred for CPVC sir?

Pradipto Mukherjee: For CPVC and SIOP put together, our earlier communication shows that it is around 125 crore to 130 crore.

Kalpesh Agarwal: Anything specific for CPVC- if you want to put in another 10 K after 20k, what will be the CAPEX? I want to understand the management's view on further increasing our CPVC beyond 20 K?

Pradipto Mukherjee: I think that would depend on our debt position. As you know, we will complete this CAPEX. So we are expecting to complete the CAPEX by Q2 and that is the time when we would announce our next CAPEX. Our strategy team within the management is working on the next level of growth and to answer very briefly, the CPVC capacity enhancement from after 20,000 tons is already in our cards and we are evaluating that.

Kalpesh Agarwal: But I want to understand if future CAPEX should be at the same rate or will be lower than that.

Pradipto Mukherjee: If you refer now to the plant, we are putting the capacity in our existing Sahapuram plant where the utility is common. So we do not have to spend on the utilities as we augment the capacity going forward for CPVC.

Kalpesh Agarwal: So do you even plan to double SIOP or are we done with SIOP sir?

Pradipto Mukherjee: Pardon, please.

Kalpesh Agarwal: We are doubling capacity in CPVC , so are we doubling the same for SIOP going ahead?

Pradipto Mukherjee: No, so for SIOP , as shared in the public domain- we are increasing the capacity from 10,000 tons to 20,000 tons of CPVC and we are increasing our output in the SIOP plants from 60 tons per to 85 tons per day which culminates to 28,000 tons per annum. This is what has been the rated capacity as we put the project in place, but there are also certain line CAPEX in which we are aiming to reach up to the full debottleneck of the plant, and exhaust the full capacity of the SIOP plant.

Kalpesh Agarwal: One last question- what are the current spreads for CPVC as we are using VCM- what could be the current spreads versus historical spreads?

Sudarshan Ganapathy: Current spread between VCM and PVC is around \$200.

Kalpesh Agarwal: How much was it in FY22?

Sudarshan Ganapathy: FY22- it was close to \$300.

Kalpesh Agarwal: So you mean to say that only \$100 was made as losses?

Sudarshan Ganapathy: You are generalizing what I am saying as on date. You see from April till December, there has been a continuous fall in the PVC price which also had an inventory effect on our raw materials. So the prices have gotten stabilized and we have also cut our inventory loss on our VCM. So, as we talk about what is on this date, the VCM PVC spread is close to \$200. I cannot generalize for the full year so the loss as few situations have formed from April to December that to a great extent is also because of the lag in the fall in the PVC price because the trade is carried close to 35-45 days VCM inventory. The PVC prices fall and there is a lag in the fall in the VCM price. So even though, technically, there may be a spread when your core on apples to apples was not the case- that is the reason why we have incurred a loss.

Moderator: Thank you. Our next question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.

Saket Kapoor: I would like gain some understanding of how the commodity prices are going to be and the likelihood going ahead. It would be great if you could shed some light on how things are

shaping up for both caustic soda and soda ash, especially as we have seen that the PBT numbers for soda ash are moving up QoQ from 5.41 crore to 15 crore, so are these sustainable numbers or is there any extraordinary line item that has been affected for soda ash? Following which I would like to ask about caustic soda ash?

Pradipto Mukherjee: 'In the month's performance, the exception item was only the sale of land which has been shown separately as 46 crore spread over Quarter 1, Quarter 2 and Quarter 3. All the numbers we show above the exceptional items, we consider as normal items and for soda ash, there is nothing onetime in terms of the performance that you see.

Saket Kapoor: On a revenue increase from say 86.71 crore to 89.76 crore, the profitability has gone up 3 times, so what explains this rise in the profitability in the soda ash segment?

Pradipto Mukherjee: Typically, there has been a reduction in the power and fuel cost and there have been certain efficiency drives in the plant which we are working on. You can see that our production has also been higher compared to last quarter giving a better absorption on our fixed cost.

Saket Kapoor: So, these are sustainable numbers going ahead?

Pradipto Mukherjee: More or less that's what we anticipate on our pricing, see it is not about whether we have performed this number this quarter vis-à-vis number last quarter. Every time you see the numbers of Q2, there is a seasonal effect due to the rainy season as far as soda ash is concerned. If you go back a quarter in Quarter 1, we did an EBITDA of 19 crore with a top line of 87 crore. So, quarter-on-quarter, our topline remained the same while profitability swings because of our production numbers, and the cost per unit economies of scale playing up. Additionally, we are seeing some decline in our prices of power and fuel varying, and we are seeing these numbers far brighter. So what happens in Quarter 2 is also affected by our source of power being not only coal but also lignite- coal gives a better efficiency in terms of power and fuel generation. I mean, coal gives a lesser efficiency compared to lignite and since it is rainy season, lignite mining has stopped. So we have to substitute the lignite for coal thereby increasing our power cost which has gotten corrected again in Quarter 3 in line with Quarter 1.

Saket Kapoor: Just to sum up this reduction, which I think is around 20 crore for power and fuel costs, is this only on account of the fuel mix?

Pradipto Mukherjee: There are a couple of things at play. First of all, our EBITDA has gone from Rs 8 crore to Rs 18 crore in soda ash so the delta is 10 crore for the 3 crore increase in revenue. So the impact of power costs and higher production into the fixed cost totals up to around 8.5 crore and the balance is additional volumes in the additional margin.

Saket Kapoor: Are we are running at full capacity for soda ash when it comes to our utilization levels?

Pradipto Mukherjee: We matched all our plants borrowing caustic soda to operate at around 80% capacity. The PVC was the only aberration which was a conscious call taken by the management thereby deriving efficiency from the supply chain management, as we discussed initially.

Saket Kapoor: And just to conclude for soda ash, what is the outlook currently? I think there are some issues with some imports happening and even a big player has undergone some price correction in November. But then again, with China opening up, I think some index in the Chinese trading market was pointing towards prices moving up to 5% to 6% over the last fortnight, so if you could share some colour on how the market is currently shaping up and some understanding on what the trend is?

Pradipto Mukherjee: So what we can say as of now is that we are seeing the soda ash prices which are around 34,000 to 35,000, to remain stable in the foreseeable future. There may be blips in terms of plus and minuses for any geopolitical events which may come into play, but we anticipate soda ash prices to remain stable throughout FY24 also.

Saket Kapoor: And lastly sir, about Turkey and the earthquake there- has that affected the supplies or disturbed the soda ash market, in particular, in any way? I think Turkey is a big player.

Pradipto Mukherjee: Turkey is a big manufacturer of soda ash. However, the supplying countries, the aimed consumers from the Turkey business aren't a source from our supplying regions and are not impacted by earthquake. Secondly, the taker of the Turkey soda ash will not substitute from our region, so we do not see any impact on that.

Saket Kapoor: And now moving on to the caustic segment- with PVC prices bottoming out, we may assume for the near term and moving up, that we are now seeing that caustic soda has started correcting over a while, so how is the ECU currently? Also, how is the market shaping up? I think there is the 1 million ton addition of caustic soda volume for the entire country, especially the Western part, there is a significant increase in the capacity by 1 million ton- so how is the market shaping up for caustic soda and what is your outlook for the same?

Pradipto Mukherjee: I think our outlook is as Saatvik has shared initially. He had mentioned that we are seeing softness in the costing prices, and we expect the caustic prices to remain depressed for the entirety of FY24. Given that we have a natural insulation or hedge by the PVC, we anticipate the PVC prices to stay strong.

Saket Kapoor: So, will we be able to maintain this in either of the same- through caustic soda or through PVC- and this time, will PVC margins go up and will caustic go down?

Pradipto Mukherjee: The Quarter 2 numbers which you see for caustic across the board were an aberration that was never to be maintained. So, it is only in effect in Quarter 2 and Quarter 3. It is now corrected and comes to its natural course. Normally, if you look at the commodities when

such kind of moves happen, it goes down below what their price may be and they are elevated with the demand-supply mismatch correction. So maybe it is very depressed now, but it will get corrected and stabilize at a particular level which may be a bit more than the current prices we are getting.

Saket Kapoor: What is the current ECU? Can you give us a ballpark number, -what was the December exit and what is the current ECU?

Sudarshan Ganapathy: ECU will be close to, I would say 43,000, 44,000.

Saket Kapoor: And how were the utilization levels shaping up? I think the chlorine negative has reduced significantly over a period?

Sudarshan Ganapathy: During Quarter 3, Chlorine was flowing at minus Rs. 12, minus Rs. 13. The chlorine negative has significantly come down, but it has not come to 0 assets. We feel that in the coming months, chlorine negative will be close to 0 so that ECU may not further go down.

Saket Kapoor: So we can maintain this bracket of 42 countries, but the lower input cost, especially the power and fuel cost, will make it to the margins?

Sudarshan Ganapathy: Just because coal prices have dropped for the last 6 weeks does not mean that my cost will go down from tomorrow. Everyone has got the supply chain of coal covered for at least 3 months because energy-intensive industries like ours cannot sustain sporadic buying of coal. So everyone has got the supply chain covered. The lower energy cost will kick in only at the end of Quarter 1 of next year maybe. Every producer has got their coal covered. So the price correction in the current coal prices will kick in only somewhere in May, or June of next year- I mean in end of Quarter 1 maybe- this is what I would say.

Saket Kapoor: For us, chlorine consumption is fully captive?

Sudarshan Ganapathy: It is not fully captive- I think we are 60% captive and 40% still on merchant sale.

Saket Kapoor: And that realization was negative to the tune of Rs. 12 for the last quarter?

Sudarshan Ganapathy: Yes.

Saket Kapoor: Lastly, looking into the interest cost, if I heard Saatvik correctly, that our finance cost line item would be to the tune of 125 crore FY23 and we are expecting a 40% to 50% reduction, so will it be in the vicinity of crore to crore for FY24? Is this what the prediction is likely to be for the line-item finance cost?

Pradipto Mukherjee: For FY23 my interest cost ranges from 125 to 130 crore depending on whether the refinancing is undertaken or not. Given the base at 130 crore, let us say we take the

refinancing . And once we do the refinancing, my interest cost benefit will also kick in FY24 because you will refinance the loan at a lower interest cost loan. So, in that case, we will be hitting the lower end of the interest cost next year, while this year-end, our projected interest cost will be high; in which case there will be a 50% reduction. This means that the number which I shared was from 65 crore to 70 crore depending on what kind of decision we take on the refinancing. This however, is with the assumption that the interest cost cycle has peaked globally.

Moderator: Thank you. We take the next question from the line Vidisha from SR Capital. Please go ahead.

Vidisha: I have two questions so the first is you said that we have a cash balance of around 135 crore and we have already sent 60 crore which is 50% CAPEX over, so will we require another 60 crore for CAPEX? What would the company do for the 130 crore number?

Pradipto Mukherjee: Firstly, when our CAPEX is in line with 50% of completion, it does not necessarily mean that we have paid for the 50% of CAPEX cash. There are certain retention monies in projects like this ,that are number one. Secondly, after the CAPEX we also see some amount of idel cash to be there. We have our next round of growth CAPEX in line as we discussed. We will take the deliberation of the surplus cash then -either to pay the debt or utilize the same in future CAPEX by taking a lesser amount of additional debt- this is what we need to look at. So that deliberation will be taken somewhere in Quarter 2 of next year. Until then, we will have some amount of surplus cash which will have a negative carry. Just to answer your question, additionally, this cash is lying in FDs which have an interest of 7.5% and my average overall interest cost is 9% or sub 9% in some cases- if you strip off the old legacy loan. So there is not much impact of negative carry on the cash.

Vidisha: Can you share your cash guidance for FY24 and the cash utilization strategy apart from this FD case- is there anything else you have in mind regarding how we can utilize this cash?

Pradipto Mukherjee: We take this question on the guidance- we can allow discussing the guidance for FY24. So for next Fiscal,we anticipate the following in our businesses. First of all, synthetic Rutile realization will stay soft. Synthetic Rutile is a product which is assumed under our caustic division, and for the synthetic Rutile, we expect the realizations to go down to as much as 20% to 25%. Similarly, for caustic realization, it will remain weak and we anticipate for the next Fiscal it will be dropping by 25%, with obviously our lag benefit effect of Fuel prices coming down, as we discussed. Now since PVC is a natural hedge against caustic prices, we anticipate that in the same breath, that PVC prices will stay elevated. Coming to the specialty segment which is our CPVC and SIOP, the prices we anticipate are to remain stable with the incremental capacities on the ongoing projects to be made available for sales starting H2. As discussed, the prices for soda ash should also remain stable .And as a management initiative, we are driving certain operational efficiencies for the soda ash plant. All of this put together, we anticipate that the EBITDA growth for next year should be around 8% to 10% over the

current year projected- close, as a part of th management initiative. Furthermore, as we discussed, our interest cost will go down by at least 50 crore, thereby our profit before tax or PBT growth is anticipated to be in the range of 25- - 30%. Just by having these prices we anticipate our initiatives being executed as planned. Now with this as EBITDA, I think we will do an annual cash generation for FY24 of 200 crore plus after servicing the debt interest and principal, and the government taxes. So, we have to see as and when we are onboarding and announcing our next CAPEX what would in t that time the cash be taking into account the balance as in the balance sheet today- how does it add up there and what would be the CAPEX outlay of the project. Given the fact that there will be the debt that we carry then, we have to take a call for funding the next growth CAPEX.

Saatvik Jain : So, just adding to what Pradipto has just said, we are in the process of evaluating our growth plan for FY24 and as we have mentioned in the past, it will be in the specialty chemical space and we are looking at value-added products relating to chlorine chemistry, but this will direct what our cash utilization for FY24 will be. The moment our plans are firmed up internally, it will be communicated.

Moderator: Thank you. The next question is from the line of Kalpesh Agarwal from Voyage LLP. Please go ahead.

Kalpesh Agarwal: Sir our revenue for Q3 has fallen by 12%, but our COGS has fallen by 34% sharply. I want to understand- what are the materials which have seen a sharp correction year-on-year for this quarter on a raw material front? Our power and fuel costs have also gone up by 22% and you mentioned that you want to reduce the power cost, so what could be the steady state power cost you are targeting? Also, some clarification on the COG front will be appreciated.

Pradipto Mukherjee: We do not see COGS that way- it can business-wise margin. If we are talking of the margins- if we give you an update on the margin quarter-on-quarter, my caustic margin in Quarter 2 was 33% and has come down to 31%, SIOP was at 40% is come down to 30%, PVC which was minus 9% has improved to minus 1%. This is almost breakeven basis our SCM strategy as we shared and the way the prices have gone up at the end of Q3. We see that this will turn out to a positive margin. CPVC was 26% last quarter and our margins is around 22% this quarter, soda ash was at 9% and has gone up to 20%. So our EBITDA margin for last quarter, that is Quarter 2 of FY23, it was 16% overall for the company. Now it has gotten elevated to 18% and Business level margins more or less trending in line with what my previous quarter's margin was, Company margins is higher basically because of the mix; as and when we have the PVC is in full flow, our margin will recalibrate to 17% which is our estimate margin for the year.

Moderator: Thank you. We take our next question from the line of Naitik Mohata from SeQuant Investments. Please go ahead.

Naitik Mohata: Most of my questions have been answered with just a couple of clarifications remaining. What were the average Caustic prices that we realize in Q3 and what are the prices that we are seeing now in January, and February?

Pradipto Mukherjee: So were deriving around 50,000 in Q3, and currently we are deriving is around 40,000 to 41,000- we anticipate it to go down a bit more from here on.

Naitik Mohata: Just a follow up on that- are we expecting it to go down to 20%, 25% in FY24? So what was the CAPEX going to stabilize?

Pradipto Mukherjee: So as we said 20%, 25%- it is not from the prices that we are seeing now. we are now as we speak, seeing a Rs 40,000, it definitely will not go down 25% from here but 25% is an annual estimated on average price. So, what we see is, prices would stabilize somewhere in this region for the whole of next Fiscal.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the floor back to the management for closing comments.

Saatvik Jain: Thank you everybody for spending time with us this evening. I hope we have been able to clarify the questions that you all have asked and hope to interact with you again next quarter. If any more questions, please direct them to our investor relations agency, Dickenson, and we would be happy to clarify this. Thank you once again.

Moderator: Thank you members of the management and on behalf of DCW Limited which concludes this conference. Thank you for joining us- you may now disconnect your lines.