



“DCW Limited Q4 FY26/ FY26 Earnings Conference Call”

May 06, 2026



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MODERATOR: **MR. AYUSH CHATURVEDI – ARIHANT CAPITAL MARKETS**



*DCW Limited
May 06 2026*

Moderator: Ladies and Gentlemen, Good Day and Welcome to DCW Ltd Q4 FY26 Earnings Conference Call hosted by Arihant Capital Markets Limited.

As a reminder, all participants 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.

I now hand the conference over to Mr. Ayush Chaturvedi from Arihant Capital Markets Limited. Thank you and over to you sir.

Ayush Chaturvedi: Thank you Yusuf. Good afternoon, everyone and thank you for joining us on DCW’s Q4 FY26 Earnings Call.

I would like to thank the management for giving us the opportunity to host and on this call representing DCW’s Management, we have Mr. Saatvik Jain – President, Mr. Amitabh Gupta – CEO, Mr. Sudarshan Ganapathy – COO and Mr. Pradipto Mukherjee – CFO.

I would like to invite Mr. Saatvik Jain now to give his “Opening Remarks,” post which we can open the forum for “Q&A.” Over to you, sir. Thanks.

Saatvik Jain: Thank you. Good afternoon, everyone and thank you for joining us for DCW’s Q4 and Full Year FY26 Earnings Call. As always, I appreciate your time and continued interest in our company.

I will begin with a “Brief View of the Broader Industry Environment and then move on to our Full Year Performance, Operational Progress and Way Forward.”

FY26 was another volatile year for the global chemical industry. The sector continued to deal with fluctuations in crude-linked feedstock and energy costs, geopolitical disruptions, changing trade flows and elevated logistics costs at different points during the year. While underlying demand across several end use sectors broadly remained stable, pricing was under pressure across many chemical value chains due to excess global capacities and weak international realizations.

For Indian chemical companies, the pressure was even more visible. Large volumes of competitively priced imports, especially from China, continued to impact domestic pricing and margin structures. This was particularly relevant for commodity chemicals where global oversupply and import competition kept net realizations under pressure for most part of the year.



*DCW Limited
May 06 2026*

At the same time, India's medium-to-long-term opportunity remains intact. Domestic consumption, infrastructure creation, housing, water management, agriculture, industrial growth continued to provide a strong base for chemical demand. While near-term volatility in input costs, geopolitics, trade flows will continue to remain constructive on the sector's long-term outlook.

Against this challenging backdrop, we are happy to state that DCW delivered a steady and satisfying performance for FY26. Our EBITDA grew by approximately 11% year-on-year and our PAT grew by more than 60%. This performance is particularly encouraging because it was achieved in a year where net realizations declined across our entire product range with the exception of our pigments. C-PVC realizations alone corrected by more than 20% during the year. Therefore, the improvement in profitability was not driven by pricing tailwinds but by higher volumes, better operating discipline, improved utilization and a stronger specialty contribution and leaner balance sheet.

During the year, we recorded higher production and sales across almost all of our products compared to FY25. The only exception was external PVC sales where incremental volumes were consciously diverted for captive consumption in our C-PVC production. This is aligned with our strategy of moving further downstream, improving value realization and strengthening the specialty chemicals contribution within our portfolio.

FY26 was also a record year from a volume perspective. We achieved our highest ever sales volumes in C-PVC, synthetic iron oxide pigment and synthetic rutile. This is an important milestone for us, especially given the difficult external environment.

In C-PVC, the year marked a significant step forward. We added 30,000 tons of capacity to our earlier 20,000 tons base, taking our total annual capacity to 50,000 tons. The expansion was commissioned on time, within budget, and commercialized at full capacity all within one quarter. The final 10,000 tons was also completed on time towards the end of March, and we expect the benefits of this additional capacity to start accruing from Q1.

Our synthetic rutile business also delivered a strong year with record sales volumes and a significant reduction in inventory pressure. This is a positive development considering the tough market conditions in this product over the last few years. The progress reflects better customer engagement, improved dispatch planning and sustained focus by our team on rebuilding market confidence.

The synthetic iron oxide pigments business continued to perform well, supported by healthy demand and market penetration. As discussed earlier, we are also working on expanding our product range with newer grades which would help improve our market reach over time.



*DCW Limited
May 06 2026*

From a segmental perspective, specialty chemicals continue to support overall profitability although margins moderated due to the correction in C-PVC realizations and spread compression.

On the other hand, the basic chemicals business showed improvement in performance, supported by better utilization levels and benefits of our renewable energy project.

Our renewable energy project was also commissioned during the year and the benefits have already started reflecting in our power costs. This was an important initiative both from a cost competitiveness and sustainability perspective.

Equally important, FY26 was not only about capacity additions and operational performance.

We also repaid Rs.145 crores of long-term debt during the year and ended FY26 with a net debt-to-EBITDA at 0.3x. This gives us a much stronger financial platform as we prepare for the next phase of growth.

As I mentioned last quarter, we are not only preparing for a cyclical recovery, we are building the organization for scalable growth.

During the year, we progressed on several foundational initiatives. The implementation of SAP S/4HANA is a key step forward to stronger governance, sharper financial controls, better data visibility and process standardization.

We have also begun piloting AI-based process optimization at our soda ash plant in partnership with a Netherlands-based technology company and the early results are encouraging in terms of operational efficiencies.

Across functions, there is a clear focus on digitalization, technology adoption and building systems that can support larger, more agile and more accountable organization.

As we enter FY27, the global environment remains dynamic, particularly due to the situation in West Asia, which has created a near-term disruption in PVC supply chains and pricing. We will remain watchful on capital deployment in this uncertain environment. At the same time, our growth plans are in advanced stages and our intent remains clear.

With the expanded C-PVC capacity improving specialty volumes, reduced synthetic rutile inventory, renewable energy benefits, stronger systems, significantly leaner balance sheet, DCW enters FY27 with a more resilient and future-ready base. Our focus now is to convert this stronger platform into sustained growth while maintaining discipline in our capital allocation and execution.



*DCW Limited
May 06 2026*

With that, I will hand it over to our “CFO, Pradipto to take you through our Financial Performance in Detail.” Thank you.

Pradipto Mukherjee:

Thank you, Saatvik, and welcome everyone to Q4 FY26 Earnings Call for DCW Ltd.

Q4 revenue stood at Rs.609 crores, which was higher by 13.2% on YoY basis and 17% on sequential basis. The annual revenue stood at Rs.2,144 crores, an increase of 7.2% on a YoY. The annual revenue numbers registered this growth despite the realization across all product segments have been impacted during the course of the financial year and further 25% to 30% incremental PVC volumes were diverted for captive consumption.

It is important to mention here that at the annual level the company recorded highest-ever sales volume for C-PVC, SIOP and Synthetic Rutile. While C-PVC incremental volumes were produced due to capacity expansion, the commercialization of the same happened seamlessly thereby nullifying any inventory increase.

In case of SIOP and Synthetic Rutile, the company was able to sell more volumes than production thereby reducing the inventory levels.

The annual production across all product segments have also surpassed the previous year’s production numbers with standout of C-PVC’s 60% increase in production volumes and synthetic rutile’s 20%. The soda ash production for Q4 also recorded the highest number in the past 11 quarters.

Q4 EBITDA, including other income stood at Rs.70 crores, up by 14% YoY and 40% on sequential basis. The annual EBITDA stood at Rs.240 crores as against Rs.216 crores last year, that is an 11.2% increase.

Q4 basic chemicals EBITDA stood at Rs.30 crores, over Rs.14 crores in Q4 last fiscal, that is an increase of 1.1x and a breakeven number in the previous quarter. The annual EBITDA for basic chemicals stood at Rs.54 crores, over Rs.19 crores in the last fiscal, that is 1.8x.

The performance could be attributed to higher production across all product segments under basic chemicals, resulting in a better fixed cost absorption, coupled with benefits flowing from substitution of power supplies from Tamil Nadu Electricity Board to Solar.

Q4 specialty chemicals EBITDA stood at Rs.39 crores, over Rs.46 crores in Q4 of last fiscal, that is a 16% reduction and Rs.50 crores in the previous quarter which is 22% reduction.



*DCW Limited
May 06 2026*

The annual EBITDA stood at Rs.177 crores for the specialty chemicals as against Rs.189 crores in last fiscal, a de-growth by 6.5%.

Despite volume increase in both C-PVC and SIOP, the significant reduction in NR by 22% in C-PVC with no commensurate reduction in PVC input prices resulted in PVC-C-PVC spread contraction and consequently margins.

Annual EBITDA margin for the company stood at 11.2% in the current year, an improvement from the last fiscal margin of 10.7%. While the specialty margin clocked at 30%, a contraction by 6% over last fiscal, the basic chemical margins improved to 3.5% over 1.3% last year.

The PAT for Q4 stood at Rs.18 crores which is higher by 60% YoY and 2.7x on sequential basis.

The annual PAT stood at Rs.48 crores as against Rs.30 crores last fiscal, which is a significant increase of 60%. Such a growth could be achieved by an increase in EBITDA by 11%, coupled by reduction in finance cost by 7.5%.

The finance cost for Q4 stood at Rs.15.4 crores, reduction by 2.3% YoY and 4.9% on a sequential basis. Annual finance cost stood at Rs.62 crores, down from Rs.67 crores in the last fiscal, showcasing a reduction of 7.5%.

On the balance sheet front, it is important to discuss these two numbers. The company's closing gross debt stood at Rs.276 crores versus Rs.426 crores in a year back. This is a reduction of Rs.150 crores due to scheduled term loan repayment. The company had not borrowed any additional term facility during the current fiscal and such closing borrowings are the lowest over many financial year ends of the company.

The company continues to maintain a healthy cash position including bank FDs at a level of Rs.204 crores, thereby having a net debt of only Rs.71 crores, demonstrating the effect of significant deleveraging program run over the last couple of years.

With this, we open this forum for Q&A. Thank you.

Moderator:

We will now begin the question-and-answer session. First question is from the line of Pujan Shah from Molecule Ventures. Please proceed.

Pujan Shah:

Yes sir. First of all good set of numbers and we are starting with FY27 with a very cleaner balance sheet. So, congratulations on all the efforts you have made for that. Now coming to my first question. So, it pertains to caustic soda. So, we have seen the prices are firming right now. So, what is the core



*DCW Limited
May 06 2026*

reason for that – is it more of a cost push or we are seeing some end user industry demand coming up which is driving the prices?

Sudarshan Ganapathy: One of the primary reasons in our view is that there has been lot of production interruptions in the entire Southeast Asia because of the geopolitical situation. And usually the caustic complex also has a EDC VCM facility. Because there has been no supply of petrochemical feedstock, operating rate of caustic soda had come down. So, there was a supply imbalance which helped the prices to improve. So, this situation is likely to continue for some more time till the situation normalizes.

Pujan Shah: Okay. Got it. And similar question pertains to the soda ash. So, as the chlor alkali always move in a same tandem so do you feel that it will remain elevated for the similar time being?

Sudarshan Ganapathy: We cannot comment because the situation is changing on a daily basis so we do not know, I just cannot answer on that aspect as of now

Pujan Shah: And are we expecting any government support on soda ash?

Amitabh Gupta: I think the efforts are being on, right, for the anti-dumping duty. So, let us hope things come out. But since there is not much of imports coming from Russia and Iran, the prices have gone upwards and the margins are pretty good at this stage and the situation is likely to continue for some time but nobody can predict forever.

Pujan Shah: Got it. And pertaining to the PVC, I just want to understand two parts. One is we have seen a reduction in inputs due to China removing the duty and there is also implementation of duty by Indian government which was removed due to all these geopolitical situation. Now considering all the scenarios do you feel the PVC price should remain range bound at 85, 90 or do you feel we have some headroom still over from this price as well?

Sudarshan Ganapathy: We do not know because as of now, yes, prices have started improving but whether it will go to 85, 90, 95, I think that is anybody's guess. What has happened in the month of April I think was that there was a lot of PVC coming from China which was in the SEZ which was to be exported before the start of the duty which was withdrawn on the exports from China. So, now that the VAT concession has been removed on exports of PVC from China, what will be the impact? We are waiting and watching. As of now it is too early for us to give any I would say heads up or the forecast on how the prices will go.

Pujan Shah: Why I am coming to the question is because we have seen the real estate prices in China is at a 20-year low and versus there is a China anti-evolution where they are taking some measurable steps by



*DCW Limited
May 06 2026*

shutting down some inefficient plants of PVC. So, I am not able to gauge the incremental delta of how it will be converging into the scenario?

Sudarshan Ganapathy: See, anti-evolution, we have been hearing in the last six months, but how it is going to pan out, nobody can really forecast. And with regard to the real estate growth drivers which are not doing well in China, the same was the case even in the last couple of years. So, I do not know how the Chinese economy operates or how they work. We can only watch and see how they are able to supply the product and if there is some real thought on anti-evolution by which they will be forcing their products where they are not making any margin to shut, then it will help us. But it is too early for us to make any forecast or comment on that.

Pujan Shah: Got it, sir. And understanding the power cost savings, we invested in solar and we try to have a savings benefit of Rs.40 crores to Rs.50 crores. So, is this quarter we have drawn around Rs.12, 15 crores of savings from power or we are still mature to get the understanding correct?

Pradipto Mukherjee: See, the number was never Rs.50 crores. The number when we assessed and got into this substitution and went into the decision was around reaching up to Rs.40 crores but that had a different dynamic so far as TNEB prices and coal prices were concerned. Right? Now what we guided last time was around Rs.25 crores to Rs.30 crores number. I think if you see our numbers this year with the volumes which we have achieved we have still our power cost in the face of the financials will be Rs.7 crores, Rs.8 crores less. There is an incremental volume effect. There is a coal price which has gone up from last year to this year. So, negating the coal price increase effect, negating the volume effect which has an impact on power cost, our power cost in absolute terms are still lower on the ER level by Rs.7 crores. So, according to our estimates the savings would have been around Rs.23, 24 crores.

Pujan Shah: Are we planning to invest in solar going forward for this year or likelihood that we do or not to do?

Pradipto Mukherjee: So, far as the investment goes, we would come up with some investment proposition but as and when we do we will let you know. We will be the first thing to include all our shareholders given an information. But as being told we are going a bit slow because we want to tide over the uncertainty so far as this Iran war is going on and then we have our plans for the investments going forward for this year and maybe couple of years to come.

Sudarshan Ganapathy: Apart from this we are waiting for a clarity on the regulatory-related matters because there were some regulatory changes announced by the TANGEDCO in Tamil Nadu wherein the banking rules got changed. So, we are waiting for a clarification on that because entire dynamics will depend on extent to which we are able to offset the renewable over the TNEB rates.



*DCW Limited
May 06 2026*

- Pujan Shah:** Got it, sir. In your initial remarks you have said that there was a narrower spread in PVC and CPVC. So, in the current situation, are we able to get the pre-war type of spread or we are still getting a narrower spread in the last month?
- Sudarshan Ganapathy:** The spreads have improved. It has gone back to the pre-war. What has happened is that there was a spike in the PVC prices in the month of March. So, pass-over was not happening in the CPVC. That is why we have seen a contraction in our profit numbers on CPVC which we feel that in the coming quarter will normalize.
- Pujan Shah:** Got it. And my last question is are we still facing dumping issues from Malaysia for PVC or we are seeing easing out there from that region?
- Sudarshan Ganapathy:** Dumping issues are there from everywhere... for all the products we have dumping issues. I think we can have a separate debate on that. Dumping issues are there.
- Pujan Shah:** Got it. Thank you so much. I will join back in the queue. Thank you so much for all my queries.
- Pradipto Mukherjee:** Thank you.
- Moderator:** Next question is from the line of Keshav Garg from Counter Cyclical PMS. Please proceed.
- Keshav Garg:** I wanted to get clarity on a couple of things. Firstly, our net debt seems to be around Rs.80 crores, but the annual interest cost is in the vicinity of around Rs.60 crores. So, going forward for FY27, what is the finance cost number that you have in mind?
- Pradipto Mukherjee:** See, the finance cost which is Rs.62 crores this year, has an effect not only on the net debt which you see, the net debts are distributed into two parts; one is the long-term debt which interest is gradually coming down as we are repaying and as we have been maintaining Rs.200 crores of cash in the balance sheet and working capital challenges have come up over the couple of quarters we have a separate line of credit which we have taken without infringing our internal strategy of keeping around 5% of the top line in cash. There is a negative carry. So, if you have to see my interest cost, you please also reduce my interest income to find what is my debt overall. You will not see the benefit of the interest cost reduction, but over the period of last two, three years to the extent of the debt reduction, but you have to also take into cognizance what is the other income or the interest income which has increased over the two, three years. So, we are deliberately keeping a negative spread because as an internal financial policies we are keeping around Rs.200 crores kind of FD for which we are earning interest. For next year also we are keeping the philosophy of Rs.200-crores-odd FDs, and the repayments which are planned out, the interest cost should go down by around Rs.12, 13 crores. Now having said that we also have to see how the pressure on our short-term working capital



*DCW Limited
May 06 2026*

comes in if the war continues. That will have an effect of interest cost increase, because we will borrow some credit... we utilize some credit lines to support the working capital function. So, roughly it should go down to Rs.50 crores, if we are not having very much challenged by the working capital borrowing lines we have to keep it open for longer. If that is not the case, it should be Rs.50 crores or sub-50 crores.

Keshav Garg:

Understood sir. And we had estimation for FY27 for roughly Rs.2,500 crores top line and Rs.400 crores EBITDA and net debt-free by the end of FY27. So, are we on track to achieve all these parameters?

Pradipto Mukherjee:

See, our scheduled debt repayment for next year is again Rs.130 crores. So, obviously we will be debt-free, because we have Rs.71 crores of net debt. So, net debt obviously will be debt-free. The only challenge what we find is the Rs.400 crores number which we had communicated as a part of a couple of years plan, that actually gets bit derailed because of the pricing pressures which we are seeing both in the commodity segment and more importantly on the specialty segment. We have tried to maintain the absolute value of specialty profit by increasing volumes of CPVC from 10 to 20 to 40. Now we have also announced a 10kt commissioning of the last phase which we had communicated to all our stakeholders, that also will be in place. So, the only thing is that we are definitely not seeing the benefits of the increased CPVC commercialization volumes, because a large part of it is eaten up by the price erosions which we did not anticipate when we gave you a Rs.400 crores of guidance. But debt number, as we discussed, if it is 71 and 130-odd crores of scheduled payment, we will be net cash positive company.

Keshav Garg:

Rs.300 crores EBITDA for FY27 looks reasonable?

Pradipto Mukherjee:

We would not be able to give you a guidance on that, because the prices movement has an impact. You have to please understand that we are upstream B2B business. Our downstream prices does not reflect in line or tandem with the sale prices. So, if the sale prices of commodity chemicals remains elevated and goes up, we will have profits which we cannot anticipate at the moment. Whatever we are trying to do is we are trying to exhaust our capacity produced to the fullest and sell to the fullest and see how the prices shape up. Right? Because fixed costs are in control. We are trying to do all efficiency improvement drives which reduces our fixed cost or keeps it in control. That is what we can do as an organization. But today it is very volatile in terms of pricing of both our raw materials and finished goods which we sell. So, giving a number would be difficult. But, we are well placed to tide over this term if this war continues for long. That much I can say.

Keshav Garg:

Sure sir. Now coming to our investor presentation page Nos. 13, 14 which shows the capacity utilization product wise, it seems that in almost all the products we are at or near full utilization, I understand the C-PVC volumes we have increased capacity, so in FY27 we can see some volume



*DCW Limited
May 06 2026*

growth. But in rest of all the products, how much incremental volume growth can happen from FY26 level?

Pradipto Mukherjee: So, as you rightly pointed out this year we are more or less at capacity for the SIOF. The two products where we were chasing capacity was C-PVC where we were doing CAPEX and increasing volumes. In SIOF where we did a debottleneck from 18,000 to 28,000 and we have moved on to 24,000 last year, now almost capacity is same this time. So, there is no much scope of capacity expansion in any products and thereby giving revenues or EBITDA except for C-PVC. And hence we are in a place where we have to announce our CAPEXES which has been sorted but we are just waiting out for these couple of months for the geopolitics to play out to its fullest. At the same time we have done certain investments in SIOF wherein we are moving for not growth in volumes but moving to value added products wherein we think that there will be some amount of incremental margin which could be expected to flow.

Keshav Garg: Directionally going forward, will we do CAPEX only in the specialty side which is C-PVC, SIOF or in the commodity side as well we are open?

Pradipto Mukherjee: So, in the commodity side it will be more CAPEXES for efficiencies, not for volume. The CAPEXES which will come for growth predominantly as of now our thought process is to make it in the specialty segment or in the niche segment with related chemistries. So, as and when we are just a bit comfortable with this geopolitics we will announce and inform all our stakeholders. You have to only understand that as we are closing this year we are in the most deleveraged balance sheet over many, many years or many decades maybe and our legacy loan gets over by this year-end which eventually gives us a lot of headroom to take a good CAPEX size and take the company forward. But we are just holding back because we just want to see the geopolitics how it shapes up and accordingly take an informed decision so far as CAPEX is concerned.

Keshav Garg: Now, coming to the C-PVC division where we have incurred CAPEX but so have all the other industry players, I understand Epigral has done a significant CAPEX, Lubrizol, Reliance, Grasim. So, now all that capacity is coming at the same time and please let me know if I missed any other player which is also bringing some capacity. So, what is the total capacity in the pipeline of C-PVC which is expected to get commissioned and if you could shed some light that is there any significant capacity in the pipeline globally also? Basically what will be the demand/supply, I mean is there a chance of a glut in C-PVC specifically?

Pradipto Mukherjee: On the companies which you have named present is even if Epigral has come in, Epigral and our volumes put together still leaves a lot of headroom for import of C-PVC into the country for the domestic requirement itself. So, with the capacities which has been informed by Lubrizol which comes in we do not see by the time it comes in, there will be any mismatch in domestic production



*DCW Limited
May 06 2026*

versus domestic demand. So, that is where we are comfortable as of now with the fact that if and when Epigral comes with the full capacity and Lubrizol comes with the full capacity we would not be challenged in placing our volumes.

Keshav Garg: Lastly, our power and fuel cost is Rs.307 crores. So, out of which how much is power cost?

Pradipto Mukherjee: I mean that breakup we generally do not give, but we will take your question and come back if required.

Keshav Garg: Where I am coming from is that since we have 2,500-acre land, so what is stopping us from just putting solar capacity and stop taking this power from the state electricity board?

Pradipto Mukherjee: So, state electricity board and fossil fuel is a stable source of power. Solar gives power only in the morning. So, there is a very unique balancing which goes in. Most of the time when we take alternate power, there is a lot of effort which goes into either side to understand what is the power timing of supply, whether we blend it with solar and wind or not, then also what is the flow of supply, because we cannot keep our plant operating based on power supply fluctuations. So, it is not that easy. We have substituted 25% of our power. There is future CAPEXES which comes in and steam which is required at the plant is not given from solar power, it is not generated. You have your captive boilers in place, you have your TNEB. So, it is not a very simple math to do that we substitute all the power from TNEB to us because in any case we have to do the wheeling. So, it is a lot of complex calculation. It is not as easy we think. Secondly is we are tie-ing this for 20 long years, right? So, today it may look lucrative. We have to do a balanced approach in terms of how much substitution of TNEB we do from solar and what is your power capacity from your own power plant. So, that math goes in, yes.

Keshav Garg: Lastly, if you could just tell us that for each of our products what is the starting raw material that we are buying from outside?

Pradipto Mukherjee: See, in PVC we have been very vocal about VCM. In Soda ash we have limestone. It is very openly available in the market. So, C-PVC becomes PVC, caustic becomes salt and water, iron oxide is iron.

Keshav Garg: Synthetic Rutile?

Sudarshan Ganapathy: Ilmenite ore is the starting material. So, that is also procured locally only and we use HCL along with that.

Keshav Garg: So, out of all of these that you just named, we have our own mines of which all products are we sourcing captively?



*DCW Limited
May 06 2026*

- Sudarshan Ganapathy:** No, no, salt is captive, coal, we are sourcing from Indonesia, ilmenite ore we are sourcing from Indian players. So, for PVC we are importing VCM and for CPVC we are using the PVC produced by us.
- Keshav Garg:** Understood sir. Thank you very much.
- Moderator:** Next question is from the line of Abhinav from Equitas Investments Please go ahead.
- Abhinav:** Hi! So, my first question was regarding caustic soda. Can you tell me what were the realizations in Q4 and what are the current realizations?
- Sudarshan Ganapathy:** In Q4 I think it was around \$350. And as we talk in Q1 the realization is in the north of \$400.
- Abhinav:** Have you seen any capacity globally shut down because the chlorine production has been reduced because of PVC?
- Sudarshan Ganapathy :** I am not able to hear you. Can you please repeat your question please?
- Abhinav:** Have you seen any capacity closures or reduced capacity utilization in caustic globally because chlorine is not getting diverted to PVC? And what would be the chlorine current realization?
- Sudarshan Ganapathy:** No, no. There have been some capacity closure in the Europe of PVC which will ultimately result in a corresponding capacity closure of caustic soda. But we have not seen any significant closure of capacity of caustic soda as yet.
- Abhinav:** Okay. The chlorine realization currently?
- Sudarshan Ganapathy:** We do not sell any chlorine.
- Pradipto Mukherjee:** It is not relevant for us because that is one transition which we have done as an organization over the years. We have now been a chlorine neutral facility down south.
- Abhinav:** But that would be around Rs.8,000 negative?
- Sudarshan Ganapathy:** Maybe market prices, yes, Rs.7,000, Rs.8,000 negative.
- Abhinav:** For caustic it is 100% domestic or do we export because in terms of caustic the entire supply is higher than the demand with the current?



*DCW Limited
May 06 2026*

Sudarshan Ganapathy: Caustic soda we also export because we are also port-based. So, always we have an option of selling to a domestic user in the east coast of India or export the product to Southeast Asia. So, we have been doing both on and off whenever there is a demand from any of the customers in the east coast, mainly the alumina companies or we export it to some of our customers in Southeast Asia.

Abhinav: And why has our capacity utilization in Q4 reduced from 96% to 90% for caustic?

Sudarshan Ganapathy: That is because of the maintenance outage.

Abhinav: No problem in the demand, right, because I have heard that in paper and textile people have curtailed capacities and those two segments being the highest user for caustic, are we seeing any demand issues there?

Sudarshan Ganapathy: As you may be knowing, caustic soda is 50% water. So, the ability of any producer to sell that product will be within the 300 Kms radius. The remaining of the product is only sold as a bulk shipment to either a bulk consumer like NALCO or Vedanta or to any of the customers in the Southeast Asia or Europe or some other market. So, yes, there has been a demand dip because of the lower offtake from the sectors that you have mentioned, but there has been no production curtailment because of the demand dip that we have seen.

Amitabh Gupta: And all said and done, these sectors are not very big consumers of caustic soda. The main consumption comes from the alumina industry which is doing very, very good.

Abhinav: And in terms of soda ash with the China coming up with a newer capacity in Inner Mongolia having the newer natural bases, have we heard of any material capacities going off in China, and are they still exporting to us?

Amitabh Gupta: No, frankly main imports in India used to be from Iran and Russia as I mentioned earlier which is not happening now and China is not a very big exporter of soda ash. So, there is not much of issues from China. And all said and done, because of the increases in the freight rates and everything, the prices are pretty healthy today.

Abhinav: What would be the current soda ash prices?

Amitabh Gupta: Sorry?

Abhinav: What is the current soda ash prices?



*DCW Limited
May 06 2026*

- Amitabh Gupta:** See, today the import price is in the vicinity of about \$250.
- Abhinav:** Got it. Okay, thank you. That is it from my end. I will get back in queue for the follow-ups,
- Moderator:** Next question is from the line of Manish Badhane from 360 ONE Capital. Please go ahead.
- Manish Badhane:** Thanks for an opportunity sir. If I look at the slide #20 so our ROC is around 8.56%. So, it is even like 9% to 10% of the cost of debt that similar in India. What are the steps we are taking to improve the ROC going forward?
- Pradipto Mukherjee:** So, we have to only go into products which are high margin and lower CAPEX. That is the only way to increase your ROC. We are into business of caustic, PVC, soda ash for many years now. There is no much investments. ROC is a function of profit wherein if the business conditions or the prices go up, you will see the profit going up and automatically ROC getting moving upwards. Now, so far as what we can do as an organization is only ensure that we do investments which are of high margin or high ROC, that means I mean higher capital turnover ratio and also higher margin business which gives you a higher ROC. So, that is what had triggered our investments into SIOP and investment into C-PVC, which obviously is much lower as an investment, payback period roughly for the incremental capacities what we did was around two years or two and a half years even at current prices. So, that would have already been baked in. But, what you need to understand is that the ROC for us as an organization despite our proportion of specialty chemicals going up is low because the commodity chemicals are at its bottom cycle. If you place this ROC with the prices of which we got for commodities in 2023, 2024, then the ROC will be north of 14%, 15%.
- Manish Badhane:** Thank you so much. That is it.
- Moderator:** Next question is from the line of Madhur Rathi from Counter Cyclical Investments. Please go ahead.
- Madhur Rathi:** Sir, thank you for the opportunity. Sir, you mentioned that there has been some spread improvement and realization improvement in SIOP and synthetic rutile. So, what led to this improvement and what are the current realization for these products?
- Pradipto Mukherjee:** SIOP, I do not think there is a spread improvement. We told on PVC and C-PVC spread. On SIOP what we told is that we are moving to higher value added products in which case we can command a better margin in those products so the volume may not increase. Coming to your other product which you asked was on synthetic rutile, the prices depends on the mix to which we export. It is a 100% export business. When we are exporting into China, we do not get those prices. When we export into our existing customers who have been taking ex of China, their prices are better off. So, if we can have our share of sales more into ex of China, the mix gives us a better realization and hence a better



*DCW Limited
May 06 2026*

margin. We believe that we have got certain of ex-China customers long-term contracts which we are building up and hence the margins should stay elevated just because of a better weighted average price which we will achieve from sale of synthetic rutile.

Madhur Rathi: Got it. And sir, what were the realization and spreads for both of these products in Q4 and what are they currently?

Pradipto Mukherjee: See, for synthetic rutile you cannot see a quarter because it depends on how is the skewing of the sales across the full year. Now for SR as a product we have never been giving it because it is a part subsumed in a caustic business and now caustic is a part of the basic chemicals. The whole idea is basically what we can tell you is that the spread should stay elevated for synthetic rutile for this year compared to last year which will give us some incremental profits compared to what we have closed in this financial year. SIOP, we had already communicated when we were showing that as a separate segment earlier, our margins were around 35% to 40%, we still continue to get those margins.

Moderator: Next question is from the line of Praneet Bomachetty, an individual investor. Please go ahead.

Praneet Bomachetty: Hi! Thank you for the opportunity. The management has previously noted the fact that we have been facing a lot of pressures in terms of dumping. Could you explain what kind of pressures, how is it different between the specialty versus commodity dumping and which countries is it split between? And what kind of margin compression the company has been needed to take because of this dumping force?

Sudarshan Ganapathy: We had filed a couple of petitions for dumping support from the government on PVC and on soda ash. And on both the products despite there was a positive finding, those duties never got implemented. We had a case in C-PVC of imports coming from China and Korea, for which we had got a favorable dumping duty levied a couple of years back. So, this is a phenomenon which keeps on and off based on the demand/supply imbalances from those respective exporting countries. So, there cannot be any standard guidelines –

Praneet Bomachetty: Specialty?

Sudarshan Ganapathy: In specialty, there are no dumpings now. Only in C-PVC we had a dumping duty case. In iron oxide, there is no dumping. In fact, we are exporting the product.

Praneet Bomachetty: Understood. And one last question is regarding the cap table. Like what is the exact association, is there an association with the Times Group versus our promoters, could you explain the relationship, is there any more further relationship with Times Group?



*DCW Limited
May 06 2026*

Sudarshan Ganapathy: I think all these things better you write to our company secretary, he will explain to you. I think it is nothing to do with the business.

Praneet Bomachetty: In terms of operational margin efficiencies, are we at our peak, because I think most of our utilization is the highest it can be. So, going forward, without the price increase, our margins are going to stay in the same range, right, is that a right understanding?

Pradipto Mukherjee: Yes, it would because as we told that there is a 10 KT of additional volumes of C-PVC which kicks in which takes care of the increased growth per se for next year. There are certain factors which we think would help us in terms of margin improvement. Like as we told and discussed that we are getting into long-term contracts with ex-China is our sales which eventually increases our weighted average net realizations for the product and thereby the margins or the profitability. We see certain price increases which we expect to be here for a couple of quarters so far as caustic and soda ash is concerned. But at the same time we see that there is a bit of a challenge so far as VCM-PVC and PVC and C-PVC spread is concerned. We are trying to see how the pricing is played out and accordingly take decisions on the procurement as well as the sales side. But I think there are more opportunities for us to increase the operating profit for next year than what we have achieved.

Praneet Bomachetty: Can you list out those because I understand the long-term contracts you will get a better weighted average, apart from that operationally what can we do because you told -

Pradipto Mukherjee: About 10 KT of additional volumes for C-PVC which comes in which we hope to place the volumes and we will derive an annual benefit out of it. Because though we commissioned the plant in March end, we think that we will scale up pretty quickly with our experience of first 20 to 40 KT. So, more or less an annualized benefit of additional volumes and margin absolute profit should go up there. There is some effect as I told of the weighted average contract prices for SR, while in caustic and soda ash we expect the prices to stay elevated. There will be some amount of dip so far as VCM, PVC is concerned and that is predominantly to do with the war to see how things shape up. So, I think apart from that we do not have a lever of capacity because we are doing almost the capacity utilization whenever we are doing a CAPEX seamlessly commercializing them. You have to wait for the next round of CAPEX which we have to announce, and that also has to do with the fact that how the geopolitics shapes up in Middle East.

Praneet Bomachetty: Understood, sir. One last question is regarding our potential expansion to other chemicals and specialty. Is there any near-term the company has in terms of intention to expand into new chemicals or will it be expanding the specialty chemicals we already have in the next five years?

Pradipto Mukherjee: Specialty chemical growth which will come would have to be in related chemistry. The synergy comes even by utilizing your marketing leverage or your chemical understanding of the product. That



*DCW Limited
May 06 2026*

is the second one. And thirdly, very importantly where thematically we want to see this organization five years or seven years hence. Putting all these into practice, we have relatively had drawing board discussions and certain products which we can venture into. Please wait for us to come and communicate you officially.

Praneet Bomachetty: Understood, sir. Thank you so much. That is it from my side.

Moderator: Next follow up question is from the line of Madhur Rathi from Counter Cyclical Investments. Please go ahead.

Madhur Rathi: Thank you for the opportunity once again. So, if I look at our YoY EBITDA from the specialty chemical segment, so is it fair to assume that whatever decline that we saw in the spread composition for C-PVC, PVC was mitigated or offset by SR spread improvement?

Pradipto Mukherjee: SR is not a part of our specialty. See, in the specialty business, there are two products which is SIOP and C-PVC. These were separate segments, but we have clubbed into one. What has happened is the spread contraction of PVC to C-PVC has been mitigated by the volume increase of C-PVC which we did round about 22,000 tons this year, we are doing around 37,000 tons, 38,000 tons. So, the volumes more or less has doubled so far as C-PVC is concerned. That helped us almost meet the numbers even despite the PVC, C-PVC spread contraction.

Sudarshan Ganapathy: You are asking about Quarter 4 in specific?

Madhur Rathi: No sir, I was asking about YoY there has been a flattish EBITDA closer to Rs.180 crores. So, I was trying to understand what has been the spread compression in C-PVC and what has been improvement in SIOP?

Pradipto Mukherjee: So, see, SIOP, we have increased the volumes by 30% and C-PVC, we have increased the volumes almost double, 60%, 70%. So, that has been mitigated by the price correction only in C-PVC which did not have a consumer at input C-PVC price correction, which basically means the PVC, C-PVC spread came under contraction. That contraction was mitigated by the additional volumes which we produced and sold. So, that is the way it is.

Madhur Rathi: Got it. And sir, on our CPVC segment, sir, what is the extent of capacity closure that you mentioned that has happened in Europe? And sir how is our feedstock availability currently that we import?

Sudarshan Ganapathy: C-PVC, we do not import any feedstock.

Madhur Rathi: No sir, I am talking about PVC.



*DCW Limited
May 06 2026*

- Pradipto Mukherjee:** PVC there is no import also, we produce PVC and we use those PVC in making our C-PVC.
- Madhur Rathi:** I am trying to understand what has been the capacity closure in PVC that you mentioned, that has happened in Europe? And what is the feedstock availability of VCM for our PVC segment? Is it available or are we facing shortages for this VCM for our PVC segment?
- Sudarshan Ganapathy:** No, see, one is that we used to source our feedstock majorly from Middle East. Because of the gulf war that supply which has been the closest logistically is not coming. So, our contracts were all put on pause. So, to tide over the situation, we are procuring the feedstock. There has been no issue in production, but it is coming at a high cost which we are finding it difficult to pass on in our finished product, which is PVC. This is a temporary phase. And even if there has been a plant closure in the Europe, technically the product VCM cannot come to India because of the logistics cost because it is a pretty long distance and VCM not comes in a container, it comes in a ship, so logistics plays a very big cost.
- Madhur Rathi:** No, sir, I was asking how much capacity in metric tons and how many plants closed in Europe?
- Sudarshan Ganapathy:** Europe capacity I think two plants got closed. I think Vinova is one capacity, I think that is some 2 lakh tons which got closed. And one more plant which I do not recall, it got closed. But these closures happened much before the start of the West Asian conflict. It has got nothing to do with the current geopolitical conflict. These capacities got closed in the course of last year.
- Madhur Rathi:** Right. So, that was from my end. Thank you so much and all the best.
- Moderator:** Ladies and gentlemen, we will take this as the last question for the day. I now hand the conference over to the management for the closing comments.
- Saatvik Jain:** Thank you, everyone for joining our call today and hope we have been able to answer all your questions. If any further clarifications needed, I request you to reach out to our investor relations advisors at Valorem. Thank you once again and we will talk to you next quarter. Thanks.
- Moderator:** Thank you very much, sir. On behalf of Arihant Capital Markets Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.