Operator: Ladies and gentlemen, good day, and welcome to DCW Ltd. Q2 and H1 FY27 earnings conference call hosted by Valorem Advisors. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero, on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Purvangi Jain from Valorem Advisors. Thank you, and over to you, Purvangi.

Operator: Thank you. Good afternoon, everyone. My name is Purvangi Jain from Valorem Advisors. We represent investor relations for DCW Ltd. On behalf of the company, I would like to thank you all for participating in the company's earnings call for the second quarter and the first half of financial year 2027.

Before we begin, let me mention a quick cautionary statement. Some of the statements made in today's earnings call may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's belief, as well as assumptions made by, and information currently available to, management. Audiences are cautioned not to place any undue reliance on these forward-looking statements when making investment decisions.

The purpose of today's earnings call is purely to educate and bring awareness about the company's fundamental business and financial performance for the quarter under review.

Now let me introduce you to the management participating with us in today's earnings call and hand it over to them for their opening remarks. We have with us Mr. Saatvik Jain, President; Mr. Sudarshan Ganapathy, Chief Executive Officer; and Mr. Pradipto Mukherjee, Chief Financial Officer.

Without any further delay, I request Mr. Saatvik Jain to start with his opening remarks. Thank you, and over to you, sir.

Saatvik Jain – President: Thank you, Purvangi. Good afternoon, everyone, and thank you for joining us today for DCW Ltd.'s Q2 and H1 FY27 earnings call.

By now, we are all familiar with the challenges arising from the ongoing situation in West Asia. What has made the first half particularly difficult for the chemical industry is not just the sharp movement in crude oil and energy prices, but also the speed at which these changes have flowed through feedstock costs, freight rates, and supply chains.

At the same time, global demand remains uneven, while competitive Chinese exports continue to put pressure on pricing. Higher costs, therefore, have not always translated into higher realizations, creating a challenging margin environment across the industry.

Yet, India's long-term demand opportunity remains compelling. We continue to benefit from investment in housing, infrastructure, water management, and manufacturing. These are structural demand drivers for many of our products, and they reinforce our confidence in the markets that we serve.

Turning to our performance, Q2 reflected some of these contrasting trends.

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Our Basic Chemicals profitability improved sequentially, primarily driven by a recovery in PVC. As I indicated on our last call, we believe that the exceptional pressures in Q1 were largely event-driven. During Q2, higher landed costs of imported PVC, partly reflecting increased ocean freight, supported domestic realizations. This helped the VCM-PVC spread begin to normalize and was the principal driver of the improvement in our Basic Chemicals profitability.

Specialty Chemicals, on the other hand, experienced some near-term margin pressures. In CPVC, PVC input costs rose faster than selling prices could adjust, particularly on sales contracted at earlier prices. This temporarily compressed the spread. We expect the pricing mismatch to correct progressively as the lag works through the system.

In our pigments business, higher ocean freight to North America impacted export economics during the quarter. Together, these factors weighed on our sequential profitability.

Importantly, we do not see them as a change in the underlying opportunity. Demand for CPVC continues to be supported by plumbing and infrastructure applications, while pigments are well positioned across paints, coatings, construction, and concrete applications.

Our balance sheet continues to strengthen. Net debt to EBITDA is now just 0.12 times, and finance costs have declined by around 8% sequentially. We expect full-year finance costs to be approximately 10% lower than last year. This gives us room to invest for growth without compromising our leverage or returns on capital.

As I mentioned last quarter, FY27 is a turning point for us, from strengthening the foundation of our business to investing in its next phase of growth. Our growth ambition is not simply to add capacity. It is to build a larger, more differentiated specialty chemicals portfolio, expand our value-added product offerings, and structurally improve competitiveness and returns on capital.

We have now initiated work on the 250 crore investment program announced last quarter, covering the expansion of our iron oxide pigments business and optimization of our captive power infrastructure. Both projects are at an early stage, with the previously communicated timelines remaining intact.

We have also taken an important capital allocation decision. Following SEBI's reintroduction of open-market buybacks through the stock exchanges, our board yesterday approved a buyback of up to 40 crore rupees. Subject to execution, this could reduce our equity base by slightly less than 3%. We see this as a measured opportunity to enhance value for continuing shareholders at current market valuations, while expressing confidence in the company's long-term prospects.

Importantly, this does not come at the expense of our announced growth investments or balance sheet discipline. We believe that returning capital selectively and investing for growth can, and should, go hand in hand.

This quarter, we also unveiled a refreshed identity for our 80-plus-year-old company. This is not about changing who we are. It is about reflecting where we intend to go.

Our mission is to harness the power of chemistry to create products that shape the world. Our vision is to be a global leader in chemicals powered by innovation and sustainability. Our

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values—innovation, agility, trust, and sustainability—will guide that journey.

Looking ahead, external volatility remains a reality, but based on current visibility, we expect the second half of FY26—FY27 to be significantly stronger than the first.

Our focus is firmly on execution: improving margins, maximizing existing assets, progressing our investments, and increasing the contribution from value-added products.

We are building DCW Ltd. not merely for a better cycle, but for a substantially larger and stronger future.

With that, I will hand it over to Pradipto to take you through our financial performance. Thank you.

Pradipto Mukherjee - Chief Financial Officer: Thank you, Saatvik. Good afternoon, everyone.

Let me take you through the financial performance for the second quarter and the first half of FY27.

Revenue from operations for the quarter stood at 663 crores, representing robust growth of 23% YoY. This performance was propelled by strong traction across both business segments, with Specialty Chemicals expanding by 32% on a YoY basis and Basic Chemicals growing by 20%.

Specialty Chemicals' top-line growth was primarily driven by CPVC volumes following our capacity expansion, while Basic Chemicals benefited from increased sales volumes of caustic soda and synthetic rutile, combined with improved net realization in PVC.

On a sequential basis, revenue from operations rebounded strongly, rising 22% quarter-on-quarter, comprising a 4% sequential uptick in Specialty Chemicals and a 31% expansion in Basic Chemicals.

The sequential momentum in Basic Chemicals was backed by volume and realization gains across caustic soda, synthetic rutile, and PVC, which comfortably absorbed the impact of lower soda ash volumes resulting from a temporary plant disruption during local floods.

Meanwhile, Specialty Chemicals recorded sequential volume gains across both SIOP and CPVC, partially offset by steep market price erosion in CPVC.

Turning to profitability, EBITDA, including other income, for the quarter stood at Rs.55 crore, reflecting 32% sequential growth and an EBITDA margin of 8.2%.

The quarter-on-quarter recovery was anchored by a strong turnaround in Basic Chemicals, where EBITDA swung back into positive territory at 20 crore, recovering from an EBITDA loss of 14 crores in the first quarter of this year, as VCM price spreads normalized and synthetic rutile volumes recovered from the previous inventory liquidation.

On a YoY basis, EBITDA, including other income, for the quarter contracted by 13%, dragged down by a 33% reduction in Specialty Chemicals EBITDA, even as Basic Chemicals surged by 43% behind volume and price gains across all products outside soda ash.

Specialty Chemicals' profitability during the quarter faced pressure from a sharp contraction in the PVC-CPVC spread and elevated ocean freight impacting exports to North America.

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For the first half of FY27, revenue from operations was 1,205 crores, reflecting 19% YoY growth, driven by a 35% expansion in Specialty Chemicals and 13% growth in Basic Chemicals. EBITDA, including other income, for the period stood at 96 crores, a contraction of 20%.

It is noteworthy that our company faced a series of non-recurring and abnormal events. One was the West Asia crisis in Q1, which partly affected PVC production and severely impacted the VCM-PVC spread.

A flood at our Dhrangadhra facility in Gujarat in Q2 caused a plant stoppage and affected soda ash production and sales.

There was also volatile price movement in PVC, including the removal of import duties on petrochemical products for a certain period.

Management: ...resulting in abnormal contraction of the VCM-PVC spread in Q1, followed by the second-order effect on the PVC-CPVC spread in Q2. There was an abnormal increase in freight rates in Q2, impacting profitability on export sales to North America.

Finance cost for the company in Q2 stood at 13.6 crore, a reduction of 8% on a QoQ basis and 12.5% on a YoY basis. H1 finance cost stood at 28.4 crores, demonstrating a reduction of 7.2% on a YoY basis. The company expects to conclude this fiscal year with a 9%-10% reduction in interest cost.

On the balance sheet front, it is important to state the following. Cash and cash equivalents, including investments in fixed deposits and mutual funds, totaled 297 crores as at September 30, 2026. The company's gross leverage stood at Rs. 323 crores, resulting in net debt of 26 crores. Debt on trailing 12-month EBITDA at the gross level stood at 1.5 times, and at the net level stood at merely 0.12 times. The debt-to-EBITDA ratio was comfortable at 0.29 times. The current ratio at the end of September was maintained at a healthy level of 1.17 times. The company's asset turnover based on H1 FY27 annualized performance stood at 1.83 times versus 1.62 times in FY26.

Looking forward, we remain focused on strengthening earnings quality, driving cost discipline, and maximizing utilization across our newly expanded capacity as we advance our capital deployment roadmap.

With this, we now open the floor for questions and answers. Thank you.

Operator: Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

Our first question comes from the line of Abhinav Mandowara with Equirus Investments. Please go ahead.

Abhinav Mandowara - Equirus Investments: Hi. My first question was regarding PVC-VCM spreads. As you mentioned, it improved in Q2. I just wanted to understand directionally how it has been now, and if you can quantify the PVC-VCM spread in Q2 versus where we stand today at the end of

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October.

Management: The PVC-VCM spread in Q2 was not totally normal; it had started normalizing. I can say that it was in the ballpark of north of $100. As we speak now, the spread has somewhat further improved to close to $120. It is still not at $130 or $135, but we expect it to reach those levels in the coming months.

Abhinav Mandowara – Equirus Investments: How are we seeing imports coming in for PVC, which I think was the problem last quarter? And how is the contract structured? Is it a short-term contract like CPVC, or is it spot?

Management: One second. Do you mean PVC or VCM?

Abhinav Mandowara – Equirus Investments: PVC.

Management: We do not import PVC. So, there is no way I can...

Abhinav Mandowara – Equirus Investments: [crosstalk] No, PVC imports. But when you sell PVC, it is to distributors, right?

Management: Yes, we usually benchmark the product based on import bookings. There are many regular exporters to India who sell their product. Based on those prices, we benchmark our price.

Abhinav Mandowara – Equirus Investments: Got it. And what would the spread have been in the last quarter, in Q1?

Management: Last quarter was pretty bad. I would say it was less than $50.

Abhinav Mandowara – Equirus Investments: Less than $50. Got it. Coming to CPVC, I just wanted to understand the contract lengths and why it is taking time to pass on prices for CPVC. Is it a demand issue, or is it simply the nature of the contract, with it being a short-term contract?

Management: It is a mixture of both. We do not have fixed-term contracts. We have some volume contracts where there is some carryover to the following months, depending on the volume of quantity that you sign. One reason for the inability to pass on the increase in PVC prices to CPVC is partly that the prices were locked and we were not able to pass on that increase. The second aspect was that, traditionally, demand in Q2 is also sluggish because of the monsoon. So, it is a combination of both. It is not only the lag in passing on the increase in input costs; demand was also not at its peak.

Abhinav Mandowara – Equirus Investments: I just wanted to understand how much of these contracts are short-term and have fixed prices. What percentage of revenue would they represent?

Management: Usually, the contracts are only on a monthly basis, but you lock the prices in the last week or at the beginning of the month. Irrespective of price movements, PVC prices are very volatile, and even within a month, we have seen three or four price corrections. So, if your CPVC prices are locked at the beginning of the month, you will not be in a position to implement any increase in input costs. As you know, we consume our own PVC, so when there is a price increase, the price given to us for our other division is also based on the selling price.

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Abhinav Mandowara – Equirus Investments: Understood. I also wanted to understand the PVC space. I think what happened last quarter was that China was dumping calcium carbide-route PVC into India and had a lot of supply. What has changed in the PVC market that is leading to the price increase, apart from freight prices, of course?

Management: One reason is, as told by Mr. Saatvik Jain, that there has been a steep increase in inward freight rates. Since we benchmark prices based on the landed price, we have taken advantage of that. Freight rates have increased significantly. That is one reason. The second reason is that there has also been a cost impact on the Chinese producers, so they have also increased their prices. There has been an upward correction in the prices of PVC exported to India.

Abhinav Mandowara – Equirus Investments: And by how much? What are the current PVC prices?

Management: Current PVC prices are in the range of $940 to $960.

Abhinav Mandowara – Equirus Investments: $940 to $960. The last time the PVC cycle was at its peak, I think it went up to around the $130 level. What kind of margin or spread do we make at those levels?

Management: I think it is too far-fetched to compare what happened at that time. At that time, there was an increase in PVC prices because of very abnormal container availability. There was no corresponding increase in feedstock prices for us, so the margins were abnormal. I do not think we should draw any parallel between what happened during COVID or post-COVID and what is happening now. Now there is a cost increase for everyone because crude prices are higher, and ocean freight for containers, as well as ocean freight for our bulk cargo, is also on the higher side. We cannot compare the prices that prevailed in 2021 and 2022 with current prices or draw any parallel.

Abhinav Mandowara – Equirus Investments: Got it, sir. Thank you so much, sir. This was very helpful.

Operator: Thank you. Our next question comes from the line of Madhur Rathi with Counter Cyclical Investments. Please go ahead.

Madhur Rathi – Counter Cyclical Investments: Sir, firstly, I must say that it is a very disappointing share buyback that the company has announced. Even 18 years ago, when the share price was 46 rupees, there was no Specialty division, SIOP, or CPVC, and the net worth was a fraction of what it is today. Despite that, we are doing a minuscule and meaningless share buyback, and promoter holding is barely increasing by 1 percentage point. We could have done a buyback of 280 crore, which is the maximum permissible limit of 25% of net worth and is incidentally equal to the operating cash flow that the company generated last year, at around 275 crore. Somehow, this conveys poor business confidence. However, be that as it may, are we on track to achieve the 300 crore EBITDA that you had guided for?

Management: First of all, let me answer your first question and try to address your disappointment. We are buying stocks from the market as per the new regulation. If you have gone through the regulation, it says that 25% of the average volume of the last 10 days is what you can buy. Based on

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the last 10 days of our purchases, which occurred when we announced the buyback on the board meeting date, we could have bought a value of 80 lakh rupees per day, based on 25% of the average volume over the last 10 days. The buyback period is open for 66 days. We have chosen to take a 50-day period of operations at 80 lakh rupees, which comes to 40 crores. We may wish to buy 280 crores, but the SEBI regulation does not allow us to buy more than the percentage that I just mentioned.

The fact of the matter is that this is also an opportunity for us to buy back more value, but we are restricted by the regulation issued by SEBI for market buybacks. Secondly, while we have cash on the balance sheet and operating cash, a buyback will add value only when we allocate our capital not only to buybacks but also deploy it for growth. We are limited by the value under the regulation, and secondly, we thought that this was the maximum we could do while saving some money for future growth announcements. Share price appreciation typically depends on buybacks as well as the execution of projects that we announce and the growth of the company's financials. We thought that this would be the best allocation, and we will see in time whether we can follow up with buybacks in the future.

Coming to the next point regarding 300 crores, I think the EBITDA that we communicated at the beginning of the year was around 300 crores. We had specifically mentioned in Q1 that there was a West Asia crisis, because of which our VCM-PVC spread incurred an abnormal loss in Q1. This was further followed by the unfortunate event of floods in Dhrangadhra in Q2, PVC prices going up, and the CPVC-PVC spread coming down because we were unable to pass on the prices to customers. No CPVC player would have been able to pass on prices to customers with such volatile PVC prices. Given this scenario, we did whatever best we could do in other products such as caustic, synthetic rutile, and SIOP, and our profits are predominantly dependent on market conditions and prices.

We are, and I have been trying to explain, predominantly an upstream B2B company whose raw material inputs come from natural resources. There can be increases in prices and labor costs, and our basic commodity business is predominantly dependent on market conditions in terms of prices. At DCW Ltd., we do not unilaterally decide the price of the product. It is based on market conditions.

In the Specialty segment, we have been growing and have delivered what we had stated over many quarters. Each of our growth initiatives has taken effect within the timelines and at the costs we had announced. This is the first quarter in which, due to the volatility in PVC prices, we have seen an impact on the PVC-CPVC spread, which has impacted our profitability by roughly 12-13 crores. It is also important to note that there has been a significant increase in ocean freight for our outgoing materials to the US. We have been exporting SIOP, which is our highest-margin product today, to North America. We have incurred an additional cost of 7-8 crores compared with what we usually incur over the quarters, and this is also a one-off.

Given such a scenario, it is very difficult to provide guidance on the EBITDA number. However, as a company, we are trying to produce and sell our capacity. With the capacity expansions coming up, as you have seen, we have seamlessly commercialized [trails off]

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Management: ...commercialize our volumes without any time lag. All other factors are predominantly dependent on market conditions. We are vigilant about market conditions and are trying to do our best to deliver value to shareholders. Thank you.

Madhur Rathi – Counter Cyclical Investments: Sir, your buyback clarification is much appreciated. Coming to our tax rate, could you clarify what exactly the tax rate is? In the past 3 years, the tax rate has been 38%, 39%, and 35%. What is the expected tax rate for FY27, and by when will the company fall under the 25% tax bracket?

Management: We have already shifted to the 25% tax bracket under the new regime from April 1. We had been under the old regime because we had MAT credits. The new regime did not allow any MAT credit to be taken. An amendment was introduced in the Finance Bill, under which the new tax regime allows MAT credit to be taken, but only to the extent of 25% of the tax liability, and we shifted to the new tax regime. Our effective tax rate now stands at 25.17%, to be precise, barring the adjustment for deferred tax assets and liabilities.

As you saw in Q1, when our tax rate moved from 35% to 25% under the new regime, it came down. We had repriced our deferred tax liability, which resulted in income in the P&L below the line of 34 crores. I think we had made an announcement to that effect. Our effective tax rate today stands at 25.17%.

Madhur Rathi – Counter Cyclical Investments: Understood. Coming to our capacity utilization, over the last 2 years, the CPVC and PVC segments were operating at full utilization, although CPVC utilization has declined in the latest quarter. If we look at the other divisions—SIOP, caustic soda, and soda ash—all of these divisions have been operating at around 90% or below since FY25, at least. Can we achieve full utilization going forward in these divisions?

Management: For a very large number of years, we have been operating at 100% capacity utilization for PVC and caustic soda. For soda ash, we have been somewhat challenged, first because of equipment failure involving imported equipment, which continued for 1 year. This year, we operated at around 90% over the last 2 quarters. This quarter, there was an aberration because of a flood and a plant stoppage for 10 days, along with a couple of days required for revamping.

As far as SIOP is concerned, our capacity utilization has also been maintained through the debottlenecking capex that we announced 2 years ago. Our rated capacity now stands at around 30,000 tons. We would be operating at around 80%-85% because we operate SIOP in 3 colors and there is a changeover. It is basically dependent on customer specifications. An 85% utilization rate should be read as being as good as 100% because of the changeover time and specifications.

Coming to CPVC, we have grown from 10 KT to 50 KT in 3 tranches: from 10 KT we went to 20 KT, from 20 KT we went to 40 KT, and from 40 KT we went to 50 KT. The last 10 KT of the 50 KT capacity came only in Q1, and this quarter has been 500-600 tons short for certain internal reasons. We should be back at 100%. That is our capacity utilization status.

Madhur Rathi – Counter Cyclical Investments: Understood, sir. Lastly, despite commissioning 44 megawatts of renewable power in April 2025, our power cost seems to be going up continuously. Last year, the power outgo was flat at around 307 crore versus 312 crore the year before. In the first

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half of this year, power cost has again increased. Why exactly is power cost continuously going up, and what is the plan to bring it down?

Management: The intention behind doing the capex was to achieve a power cost reduction of 25-30 odd crores, based on the coal price that was prevailing at that point in time. Eventually, coal prices have gone up. Had coal prices remained static, the 25 crores of savings that we envisaged from the capex would have been realized. You also need to understand that we have substituted only 25% of our power through the solar facility, which is significantly lower in rate terms than coal prices. As prices go up, our solar capex actually becomes more lucrative. However, in absolute terms, power cost does not come down because of the variability of coal prices.

In Dhrangadhra, we use coal and lignite. All these prices have been more or less on an upward trajectory. As we speak, in Q3 there has been a significant further increase in coal prices.

It would not be fair to look at coal prices in absolute terms. What should be assessed is whether our power cost is in line with the coal index available for the quarters being compared. I think that would answer why power cost is not coming down despite the solar facility. The solar facility would have provided annual savings of 25-30 crores. In fact, the increase in coal prices is giving us greater savings than we would have had if we had not undertaken the project. However, this is being masked by the overall increase in power cost.

Operator: Have you completed your question, sir?

Madhur Rathi – Counter Cyclical Investments: Yes. Thank you so much.

Operator: Thank you. Our next question comes from the line of Pujan Shah with Molecule Venture. Please go ahead.

Pujan Shah – Molecule Venture: Thank you for the opportunity, sir. My first question is regarding the spread. The VCM versus PVC spread has progressively narrowed, which has ultimately made the conversion of PVC profitability difficult. What is the fixed-cost percentage when we convert VCM into PVC? VCM conversion into PVC includes many other elements as well, but regarding the spread or fixed-cost component, could you give us a broad indication?

Management: I do not think we have data for the fixed cost related to that. It would be difficult.

Pujan Shah – Molecule Venture: Understood. I also wanted to understand that on October 26, there was an initiation of countervailing duty by the industry. After the debate regarding exclusion of the rebate and given the current crisis, do you still feel that there could be continued dumping from China after the war ends or shipping rates normalize?

Management: On October 26, there was a recommendation for countervailing duty by DGTR on imports of PVC from China. It has to be approved by the Ministry of Finance, which may take a couple of months. After that, we expect some level playing field between the domestic industry and imports.

Pujan Shah – Molecule Venture: Understood. If the duty is implemented, what could be the base case for PVC? Would that be $90 per ton?

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Management: Yes, but you should not directly assume $90 per ton because, at some point, freight rates will also normalize. In the near term, freight rates may remain elevated, but we feel that we cannot base our assessment on current freight rates. There will be some reduction in freight rates, and we have to see what Chinese prices will be. Then we have to add the recommended duties and arrive at the corresponding price.

Pujan Shah – Molecule Venture: Okay, sir. In terms of CPVC, can you tell us the current realization and what the monthly contract was for this quarter, so that we can get a sense of the spread?

Management: I can only say that the spreads will normalize to what they were in Q1 because, whatever price correction and price erosion there was, I think most of it is behind us now. In Q3, we can expect a similar number to what we did in Q1. It would be difficult to provide an exact number. I think the current price will be north of 125 rupees.

Pujan Shah – Molecule Venture: Understood. We have drawn almost 100 crore of long-term borrowings. Is it only for SIOP? Have we started work under the agreement, including purchases and construction, for SIOP Phase 1?

Management: For SIOP, our Phase 1 capex, as discussed, was around 7 KT, along with a power-efficiency project. The next phase was for another 8 KT or so of SIOP, taking our capacity to 45 KT. The total capex estimated by us, as available in the public domain, is around 250 crores. We intend to borrow around 150 crore rupees, of which 50 crore rupees have been borrowed and are lying in investments in mutual funds. We basically follow the discipline of spending the money and liquidating the fixed deposits earmarked for growth projects. The remaining 50-60 crore has been borrowed in the form of a working-capital WCDL, which would prepare and keep us ready for any difficult times.

Pujan Shah – Molecule Venture: Understood, sir. At what rate have we borrowed as of now?

Management: Total borrowing is around 9%-9.25% on a weighted-average basis for these 2 borrowings. There would be a spread. There would be a negative carry because, although our net debt is obviously not increasing, there is a negative carry to that effect in our P&L. However, as an organization, as we discussed, we intend to maintain around 5%-6% of our top line as cash at every point in time. This is in line with our internal financial policy.

Pujan Shah – Molecule Venture: Understood. We have mentioned in our presentation that we are also planning to expand our power project. We are already meeting 25% of our requirement. What percentage do we aspire to reach, and what capital cost are we planning to incur?

Management: I would like to clarify that the announced capex is for our internal power plant. It has nothing to do with renewable power. As a product, SIOP requires more steam. Our steam and power arrangements need to be modified and optimized. The capex we are undertaking is to optimize our cogeneration power plant, through which we will benefit from a lower power cost and a lower steam cost.

Pujan Shah – Molecule Venture: Okay, so there might not be a [crosstalk]

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Management: [crosstalk] No, no. There will be no increase in renewable power allocation through this capex. Perhaps at a future date, if we decide to invest, that will be a separate investment. This is only for optimization of our costs because we need greater steam availability for iron oxide. That is why we undertook this project.

Pujan Shah – Molecule Venture: Iron oxide, sir. In terms of synthetic rutile, when will the Japanese agreement start contributing revenue and EBITDA, and what do you expect for the current year and the next year?

Management: I think the sale started in the second half of, I mean, the second quarter of this year, and

Management: [off-mic discussion] Quarter 2.

Management: Yes, and it is back-ended. Our sales to non-Japanese customers were higher in the first quarter and in the second quarter. From Q2 onwards, our sales to [cut off]

Management: ...Japanese customers will be higher in terms of volume.

Pujan Shah – Molecule Venture: You are referring to the second quarter of Q2 FY24?

Management: No, no. From Q3, our sales mix toward Japan, which gives us a higher spread, would start showing benefits in the P&L.

Pujan Shah – Molecule Venture: Understood. Thank you so much, sir. All the best. I will join back in the queue.

Management: Thank you.

Operator: Thank you. The next question comes from the line of Kandaswamy V with Sincere Syndication and Corporate Services LLP. Please go ahead.

Kandaswamy V – Sincere Syndication and Corporate Services LLP: Good afternoon, sir.

Management: Good afternoon, sir.

Kandaswamy V – Sincere Syndication and Corporate Services LLP: PVC resin prices have been quite range-bound recently, firstly. The one thing unique about India is that, in the quarter ending December, demand is expected to be very good compared with most global markets. Will it be different this time because of El Niño becoming a super El Niño? There are 2 schools of thought in this regard. One is that PVC demand itself could be very poor from the rural sector, or, because of various government schemes, demand could be much better than ever before. What is your thought process, sir?

Management: It could be. El Niño has nothing to do with PVC demand. If you consider the impact of El Niño, if there is scanty rainfall, you will need more pipes because you will need to move more water. Therefore, El Niño as a reason for any impact on PVC demand is not the correct way to assess whether demand will be good or bad.

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Government demand under the Jal Jeevan Mission and all other missions is showing an uptick, particularly in the eastern and other regions where offtake was not that high in earlier years.

We feel that demand will be good. I will not say that it will be exceptionally good, but demand will be good. I do not see demand declining because of El Niño or any other reason.

Kandaswamy V – Sincere Syndication and Corporate Services LLP: Regarding ilmenite, nothing much has been discussed over the last couple of quarters. Are you soft-pedaling it? We felt that this was one area where, if not today, over a period of time, we could venture into titanium on a large scale. Technological issues exist, of course, but beyond that, it is an area where, despite having a first-mover advantage, only one other public-sector undertaking is present.

Nothing much is transpiring on those lines. Would you like to provide some insight into how the ilmenite business could scale up significantly going forward?

Management: On the project side, management has not made any announcement as yet. Whatever has been announced is in the public domain.

Secondly, our understanding of first-mover advantage is that there is always a first-mover advantage in any business that you enter. However, the first mover does all the difficult work of creating the domestic market. A follow-up or immediately subsequent second mover tends to gain.

That has been our understanding. On the project side, we may have certain communications in due course. We are trying to see how this year develops, and accordingly, you can expect some project expansion announcements from us.

In SIOP, we have announced a 50% capacity enhancement and power-efficiency work that we have been undertaking over the last couple of years. The efficiency capex has been undertaken in Basic Chemicals to keep us cost-competitive with peers that have achieved cost competitiveness through expansion and economies of scale.

We have articulated very clearly that we will not be expanding our commodity or Basic Chemicals segment. The capex we are undertaking is for efficiency improvements that keep us competitive. On the growth side, it has so far been in SIOP and CPVC.

You can wait for any announcement from our side in the days to come. Thank you.

Kandaswamy V – Sincere Syndication and Corporate Services LLP: My concern is that we are not receiving ilmenite volumes, prices, or margins, and none of this is disclosed. Of course, you do not disclose this for any other product either, but for every other product, information is available in the market, so it is easy for us to understand how your numbers are progressing.

Management: You can check our competitor's details. There is a competitor for us in synthetic rutile and ilmenite. You can check that company's performance. I do not agree with you that the ilmenite business is not a good business.

Every business has its own upsides and downsides, and you can compare our competitor's performance. It is easy to say that we can undertake value addition and so on, but technology also

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plays a major role.

It is not that easy to expand any product unless we are sure about the technology.

Kandaswamy V – Sincere Syndication and Corporate Services LLP: Understood. On that front, I want to know whether we could disclose volumes, price variations, and so on, so that the business becomes more transparent. Obviously, I can obtain information from the competitor, but DCW Ltd. as an entity has been doing quite well, and we have been much more transparent than ever before. That is why it could be all the more exciting for investors to understand the nuances of each segment. Of course, you may not invest more in that, which is a separate issue altogether, and you may not be able to comment at this point, which is well understood. That is one point.

Management: Your requirement is well appreciated, sir. However, we made an announcement grouping our products into the Specialty Chemicals and Basic Chemicals buckets, not with the intention of suppressing information from our shareholders. It was intended to prevent our competitive edge from being made available to our competitors.

Having said that, over the past several years, we have tried to be as transparent as possible in our earnings calls and communications with shareholders. There are companies that operate across 10 products and do not have a segment; they only report the company's overall numbers. We are categorically telling you which products are in each segment and explaining them to you.

Specific to synthetic rutile, it was never a segment for us. It was always part of the caustic division, even earlier. It was part of the caustic division because of its interlinkage.

If you have specific questions, you can send them to us. We can evaluate them and communicate with you.

Kandaswamy V – Sincere Syndication and Corporate Services LLP: Regarding power, is there scope to increase the share of solar power so that, in due course, we can achieve the payback much faster? Of course, this would be after the SIOP expansion, not before.

Management: We were contemplating a further increase in renewable power. However, recent amendments announced by the Tamil Nadu government have been challenged in court by many people because they are not conducive to expansion in renewable power, as the payback is not very advantageous for us. We are waiting for the outcome of the court case, after which we will decide our next course of expansion in renewable power.

Kandaswamy V – Sincere Syndication and Corporate Services LLP: This is slightly a fundamental question. We have seen DCW Ltd.'s interest costs rise in the past. They have come down quite significantly, no doubt about it. However, the benefit of investing and increasing management focus in Specialty Chemicals is yet to be reflected in margins.

Even though Basic Chemicals margins are at least in the double digits these days, we are ending up below that level at this point. Over the last couple of quarters, each quarter has been around 7%. Most chemical companies, including Basic Chemicals companies, are able to achieve good margins.

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Are we on course to cross 10%, at least from the second half of the current fiscal year, sir?

Management: To answer your question, while you say that all other Basic Chemicals companies are doing well, you should also take cognizance of the fact that when the PVC market was doing well, our competitor with a similar market and similar business, Chemplast, had negative EBITDA. From a negative EBITDA position, many other companies that were in a single-product segment struggled. We managed to come through with steady resilience in our bottom line.

Obviously, in terms of growth in the segment, we would also have liked to see growth because, as we always say, our EBITDA would be quite stable at a particular level with the advent of the Specialty segment, which provides stability to our bottom line. We are on track in that regard. If you look at our Specialty segment numbers on an annual basis, they have gradually increased, and more or less our capacity expansions have reached a level where you can quantify and see the maximum profitability contribution that can come to the single bottom line.

Our challenge has obviously been in the Basic Chemicals segment. There have been wide swings for all companies operating in caustic, soda ash, and PVC. We have tried to balance this. We are equally concerned that we are not receiving the top-up in profitability that should have come from the advent of Specialty Chemicals.

However, we have demonstrated our resilience over this period and maintained a strong balance sheet. Our capex announcements would have been much more aggressive, but for global situations that always make us cautious about taking a large leap of faith.

We are watchful of the market scenario and market conditions, and we will identify an opportune time for growth and determine what we can do.

Kandaswamy V – Sincere Syndication and Corporate Services LLP: Just one last question. DCW Ltd. is the only company with a double advantage. The chlorine from your caustic soda division is used for your CPVC, and your PVC is used for your CPVC. This linkage is not available to anybody else. That is one reason, along with your SIOP and other initiatives in recent times.

However, you are still not directly answering whether you are confident of achieving double-digit margins in the second half and going forward.

Management: There is no question of shying away from that. In the second half of the year, we are confident of achieving a double-digit EBITDA margin.

Kandaswamy V – Sincere Syndication and Corporate Services LLP: All right. That is good to hear, sir. Thank you. That is all from my end.

Management: Thank you.

Operator: Thank you. The next question comes from the line of Ansh Khemwath with Capital One. Please go ahead.

Ansh Khemwath – Capital One: Hello, sir. Good afternoon.

Management: Good afternoon.

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Ansh Khemwath – Capital One: I wanted to understand what kind of realizations you are getting for SIOP and what kind of payback you are expecting from the capacity addition that you undertook.

Management: I think our SIOP margins have been significantly in the range of 40%, and we still expect that to remain the case because this has been tested over the last 4–5 years, when markets were very volatile. SIOP was not subject to the US tariff. It has stood the test of time and proven to us that it will continue to have a margin of around 40%.

As an organization, we generally look for a payback period of 3–4 years. We expect that the investment we have undertaken or announced would also have a payback period of 3–4 years.

Ansh Khemwath – Capital One: Is there any indication of current realizations and what they were over the last 2 years?

Management: The realization as a number is around $900 to $950. It is safe to assume that

Ansh Khemwath – Capital One: Sorry, sir. There was some [crosstalk]

Management: For SIOP, the realization is around $900 to $950, depending on the type of contracts we enter into, whether CIF or FOB. These are more or less the ex-works prices we have achieved on average over the last couple of years, despite increasing volumes from 10,000–12,000 tons to 25,000–26,000 tons this year. We have been commanding those prices. Eventually, if you see, we [cut off]

Management: ...talk about a payback period of 3–4 years for SIOP today with confidence because we have done our hard work in terms of capex, validation of the first capex, validation of the product with our customers, and developing a fair understanding of customer requirements. Therefore, the subsequent investment should not take 3–4 years for payback, whereas our initial investment took 8–9 years because of product-placement validation timelines and our experience with the product.

Ansh Khemwath – Capital One: Understood, sir. That is all from my side. Thank you.

Operator: Thank you. Our next question comes from the line of Abhinav Mandowara with Equirus Investments. Please go ahead.

Abhinav Mandowara – Equirus Investments: My first question was regarding how much of our power cost is captive, such as coal linkages, and how much do we import?

Management: Power cost is 75% captive and 25% is imported, of which the majority is renewable power.

Abhinav Mandowara – Equirus Investments: Regarding the PVC-VCM spread, what was it last year?

Management: Last year's spread was around 125–150.

Abhinav Mandowara – Equirus Investments: What was the average over the last 5 years, if you could provide it?

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Management: I do not have it offhand. You can ask Valorem, and they will come back to you.

Abhinav Mandowara – Equirus Investments: Regarding the capex being undertaken for SIOP, how much time does it take to ramp up utilization of the existing capacity?

Management: We expect the capacity to be on stream in Q4 of the next financial year.

Abhinav Mandowara – Equirus Investments: How much time does it take to reach 90%–100% utilization?

Management: Our historical experience says that validation takes 6–12 months. However, I think it should be closer to 6 months because all the domestic players, including large and marquee names, are taking the product from us. We think we will be able to place the volumes within 6 months, while gradually ramping up. That is what we hope.

The validation period is behind us, and our product is well established with these customers. It is only a matter of getting customers onboarded for a higher share of purchases from DCW Ltd. If you understand today's market scenario, everyone wants to de-risk their supplies. We would obviously try to push our volumes depending on their plans for de-risking along with DCW Ltd.

Abhinav Mandowara – Equirus Investments: Regarding CPVC, since we have captive PVC, what sort of margin did we give up for manufacturing our own CPVC?

Management: I beg your pardon. I could not understand your question. Could you please repeat it?

Abhinav Mandowara – Equirus Investments: For the next quarter, when we say that our contracts were short-term in nature and not fixed-price contracts, I wanted to understand whether, going forward, our CPVC spreads will return to what they used to be.

Management: I will explain. I need to provide some context regarding the CPVC front. Please try to understand. In Q1, when there was the West Asia crisis, there was a force majeure affecting VCM supplies for producers converting VCM to PVC. As we approached the end of Q1, there was also government intervention to remove duties on petrochemical products. The PVC business based on VCM also depends on the duty spread applicable to imports of PVC into the country and VCM. PVC prices were declining sharply at that point when we had to contract CPVC prices for Q2, which is the rainy season when demand is weak. Subsequently, PVC prices started rising sharply. Hence, there was a significant contraction in the PVC-CPVC spread.

To be fair to any organization converting PVC to CPVC, every management would have faced this challenge. We think the spread we had in Q1 should be restored, but there are many variables. In the history of the last 40–50 years, we have not seen so many wars occurring in the world and in Asia. In the last 40 years, we have never seen freight increase from one quarter to the next by 3–4 times.

We are trying our best to produce and sell the product into the market through marquee names and to liquidate our inventory. The result in terms of top line and EBITDA is a matter of market conditions. We have no visibility into what could happen. In a steady state, based on current conditions, we should return to the PVC-CPVC spread available in Q1, which was around 25–30 rupees per ton. However, I would request that we should not be held responsible for this spread if

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another crisis occurs in Q3.

Abhinav Mandowara – Equirus Investments: Of course. Entirely.

Management: It is fair for investors to understand that certain factors are beyond our control, and we are doing our best to produce and sell the entire volume produced.

Abhinav Mandowara – Equirus Investments: We understand the inherently commodity nature of the business. I wanted to understand the direction from our perspective. My second question is regarding capacity. Since we have undertaken capacity additions and are also ramping up the newer capex, at full capacity and at current prices, what would be the steady-state or peak revenue that the company could achieve?

Management: Considering current prices, our revenue should be around 2,500 crores. Having said that, at current prices it could be north of 2,500 crores. However, we also need to understand that when you arrive at this number, you would obviously, as analysts, compare it with the previous 2 years or so. You also need to account for the fact that today we are diverting 30% of our PVC production into CPVC, which would otherwise have been part of the top line 2 years ago.

Abhinav Mandowara – Equirus Investments: Understood. Thank you so much.

Management: Thank you.

Management: Thank you.

Operator: Ladies and gentlemen, that was the last question for today. I now hand the conference over to management for the closing remarks. Thank you, and over to you, team.

Management: Thank you, everyone, for joining the call today. If there are any pending questions, please write to Valorem Advisors, and we will try to respond to them. We look forward to connecting with all of you again next quarter. Thank you.

Operator: Thank you so much, sir. Ladies and gentlemen, on behalf of DCW Ltd., that concludes today's call. Thank you for joining us, and you may now disconnect your lines.

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