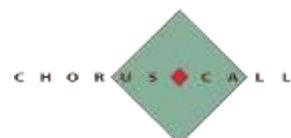




“Epigral Limited  
Q1 FY27 Conference Call”

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**MODERATOR:** **MR. ARYA PATEL – EMKAY GLOBAL FINANCIAL  
SERVICES LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to Epigral Limited's Q1 FY27 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Arya Patel, Emkay Global Financial Services Limited.  
Thank you, and over to you.

**Arya Patel:** Thank you, Aviral. Good evening, everyone. Today, we are here for Epigral Limited's Q1 FY27 Earnings Conference Call. We would like to thank the management for giving us the opportunity to host the earnings call. On this call, we are joined with Epigral's management represented by Mr. Maulik Patel, Chairman and Managing Director; Mr. Kaushal Soparkar, Executive Director; Mr. Rakesh Agrawal, Chief Financial Officer; and Mr. Milind Kotecha, Investor Relations and Strategy.

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

**Maulik Patel:** Thank you, Arya. Good evening, everyone, and welcome to the call to discuss Epigral's quarter 1 FY27 performance. I believe you had an opportunity to view the earnings presentation that was released earlier today.

Quarter 1 FY27 presented a highly challenging operating environment across all the segments, including chemicals. The ongoing West Asia conflict directly impacted the cost structure for both raw materials and finished goods. Furthermore, severe disruption to shipping lines led to the transit delays and the logistical constraints. The market volatility made business execution difficult.

However, we have seen a visible recovery compared to operational level and we expect the macroeconomic environment will stabilize and improve as we move forward. Even against this volatile backdrop Epigral demonstrated a resilience, delivering a revenue growth of 15% and EBITDA margin of 25%. This performance was driven by the increased sales volume and improved realization.

This growth was primarily on account of diversified product basket of the company. Our diversified product portfolio provided a critical resilience in this challenging quarter. While certain segment face tailwinds, our alternative product line stepped into the offset this impact and sustain our overall growth momentum.

We firmly believe that as we further diversify, it will enable us to deliver consistent growth over a longer period of time. Our ongoing capacity expansion projects for Epichlorohydrin and the CPVC Resin are progressing as per time line and within budget.

With demand for both the products projected to maintain a double-digit CAGR over the coming years, our enhanced infrastructure is perfectly positioned to capture India's expanding

market and drive performance. I'm also pleased to announce that our Board has approved a strategic capex plan for 2 new projects. We are entering into the Epoxy Resin & Formulations with a capacity of 125,000 tons per annum and setting up a multipurpose plant.

Epoxy Resin & Formulations is a critical material used for high performance and quality-driven applications as India grows, the demand for high quality infrastructure development, automobile, renewable energy, electronics is increasing rapidly and leading to the growth in the demand for epoxy resin.

This move is strategically significant for the company as a key raw material required for manufacturing epoxy resin including the epichlorohydrin and the caustic soda are already produced within our integrated manufacturing complex. More than 50% of the raw material value for the proposed project will be sourced internally, further strengthening our integration advantages and operational efficiency.

In tandem, the company is setting up a multipurpose plant to manufacture downstream product of the epichlorohydrin and chlorotoluenes value chain. This facility is aimed at addressing the growing domestic demand for pharmaceutical and agrochemical intermediates and water treatment chemicals in India.

In line with our phased development approach, we are also establishing a pilot facility for both epoxy resin and formulations and MPP, multipurpose facility, which is expected to be operational by quarter 2 FY27. This pilot facility will help validate product quality, optimize manufacturing processes and facilitate early customer approvals ahead of full commercial scale operation.

This strategic expansion marks our forward integration into the Advanced Materials and Specialty Chemicals segment while further strengthening our integrated complex. These investments reflect our ongoing commitment to building a highly integrated manufacturing platform and diversifying our portfolio to deliver long-term stakeholder value.

I now hand over the call to Mr. Rakesh Agrawal, who will take us through the financials.

**Rakesh Agrawal:**

Year-on-year revenue increased by 15% to INR709 crores compared to INR615 crores in Q1 '26 on an account in sales volume and also because of the increase in realization. EBITDA in absolute terms increased by 10% to INR179 crores compared to INR163 crores in Q1 '26. EBITDA margin stood at 25% versus 27% in Q1 '26.

PAT grew by 25% to INR99 crores versus comparable adjusted PAT of INR79 crores in Q1 '26. In fact, in the corresponding previous quarter we have announced a profit of INR160 crores that includes INR81 crores on account of the deferred tax adjustment.

So, after adjusting the PAT of INR79 crores, we have compared. ROCE stood at 16% as on 30 June versus 24% as on 30 June '25 due to drop in earnings for trailing 12 months and also because of sizable capital work in progress. If you remove capital work in progress then ROCE stand at 18% for Q1 '27.

Net debt-to-EBITDA stood at 0.8x as on 30 June versus 0.6x as on 30 June '25 on account of lower earnings for trailing 12 months and also debt increase. We have spent INR62 crores on capex in Q1 '27. Our net debt stood at INR474 crores versus INR439 crores as on 30 June '25.

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

**Moderator:** The first question is from the line of Nirav Jimudia from Anvil Wealth.

**Nirav Jimudia:** Sir, a few questions. So first on the epoxy side, let's say, if you can help us explain that the capacity announcement is predominantly for the LER or it also includes the value-added products?

**Maulik Patel:** So, this capacity which we have announced, this is including LER and value-added products and the formulations as well, yes.

**Nirav Jimudia:** Okay. Okay. But predominantly, this 150,000 tons of capacity would in result can produce up to 150,000 tons of LER. That's the right assumption to make?

**Maulik Patel:** 100?

**Nirav Jimudia:** 125,000 tons, which we have announced.

**Maulik Patel:** No, LER will be a little bit lower side, but it is a mix of all products, including LER, this capacity is planned. Our plan is very clear. 50% of the epichlorohydrin we would like to consume in-house and 50% we will sell continuously in the market.

**Nirav Jimudia:** Correct, correct. And when we convert...

**Maulik Patel:** After our expansion of new capex of epichlorohydrin. The total capacity of the company will be -- eventually it's around net KTA 1 lakh tons. So out of 50% we would like to consume in-house in the epoxy resin and its derivative and remaining 50% we will sell in the market.

**Nirav Jimudia:** Perfect. And when we convert LER into value-added products, predominantly the additional raw material required would be bisphenol, right, and not the ECH?

**Maulik Patel:** Right.

**Nirav Jimudia:** Perfect. Sir, just continuing here, like where do you see the markets moving for the epoxy over the next 3, 4 years? And if you can also help us understand which of the user industries would be driving this growth? Also, if you can help us explain what's the current market size for epoxy resin divided between LER and the value-added products?

**Milind Kotecha:** Yes. So the epoxy market, it will be majorly consumed in India, specifically in the windmill blades, it will go into automotive industry. It will go into construction industry. And then again, it has applications in various other downstream products, which are yet to grow in India.

And considering current situation, the demand for epoxy to our estimate is around somewhere

around 2.5 lakh to 3 lakh tons and which we expect to grow in a double-digit percentage from here on. So considering that, the additional supply that will come from us, I guess, we will be easily absorbed in the market, considering the way India is growing for all the quality kind of products, and that's where the demand for this should go up.

**Nirav Jimudia:** Perfect. So what would be our focus area...

**Maulik Patel:** One more point, we are also expecting because in Europe, all the chemicals plant are difficult to survive. So we believe that eventually, it is going to be exported from India once the FTA agreement is done. So we are at par with other Asian players. And being a very logistical point of view, we are near to Europe. So we consider that Europe is also going to be a big market going future once the FTA agreement is done with India.

**Nirav Jimudia:** Correct. I was just coming to that point. So what would be our competitive advantage here? So because we have a backward integration in terms of ECH as well as the caustic soda, so the competitive advantage would be more based on the lowest cost production of LER or would it be based on the differentiated products, which is generally required for the export market?

**Maulik Patel:** So it is going to be both as a backward integrated as well as we will have a mixed portfolio. We will start with basic products and eventually, we will go into the specialty. That's the priority as of now. But yes.

**Nirav Jimudia:** Correct. And according to your best estimate, like in terms of the value-added products, how much is the approval time from the customers because there the customers are generally stickier in terms of the materials from where they are purchasing on. So considering that point, where do you see the approval cycles from the customers, specifically from the value-added portfolio?

**Maulik Patel:** So that's a very good question. You must have seen in my presentation, I mentioned about the pilot plant. We are dedicated creating a pilot plant, and we will take the approval of the customers wherever it is required. But in epoxy resin market, not all applications require a customer approval well in advance, and it takes time. Certain applications, it is taking time, but not all applications.

So definitely, initially, once we start a plant, we will start this basic thing and eventually, we'll go into the specialty. But we are setting up the pilot plant just to make it efficient once we commission both the plant epoxy as well as our existing multipurpose plant as a value-added product of ECH epichlorohydrin as well as chlorotoluenes.

So we can able to use once we commission it because then we are able to use and products produce all the batches and the products and the customer trials and approvals is done well in place based on our past experience, we do not want to delay that. So that's why we have invested in last 6 months in the pilot plant and which is going to be commissioned by September this year. We have enough time for the pilot facility to commission product to product application-wise and by the time we commission our both the projects.

**Nirav Jimudia:** Perfect. Perfect. The second question is on the chlorotoluenes. So where are we currently in

terms of the product placement in the market? I mean, are we selling the base products of ring chlorination where OCT, PCT, 3,4-DCT are the products which forms there? Or are we also doing photochlorination and the cyanation products, which have a slightly complex process and a better realization. So where do you see this business moving over the next 1 or 2 years in terms of going into the complexity of process and hence, the profitability part?

**Maulik Patel:**

So yes, it's a good question, Nirav. And I think we learned from our past couple of years' experience about the chlorotoluenes because it took us a lot of time to take the approval because of we don't have the pilot facility for the trial that is which customers of pharmaceuticals and agrochemicals, which takes their approval from their CDMO customers. And that we realized - and I think this time before we plan our expansion, we would like to set up a pilot plant, as I mentioned. And that is the reason.

And definitely, as you mentioned, the OCT, PCT or any dichlorotoluene derivatives, which we are planning as the photochlorination, we would like to go downstream as much as possible as the intermediates. And based on our learning of last 2 years, we have identified a couple of products which has a much higher potential than what we have set up a plant in the first phase.

So definitely, existing product portfolio of chlorotoluenes, we are expanding along with epichlorohydrin derivatives, which is used for the water treatment chemicals, intermediates, which are currently imported directly into the end application, which also wanted to cover in our existing multipurpose plant also.

**Nirav Jimudia:**

Correct. So the base products of chlorotoluenes are currently getting sold. It's like going into those complex processes and the products now based on this pilot plant, we would be moving ahead with those products sooner.

**Maulik Patel:**

Yes. And as you said, our -- eventually, our goal is to target probably next 3 years' time, our target is to reach -- once the multipurpose plant will be commissioned, our target is to reach all the derivatives, specialty product portfolio, which we are producing in multipurpose plant, along with the chlorotoluene derivatives, we wanted to close to around INR500 crores revenue we would like to target. That's our first phase -- first milestone we would like to achieve.

**Nirav Jimudia:**

And this should be in FY29 or could be sooner then?

**Milind Kotecha:**

Yes, it could be in FY29 because in FY28, we are targeting to complete the MPP. So the ramp-up will happen gradually. So maybe FY29 or FY '30.

**Nirav Jimudia:**

Perfect. Perfect. Sir, last bookkeeping question. So what were our ECU realizations for first quarter? And if you can also share for Q4 of FY26 would be very helpful.

**Milind Kotecha:**

So Q1 FY27, the ECU was around 35,000, 36,000.

**Nirav Jimudia:**

Okay. And for the fourth quarter?

**Milind Kotecha:**

Fourth quarter, it was around 30,000.

- Nirav Jimudia:** 30?
- Milind Kotecha:** Yes, 3-0.
- Nirav Jimudia:** Okay, fine. And last, if I can just squeeze on. What was the capacity utilization for caustic soda, ECH, CMS and CPVC business for Q1?
- Milind Kotecha:** So caustic soda, it would have been around 75%. ECH was around -- again, around 70%, 75%...
- Nirav Jimudia:** Okay.
- Milind Kotecha:** CPVC was around 50%, 55%.
- Nirav Jimudia:** Okay.
- Milind Kotecha:** Chloromethanes was around 100%.
- Nirav Jimudia:** Okay. And peroxide?
- Milind Kotecha:** Around 85% to 90%.
- Moderator:** The next question is from the line of Rohit Sinha from Sunidhi Securities.
- Rohit Sinha:** Some of my questions are already answered. Just a couple from my side. One is out of this INR600 crores capex, could you give us the breakup for this -- I mean, our epoxy resin and MPP project?
- Milind Kotecha:** Rohit, it will be difficult to give the breakup as in announcement, we have kept a combined.
- Rohit Sinha:** Okay. Okay. Fair enough. And just wanted to understand as we are adding our ECH capacity, I mean, doubling our ECH capacity from 50,000 to 100,000. And here for epoxy resin as well as MPP, we would be requiring ECH. So just after these, as you are saying that 50% would be consuming internally, would that be enough? I mean, for all these 125,000 epoxy and MPP, I mean, 50% would be available for sale or would there be further you can say consumption for...
- Maulik Patel:** In the MPP plant, which is other than epoxy application, the quantity requirement of epichlorohydrin is not that big. So definitely, we will consume on our customers, which we have catered so far, we will continue going forward also. So definitely, as I mentioned, 50% of the epichlorohydrin will remain for the existing customers, which we are catering right now.
- Rohit Sinha:** Got it. Got it. And sir, as epoxy resin would be adding, margins for overall combined business will remain in that 22% to 24% kind of range, which we were guiding earlier or any changes in that?
- Maulik Patel:** Definitely, epoxy is if you say compared to -- it's a high turnover in terms of volume gain compared to other products what we have in the basket. So definitely, EBITDA margin will be much lesser because if you see the compared to the investment, the ratio of turnover in the epoxy resin is almost 4x which is almost 3x higher than what we have -- we are having right now in

our existing portfolio. So definitely, EBITDA margin in terms of percentage, definitely, it is coming lower. But in terms of the absolute value, I think it is a substantial value for the company.

**Milind Kotecha:** And just to add to that, we are -- I mean, whenever we evaluate project, our focus is ROCE. So in that way, the epoxy, even with that kind of margin fits in the ROCE bracket that we generally target for.

**Rohit Sinha:** Fair enough. And just a last question on the capex of this INR600 crores, at peak level, what kind of maximum revenue would be generating combining both the projects?

**Milind Kotecha:** Combining both the projects, the peak can be in the range of INR1,000 crores to INR1,500 crores -- INR1,300 crores to INR1,500 crores.

**Moderator:** The next question is from the line of Abhinav Mandowara from Aequitas Investments.

**Abhinav Mandowara:** My first question was regarding the current chlorine realizations for Q1 and current. And you mentioned ECU realization for caustic soda were in the range of INR35,000 to INR36,000. What are the current realization as of today? And since the war like situation has prolonged, do we see caustic imports coming in and any supply side disruptions happening around that?

**Milind Kotecha:** Sorry, can you repeat your question? Your volume was a bit low.

**Abhinav Mandowara:** My first question was regarding the chlorine realizations for Q1 and currently. And for ECU realizations for Q1, you mentioned INR35,000 range. What are the current ECU realizations? And since the war has prolonged, do you see caustic being imported and any disruption happen over there?

**Milind Kotecha:** Chlorine realizations have been in the range of around INR4,000 -- negative INR4,000. And the ECU for the quarter 1 was around INR35,000. And we -- considering current when the things have cooled off a bit, the ECU currently also has been in the range of around INR31,000, INR32,000.

**Abhinav Mandowara:** Okay. And what are the current PVC prices?

**Maulik Patel:** Sorry?

**Abhinav Mandowara:** So currently, there was an MIP which came last -- yesterday and the PVC prices have increased. So it is around INR85, INR84. So does this create a negative impact because this will be a new floor? And could you help us with the impact on the PVC?

**Maulik Patel:** So PVC is a raw material for the CPVC application. And normally, if you see the major difference was coming from -- globally, it is coming from a carbide-based PVC. A carbide-based PVC, which is made out of coal that is having a lower price than the ethylene-based PVC. So I think because of the MIP major effect was on the carbide-based PVC, not on the ethylene-based PVC.

So we use ethylene-based PVC. So I don't think so is there any major impact. But I think it is



support people who consume PVC, which compares with our CPVC, they don't understand sometimes we cannot manufacture CPVC from the carbide-based PVC. So that's why it is easier to convince now customers because of the MIP.

**Questioner:** So we can pass on the entire incremental price, right?

**Maulik Patel:** Not immediately, but yes, gradually. But it helps us to convince our customers in the CPVC industry that we cannot compare with any kind of PVC as a CPVC application is only for -- if you can manufacture good quality of CPVC only from the ethylene-based PVC.

**Questioner:** Got it. Also, in the caustic space, we have seen a lot of capacity addition across the last couple of years across a lot of players and majority of it was exported to a couple of places. Now since there is a lot of supply chain problems, do you see that the domestic space, there is a lot of competition given that your capacity utilization has also decreased to 75%?

**Maulik Patel:** Yes, that is true. You are right, what we have forecasted our CPVC growth, which was not came compared to last year and this year. But normally, we are expecting because now the CPVC pricing and the PVC pricing, the difference is not big in a huge way.

So majority of the applications, which is used for the PVC also we are converting into the CPVC application, not only for the hot water pipe application. So, the volumes, we should see now the increase in the current financial year and going forward also. But yes, you are right that as a CPVC growth because of the PVC fluctuation was so high in last 6 months.

So there is an effect in terms of inventory purchasing from all the customers of pipes. So, they are controlling their CPVC or the PVC inventory in a controlled way, and that's why the consumption has also affected and the plant is also running a little lesser capacity. But we see normally the current quarter also because of the monsoon season, this is always the case throughout the year. If you see the sales will start from quarter 3 and quarter 4 is the major 2 quarters considered as a CPVC for the major growth in the country.

**Questioner:** Right. Sir, my question was mainly for caustic. So, caustic also, we've seen a lot of capacity addition in our volumes, capacity utilization has reduced. So just wanted to understand because last couple of years, a lot of capacity was built in caustic, which was getting exported, which because of current war like scenario, supply chain has disrupted. So, could you help me in the caustic space?

**Maulik Patel:** So, caustic, I believe because of the way the alumina expansion is happening in the country. So, we believe we are going to be net import of caustic continuously in India, irrespective of the capacity addition will happen gradually, which people has announced in the past. So I don't think so, India will be surplus. Definitely, once the plant is commissioned and that plant is also going to commission in a gradual way. So as our -- based on our past experience, irrespective, wherever the caustic expansion happens, definitely, you will face a challenge for a couple of years.

But eventually, as the country is growing there in terms of the application, in terms of the

consumption, in terms of the downstream application, in terms of maybe use as well as in the alumina application. So we don't find that it is eventually that whatever capacity we are adding, eventually in the future, it will be absorbed. So definitely, for the short-term, we face a issue, but not in the long-term.

**Questioner:** Got it. And in terms of epoxy, there are a lot of players who have come up with capacity already like DCM, Shriram, Grasim, et cetera, etcetera. So do you think this will also be a domestic substitute or like ECH, we would also be trying to export this?

**Maulik Patel:** No. This is definitely right now, our long-term goal and approach is to cater our customers in India only because India's market is growing continuously because majorly it is used in infrastructure-based applications and that is growing even in the renewable energy, wind mill is also growing. So our target long-term is that.

But if once we commission the project because in a certain size of the project does not make sense to set up because when we set up a project, we keep always in the mind that we are doing it for next 3 to 5 years period once we commission the project.

So initially, if we might need to export and the situation in Europe, as I mentioned in the past, that is a little tight, and there is a possibility and we are going to be at par with other Asian players also once the FTA agreement done in Europe. So initially, we might export like other products, which we have done in epichlorohydrin in the other product also. So same time, initially, we will export. But eventually, this is going to be cater to the domestic Indian market only.

**Questioner:** Got it. And what are the current ECH realizations?

**Milind Kotecha:** Current ECH realization is almost close to around INR180 to INR185.

**Questioner:** So the prices have reduced. It was around INR200 to 210, right, earlier?

**Maulik Patel:** Yes. It is compared to all the products which was there during the war time, which has gone to peak, that has reduced. And again, now it has gone down to INR175 level, and I think it is now going up again to INR185 to INR190 level. So it is going up and down based on the situation in the global scenario right now, ups and down based on the oil price and the logistic cost.

**Questioner:** And how much would be your power integration currently? And what is our foresight going forward?

**Maulik Patel:** So we are very clear. We are not going to invest further in the captive power plant. Whatever we are going further, the energy requirement is going to be catered from solar and wind hybrid agreement, which we are doing with the different suppliers on a long-term basis. So we already have a 20-megawatt hybrid arrangement with one particular agency. Now we are doing -- already we did another contract of 20 megawatts.

And going future, as and when our energy requirement will increase, we will add more and

more solar and wind in the future. So there is no great advantage to set up a captive power plant at this moment of time, where the government has given a great advantage by doing a long-term agreement with third party, and you can reduce your cost as good as your captive power plant.

**Moderator:** The next question is from the line of Harshit Singhania from RoboCapital.

**Harshit Singhania:** So congratulations on a great set of results. So just to get a clearer understanding. So from the INR600 crores capex, we are adding like around INR1,300 crores to INR1,500 crores at peak revenue. So would that take our like total peak potential to like around, say, INR4,000 crores to INR4,500 crores? Is that a correct understanding? Seeing we are like close to INR2,500 crores -- INR2,500 crores and we have like done quite good utilization.

**Milind Kotecha:** No. See, when we are at -- I mean, last year, we ended with INR2,500 crores at that point of time, we have still capacities that can be ramped up. Plus along with that, we have commissioned the capacity. So like chlorotoluenes, caustic soda, CPVC, existing capacity can further contribute in FY27.

Along with that, we have -- we are expected to commission our additional capacities of ECH and CPVC in a couple of months. So that will further add. So if I put together that numbers of the epoxy resin and MPP over a period of time, we should land up somewhere around INR500,000 crores once all the plants reach optimum level.

**Harshit Singhania:** Okay. And so in the PPT, you have mentioned that the addressable market is growing at 10% to 13%. So do we expect the company to like grow at a faster rate or at a similar rate?

**Milind Kotecha:** See, we always aspire to grow at the range of 20%. That's the internal target or even higher than that. So definitely, we would like to do that. But if you ask me then on a like 3, 4 years period, we can grow in the range of 15% to 20% CAGR. So 1 year can be here and there because of XYZ reasons. But the way India demand is growing and the plant that the capacities that we have, eventually plant will ramp up and we can have a CAGR growth of 15% to 20% for the next 5 years.

**Harshit Singhania:** And this is on the top line or in the bottom line?

**Milind Kotecha:** We target for both top line and bottom line.

**Moderator:** The next question is from the line of Sakshi Trivedi from Samco Mutual Funds

**Sakshi Trivedi:** So my question is regarding MPP project, like we are known that we are going to announce epoxy and other things. So how it is MPP project is -- how it is different from epoxy and FR?

**Maulik Patel:** Sorry, your question is that how MPP is different from epoxy?

**Sakshi Trivedi:** FR. Like what is the end user use or what type of product we are going to do in MPP project?

**Maulik Patel:** In MPP, we are targeting all chlorotoluenes derivatives and epichlorohydrin derivatives, which

is mostly in the water treatment chemicals, which are used in the pharmaceutical intermediate and the agrochemical intermediates. And epoxy resin and the formulation is mainly going into the infrastructure based activity, including renewable energy and the automobile also and the coating application also. So this is 2 different end-use application and the customer base.

**Sakshi Trivedi:** Okay. And second thing, you have talked about like current EBITDA margins is around 25% to 26%. And after commissioning of epoxy, it will be reduced. And how much estimated margin we are expected from this INR600 crores project?

**Milind Kotecha:** See, it is difficult to give a number in terms of margin as -- I mean, in terms of the epoxy, it's of a lower margin, but high assets, so our ROCE will be intact. So what I can tell you is that going forward, we would always target to have an ROCE around 20%. So we are targeting for that. Rather than giving guidance on margin, I can tell you that ROCE, we are targeting in the range of 20%.

**Sakshi Trivedi:** Okay. Okay. And like currently, we have seen too much uptown in ECH while selling prices or higher listing prices as well. So what is the like projection for future, like are we expecting margins as per Board approval or something different or lower margins?

**Maulik Patel:** Actually, whenever we conceive a project, we don't consider based on the current situation because this is abnormal situation. The current prices and the situation which is going on in the world, which is not going to sustain for a long-term point of view. So always, when we consider a project, we always calculate based on the pre-war situation, what was the normal situation. And based on that, we conceive a project and Board is approving based on that data and numbers.

**Moderator:** The next question is from the line of Maneesh Bhadane from 360 ONE Capital.

**Maneesh Bhadane:** So my question is on the epichlorohydrin. So as Indonesia is implementing the B50 biodiesel mandate and glycerin is the byproduct of the biodiesel. So given that glycerin is a byproduct, so how do you see this impact the glycerin prices?

**Maulik Patel:** So your question is regarding the biodiesel or...

**Maneesh Bhadane:** My question is regarding the glycerin prices. As epichlorohydrin raw material glycerin is a byproduct of the biodiesel. So if they are moving from the -- Indonesia moving from the B40 to B50. So given that they are moving to B50, so biodiesel will increase. So as the supply of the glycerin also increase. So I want to understand like how you are expecting the glycerin prices moving.

**Maulik Patel:** So to be very honest, this is helping in terms of -- this is based on the biodiesel. This is based on the palm oil base, majority of the product, which is coming on the palm oil byproduct coming out from the biodiesel. So in the current situation where the crude oil price is not stable and because of that, the propylene price is not stable.

So propylene is a competition with glycerin. So definitely, it helps in the current situation. The

way the crude oil price is fluctuating, the glycerin price has not fluctuated that much. But at the same time, logistic plays also a major role. So logistic cost has increased continuously in all the products globally because of the crude oil price in the current scenario.

So that much effect has come on the glycerin, but there is nothing to do with the current situation and the glycerin price. The biodiesel policy and based on the glycerin decides which way it is moving and palm oil, the plantation of the palm oil and how the production is coming out in every year based on that glycerin is moving rather than moving in -- moving along with the propylene or the crude oil base, yes. So this is completely different. There is no relation with the crude oil and the current situation.

**Maneesh Bhadane:** No, no, I'm not asking about the crude oil. So what I'm asking is that as the glycerin is a byproduct of the biodiesel, glycerin is the raw material for the ECH, right? So if the glycerin -- if the biodiesel is in the high production, sort of the supply will increase. If the supply will increase, then the prices of the glycerin will correct. And if the prices of the glycerin will correct, so the ECH prices will also get correct. So that is what I'm asking. Are you expecting the ECH prices will have a pressure on the realization front?

**Maulik Patel:** No, that is true to some extent, but it is not only these factors which affect the glycerin price. Sometimes the palm oil price also equally and the people -- it is like when you are calculating your energy cost, you are -- you need to take care of your byproduct also. So people are considering the pricing of both the product in the same way. You can't neglect byproduct is, that's why it's free of cost or something.

So whenever the palm oil is also -- it is also a very important factor in deciding the price of glycerin, not only if you said it is a byproduct only, so you can neglect in terms of the cost, which is not the case. But you are right in some extent that we need a byproduct when there is a pressure, it is true. But normally, now the glycerin demand is globally depends on the season. It is also increasing and sometimes it is down. So it depends on -- there are a lot of other factors also decide the price of glycerin, not only as a byproduct, it is deciding factor.

**Moderator:** The next question is from the line of Pratik Oza from Systematix Group.

**Pratik Oza:** Just one question from my side. What will be the capex for FY28 as for FY27, it's around INR400 crores...

**Milind Kotecha:** Your voice is not clear, Pratik. We can't hear.

**Pratik Oza:** No. So my question was on capex. So for FY27, I guess the capex is around INR400 crores. What would be the capex for FY28?

**Milind Kotecha:** FY28, again, the capex would be in the range of INR400 crores.

**Pratik Oza:** So '27 and '28, INR400 crores?

**Maulik Patel:** Yes.

- Pratik Oza:** And the tax rate would be around 25%?
- Maulik Patel:** Yes, that's right.
- Moderator:** The next question is from the line of Pujan Shah from Molecule Ventures.
- Pujan Shah:** Yes. Sir, first question would be on the capex side. So, we are spending around INR600 crores. So how much will be for the internal and how much will be -- will take the debt?
- Milind Kotecha:** So around 60% -- 40% will be from the internal around 60% would be from the debt.
- Pujan Shah:** Okay. Got it, sir. And just to understand the current scenario of the CPVC side, we have seen quite a volatility in PVC. So just to understand one first is how we are able to procuring the raw material because ethylene based -- so we have seen the majority of the facility of EDC are based out of Middle East and that has been impacted.
- And that's where the price has been spiked. And so I just want to understand how is the RM situation currently? And are we able to procure the availability or we are facing some issues on the procurement of PVC that is impacting the ultimate impact on CPVC?
- Milind Kotecha:** Yes. So what you said is true, things were a bit volatile in the full quarter and especially in April and May, but things had been stabilized once the -- it was kind of a feedstock. But again, because of the situation which is happening in the market, the situation is, again, the prices are going up. But again, current prices are going up because of the MIP.
- So I guess, overall, because of this, there should be a stability in the price. And I guess if I look at from a long-term perspective, this will kind of bring a stability and it will be good for overall market put together. So we are positive on this rather than thinking on the other way around.
- Pujan Shah:** Right. And sir, just to understand on the current realization of CPVC, what is the current realization is pertaining right now? And what is the hike we are expecting after increase in the PVC price due to MIP?
- Milind Kotecha:** See, that thing has been already factored. And currently, the CPVC prices would be in the range of INR115, INR110. So again, now the -- again, how much the price will go up because the impact might come because of the issue in the West Asia where its crude is impacting. But again, time will tell. It's too early to comment how things will pan out in the coming next 2 months.
- Just to answer your question, the ethylene-based PVC price was already on the higher side than the MIP was declared. So I don't think so any major impact will come on the CPVC pricing. This will affect only the coal-based PVC, which people are using for the PVC application.
- Pujan Shah:** Got it, sir. Got it. Because why I'm asking the similar question is because the PVC in the previous cycle when the oil was spiked, the prices were inch up to INR105 or 110, I think that

was the price range, which was been inched in the PVC. And there was a sudden fall to INR75. So in that, meanwhile, we might have hold some inventory, which might be beneficial. But ultimately, right now, the prices have been spiking up and CPVC is not. So that might be shrinking our EBITDA margin for a short-term period. So that's why my question was in a similar range.

**Milind Kotecha:** It's too -- I mean, difficult to look at numbers on a quarter-to-quarter basis or even month-to-month basis. Year put together, in this side or that side, things get stabilized, we'll end up at the reasonable kind of company level margin.

**Pujan Shah:** Yes. And last question would be on the CPVC because demand is pretty weak right now. And we were expecting in Q2 that the demand might be revived. But versus what has been happening is the industry is facing additional capacity from Grasim, obviously, they have started. And obviously, we will start our own facility as well of 75,000. So how do you think the situation will pan out for FY27 in the CPVC side?

**Maulik Patel:** See, in India, when the companies are expanding, definitely, there is a glut for some point of time. But this customer approval and enhancement of the plant is also it is taking some time. It is not that easy. So to ramp up and to reach that optimization, it will take time always whenever people are expanding the capacity. And the same time, as I mentioned, in India, it is continuously growing. So eventually, this capacity will be absorbed in India.

And based on that, people are expanding the capacity of the CPVC. Yes. But you are right that for some point of time, there is overlapping and the overcapacity will be there. But in the long-term, we are very positive in terms of the growth of the infrastructure, which is happening in India.

**Moderator:** The next question is from the line of Abhinav Mandowara from Aequitas Investments.

**Abhinav Mandowara:** Yes. My question was regarding demand, supply and pricing scenario for our hydrogen peroxide and chloromethane. And second follow-up was, why has the caustic current utilization been reduced from previous quarters?

**Maulik Patel:** No, no. This is -- normally, we are running at full capacity only because of some technical issues, we might reduce the capacity in terms of hydrogen peroxide or the chloromethane plant. But yes, major variation in terms of the gas price and the methanol price, it is happening right now because of the war situation, methanol price is very fluctuating.

And the hydrogen peroxide is -- we are generating as a co-product along with the chlor-alkali, but most of the other competitors, they are producing from the natural gas. So because of that, there is an uptake in terms of the hydrogen peroxide currently because of it is directly related to -- as a competition, it is directly related to the gas consumption. There is no major issue in terms of the consumption at this moment of time.

**Moderator:** The next question is from the line of Rohit Nagraj from 360 ONE Capital.

- Rohit Nagraj:** Congrats on sequentially good performance. Just one question on the chlorotoluenes front. What is the total capex that is envisaged on the project? We did some capex for the base chlorotoluenes. And now we are expecting the forward integration into value-added products. So what is the total capex?
- And what could be the overall ROCE requirement just to understand that there would be a possibility that some of the base chlorotoluenes would be used for -- I mean, captively consumed for forward integration. So overall basis, what is the total capex? And what is the ROCE that we are expecting?
- Milind Kotecha:** So in terms of capex that in chlorotoluenes, we have done a capex around INR250 crores. And again, once the plant reaches at optimum level, the revenue would be in the range of INR300 crores to INR350 crores. And again, once the multipurpose plant commissioned and that starts ramping up, that all put together, we should land end up in the range of INR700 crores to INR800 crores kind of top line.
- Rohit Nagraj:** Okay. So this is the consolidated top line, including the previous project and the new MPP capex?
- Maulik Patel:** Yes, yes, yes.
- Rohit Nagraj:** And here too, our expectation is the 20% to 25% margins and probably a gestation period of 3 to 4 years to reach the peak utilization?
- Milind Kotecha:** Yes. So the estimated margin would be in the range of 22%, 23% kind of thing. And again, once we commission the plant, it will take time to ramp up, maybe 1.5 or 2 years' time to reach the optimum level utilization levels.
- Moderator:** Ladies and gentlemen, we will take that as the last question of today. And I now hand the conference over to the management for closing comments.
- Kaushal Soparkar:** Good evening, everyone. In conclusion, I would like to convey that we are moving in line with our strategy through our expansion plans and diversification. In terms of multiproduct catering various industries, we are targeting consistent growth.
- I would like to thank you all for joining us here today. Please feel free to reach our IR if there are still any unanswered questions. Thank you, everyone, for your participation.
- Moderator:** Thank you. On behalf of Epigral Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.