“Epigral Limited

Q2 and FY27 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to Epigral Limited Q2 and FY27 Earnings Conference Call hosted by Emkay Global Financial Services Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes.

Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touch-tone phone. I now hand the conference over to Mr. Gagan Dixit from Emkay Global Financial Services Limited. Thank you, and over to you.

Gagan Dixit: Yes. Good evening, everyone. I would like to welcome the management and thank them for this opportunity. We have with us today 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 shall now hand over the call to the management for the opening remarks. Over to you, gentlemen.

Maulik Patel: Good evening, everyone and welcome to the call to discuss Epigral's quarter 2 FY27 performance. I believe you had an opportunity to view the earnings presentation that was released earlier today. As we go through quarter 2 FY27, the chemical industry continued to face a complex, volatile and highly challenging operating environment with headwinds expected to persist into the upcoming quarters.

While we are seeing a positive recovery in volume demand and firming product realization, overall margins remain under pressure. This shrink is a direct result of a lag on time to pass through volatile feedstock prices and the normalization of previous inventory lead days. Furthermore, external vulnerabilities, including the ongoing West Asia crisis, extended lead times, increasing global freight rates and rising domestic transportation costs continue to squeeze the industry's bottom line.

Even in this challenging operating environment, we delivered revenue growth of 28%, driving by volume growth and improved realizations. Our derivatives and specialty business contributed 57% of our total revenue in quarter 2 FY27. However, the EBITDA margins were impacted by high raw material prices from the volatile situations in West Asia.

However, looking at the first half of FY27, our performance remained resilient with revenue growth of 21% and EBITDA margin of 22%. Historically, the second half of the fiscal year outperforms the first as H1 is typically on off-season for a few of our products. Consequently, we maintained positive outlook for H2 FY27. While the current environment is challenging, India's growing demand for chemicals keeps us positive about the industry's long-term outlook.

In line with this, we have sustained our capex plans to ensure we are ready to meet this expanding market. Our capacity expansions for CPVC and Epichlorohydrin are now in the final stages with trial runs currently underway. We expect to commission both plants within a quarter time.

Additionally, following the Board's approval for the epoxy resin and formulations and multi-purpose plant projects last quarter, we are moving ahead with both initiatives as planned. The pilot plants for epoxy resin and MPP, multipurpose plant, are now ready, and we will soon begin the customer approval process. This proactive step will help minimize qualification time lines once commercial production begins.

As conveyed earlier, the revenue contribution from derivatives and specialty business stood at 57% in quarter 2 FY27. This transition will accelerate going forward, driven by capital expenditures that we just discussed, ultimately, the broadening our customer base to diversify and strengthen our business model.

Epigral remains committed to strengthening our integrated manufacturing platform and expanding into high-value chemical products, firmly believing that this ongoing portfolio diversification will enable us to deliver consistent growth over a longer period of time and secure long-term value for our stakeholders. I now hand over the call to Mr. Rakesh Agrawal, who will take us through the financials.

Rakesh Agrawal: Thank you. Let me take you through the quarterly numbers. Year-on-year revenue increased by 28% to INR752 crores compared to INR589 crores in quarter 2 FY26. This increase is on account of increase in sales revenue, value of 6% and because of improved realization for majority of the products. EBITDA increased by 3% to INR136 crores compared to INR132 crores.

In Q2 FY26 EBITDA margin stood at 18%. It was impacted on account of high cost of raw material for Q2 FY27 on account of global uncertainty impacting raw material and finished goods prices. PAT grew by 26% to INR64 crores compared with PAT of INR51 crores in Q2 FY26.

Now let me take you through half yearly numbers. In first half year of FY27, our revenue grew by 21% to INR1,461 crores compared to INR1,204 crores in FY26. Growth is on account of volume growth and improved realizations. EBITDA stood at INR315 crores compared to INR296 crores.

Even in this challenging and volatile raw material and finished goods prices, we are able to maintain margin of 22%. PAT stood at INR164 crores compared to INR131 crores. PAT margin stood at 11%, similar to H1 FY26. ROCE stood at 15% on 30th September '26 on account of lower EBIT for trailing 12 months, also because of sizable capital work in progress, which is yet to be contribute to profit and loss.

If we remove capital work in progress, then our ROCE stands at 18% as on 30th September '26. Net debt to EBITDA stood at 0.9 as on 30th September '26 versus 0.8 on 30th September '25. Our net debt stood at INR514 crores versus INR496 crores as on 30th September '26. We are at comfortable levels in terms of our debt. We have spent INR88 crores on the capex in the first half of '27. With this, we can now open the floor for questions.

Moderator: Ladies and gentlemen we will now begin with the question and answer session. First question

comes from the line of Nirav Jimudia with Anvil Wealth.

Nirav Jimudia: Sir, a few questions from my side. So first is on the coal side. Like what we have seen over the last 3, 4 months is that there has been close to around 60%, 70% increase in the coal prices. So possibly, it could have an affected a lot many coal-based caustic soda plants. So if you can share your thoughts here, like have we seen the commensurate increase in the caustic soda prices in the recent months to cover this cost increase?

And also on the chlorine side, like very recently, we have seen prices improving a lot, like they have been close to around positive. So is it more towards covering the cost because of higher energy prices? Or do you believe that the downstream demand has also improved, which has led to this price improvement?

Maulik Patel: So I think the coal prices increased and coal -- most of the chlor-alkali plant in India is based on coal. Even gas has more increase than the coal in terms of fuel prices in the current environment. So the caustic soda prices is globally -- and globally, it has not moved as much as required according to the energy prices.

So the entire load transfer of increased energy prices has come to on chlorine side, which is easy to increase in India because the chlorine derivative side, the demand and the new plants and demand has increased in last 6 months and next 6 months also further is going to increase.

So I would say it is a new norm in the chlor-alkali industry, new environment will begin where the chlorine is almost like we used to give a chlorine and the chlorine price was negative in the past. Now I think going forward, we will not see the chlorine prices in the negative zone going forward from here onwards. And that is much easier to increase the price pass on because caustic is globally decided in terms of the pricing, but the chlorine is domestic-based only.

So I think it is easy to transfer the energy cost, which has increased in the chlor-alkali in the chlorine side compared to caustic side. And I think demand has also increased as many of the people has a value addition and the downstream product is commissioned that has resulted and it is easy to increase on the chlorine side.

Nirav Jimudia: Perfect. Sir, if you can share what was the ECU realization for second quarter? And what is it currently? And if you can give the range for chlorine prices, that would be very helpful.

Milind Kotecha: So the ECU for caustic soda for quarter 2 is around INR31,000, INR32,000 and chlorine is somewhere around zero.

Nirav Jimudia: This is for Q2 you are saying?

Milind Kotecha: ECU was for the Q2 and chlorine would be somewhere in that range only, maybe 0, minus 1. But overall put together, it's around 0.

Nirav Jimudia: Okay. And what it would be currently?

Milind Kotecha: So currently, it's 0. That's what I'm saying for chlorine and ECU will be...

Nirav Jimudia: I'm talking about the ECU.

Milind Kotecha: ECU again will be in the same -- ECU will be in the range of INR32,000, INR33,000.

Maulik Patel: Slightly, it has increased because we believe that in the quarter 3 and quarter 4, the caustic global price will increase further because of the high energy cost in Europe because of the winter season. So the demand of caustic probably should start an increase in terms of the index also going forward in quarter 3 and quarter 4.

Nirav Jimudia: Perfect. Sir, just a follow-up question. So A, on hydrogen peroxide, is there a possibility that we can move up the ladder in terms of value-added grades, possibly on the electronic side, which has a better realization and on the profitability side, it gets a better profitability table also. So your thoughts on hydrogen peroxide and B, on chlorotoluene, where are we currently?

Like is it possible for us to capture the initial side of benzyl chloride or benzyl alcohol before we start moving to OCT, PCT? So if you can share thoughts on both these aspects, that would be very helpful?

Maulik Patel: Yes. So hydrogen peroxide, yes, we are moving into the value addition in terms of solar application, hydrogen peroxide, we are going to start manufacturing soon probably from the quarter 4 onwards. But compared to the volume is a niche application, but the volume is not substantial compared to the size of the manufacturing, which is there according to the plant side. But yes, we are going into the value addition in terms of the hydrogen peroxide for the solar application in the coming -- in quarter 4, we will commission the plant.

And the second question regarding the benzyl alcohol and benzyl value chain, we are not going in that line. Our focus is the ortho-chlorotoluene and para-chlorotoluene, which is nobody is manufacturing in India. And we are going forward in terms of the value-added chemistry for the pharma intermediate and the agro intermediate, which can consume this chemistry right now.

And so we are going value-added chemistry of chlorotoluene what we produce, OCT, PCT, but we are not going on the other chlorotoluene value chain, which many people -- other people are manufacturing.

Nirav Jimudia: So sir, where are we currently in terms of chlorotoluenes? Like have we started seeding the market or our products are getting placed in the market? So when can we see the real benefit of chlorotoluene started accruing to us?

Maulik Patel: So this year, probably we are going to have almost close to INR100 crores revenue generation from the chlorotoluene plant. So our volume is increasing on a quarter-on-quarter basis. And as we understand correctly, we are going to have more value-added product as we announce multi-purpose plant in the future. But yes, our volume is increasing quarterly and quarterly on the chlorotoluene side.

Nirav Jimudia: So sir, on a peak basis, how much this business should contribute? Like you mentioned INR100 crores, but let's say, whenever we scale up this business, what could be a right assumption this

business can contribute to Epigral's top line?

Milind Kotecha: Around INR300 crores to INR350 crores at optimum utilization levels?

Maulik Patel: Chlorotoluene side as of now is around INR300 crores. But as we are doing value addition, probably in the future, it may increase further based on what kind of value addition we are doing it. But currently, we are working on the chemistry in the R&D level as well as at the pilot plant we have also commissioned in last quarter. So our customer approval are going to take place in the value-added chemistry much faster than what we have done in our chlorotoluene business in the past.

Moderator: Our next question comes from the line of Abhinav Mandowara with Aequitas Investments.

Abhinav Mandowara: My first question was regarding how the CPVC prices have been in last Q2 and currently? And what are the spreads -- PVC, CPVC spreads? And what is the utilization at which we are operating?

Milind Kotecha: So in terms of CPVC realizations have been in the range of around INR120, INR125 a kg. And in terms of -- it has moved in line with the raw material price increase. So quarter 1, the prices were on a very volatile side. It was high, it went down. Again, it went up.

And again, in Q2, the raw material PVC price had went up and currently also it's on a higher side. So that's where it is higher on the CPVC side as well. And utilization levels have been in the range of around 60%, 65%.

Maulik Patel: And we are seeing a further increase in terms of the PVC price and the CPVC price in the quarter 3 and quarter 4 onwards.

Abhinav Mandowara: Okay. And how are our nature of contracts that is how do we adjust our prices? Is it directly passed on or we have a monthly, quarterly? How are the nature of contracts?

Maulik Patel: Our contract prices in some big customers, we are on the quarterly basis. And the smaller customers is on the monthly basis. So we have both kind of models based on the volume of the customer.

Moderator: Our next question comes from the line of Rakesh, an Individual Investor.

Rakesh: I want to know that is there any impact of this El Niño on our company revenue and any product?

Milind Kotecha: Yes. See, we are into products, which is majorly in not into the agrochemicals or the pharmaceuticals. So we are not directly impacted. But definitely, indirectly, when it impacts overall economy at that time it comes, but we are not into any such product which would have a direct impact of El Niño.

Rakesh: Okay. And one more thing regarding that tax demand, which is submission and 2 days before. Can you tell me elaborate that?

Milind Kotecha: It's nothing. It's a routine thing that has come. So it comes and then we revert and it's a normal thing, nothing specific.

Rakesh: And one more thing, like actually, the stock price is beaten so much maybe by the market situation. But is there any chances of like a promoter buying to increase the interest for retail investors like...?

Milind Kotecha: Rakesh, this call is majorly discussing on the performance of the company.

Moderator: Our next question comes from the line of Venkatesh, an Individual Investor.

Venkatesh: My question is on the chlorotoluene. What will be the realization margin?

Milind Kotecha: So we generally don't share product-wise margins. As the company put together, we would be earning, I mean, margin in the range of 22%, 23% -- 22% kind of margin. So that will be there for all the products. So we won't be sharing the product-wise margins.

Moderator: Next question comes from the line of Nirav Jimudia with Anvil Wealth.

Nirav Jimudia: Sir, just wanted to have your thoughts like this quarter, our operating profit was down INR43 crores on a sequential basis. So if you can share your thoughts in terms of which of the products in our product portfolio had a positive contribution and which of the products had a negative contribution because of which we have seen our EBITDA coming down on a Q-on-Q basis. So some thoughts here.

Milind Kotecha: So in this volatile situation, I mean, we were able to maintain overall profitability of the company. But specifically, if you look at the chlor-alkali side because of the -- as you rightly said in the starting of the call, the increase in the coal prices, the energy prices had impacted particular the chlor-alkali, where the profitability would have gone down. So that is the major case. Otherwise, overall business is good.

Nirav Jimudia: Perfect. Perfect. And sir, in terms of capacity utilization, if you can share for ECH, hydrogen peroxide and caustic soda for second quarter, that would be helpful.

Milind Kotecha: So ECH would be around 75% to 80% utilization levels and hydrogen peroxide would be again 95% utilization levels.

Nirav Jimudia: And caustic soda was?

Milind Kotecha: In the range of 75% utilization levels.

Nirav Jimudia: Sir, last question from my side is on the power side. So like if we -- in one of our earlier conference call, you mentioned that our total power requirement for the complex as a whole is close to around like anywhere between 120 to 140 megawatts depending upon the utilization levels of our products. So are we doing anything in terms of reducing our exposure to the coal-based power plant through renewables? And if yes, how this should shape up over next 2, 3 years so that the impact could be minimized?

Maulik Patel: See, so currently, I think you are aware about it that we have already done a solar and wind hybrid project. We have commissioned one. So -- and we have already announced for the second project also. So going forward, at least we see that in down the line 2, 3 years' time, I think our 30% or 30% to 35% of our demand of total will be catered from solar and wind hybrid. That's the model people are using it in terms of the chemical industry for reducing their energy cost.

So we do not need to invest. We are not going to invest substantially on this. Only we are going to invest 26% of the equity of the SPV company, and we're just giving a commitment for the long term of 20 years. That's the only requirement from our side. So it is not a major capex, and that's how we are planning to reduce our energy cost going forward in the next 2 to 3 years' time.

Moderator: Next question comes from the line of Manan Mundra, an Individual Investor.

Manan Mundra: I just wanted to know what is going to be approximate maintenance capex as a portion of your gross fixed assets that we have invested in?

Milind Kotecha: Maintenance capex is generally in the range of 1.5% of the gross block every year.

Manan Mundra: Okay. And another question is, are we seeing any pressure on CPVC margins also because of the new capacities coming in from the competitors?

Milind Kotecha: See, again, the competition capacities are coming, but at the same time, the demand for this product is also increasing. So demand for CPVC is increasing in the range of 13% CAGR every year. So 1 year can be here and there. But considering the way demand is growing, any new supplies that are coming by us or even with others, India's demand will be enough to absorb all the supplies.

So 1 year can be here and there because the supply comes in a big way, where the demand goes gradually. But considering that situation over a longer period of time, when I say longer, maybe in the 3 to 4 years' time, the capacities will be absorbed by the growing demand.

Manan Mundra: Okay. And just one more thing. We have all our chemicals and we have an integrated plant and that helps us in maintaining economies of scale. I completely understand that. But do we face any -- do we have any disadvantage? I mean, logistically, if we have to send our CPVC, epichlorohydrin or any other products that we are making to other parts of the country.

I know there are large manufacturers in Gujarat itself, but suppose if we have to sell those things down to south or in the north or in the eastern part of the country, do we face any negative advantage because of the logistics cost?

Milind Kotecha: See, as of now, if you see there are only 2 or 3 selected players in India. And majorly, everyone is on the Western part -- I mean, removing one particular supplier. So in terms of -- it's not that there is someone else who is an advantage and we are not. So considering that situation, we are in par with everyone else. So I don't see anywhere any disadvantage in terms of we having our plant in Western part or we have to sell the product in the Eastern part of India. That's not the

case as of now.

Manan Mundra: Okay. And again, just coming back to CPVC and ECH. Is there a customization for each customer so that even if a new competitor comes in, he can -- they cannot replace us from day 1 just on the basis of cost. And they will also have to take approvals from the customers in case of CPVC and ECH?

Milind Kotecha: Yes. So see, in terms of every product, the approval is definitely that is required. In CPVC case, approval is longer, considering it goes into pipe. So it takes a longer period of time to get approval and then the gradually volume increase. Similarly, on the ECH side, it's not that rigorous.

But again, approval is something which is required for even for that product. But the CPVC side, it takes a bit longer because you have to make pipe then all the testings are done on the pipe and then finally, it gets approved. So it takes time. But again, it's not that simple as it seems. So I mean, people will enter, but not like everyone can do that.

Manan Mundra: Yes. So see, I'm not from chemical industry. I'm just trying to understand from you what kind of moat we have here, what kind of competitive advantage we have here. So if you can just elaborate from your side on this, that's it.

Milind Kotecha: Yes. So see, we have our own chlorine, and we first started our CPVC. I mean we have the largest capacity in CPVC. So we have -- we are almost catering to all the customers in India. And plus, this technology is not something that is easily available like what is there in the case of ECH.

So it's not that easily available. Plus, also, it takes time to get approval, then you get the volumes from the customers. So it's a gradual process. So it's not that easy. So first-mover advantages will always be there.

Plus, we have our chlorine in-house, which comes through pipeline. So managing chlorine of that much quantity is something that we don't have to do through tonners or any other thing. It is done through pipeline. So these small things all add up to the benefit of the company.

Moderator: Next question comes from the line of Gagan Dixit with Emkay Global Financial Services Limited.

Gagan Dixit: Sir, I had a question for the FY '31 guidance. So earlier, the CMD has guided INR2,900 crores revenue by FY27 and INR5,000 crores by FY '31. So as per I recall this epoxy and MPP together are guided at around INR1,300 crores to INR1,500 crores peak revenue.

So how does this INR2,100 crores gap split across CPVC, ECH expansion, epoxy, MPP? So that's my first question is. And subsequent question is, does FY '31 need another capex now beyond the INR600 crores? And that's 2 questions?

Milind Kotecha: So I'll put like this. See, currently, we have a gross block of around INR3,000 crores. We are

already working on the CPVC and the ECH, the lag, which will get commissioned in a quarter's time. So once that is commissioned, there will be additional maybe INR500 crores, INR600 crores of gross block. So it will be INR3,500 crores of gross block.

And that itself is good enough to fetch an optimum level utilization. It can fetch a revenue in the range of around INR3,600 crores, INR3,700 crores. And post that, we are doing capex for the MPP and the epoxy resin, where the capex is around INR600 crores again. So this gross block of INR3,600 crores or INR3,500 crores will go to INR4,100 crores or INR4,200 crores. So that much of capex is good enough to fetch a revenue in the range of around INR5,000 crores, INR5,100 crores kind of revenue by FY31. This is what we are estimating based on current realizations and a gradual ramp-up of the utilization -- gradual ramp-up of the capex that we will commission this year as well as next year.

Gagan Dixit: Yes, sir. Sir, my second question is about the ECH. You have said capacity doubles in Q3 FY27. So -- but the captive that the demand -- I mean, for the epoxy plant only comes in the second half of the FY28. So what share of the ECH will be exported? And when you expect the full utilization -- I mean, for FY28 and when do you expect the full utilization for these plants, sir?

Milind Kotecha: See, demand for the ECH is also growing in India. And plus, there is an export opportunity as well for the ECH. So we -- once we double the plant of ECH, we have estimated the ramp-up will be gradual for the coming -- in the coming months. And what you said is to epoxy resin is something that will be commissioned. I mean, we are targeting to get commissioned by the March '28.

So maybe it will drive the revenue in FY29 onwards. So at that time, it should be at reach optimum level. And considering the capacities and everything, we are estimating that around, you can say, 50% of what ECH we will have will be consumed captively and the balance 50% will be selling in the market.

Moderator: As there are no further questions from the participants, I now hand the conference over to the management for the closing remarks. Thank you, and over to you team. Ladies and gentlemen, we have Gagan Dixit from Emkay Global Service.

Gagan Dixit: Yes. Thanks for everyone for joining this conference, and happy Diwali to all.

Moderator: Thank you so much, Gagan. Ladies and gentlemen, on behalf of Emkay Global Financial Services Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.