Company Name: DCW Ltd

Quarter under review: Q4-FY26

DCW Ltd– Q4-FY26/FY26 Concall Highlights:

DCW Ltd								
INR In Mn	Q4-FY26	Q4-FY25	Y-o-Y	Q3-FY26	Q-o-Q	FY26	FY25	Y-o-Y
Operational Income	6,091	5,379	13.2%	5,198	17.2%	21,436	20,003	7.2%
EBITDA	646	557	15.9%	452	42.8%	2,216	1,932	14.7%
EBITDA M (%)	10.60%	10.36%	24 bps	8.70%	190 bps	10.34%	9.66%	68 bps
PAT	181	113	60.5%	49	NA	482	301	60.2%
PAT M (%)	2.97%	2.09%	88 bps	0.94%	203 bps	2.25%	1.50%	75 bps
Diluted EPS	0.61	0.38	60.5%	0.17	NA	1.63	1.02	59.8%

Operational Highlights:

- FY26 remained a volatile year for the global chemical industry, with pressures from crude-linked feedstock fluctuations, energy costs, geopolitical disruptions, and elevated logistics costs.
- Domestic pricing was under pressure due to large volumes of competitively priced imports, especially from China, particularly in commodity chemicals.
- Highest-ever sales volumes recorded for CPVC, SIOP, and Synthetic Rutile.
- CPVC production volumes grew 60% due to capacity expansion, new capacity commercialized seamlessly with no inventory buildup. 25–30% of incremental volumes of PVC were diverted for captive consumption of C-PVC.
- Synthetic Rutile production up 20%, we sold more than what we produced which reduced inventory levels.
- Soda Ash production in Q4 was the highest in the last 11 quarters.
- Gross debt reduced significantly to INR 276 crores from INR 426 crores a year ago, a reduction of INR 150 crores via scheduled term loan repayments with no new borrowings.
- Cash and bank FDs stood at INR 204 crores, leading to a low net debt of INR 71 crores and a healthy Net Debt/EBITDA ratio of 0.3x, the lowest across multiple financial year ends.
- Basic Chemicals reported strong profitability improvement, with Q4 EBITDA rising to INR 30 crores from INR 14 crores (2.1x) and annual EBITDA increasing to INR 54 crores from INR 19 crores (1.8x), driven by higher production volumes (better fixed cost absorption) and a shift in power sourcing from Tamil Nadu Electricity Board to solar energy.
- Middle East VCM supply disruptions due to the West Asian conflict paused our contracts, forcing higher-cost alternative sourcing. These costs are hard to pass on in PVC prices, leading to near-term margin pressure.
- Capex deployment is being delayed until there is better geopolitical visibility, while the company evaluates investments in specialty chemicals.

Key Questions & Answers discussed during the Concall:

What is driving the increase in caustic soda prices? Production interruptions across Southeast Asia due to geopolitical disruptions have impacted caustic soda operating rates (as caustic complexes also have EDC/VCM facilities, and petrochemical feedstock supply was cut). This supply imbalance drove prices up. The situation is likely to continue until it normalizes.

How are PVC/CPVC spreads trending? Spreads have improved and gone back to pre-war levels. However, PVC input prices (VCM) have risen but CPVC finished product prices haven't moved up proportionately, causing spread contraction. Management expects this to normalize.

What is the outlook for soda ash prices, will they stay elevated, and is any government support on the horizon? Can't comment on soda ash pricing direction as the situation changes daily. Efforts are ongoing for anti-dumping duty, but since Russian imports are not a major factor, the situation remains fluid. Margins are currently good and likely to continue for some time.

What is the outlook for finance costs in FY27? For FY27, finance costs should reduce by INR 12–13 crores, bringing it down to INR 50 crores, provided working capital borrowings don't increase due to prolonged geopolitical disruption.

The company had guided for INR 2,500 crores revenue and INR 400 crores EBITDA and net-debt-free status by FY27, are these targets still on track? Net-debt-free target is on track with INR 71 crores net debt and INR 130 crores scheduled repayments in FY27, the company will turn net cash. However, the INR 400 crores EBITDA target is unlikely to be met due to unanticipated pricing pressure in both commodity and specialty segments. CPVC volume growth (10-20-40 KT) was meant to offset this, but price erosion has absorbed most of the volume benefit.

Most products are at or near full capacity utilization, where can incremental volume growth come from in FY27? The only product with meaningful volume growth headroom is CPVC, where the new 10 kT phase was commissioned in March. SIOP was debottlenecked from 18 kT to 28 kT and is now near capacity. All other products are also at or near full utilization. The next round of volume growth requires fresh capex announcements, which we are holding back on until geopolitical clarity improves.

Will future capex be focused only on specialty chemicals or in commodities as well? Specialty chemicals will be the primary focus for growth capex. Commodity-side investments will be more focused on efficiency improvements rather than capacity growth. We are in the most deleveraged state in many years and have significant headroom once legacy loans are repaid, but we are waiting for geopolitical clarity before committing to a major capex cycle.

With Epigral, Lubrizol, Reliance, and Grasim all adding CPVC capacity simultaneously, is there a risk of a domestic glut? Even with all announced capacities coming online, there remains significant import headroom in the domestic CPVC market. We are comfortable that domestic demand will absorb the new supply without a meaningful mismatch.

What is the actual power cost saving from solar, and are there plans to expand solar capacity further? Solar investment is currently on hold due to a regulatory change by TNEB in Tamil Nadu, where banking rules were revised, altering the economic dynamics. We are awaiting clarification before proceeding. Solar currently meets up to 25% of power needs, however full substitution of TNEB power with solar is not feasible since steam and certain processes require conventional power sources.

What are the key margin improvement levers going forward? Growth will be driven by CPVC volume ramp-up, better realizations via long-term contracts, and supportive commodity pricing, as utilization is already near peak levels.

Is there any plans to enter new chemical segments in the near to medium term? The specialty chemical growth which will come would have to be in related chemistry by leveraging either our marketing reach, our chemical process understanding, or our thematic vision for the organization over the next few years. We have had drawing board discussions on certain products, but we are holding back on any announcements until the geopolitical situation plays out.

Key Participants:
Pujan Shah- Molecule Ventures
Keshav Garg- Counter Cyclical Investments
Abhinav Mandowara- Aequitas Investments
Manish Bhadane- 360 One Capital