

May 10, 2024

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विक्रम सम्वत् २०८१

National Stock Exchange of India Limited
“Exchange Plaza”
Bandra – Kurla Complex,
Bandra (E), Mumbai – 400 051
NSE Code: GHCL

BSE Limited
Corporate Relationship Department,
1st Floor, New Trading Ring, Rotunda Building,
P.J. Towers,
Dalal Street, Fort, Mumbai – 400 001
BSE Code: 500171

Dear Sir / Madam,

Subject: Filing of Transcript regarding Investors’ conference held on May 7, 2024

In continuation to our earlier communication dated April 30, 2024 and May 6, 2024 regarding Investors’ conference on May 7, 2024 and pursuant to requirement of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are pleased to attach copy of the transcript regarding said Investors’ conference held with the management on May 7, 2024 for your reference and record.

Please note that copy of this intimation is also available on the website of BSE Limited (www.bseindia.com/corporates), National Stock Exchange of India Limited (www.nseindia.com/corporates) and website of the Company (www.ghcl.co.in).

You are requested to kindly take note of the same.

Thanking you

Yours truly

For GHCL Limited

Bhuweshwar Mishra
Vice President - Sustainability & Company Secretary
(Membership No.: FCS 5330)



“GHCL Q4 FY-24 Earnings Conference Call”

May 07, 2024



MANAGEMENT: MR. R.S. JALAN – MANAGING DIRECTOR, GHCL LIMITED
MR. RAMAN CHOPRA – CFO & EXECUTIVE DIRECTOR (FINANCE), GHCL LIMITED

MODERATOR: MR. MEET VORA – EMKAY GLOBAL FINANCIAL SERVICES



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May 07, 2024*

Moderator: Ladies and gentlemen, welcome to the Q4 FY24 Results Conference Call of GHCL Limited hosted by Emkay Global Financial Services.

As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I would now hand the conference over to Mr. Meet Vora from Emkay Global Financial Services. Thank you and over to you sir.

Meet Vora: Thank you. Good evening, everyone. Thank you for joining us on GHCL Q4 and FY24 Results Conference Call.

I would like to welcome the Management and thank them for giving us this opportunity to host them. We have with us today Mr. R.S. Jalan – Managing Director and Mr. Raman Chopra – CFO and Executive Director of Finance.

Before we begin this call, I would like to point out that some statements made in this call may be forward looking and a disclaimer to this effect has been included in the Earnings Presentation shared with you earlier.

I shall now handover the call to the Management for their "Opening Remarks". Thank you and over to you sir.

R.S. Jalan: Thank you Meet. Good evening, everyone and welcome to GHCL's Earnings Conference Call for the 4th Quarter 31st March 2024. Kindly note that our Results and Investors Presentation has been uploaded on the Stock Exchanges and the Company's website.

I am joined by Raman Chopra – ED and CFO and Manu Jain from our Investors Relations and Finance.

Our Results for Q424 were in line with our expectation and better on a sequential basis on back of higher volume and lower input cost. This resulted in higher sales and margin. In 2024 our revenue and EBITDA were lower than 2023 but higher than each of our previous 5 years. We grew by 9% CAGR and 6% CAGR over FY2019 till 2024 for revenue and EBITDA respectively. In India demand is relatively stronger as compared to the western world and grew by 2.7%. Demand in end user segments such as detergent and chemical improved. Though solar glass faced challenges from import. Higher import from Turkey, US and Russia has resulted in oversupply situation and exercising the pressure on the pricing and margin. However, there is some disruption in the global supply chain due to geopolitical uncertainty and may delay some



*GHCL Limited
May 07, 2024*

of the imports. Demand for India is likely to be better next year on account of healthy growth recovery. As a result of this, improvement in market sentiment will benefit.

We will continue to enhance our production and cost competitiveness through better efficiency and cost control measures. We are making good progress on our planned growth endeavors. In greenfield soda ash project, we are making progress and expected to obtain final approval soon. The vacuum salt project is progressing as per the plan. We are conceiving a new bromine project at our existing salt works. Our salt improvements project is underway, sodium bicarbonate increased capacity has headroom for increasing sales and margin. Further in FY24 we have successfully completed installation of 6.7 megawatt of renewable energy which demonstrates our commitment to strengthen the sustainability efforts. We believe these steps will enhance our growth trajectory and accelerate our profitability in the future.

The global demand for soda ash excluding China fell by 3.2% in year-on-year in Calendar Year 2023. Demand in the US and Europe fell due to high inflation and weak demand. China was an outlier as demand grew strongly by around 10% on year-on-year into Calendar Year 2023 driven by solar glass and lithium carbonate segment despite continued weakness in the real estate sector. As a result, global demand including China grew by 2.7% year-on-year in Calendar Year 2023. Globally there is a capacity addition of around 9 to 10 million metric tons in Calendar Year 2023 and till now in 2024 combined, driven by 6.5 million by natural soda ash and 2.5 million by synthetic process. As a result, the global soda ash market is oversupplied, and sentiment remains weak putting pressure on realization and margin.

Calendar Year 2024 is likely to be dull year, but I believe it should not be worse than Calendar Year 2023 and growth will be similar of Calendar Year 2023 at about 2.5%. In Calendar Year 2025 and 2026, there will be no major capacity addition across the globe. This along with the global recovery will rebalance the demand supply situation. We believe that Indian market may remain range bound with an option for upside as and when scenario improves.

Now I will hand it over to Raman who will provide further detail on our Financial Performance. Following that I look forward to addressing your questions if you have any. Thank you.

Raman Chopra:

Thank you, sir. Good evening, everyone and a very warm welcome to our Q4 and the year ended the 31st March 2024 Earning Call. The performance for the current quarter came in at lower than Q4 of last year. However, some recovery has been observed from Q3 of this year.

Revenue for the quarter came in at 840 crores compared to 1,140 crores in the corresponding quarter of last year and Rs. 813 crores compared to Q3 of this year. The reason for this lower revenue is mainly due to increased imports from Turkey, USA and Russia thus putting a pressure on the realization. In Q4 volumes increased from Q3 which resulted in higher revenue.



*GHCL Limited
May 07, 2024*

EBITDA for the quarter stood at 201 crores compared to 371 crores in Q4 of FY23 and 165 crores in Q3 of the current year. For the quarter, the EBITDA margin came at 23.9% compared to 32.5% in the corresponding quarter of last year and 20.3% in Q3 of the current year. Sequentially, the improvement in margin is mainly on account of increased sales volume and reduction in input costs. PAT from continued operations stood at 124 crores compared to 251 crores in Q4 of FY23 and Rs. 100 crores in Q3 of this year. For the year ended the 31st March '24, we generated 662 crores in cash profit after tax which was utilized towards payment of CAPEX of 107 crores and loan repayment of 152 crores and dividend of 166 crores. Also, working capital got reduced by 157 crores mainly due to the reduction in input costs. This resulted in an overall cash surplus of around 400 crores for the current year.

We are a net debt-free Company and our gross debt stood at 197 crores with cash and cash equivalent of Rs. 898 crores resulting in a net cash surplus of around 701 crores at the year end. Board has recommended a dividend of Rs. 12 per equity share of Rs. 10 each which is 120% of the paid capital and 20% of our net profit.

With this I conclude my comments and would now request the moderator to open the forum for question and answer. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Gaurav from Capital Farming Consultants.

Gaurav: My first question, considering that the market is already struggling with oversupply and subdued realizations. So, our proposed expansion of 5.5 lakh ton per annum will cost us approximately Rs. 4,000 crores rupees, how is it justified considering the oversupply and subdued organizations? That is my first question.

R.S. Jalan: So, basically Gaurav, this short-term situation which you are seeing in oversupply situation is not likely to continue. Second in India if you look at today also there is approximately around 25% to 26% of the product which is coming from outside the world. Pricing could be a challenge, but every producer has been able to sell the product into the domestic market. And long run if you look at slightly medium terms maybe 3 to 5 years from now, every year you need another 200,000 tons of extra volume demand growth happening in India itself. If you take that into account, there is a kind of a projection which we have is the demand which is around 4.3 million tons which is likely to be around 7 million tons in next 5 to 7 years of time. So, there is a kind of a demand growth of around 3 million tons from here. And this 500,000 tons will get absorbed without any difficulty.

Gaurav: So, related to this only on the capital allocation, like we are saying that 5.5 lakh tons, it will cost us Rs. 4,000 crores and if I am not wrong. So, what I was saying that considering the 5 lakh tons we are going to spend almost Rs. 4,000 crores and considering if I am not wrong our current



*GHCL Limited
May 07, 2024*

capacity is 12 lakh tons per annum. So, our replacement most of the setup turns out to be somewhere around Rs. 8,000 crores whereas the market is valuing our Company less than Rs. 5,000 crores. So, from capital allocation point of view does it make sense that rather than going and spending money as of now, we should go and do the buyback so that the internal rate of return of the money because when you are taking up the project, I am sure that you are evaluating the internal rate of return that how much that is going to give you as a Company. So, if you correlate that vis-à-vis the buybacks isn't it that cheap valuation you can go for the buyback of the existing shares and then the free cash flow is there, maybe 1 year, 2 years down the line, then we can continue with the planned project. That is my second question and the last.

R.S. Jalan:

Gaurav let me respond to this. You see basically the capital allocation the way we look at the capital allocation is coming slightly longer-term perspective. In terms of the market capitalization which you are talking about is a kind of a phenomena which depends on the many other things as well, current market situation and so on. So, therefore, keeping that into mind the growth of the Company is also very important because ultimately the growth which gives the shareholders valuation. So, as a management we always believe the right allocation of the resources in the growth and the reward to the shareholders has to be kind of looked at and like you know that we are in this business for the last 35 years. Still in this business the return on capital employed is more than 25%-26%. And even the projection which we are having for the greenfield project, our IRR is coming more than 16%. So, keeping everything in mind we should not get our thoughts modified every now and then because the market situation gets changed every now and then. We have to always look at slightly from a longer-term perspective. Our belief is a combination of a reward to the shareholders either in the form of a dividend or the buyback or on the other side the growth of the Company. Like you know, in addition to the soda ash expansion of half a million tons, we are also looking at the bicarb, your bromine, vacuum salt and so on. So, as a Management we believe that the growth is also equally important. And you know that last couple of years we have grown from 7 lakh tons to now 12 lakh tons. And we would like to continue with the journey of growth of the volume because ultimately we have to become a kind of a relevant player into the soda ash business when the demand growth kicks in.

Gaurav:

Just to follow up on this if you don't mind, how we are going to fund this is it going to be debt to equity ratio of 80:20, 50:50? What exactly is going to be ratio for this expansion?

R.S. Jalan:

Basically, as you know that today also, we are on the balance sheet of around 900 crores. And by the time this project gets completed another 3 years is there and almost the bottom line. Even in this market situation we have something around 500 crores of net cash after paying the dividend and everything, so very comfortably we will be having a very balanced debt to equity ratio. Right now, we have a negative debt to equity ratio, but I think our peak is coming even less than 1. It is coming 0.5. It is not going to be more than 0.5 and funding as you rightly said



*GHCL Limited
May 07, 2024*

will not be more than maximum to maximum is going to be something around 2,000 crores maximum to maximum.

Moderator: The next question is from the line of Jainam Ghelani from Svan Investment.

Jainam Ghelani: Just wanted to understand now as you indicated that the pricing in the domestic market is getting impacted by a higher import coming from turkey. But can you throw some light in terms of the demand because if you indicated in the opening remarks, that solar glass demand has been seeing a little bit of pressure. So, for '24-25, '25-26 how shall one look at the overall demand in the domestic market?

R.S. Jalan: As you rightly said a couple of things, let me first clarify before I answer your question directly. First and foremost, Turkey supply which you are getting into the Indian market is a temporary phenomenon. Because for them the natural market is the Europe market. The moment the Europe recovers all the volume or majority of the volume of Turkey will go to that market. Because ultimately in this business the most important thing is where do you supply because of the supply chain cost. So, that's one. Second now coming back what you rightly said about the solar glass investment. As you know there are many large players in India has announced massive solar investments or the green hydrogen investment into India. And there solar investment becomes very important for green hydrogen. And these are getting now saved up. Yes, some imports are coming right now for the government since they have kind of a mandate of growing the carbon footprint reduction and therefore, they are allowing the solar glass import. But subsequently when the capacity gets built into India of the solar glass, automatically that incentive for the import will get reduced and therefore the demand will get recovered onto the solar glass as well. So, one side, the huge amount of opportunity on the solar glass. Second even the import of solar glass will also get tapered down once the capacity gets built into India. So, we see a clearly a kind of a path for good growth into the solar glass.

Jainam Ghelani: But this will be there from the medium to longer term perspective. But looking from the near term, in last quarter we did see a good volume growth for GHCL. But do we continue to see the same volume numbers for FY25 or probably there could be some pressure on that as well?

R.S. Jalan: As I mentioned in my opening remark, the demand growth in 2023-24 was 2.7%. The way we look at it and of course you know that in this current geopolitical situation and the overall uncertainty across the globe, something with a clarity speaking about is very difficult. We definitely see that next year '24-25 the demand growth will better as compared to '23-24. So, therefore, we definitely see in detergent, in chemical and other consuming sectors, we see a kind of a slightly better demand growth in India in '24-25.



*GHCL Limited
May 07, 2024*

Jainam Ghelani: Secondly now since you indicated that the global industry's oversupply and given the current prices, definitely there won't be a majority of the Company will be obtaining at a good level of profitability. So, are we seeing any rationalization of the capacity in the industry?

R.S. Jalan: I have not understood what you said.

Jainam Ghelani: Given the current pressure in the overall margins of the soda ash business, for the domestic as well as a global Company, are we seeing any rationalization of the capacity in the industry?

R.S. Jalan: I don't think at this point of a time. See with even this margin, we are comparing our performance as compared to '22-23. And like I said in my opening remark also if you look at our same performance after eliminating the '22-23 that was an abnormal year margins are still very healthy. So, keeping that margin which we are talking about even 23%-24% at this point of a time is a very healthy margin on this. So, therefore, I don't see any rationalization at this point of time in the business either in domestic or in the global space.

Jainam Ghelani: The last question from my side is on the CAPEX that the board has approved, and board has also shown an interest in setting up a bromine project also. So, if you look from a near term 3 to 4 year perspective, what is the total CAPEX that GHCL will be spending if you consider a greenfield project your vacuum salt and the bromine one?

R.S. Jalan: If you look at the investment into the bromine project which is very hardly around 115-120 crores kind of a thing and in vacuum salt is roughly around 150 to 170 crores. So, put together both, we are talking about 300. So, the major growth investment which is coming into the greenfield project which is around 4,000 crores and that also will be happening in next 3 years of time. Whether the most major expenditure will happen in the rear end of the project completion. So, broadly this is like 4,300 crores of investment will be there which will incur in next 3 years of time.

Jainam Ghelani: And for this greenfield we have already acquired land, right?

R.S. Jalan: Yes, we have got a major portion of the land that has already been acquired, lot of work has been done. Basic engineering has been completed, retail engineering is working, environmental clearance is on the last leg of that. So, we are very close to a kind of a situation where we have to just start kind of in next few months. So, probably physical activity should start.

Moderator: The next question is from the line of Rohit Nagraj from Centrum Broking Limited.

Rohit Nagraj: The question is, during FY24 what is the volume growth throughout the year? And given that we had a couple of setbacks because of the operational challenges and next year beyond the soda ash volume growth will there be any additional revenues coming from the new project?



*GHCL Limited
May 07, 2024*

R.S. Jalan: Rohit, as you rightly said, in terms of our overall volume production, because of some of the technical issues which we had last year, our volume was slightly lower than the earlier period. But that is now settled and therefore this year the volume production volume will be better than last year. So, that's sure. And the second I said if the demand projection which we are talking about, definitely the sales number should also be slightly better as compared to last year.

Rohit Nagraj: And any other revenue streams from the newer projects which are likely to contribute in FY25 or those will predominantly from FY26?

R.S. Jalan: One is the sodium bicarbonate as I mentioned. That capacity expansion has happened last year. Now we are seeing a kind of demand growth in the sodium bicarbonate. So, the volume growth in the sodium bicarbonate will also be good in this year '24-25. So, that will also add to the revenue and in addition to that like I said, our efficiency, our cost control measures, so there are many things we are doing which will add to the bottom line.

Rohit Nagraj: The second question is in terms of Chinese demand where the growth was almost 10% as you mentioned last year. So, is it total consumption led growth or probably there is some inventory of even solar blocks in the global system and that may have some repercussions during the course of 2024 in terms of the soda ash additional demand?

R.S. Jalan: Last year the demand growth in China was primarily because of the very high growth into the solar and lithium carbonate. And they were the net importer as I mentioned in my opening remarks, they were the net importers last year. Probably at this point of time projecting what will happen because of the global situation is very difficult. But I have just given an update of last year and second the real estate, which was lagging in the last year, how does that shape up next year, that is also to be seen. So, let's hope that the journey of China continues the way they have done in the last year.

Moderator: The next question is from the line of Ria Mehta from Aequitas Investments.

Ria Mehta: In terms of volume for Q4, we mentioned that it is higher than Q3 but in terms of realization per ton and EBITDA per ton was that also higher than Q3 or we are seeing some flat?

R.S. Jalan: In terms of the volume, it was marginally up as compared to the last quarter. Almost I would say in the same range, not much significant. Volume growth was something around 5%. The volume growth was around 5%. And in terms of the realization yes, the realization was lower as compared to the last quarter, Q3 of '24, it was lower. And EBITDA was slightly better because of the better cost control.

Ria Mehta: Also, in terms of demand supply scenario. So, globally you said that we had seen a global demand decline of 2.3%. That would be majorly coming from Europe.



*GHCL Limited
May 07, 2024*

- R.S. Jalan:** Overall as I said if you look at excluding China the demand degrowth was around 3.2%. And that is primarily the demand degrowth into Europe as well as in the US.
- Ria Mehta:** And we have seen a natural soda ash capacity in US also being commissioned last year. So, how is the ramping up happening there?
- R.S. Jalan:** That has already come in line and currently those expansion is fully at the utilization. So, like I said in my opening remark, in the last 18 months I think around 9 to 10 million tons of the new capacity has been built. And let me also tell you one thing that every year even if we go with the 3% of demand growth globally, you require almost around 2 million tons of extra demand every year. Like I said in '25-26 and '26-27 we don't see any global new capacity coming in. This will get absorbed as the supply chain or the demand supply rebalance will happen in the after 1 year. This is what the way we look at it.
- Ria Mehta:** In terms of Inner Mongolia plant the Phase-II has also commissioned.
- R.S. Jalan:** No Phase-II will come. I think Phase-I is fully completed and Phase-II most likely will come after 2 years of time.
- Ria Mehta:** Phase-I was 2, 50,000 tons, right?
- R.S. Jalan:** No, in Mongolia was more than 5 million tons, Phase-I.
- Ria Mehta:** And over there how are we seeing net imports? Are there a lot of shutdowns of plants that has happened?
- R.S. Jalan:** You are talking about in China?
- Ria Mehta:** Yes.
- R.S. Jalan:** China some of the plants was at the shutdown because of the operating issue or the environmental issue. Yes, there was some shutdown.
- Ria Mehta:** Are you also seeing some shutdowns in Europe and US?
- R.S. Jalan:** Very difficult at this point of time Ria to project on those things. Let things be a little bit clear then probably we will be able to tell you better.
- Ria Mehta:** Also, Tata Chemical just commissioned its capacity and going forward also they have mentioned about the brownfield expansion. So, that will come prior to our expansion. So, will we see some kind of volume impact?



*GHCL Limited
May 07, 2024*

- R.S. Jalan:** Like I said overall demand in India will grow as per our projections by around 5% and that itself will require another 200,000 tons of extra volume. And because of the supply disruptions because of the Red Sea probably we don't see that kind of a challenge in the coming quarters.
- Ria Mehta:** And in terms of our full capacity utilization, how much more can we do as compared to the volumes done in Q4?
- R.S. Jalan:** I think we are on full capacity utilization at this point of the time.
- Ria Mehta:** So, Q4 would be the highest possible volume we can do?
- R.S. Jalan:** Yes.
- Ria Mehta:** And in terms of raw materials, how are we seeing a power cost over a period of time do you think power cost being reduced, so how is it for us?
- R.S. Jalan:** Ultimately, we will also be led by the overall global supply chain pattern is. Currently I think prices are more or less stable into the energy prices. I think at least at this point of a time and of course, you know that because of the global uncertainty it's very difficult to predict what will happen. But currently we are seeing stability in energy prices.
- Ria Mehta:** So, there is no decrease in prices as such?
- R.S. Jalan:** Yes.
- Ria Mehta:** Also, our greenfield capacity, where are we in the approval stage, like where is it pending?
- R.S. Jalan:** I think I have already said Ria in my earlier this thing that we are in the very last leg of our approvals.
- Ria Mehta:** How much time if you could help us estimate?
- R.S. Jalan:** Very difficult Ria. We cannot predict the timeline.
- Moderator:** The next question is from the line of S. Ramesh from Nirmal Bang Equities.
- S. Ramesh:** If you look at the current global supply situation if you are saying that the new capacities are operating at full capacity, there is still I think the bulk of the industry capacity is possibly operating only 80%. The question is, do you see material reduction in capacity or reduction in capacity utilization particularly in Europe where they are facing a lot of pain and when do you see that happen and what is your sense of the current cash cost for the new toner based natural



*GHCL Limited
May 07, 2024*

soda ash and the new capacities based on synthetic solvay route? Any sense you can give on these two?

R.S. Jalan:

Mr. Ramesh, I think very pertinent questions. But at this point of a time our understanding is like I said very difficult to predict that any change or the rationalization into the European capacity will happen and when it will happen. On a logical basis what you are saying is right. But when it will happen, we don't know right now. In terms of China, I would say where the major expansion has happened. There I think they are balancing themselves into their supply demand situation and we are not seeing at least at this point of a time a major disruption happening from China to the other part of the world. So, that's the way we look at the China at this point of time. So far as your question on the cash cost, as you know that natural soda ash is much cheaper in terms of the cash cost. However, because of the supply chain cost from a location of a production to the port and from port to the consumption centers, I think significant amount of the benefits get away from there. And therefore, in terms of the cost competitiveness, the people who are closer to the location where their consumption is, definitely they are competitive in the competitive landscape. Therefore, I don't see any major worry on those accounts for the new capacity to kind of justify expansions or coming into the field. And India particularly as I said, India is in a sweet spot because you know that the globally India is a few countries where the growth of the overall GDP growth or consumption growth are likely to be good. And therefore, we clearly see that the opportunity of an investment into Indian space in soda ash.

S. Ramesh:

So, if you see the outlook for say over the next four to eight quarters. So, when do you see the industry getting back its pricing power and some improvement in per ton margins given the balance between the cost structure and the demand and supply and the pressure from Turkish import, you take everything into consideration? When do you expect some kind of recovery in the outlook for the industry pricing for a margin on a sustainable base?

R.S. Jalan:

Mr. Ramesh, two things I just want to highlight here. You see at this point of the time, and I think you will agree with me, such an uncertain environment and probably we have not seen this kind of uncertain environment anytime in the near future. So, much of uncertainty, Red Sea, your geopolitical tension in the various countries and the energy moving up and down. So, predicting any kind of a situation at this point of a time is very difficult at this point. So, what we are focusing more on slightly longer-term situation number one and number two, we are seeing the sweet spot where we have. Like one of the things which we are doing in GHCL is how do we become more competitive, how do we focus on our cost so that we become more competitive than what were yesterday. Second is what are the sweet spots into the small investment like I just said bromine. Now in the existing salt field we are going with technology where we will be able to create a kind of product out of our existing salt field. Similarly, this vacuum salt, generating from the waste energy and produces the vacuum salt. So, these kinds of initiatives, how to improve our productivity on production of soda ash or including the cost like



*GHCL Limited
May 07, 2024*

as I mentioned to the captive salt production enhancement on that or even the opportunity of a sodium bicarbonate. So, these are the initiatives which we are doing Mr. Ramesh, to kind of remain ahead of the curve into the business. What will happen in the next few quarters is very difficult at this point of a time. I can tell you what has happened based that probably I think we have to leave it on that time.

S. Ramesh: Just one last thought. If I can get your perspective. This is very important. On the lithium carbonate and solar panels, there is a view that there is certain amount of front ending of the capacities and that is also squeezing demand for soda ash. So, what is your reading in terms of the incremental mapping of consumption in these two segments? Are you really seeing on the ground consumption growth in lithium carbonate and solar glass panels and the excess capacity buildup there is not an issue right now?

R.S. Jalan: As you rightly said so far as the lithium carbonate is concerned, in lithium carbonate definitely the front end has happened. And therefore, the lithium carbonate prices are softened. But again, like I said Mr. Ramesh if you look at it, we have to look at everything on a slightly longer-term perspective. We definitely see that the future of lithium carbonate will continue to be robust and maybe the demand supply misbalance will happen for a short period of time. But we are positive on that segment as well. So, far as the solar is concerned, we are very positive on the solar side in India as well as globally because as you know that the carbon footprint and the kind of forecast of the globe is there. So, we clearly see, this is the sunrise industry and definitely that will lead a significant amount of growth into the soda ash consumption in this segment which is a kind of a very small at this point of a time.

Moderator: The next question is from the line of Rohit Sinha from Sunidhi Securities.

Rohit Sinha: So, few from my side is, as we have commissioned our sodium bicarb capacity last year, so how is the capacity utilization there and where we can expect I mean the kind of full peak utilization in that? And secondly since we have announced this bromine investment, so what sort of revenue we would be expecting, what kind of margin we would be expecting and when we should expect the final commissioning of this project?

R.S. Jalan: Rohit, first question what you said about the sodium bicarb, but the good news is that there is a kind of usage of the sodium bicarbonate with the Flue Gas Treatment has been started. I think many of the projects have started using the sodium bicarbonate and therefore the good news is that you will see in '24-25, the demand expansion happening into the sodium bicarbonate. And probably '24-25 we will have a significant amount of growth into our utilization of '24-25 and hopefully the full utilization and probably maybe we will be looking at a few more expansion into the sodium bicarbonate in next year probably. So, that's a sodium bicarbonate situation. Now let's come to the bromine project. The preparation was going on in this and just to kind of give you like I said, approximately the investment is around 120 crores, and we will be producing



*GHCL Limited
May 07, 2024*

something around 2,800 tons and our IRR will be roughly around 18% to 20% kind of IRR will be there and probably this will be because India's bromine growth is something around 6% to 8% and we hope that and even China has a large importer of bromine. So, there's a good growth globally also, if you look at globally you will find that the globally the demand of bromine is something around US\$3.5 billion demand is there. The growth is something around 6% globally led by China. And so therefore in a way I would say that 2,800 tons, approximately the price realization is Rs. 250,000 around Rs. 60 to 63 crores rupees kind of a top line will be there on this.

Rohit Sinha: And IRR.

R.S. Jalan: I think Rohit answered this.

Rohit Sinha: Once all these plants commissioned sodium bicarb and bromine are also coming. How diversified our revenue should be looked at? I mean currently I think more than 90% is still our soda ash, so anything there we can see more contribution from other segments with the better margins.

R.S. Jalan: First and foremost, Rohit, I think in the soda ash itself is a good margin. And we have a kind of expertise on that business. As you know, in terms of cost competitiveness, in terms of our efficiency, the way we do the business of soda ash, I think we are in a much better position on that business. We will continue to focus on that yes, but as you like you said product basket expansion is required and you have seen that journey in the last few years. We are gradually expanding our product base. So, at this point of time, we have added to the sodium bicarbonate, we have double the capacity. We have a plan to kind of go beyond that double the capacity. We have added vacuum salt. Now we are adding the bromine also and we are also looking at some more product into the basket. So, we will keep on growing our basket of the product. Even our focus on expanding on the bromine side also we are exploring that possibility also. We keep on doing that growth. But it will take some time to kind of create a fair amount of product basket expansion where 90% dependence is on soda ash

Rohit Sinha: So, this bromine is largely for domestic or export?

R.S. Jalan: No, we have both opportunities. Rohit, on one side we have an opportunity on the domestic market. As I said the domestic market is also quite large and the demand growth is happening something around 6% to 8% in the domestic market. And on the other side even the China is a large importer of bromine. So, we have that opportunity also.

Moderator: Next question is from the line of Saket Kapoor from Kapoor & Company.

Saket Kapoor: Firstly, when we are envisaging better utilization and contribution from sodium bicarbonate, it is directly proportional to the realizations for soda ash moving up. Our margins for soda ash on



*GHCL Limited
May 07, 2024*

a combined basis will improve since greater usage of sodium bicarbonate. That is what the understanding because the raw material for sodium bicarbonate is soda ash itself.

R.S. Jalan: Yes, Saket ji, definitely the volume growth into the sodium bicarbonate will definitely improve the overall margin of soda ash. Yes, you are right.

Saket Kapoor: And one more clarification on the bromine part. You mentioned the peak turnover will be 60 to 63 crores on a 2,800 tons capacity. In that realm of things that is a very small project. We are trying something on it, and this is only a baby step in that direction.

R.S. Jalan: Like Saket ji you said, ultimately what we have to do is kind of build up this over a period of time and this all in a way you can say we have created a value out of nowhere. Because we are already positioned this salt from those salt fields and just by putting a small amount of money, we are creating almost around a business of something around 60 to 70 crores revenue for that. I think these kind of initiatives where the return on capital is very good. So, our focus is to look at these kind of opportunities like vacuum salt I just briefed in the earlier calls also, that we are doing process where the entire energy is a waste energy. Keeping that into mind I think this is the way we are going.

Saket Kapoor: And one small point on the Salt Yield Program. The benefits of Salt Yield Program will be accrued for the Financial Year '24-25?

R.S. Jalan: No, it started happening like last year also we got some improvement, this year we will get another improvement on that, and this will be journey like I said in the past also 3-4 years of time. Gradually things are happening, and this benefit will accrue over a period of time.

Saket Kapoor: I have one question for Raman ji. We have seen the other expenses for Q-o-Q moving up significantly from 128 crores to 145 crores. So, is there any one-off item in it or if you could explain and then you did mention that the dividend payout has been 20% of net profit. So, earlier we have kicked to the band of 15% on a consistent basis. So, can investor now penciling in a 20% payout or due to the lower profit for this year, the management has kept to rewarding its investors and it is only one of 20% payout?

Raman Chopra: So, first of all I will give you another brief on other expenses. Yes, the other expenses are higher because of the higher freight costs during the higher freight expenses because the volumes have gone up. So, around 12 crores on account of that and the rest is on account of the CSR expenses. So, this is a broad breakup of increase in the cost and there has been some increase in the donation also during the quarter. So, these are the three things which are there.

Saket Kapoor: So, what should be the numbers that we will be penciling in on a quarter basis, if you remove the one off?



*GHCL Limited
May 07, 2024*

- Raman Chopra:** So, it's largely because the operational freight is higher by almost Rs. 13 crores compared to the previous quarter.
- R.S. Jalan:** Saket ji let me add what Raman is trying to say that the volume as well as the material moving closer to the customer, this cost has been there which probably will not be get kind of repeated every year. Of course, if the volume goes up then definitely this cost will go up otherwise no.
- Saket Kapoor:** And on the dividend part?
- R.S. Jalan:** The dividend part is a part of depending upon how the board takes the view of the growth opportunities or the way your overall profitability happens. But as you know that over a period of time, we have demonstrated our reward to the shareholders by way of two buybacks, we have already done in the past and will continue to have that kind of allocation for the shareholders depending upon how the situation pan out at that period of time.
- Saket Kapoor:** And to conclude on the EBITDA per ton part, the EBITDA margin of closer to 25% is a sustainable number for this year taking into account the improved number from sodium bicarbonate, the advantage of the Salt Yield Program, the lower input cost, all these factors will cumulatively add to the margin? I am just making my conclusion. No question ma'am just a conclusion so that sir can just revert.
- R.S. Jalan:** Saket ji, very difficult at this point of time to give a guidance on any percentage and things like that. I have given you kind of an overall how do we see the business? And as I said, these are the assessment at this point of time, how the scenarios shape up in the next few quarters probably because of the very lot of uncertainty. It will be very difficult to kind of speak about any numbers.
- Moderator:** The next question is from the line of Sangeeta Purushottam from Cogito.
- Sangeeta Purushottam:** My question related to the global supply demand situation that you have put one of your slides which is Page #13. Now there basically we're seeing the global capacity at 80 million metric tons and production at 66 which means there's still a fairly large gap about operating at global 80% capacity. Now even if the global demand grows by say 2 to 3 million tons, would that capacity not be enough to just take care of the demand for the next say 4 years at least? And therefore, is it likely that the prices may remain under pressure for longer than we think or may not rise very much?
- R.S. Jalan:** As you have seen that the major expansion of the capacity which has happened in China. What our understanding is in a slightly longer terms time, this rebalancing of the capacity in China will happen because there are many plants in China which are likely to be kind of having a headwind on because of the location, because of the cost competitiveness and things like that. Like I said beginning of my comments, that we see '25-26 and '26-27, this rebalance will happen. And second in terms of the capacity probably like you said at this point of time is 80%,



*GHCL Limited
May 07, 2024*

probably that can go to around 90%. But things will not be very significantly different than what it was in '23-24 or likely to be in '24-25. This is the way we look at it.

Sangeeta Purushottam: Would it be fair to say that you know prices may have bottomed out now because the impact of the new capacities has been felt but it is difficult to predict when they will start rising. It could be 12 months from now it could be 18 or 24 also.

R.S. Jalan: Again, predicting what will happen in the future will be very difficult to kind of predict. But I can only tell you based on the current assessment what we have, I think prices of that trajectory has bottomed out. This would be in the range bound kind of a situation on this pricing. This is a way we look at this point of time. How it will happen after two months we don't know right now.

Sangeeta Purushottam: Andre has one more question.

Andre: This is Andre here, Sangeeta's partner. Just a follow up question to what Sangeetha was saying. You know we've been talking to a lot of companies about what the demand situation across a full category of goods is in Europe and no one seems to be seeing a trend for some higher demand. If Europe is going to remain slow, will this phenomenon of Turkish companies dumping soda ash in the market continue to affect our realizations? So, it's possible that there may be some demand growth in India, but the realization of soda ash would remain poor because of the weak demand in Europe linked to Turkey and all dumping.

R.S. Jalan: As I said in my earlier answer also, that predicting how the shape up of Europe will happen, how the domestic industry of Europe will shape up, will they be sustainable on the current demand supply situation, will they be cost competitive on those costs and if the demand of the Europe does not recover? These are the questions which need to be answered and we don't know right now at this point of time. But one thing we reasonably kind of believe is that a kind of a regionalization of the demand supply situation definitely will happen. Like China in spite of such a huge growth of the supply, they balance themselves into that demand supply situation. Same way the same things would happen in Europe also. So, at this point of time, I can only say that we see that yes, 2024-25 probably will be in the similar range bound situation. How that will step up in '25-26, we don't know right now.

Andre: My only comment was that there are no chances of revival in Europe.

R.S. Jalan: I agree with you that there are no chances of revival but if you ask me that if there will be slowdown of demand then that also we would not have predicted. We never knew that there will be degrowth of this much big demand. No one would have thought that China will see so much demand growth. So, all this uncertainty at this point of the time, to predict on those uncertainties will be very difficult. But like I said I am repeating that if you look at slightly longer-term situations, we are very confident in this business that the way the demand of the solar or the



*GHCL Limited
May 07, 2024*

lithium and other consumptions, probably demand supply balance will happen. And it's nothing to worry on that side.

Moderator: The next question is from the line of Shubh Shah from Ratna Traya Capital.

Shubh Shah: I have broadly three questions. We can go one by one. So, first is on the greenfield capacity, roughly is there a time from which we can think that the volumes from this capacity will start coming in maybe 2 years, 5 years anything like that?

R.S. Jalan: I think the projection at this point of a time is likely to take around 3 years of time from now onwards to complete this kind of a massive project. So, that's the timeline we have in our minds. As you know we have announced that half a million tons of the customer.

Shubh Shah: Given 3 years for this to kick in and we are already at high utilization usually around 90%. Do you think we might lose some market share?

R.S. Jalan: As you rightly said at this point of a time, we have the highest capacity utilization. Probably some volume growth will have in '24-25 because last year we have lost some volume because of our technical issues which we will gain this year. And on the other side, we are expanding on the other product. But yes, in terms of the soda ash probably we may not have kind of a new volume coming in next 2 years of time. Of course, '24-25 it will be but '25-26 or '26-27 probably we may not have that volume.

Shubh Shah: And next question is, what would be our split in terms of dense and light soda ash? And the reason I ask this is, solar glass would be mostly dense or soda ash, so how do we think about that?

R.S. Jalan: We are definitely very clear about the demand growth which is likely to happen into the dense more than the light soda ash. Of course, in the light soda ash also in the Indian typical situation, the detergent demand will grow. But as you rightly said dense production will be high. We have currently full capacity almost around 60% of the volume can be generated for the dense and in the new location also we are going on the same ratios and probably we will not have any difficulty because of light and dense combination.

Shubh Shah: My last question is on, if you have any outlook on realizations going forward for the next 6 months or couple of years?

R.S. Jalan: Very difficult at this point of a time to talk about any prediction about the realization. But I just said range bound of the bottom out for the prices at this point of the time and should be in the at least near term we see a range bound of realization. But yes, if any opportunity comes then definitely there is a possibility of upside into the margin.



*GHCL Limited
May 07, 2024*

- Shubh Shah:** I just missed a point on the CAPEX front. Out of the 4,000 crores how much have we spent?
- R.S. Jalan:** We have a very meager amount we have only spent which is only on what you call on the land acquisitions and things like that. Slight expenditure will start once we start the physical activity of that project. Maybe some amount will spend during '24-25 and the major portion will be happening after that.
- Moderator:** The next question is from the line of Rohit Nagraj from Centrum Broking Limited.
- Rohit Nagraj:** Just two quick follow ups. One is the CAPEX for FY25 and '26 excluding the greenfield CAPEX. And second given that the market is oversupplied, in your assessment is there any inventory situation across the globe which is on a higher price?
- R.S. Jalan:** So, Rohit, it's a last question. This inventory built up at this point of the time not a very significant inventory buildup into the system because of the China is on a low inventory situation. And the first question frankly speaking I have not understood what your question is about.
- Rohit Nagraj:** The barring the greenfield CAPEX what will be the CAPEX for our expansion? I mean the regular expansion plans during FY25 and '26, the maintenance plus smaller expansion plans.
- R.S. Jalan:** As I said overall if you see we are talking about the '25 basically two projects which is a vacuum salt and bromine and some small amount on the regular side. Next year also '25-26 other than the greenfield project completion of vacuum salt and bromine and some maintenance. This will be in the range of around 250 crores kind of a situation every year kind of a situation.
- Moderator:** The next follow up question is from the line of Gaurav from Capital Farming Consultants.
- Gaurav:** The follow up question is that like we have announced the capacity extension. So, any other player in Indian geography specifically who has announced capacity expansion in next 2-3 years or 4 years down the line?
- R.S. Jalan:** Yes, as you know that some of our competition has announced those capacity. And I have given you kind of a scenario the way we look at the growth into India. So, definitely there is a room for all of us to kind of grow our business.
- Moderator:** The next question is from the line of Saket Kapoor from Kapoor & Company.
- Saket Kapoor:** Follow up question from my side is on the utilization levels of the Company for the year and the import number for the country for the whole year. If you could give these two data points.



*GHCL Limited
May 07, 2024*

R.S. Jalan: This year in '23-24 the total import was around a million ton and the utilization was I think almost at the peak level, in the first few quarters slightly low. But overall, it was in the peak level in the last quarter.

Saket Kapoor: The average utilization number you can give? For the year you are contemplating 5% volume growth. So, is it okay that 95 will be the number and we will be just aiming for 100% utilization level for the next year. That translates into 5% volume growth.

R.S. Jalan: Actually, I think I have given you the indication of the full utilization is at this point of time. The first two quarters we had some setback because of the technical issues and next year probably we will have that number which will be better than this year's number will be there. I think you can always calculate this number. You have all the data.

Moderator: The next follow up question is from the line of Ria Mehta from Aequitas Investment.

Ria Mehta: In the balance sheet your intangible asset has gone up by 20 crores, so what would that be?

Raman Chopra: That is during the year we acquired Ajmera Cement who is a lease reserves, lease mines reserves are there, also lignite there. So, that is classified as an intangible asset. Limestone sorry.

R.S. Jalan: We have acquired one business for the captive limestone and that is that account.

Ria Mehta: And what was the total payment done to them?

R.S. Jalan: I think the total payment is around 27 crores.

Moderator: The next follow up question is from the line of S. Ramesh from Nirmal Bang Equities.

S. Ramesh: So, if you look at this captive limestone, for the expansion what is your target in terms of the internal production of limestone and in-house production of salt, what would that percentage be?

R.S. Jalan: Mr. Ramesh, at this point of the time we are looking at the salt field that we have. We are using some 800,000 there. We are definitely trying to enhance our capacity there. In addition to that we are trying to get some more captive salt acquisition or some government lease on the salt field. And hopefully the way we are planning probably we will be able to take care of the requirement of the new greenfield as well as of the current requirement of our plant. Probably we will be in a much better position as compared to what we are today in terms of overall salt requirements of this initiative which we are doing. And in terms of the limestone, that limestone as you know that the major portion of the limestone in India by all across the industries are being imported. And there we are kind of distributing that limestone supply from a different geographical location and largely we will be more dependent on the import of limestone even in the greenfield project. Yes, some percentage will come from the domestic as well.



*GHCL Limited
May 07, 2024*

S. Ramesh: Now when you say domestic, I am asking about the Company. Will the Company be able to increase the production or share of captive production of limestone and salt? So, when you say imports, you're talking about import from outside India, right?

R.S. Jalan: So, Mr. Ramesh, like I said captive production we will not be able to increase in a very significant manner in the limestone. But yes, in salt as I mentioned to you we are doing some initiative on that area and probably there we will be able to increase the salt production captive.

Moderator: Thank you. Ladies and gentlemen, due to time constraints that was the last question. I now hand the conference over to management for closing comments.

R.S. Jalan: Thank you everyone for your all the support you have been given to us. As I always mentioned, we will always do best of our ability to kind of grow the business, remain competitive in the business and do everything possible to kind of create value for our shareholders. And we will also be very vigilant on our capital allocations to ensure that the capitals are being properly utilized for the value creation of our shareholders. Thank you for all your support.

Moderator: On behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.