May 25, 2017

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(Fax: 022 22723121/2037/2041/3714/2039/2061)

Dear Sir/Madam,

**Re.: GHCL Limited (BSE Code: 500171 & NSE Code: GHCL)**

**Subject: Filing of Transcript regarding Investors' conference held on May 22, 2017**

In continuation to our earlier communication dated May 16, 2017 & May 22, 2017 regarding Investors' conference on May 22, 2017. We are pleased to attach copy of the transcript regarding said Investors' conference held with the management on May 22, 2017, for your reference and record.

You are requested to kindly acknowledge the receipt of this communication and also let us know in case you need any other information.

Thanking you

Yours truly

**For GHCL Limited**

**Bhuwneshwar Mishra**
**General Manager & Company Secretary**

# GHCL Limited



## Q4FY17 Conference Call Transcript

### Moderator:

Ladies and gentlemen, welcome to the Q4 FY'17 Results Conference Call of GHCL hosted by Emkay Global Financial Services. We have with us today Mr. R.S. Jalan - Managing Director and Mr. Raman Chopra - CFO and Executive Director, Finance. 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 the conference call, please signal the operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amar Mourya from Emkay Global. Thank you and over to you sir.

### Amar Mourya:

Good evening everyone. I would like to welcome Management and thank them for giving us this opportunity. I would now hand over the call to Mr. Jalan for his opening remarks. Over to you sir.

### R. S. Jalan:

Thanks. Good evening, ladies and gentlemen. I welcome all on this call. I have with me Mr. Raman Chopra - our CFO and Executive Director, Finance along with Mr. Sunil Gupta and Mr. Abhishek Chaturvedi from Finance Team. We have completed the year with an impressive performance continuing our journey of building value for all our stakeholders. Talking about the quarterly performance, we are pleased to inform you that as conveyed during my last concall, we have yet again come back with a growth in both business with the revenue for the quarter has been increased by 28% from 690 crores to 881 crores. Our profit after tax has increased to 113 crores from 78 crores compared to Q4 FY'16, registering a growth of 45%. In the inorganic segment, we would be glad to know that as indicated earlier we have completed our expansion of one lakh metric tones soda ash capacity in March '17. Global industry scenario reflects that the Chinese industry is well balanced in terms of demand and supply resulting in a lower export from China. Even US and South American market is maintaining the equilibrium with the improvement in the domestic demand in that region. Europe's own demand supply is also balanced; however due to supplies from Turkey, new capacities of 0.5 million metric tones and another 2.5 million metric tonnes scheduled to come up for production in the next few months. This can create a situation of oversupply in Europe and also to some extent in India.

The domestic industry witnessed a demand growth of over 5% this year and we estimate that this growth rate to continue for next 3-4 years. Antidumping duty matter is still sub judice and exact outcome would be known by next month. Both Turkey capacity and weakening of dollar is likely to result some softness in the soda ash pricing. Continuing my discussion in the last session, major commodities like coal and coke have seen a sharp increase in last two quarters. Also with the increased production consumption of imported lime stone has also increased, this has resulted in an increase in the cost of production and impacted our margin. We have, however, improved our profitability for the business owing to the higher volume coming from the one lakh metric tonne expansion. We continue to focus on strengthening operational efficiency to combat the rising cost pressure.

Textile business has seen growth during the quarter with certain orders being dispatched from the last quarter and high volumes from the new order that reflected in the revenue growth of 39% over Q4 FY'16. For the year, the revenue grew by 16%. We completed this year with EBITDA margin of 14% as compared to 13% last year. The coming year would see certain challenges in the textile industry as a whole due to volatility in the cotton market and dollar

### Moderator:

**Mr. Amar Mourya**
Emkay Global Financial Services Ltd.

### Management:

**Mr. R. S. Jalan**
Managing Director,
GHCL

**Mr. Raman Chopra**
CFO & Executive Director (Finance),
GHCL

devaluation, which may put pressure on the margin in the coming year. We have achieved a debt equity ratio of 1.04, thus remaining in the close range of our target despite high CAPEX commitment and buyback announced in last quarter. In line with our dividend policy, the management has proposed a dividend of 50% on the capital which is 15.27% payout of the all profits.

I believe that sustainable growth is imperative for achieving holistic growth for all our stakeholders. We have instated our belief with announcement of another 1.25 lakh metric tone of soda ash expansion at the existing capacity which will make us largest soda ash plant at one location in the country. The new expansion is expected to be completed before the end of FY2019 with an estimated capital outlay of 300 crores. Also, we would be glad to note that we have registered a growth of 49% in the profit before tax in last three year's CAGR compared to our guidance of 20%-25%. I believe that we shall continue to maintain a growth rate of 20%-25% over the next 3-4 years. I would now invite Mr. Raman Chopra to take you through the quarterly financial results. Thank you.

**Raman Chopra:**

Good evening, everyone and Thank you Mr. Jalan and I welcome you all on today's earning call. I take this opportunity to take you through the performance for the quarter and year ended March 2017 where we have successfully continued to maintain strong operating performance in both the segments. The revenue for the quarter has increased by 28% from 690 crores to 881 crores in Q417. For the year the revenue has risen by 10% from 2,716 crores to 2,980 crores. Our EBITDA for the quarter has grown by Rs. 10 crores from 175 to 185 crores. For the year, EBITDA growth is 14% that is from 636 crores to 724 crores. Our EBITDA margins for the year have also improved by 100 basis points from 23.4% to 24.4%. Profit after tax has shown a phenomenal growth of 45% at 113 crores against Rs. 78 crores of Q4 2016. For the year, our PAT has grown by 130 crores from 257 crores to 387 crores registering a growth of 51%. We have delivered EPS of Rs. 39 per share from Rs. 26 per share of last year

In our inorganic chemical segment, we achieved a production volume of 2.24 lakhs tonnes during the quarter as compared to 1.95 lakhs tonnes of Q4 '16. We have closed the year with a record production of 8.01 lakhs tonnes compared to 7.49 lakhs tonnes registering a volume growth of 7% in production and sales of soda ash. During the quarter, the segment reported a revenue growth of 21% to 521 crores from 431 crores registered in Q4 '16. EBITDA for the quarter has increased from 141 crores in Q4 '16 to 148 crores with EBITDA margin of 28% for the quarter. In our textile segment, we achieved a strong revenue growth of 39% and with a topline of 360 crores as compared to 259 crores of Q4 '16. For the year, the revenue has grown by 16% at 1,229 crores as compared to 1,063 crores of last year. Our EBITDA for the quarter has improved by 9% from 34 crores to 37 crores and for the full year 23% from 139 crores to 171 crores. The margin for the year has improved to 14% as compared to 13%. Apart from the business initiatives, we have saved almost 30 crores, 18% over the last year on interest costs alone, reducing it from 163 crores to 134 crores. Our debt stands at 1,431 crores as of 31st March 2017 as compared to 1,325 crores last year This has mainly been on account of reclassification of buyers credit and bill discounted as per IndAS. As Mr. Jalan has indicated about our growth plans for the year, we believe that we have strong cash flows over the next two years to take care of the same. With the increase in operating activities, our working capital has increased by 59 crores as compared to December 16. Working capital days increased to 68 days from 64 days of December 2016 largely on account of we have to keep a margin money in escrow account for our buyback and also one income tax refund which is due. The return on capital employed for the year is 21% as compared to 22% which is largely due to new capital investments in both the businesses. The RoE of the year has improved to 29% versus 25% last year.

I would now open the house for discussion and any questions that you may have. Thank you very much.

**Moderator:**

Thank you. Ladies and gentlemen, we will now begin the question and answer session. We will take the first question from the line of Sangita Purushottam from Cogito Advisors. Please go ahead.

## Question and Answer Session

**Andrey Purushottam:**

Yes. This is Andrey Purushottam here. My question was that, I believe there is a lot of pricing pressure that we are facing from buyers in the US as a industry as a whole and this pressure is based on the fact that, although they also know that cotton prices are going to go up in August and September, they are not allowing that as a factor in pricing as far as the industry is concerned and therefore when our current inventory runs out, we run the risk in the next 6 months of running our business at reduced profitability. This is what has picked up from industry sources, but I just wanted your comment on this.

**R. S. Jalan:**

Mr. Purushottam, let me give you my overview of about overall the textile industry per se. One, in terms of the cotton prices, my understanding is that if you look at last few, I would say that 15-20 days the cotton prices have slightly softened. Of course, it has gone up as compared to what it was in the October, but then subsequently it has been softened also. International prices if you look at has dropped by almost I would say around 7%-8% in last few days. And therefore my belief is that the cotton prices are not likely to be very high going forward from here. But on the other side as you rightly said there are few things which is developing into this market, one is the dollar as you know, the dollar has depreciated in last few months, I would say from 67-68 to now 65. So that had definitely one concern which industry is facing and going to face further. But if you look at in terms of, as you rightly said there are lot of over demand, I would say the supply is more than the demand. A lot of new players are also coming in and also that US retailers as you all must have noticed, that the US retailers are not doing very well. Lot of brick and mortar stores are facing challenges and lot of retailers are closing their stores. And therefore there is going to be definitely a pressure on the pricing side from the retailers to maintain their margins. So overall I agree with you that going forward the industry is going to face pressure on the margin.

**Audrey Purushottam:**

And just one comment I had was that one has also got to hear that because of Welspun's problem with target, the American Industry has used that as means to depress their bank price. Is this true?

**R. S. Jalan:**

I would not say that is primarily because of any challenge which the peer group has faced, but like I said overall when the supplies are more and the demands are less, pricing are there. And so therefore I would not say that the macro conditions which indicates to us that the prices are definitely under pressure.

**Moderator:**

Thank you. The next question is from the line of Nalin Shah from N. V. S Brokerage Pvt. Ltd. Please go ahead.

**Nalin Shah:**

At the outset, sir I would like to congratulate for an excellent set of numbers in this year and probably I think you could have increased the dividend little further. That is what I feel. But leaving aside that, my questions are two that you explained that there could be pricing pressures on the textile side and at the same time because of certain cost pressures even in the soda ash, there could be some softening of the prices and next month you are expecting I think the decision on the antidumping duty also. So overall, I think the PAT margins which is at around 13%-13.5% and EBITDA which is at around 32%, can you give us some idea if at all the impact of the softening prices in both the sectors are there, what kind of the overall pressure you expect or you are projected in the margins for FY'17-'18 that is current year.

**R. S. Jalan:**

First of all, thank you for your compliment on the performance and about the dividend. As we have given a guidance prior also that our dividend will be in the range of around 15%-20% and I think we have kept the commitment. In spite of that, we have gone for the buyback also during the quarter and which is continuing right now, but we take your sentiments about the dividend. So far the margin which you said, if you look at the Q4 margin, you will find that the Q4 margin has dropped by 4% as compared to Q4 16. Margin overall company as a whole, the margin is around 21%, EBITDA margin I am talking about. And this margin probably I would say that because of the volume growth and because of the other initiatives which we are taking, I think probably we will try our best to maintain those margins going forward.

**Nalin Shah:**

Second question I had was and probably the final question that you, I think done some 18 lakh shares buyback. I think the buyback program is still remaining. Now considering the fact that the buyback price which we have indicated as compared to that, the market prices much lesser than the buyback price. Then is there any concern, why are we going slow on the buyback so that we can complete it faster than what otherwise you could have done that?

**R. S. Jalan:**

See if you look at overall out of the total purchase, we have almost completed 50 crores, 48-49 crores out of the total consideration of around 80 crores. And as you know that on one side we are expanding and the funds are required for the expansion as well and we have a time up to a few more months. Gradually, we are going to complete this.

**Moderator:**

Thank you. The next question is from the line of Nisarg Vakharia from Lucky Investment Managers. Please go ahead.

**Nisarg Vakharia:**

Sir, just wanted to ask Jalan sir you made a comment on the fact that lot of US retailers are shutting down and facing challenges. What is the reason for that from your understanding?

**R. S. Jalan:**

As you know that there is a shift of the requirement by the millennium customers are they are moving from brick and mortar stores to the e-commerce and that is one reason we see that the sales on the e-commerce is rapidly growing up and obviously that is making an impact on the brick and mortar. I think that is the main reason their margins are getting stopped or their overall performance is not coming as they have expected.

**Nisarg Vakharia:**

What is our position in the e-commerce platform on Amazon and various other platforms in the US and what percentage of our sales as of now comes from e-commerce?

**R. S. Jalan:**

We are present in the e-commerce on the various channel mainly also to some of the retailers, e-commerce channels as well and other prominent channel as well. However, in terms of the percentage, I would say that the percentages are not very larger at this point of time. We are giving a focus on this area to improve our performance on this area.

**Nisarg Vakharia:**

Sir, who would be the dominant guys on the e-commerce channel. Would it be the chinese players?

**R. S. Jalan:**

At this point of time, I would say that even if the growth is taking place into the e-commerce, but on the home textile, the numbers are very small and I would say that everyone is present in China, India as well as GHCL. So overall the numbers are less in the home textile particularly.

**Nisarg Vakharia:**

Just one more thing on the Q4 numbers. Is there any element of the soda ash business or anything at all which kind of overflew from the Q3 into Q4 because of demonetization?

**R. S. Jalan:**

If you remember that there was a small quantity which was there in the Q3 around 10,000 tonnes because of the demonetization that has been shifted from Q3 to Q4. But overall also, we have increased our production from 191 to 224. So we have significantly increased our production also during the quarter.

**Nisarg Vakharia:**

So sir that increased inventory and working capital, would that be on account of more finished goods in the system or there is something else?

**R. S. Jalan:**

No, that was primarily because of the raw materials and particularly the one large consignment of the coal which comes on a periodical basis. Last consignment came in the end of the month and that has added to the raw materials.

**Raman Chopra:**

In addition in working capital, one more point is we have one income tax refund of almost 40 crores which was in the current asset side that has started coming post closing and also there was around 27 crores which was held in the margin account on account of buyback. So these two things are also pairing which are equivalent to cash only, that currently has stuck up on the current asset side, almost Rs. 60 crores.

**Nisarg Vakharia:**

My question was for the inventory side, but that has also got answered.

**Moderator:**

Thank you. The next question is from the line of Dikshit Mittal from Subhkam Ventures. Please go ahead.

**Dikshit Mittal:**

Sir, can you tell the sale volume for soda ash for this quarter as well as full year?

**R. S. Jalan:**

For the quarter, it was 188,000 in the last year vis-à-vis this quarter was 2.22. That means it has gone up by roughly around 34,000 during the quarter as compared to Q4 16.

**Dikshit Mittal:**

And sir for the full year?

**R. S. Jalan:**

And for the year as a whole, 7.01 lakh tonnes to 7.5 lakh tonnes, I am talking about only soda ash sales. Extra 49,000 tonnes means from 7.01 lakhs to 750,000 tonnes.

**Dikshit Mittal:**

So sir this new capacity that has come on stream of around 1 lakh tonnes, so for next year should we expect the full utilization of this capacity or will it be gradual utilization?

**R. S. Jalan:**

No, we will be having a full utilization of this.

**Dikshit Mittal:**

So 90% of that may come in next year?

**R. S. Jalan:**

Out of that, some benefits we have got in the last quarter, Q4 FY17, so balance quantity we will be getting this year.

**Dikshit Mittal:**

And sir in terms of margins like in Q4, soda ash margins is around 28%. So going forward like looking at all the pressures that you mentioned, so will you be able to maintain at 28% or how should we take that for the full year?

**R. S. Jalan:**

Definitely, I think we should be in a position to maintain that.

**Dikshit Mittal:**

But if I take the full year, EBITDA is around 32%. So definitely there should be a dip to that extent for the full year?

**R. S. Jalan:**

Yes.

**Dikshit Mittal:**

And sir on textile like you earlier guided around 16%-17% margins, so considering the new reality, what is the margin profile that we can expect in next 1-2 years?

**R. S. Jalan:**

See if you look at my earlier guidance was around 15% during the year 16-17. Against that 15% guidance, we could achieve 14%. We are short by 1% in our guidance. As you know that dollar depreciated and volatility in the market and new things which has happened in the US market, like I said this business at this point of time lot of new things are happening. As you know that GST is also coming into play, what happens to the export advantage which is available at this point of time, how that shape up and how the US market will be there in the next, as you know that new administration has come into the US. All this put together at this point of time it will be very difficult, but like I said in my discussion that the business looks some challenging there, but if I can say for the longer period of time as we have said in the past also, we are very bullish on this business.

**Dikshit Mittal:**

So at least can you maintain the margins at 14% for next year?

**R. S. Jalan:**

We will try our best but I cannot say at this point of time because all this shape up which is happening, we will definitely try our best.

**Dikshit Mittal:**

And sir going back to soda ash like in the last call you mentioned that in spite of margin pressure, absolute profitability you will be struggling to maintain because of high volumes. So do you maintain that scenario or maybe at least some change in that thinking.

**R. S. Jalan:**

As I said if you look at the margin in Q4 FY17, our margin was around 28% and I think that kind of a margin we should be in a position to maintain going forward, but just few things for the clarity. Like I said, the Turkey production is coming in, how that shapes up and when it comes what happens to the antidumping duty. Those are the question marks which will be there in the business, but as we have been maintaining always, we have seen that 49% CAGR growth in the last 3 years and our overall guidance is that in a longer period if you look at will always try to keep growing our business where the bottom-line it grown by 20%-25% on a longer term perspective.

**Dikshit Mittal:**

Lastly, what will be the CAPEX for the next 2 years, this 300 crores will come in 18 and 19?

**R. S. Jalan:**

This major portion will be coming in the next year I would say that because the lead time for any project takes around 1.5-2 years' time and we are going to spend around 300 crores only on soda ash in next 2 years and overall in the other businesses as well, we will be spending money on our textile business as well. So all put together in next 2 years, we are planning to spend around 600 crores to keep our momentum of the growth in the topline as well as in the bottomline. And we have sufficient resources to put in this money.

**Moderator:**

Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

**Saket Kapoor:**

Sir, if we take this quarter, quarter 4 is seasonally the best quarter for the industry for the soda ash and going forward also, quarter 1 is somewhat similar in terms of to just report the onset of the monsoon. So now we are in the month of May, how are things shaping up and what are the inflationary pressures that we are experiencing if you could share something on this quarter particularly?

**R. S. Jalan:**

See like I said, the margin of Q4 17, we should be in a position to maintain in this quarter that is what at this point of time our understanding of this quarter is on the soda ash business.

**Moderator:**

We will move onto the next participant that is from the line of Rajeev Shah from RNS Investments. Please go ahead.

**Rajeev Shah:**

First of all, I would like to congratulate you for giving such good results and stepping up the dividend which always shows that the company is progressing well. However, my few concerns are there ever since I am talking only from the angle of the stock market as an investor and making people invest in your company. Ever since the buyback has been announced, the stock prices not performing because lot of people those who do not know anything, say have doubt whether the management themselves are putting their shares back. So my request or my just feeling is that if this money instead of doing a buyback is used to cut off debt or suppose that money goes in increased dividend, the market would reward the price much better and I feel the stocks should do better. This is just purely from the stock market angle, I am not a technical person with the business of your products, but this is my request to you. Can you throw some light on this please sir.

**R. S. Jalan:**

First of all, thank you very much for your appreciation that is always a motivating factor for the management to perform better. Regarding your question from the buyback, as you know that out of the total 80 crores of the commitment which we have made, we have already invested around 50 crores in buyback and let me be categorical in this there is no management and no inside equity selling by anybody. So as far as the pricing of sales are concerned that is the investors call, our role is only to give a performance to our stakeholders and I am just happy to inform here is that we have been awarded certification of a great place to work and which clearly indicates that this is a very prestigious award for any organization in India. This gives a flavor of how committed the people of GHCL is there for the stakeholders and some of the area we have been given even better than the best in the industry on pride to work for the company. I just wanted to say this only because of one thing, because we believe that our role is to create a value for all our stakeholders and we will continue to do that. In terms of the dividend, like I said in the past also our endeavor is always to reward our shareholders and give better dividend going forward. Last year we have given 35%, this year we have given 50%.

**Rajeev Shah:**

I just have one feeling sir, if this money instead of, I do not have so much knowledge of finance or anything but just as an investor also, suppose this money instead of cutting down the debt which will bring it down by about 100 crores or something, if this money is utilized to retire our debt the market would take that very positively.

**R. S. Jalan:**

It is a sentiment and like I said we are in a very financial disciplined way of working, you have seen that our debt equity ratio is now close to around 1:1 and for any organization it is important to have a kind of optimum debt equity ratio. And from that perspective, I think our debts are well within the norms and our interest cost is also is nine and half percent overall and we are also trying to improve on our interest rates and so that it becomes very effective and as you know equity is always is a high costly servicing. So therefore reducing the debt and not doing the optimization on the equity is will not be the right thing.

**Rajeev Shah:**

Thank you once again for stepping up the dividend that has put a lot of confidence in the investors.

**Moderator:**

Thank you. The next question is from the line of Riddhesh Gandhi from Discovery Capital. Please go ahead.

**Riddhesh Gandhi:**

Just a couple of quick questions. In terms of your incremental capacity which has come on stream, how much of that was there in actually the Q4 results?

**R. S. Jalan:**

Mr. Gandhi, thank you very much first of all and out of the total I would say that roughly around 20,000 tonnes we have been able to achieve in the last quarter out of 100,000 tonnes.

**Riddhesh Gandhi:**

So, effectively speaking the entire impact of the incremental capacity will only be seen in Q1 of FY18.

**R. S. Jalan:**

Like I said, out of the total capacity of 20,000 tonnes we have already achieved in the Q4 and obviously that 20,000 will continue in the going forward and in addition to that, there will be additional production as well. Overall what we are estimating is this year in 2017-2018, we used to be in the position to achieve around 80% to 90% kind of a capacity utilization from the new capacity.

**Riddhesh Gandhi:**

And just to understand with regards to effectively all of the pressures which you have both on increasing soda ash and home textile which you have highlighted. Just I wanted to understand how you would expect to continue to then grow by 20% to 25% given there is not a lot of new capacity which is coming online this year?

**R. S. Jalan:**

See, when I said that 20%-25% of the growth, I never said that this will be happen in the 2017-2018. Like you have seen in the last 3 years, we have been grown 49% on a CAGR growth. So what I always mean that if you look at the longer term at business, you will find that the growth of this numbers we will be able to achieve this year probably might not going forward. Like I said, we are expanding on the soda ash. Our business in the textile also will not be as it is today we are adding the volume, there also we are adding the volume in our consumer product division also. All put together we believe that we will be able to create and some of the area which we are doing on the cost side will also help us to improve our margins.

**Riddhesh Gandhi:**

Sure, and then I guess you also got deleveraging which will happen and reduction in interest rates with your improve in credit ratings. So, overall would you expect FY18 to be flat year in terms of profit over there, would you expect to be marginal growth or is it just too early to say right now?

**R. S. Jalan:**

See Mr. Gandhi, as you know that last year when we started the year, our thought was that we will be touching something around 300 and subsequently some market changes and we got advantage and we did our best and ultimately we ended up 387, okay. Now at this point of a time for me to say that how the things will shape up in few months like I said global scenario of the Turkey, US scenario of the textile, cotton scenario, Dollar, nobody knew that the Dollar will be in the situation. At this point of a time, it will be difficult for me to give some numbers, and too early to talk about that number. But as you know that we will always endeavor to achieve the best result out of that.

**Riddhesh Gandhi:**

Just say last question which I had was on the antidumping. From the understanding I had that there was effectively speaking a court ruling which implied that the antidumping would be staying. Can you comment on that?

**R. S. Jalan:**

See, as you rightly said the court has stayed because antidumping authority has withdrawn the duty few months back and then the industry went to the court and today the matter is sub judice and the matter is in the consideration of antidumping authorities. How this will shape up in next one or 2 months it has to be seen.

**Riddhesh Gandhi:**

Any initial indications on if you would expect it to continue or?

**R. S. Jalan:**

No, I would not say that at this point of time that we can guess on that but out of the total antidumping duty unless the government accepts the sunset review, the natural antidumping duty will be over other than the 2 countries will be over in July 17. We have already filed that sunset review. The sunset review is being accepted, then this duty will continue for another one year and then in the meantime, they will be doing all this internal assessment something like that. But all, it will be clear in next month I would say that it will be more clearer.

**Moderator:**

Thank you. Next question is from the line of Abhijay Sethia from SJC Capital. Please go ahead.

**Abhijay Sethia:**

My question was how much debt do you expect to repay in FY18 and what kind of benefits do you see coming in on the interest cost side given the rating upgrade?

**R. S. Jalan:**

See, we are looking at 2 things, one on one side the rate improvement we are seeing because of your rating upgradation which is likely to happen, I would say in the middle of the year. And also we are doing some rate restructuring and that will definitely help us to reduce the interest rate and in terms of the debt I would say that we will be roughly reducing the debt by around 100 crores. Overall put together, we believe that we will be in a position to have a better numbers next year.

**Abhijay Sethia:**

Can you give us the sense for how much cotton inventory you are carrying currently and also what your FX hedges are for FY18?

**R. S. Jalan:**

See normally in the cotton if you see that the Indian cotton, the scenario is always you cover the cotton from season to season and that season starts, of course it starts from October but the real quality comes in the month of November. We generally cover the cotton from November to October. So we have a sufficient inventory up to September, October. But when it comes to the some of the imported cotton, there we have the inventory even up to January and February as well. So, that we are covered very nicely on the cotton.

**Abhijay Sethia:**

And on the hedging, on the Forex side?

**R. S. Jalan:**

See Forex side, we always have a very dynamic hedging process. On the exports side, we do approximately around 50% of our likely export for the year we cover. We do not cover the 100%, just to keep a fluctuation into the mind and on the imports side, we cover only 2 or 3 months which is the current and balance we keep on open because and this policy is something which we review, I would say weekly basis to see that how the Dollar scenario is looking like and we take it dynamic decisions on this coverage.

**Abhijay Sethia:**

And just one more question that I had was on your EBITDA margins on the soda ash side. So what you said in the call that incremental EBITDA margin should be extremely robust given you would have absorbed the lot of the things cause from before. Does that point still hold with the 1 lakh tonnes you have done already and the incremental capacity of putting it?

**R. S. Jalan:**

Yes, if you look at even in the past also, we have mentioned that the margins in the overall if you look at the longer term perspective of this soda ash, you will find that the margins are quite stable and we believe that stability in the margin should remain.

**Moderator:**

Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

**Sarvesh Gupta:**

My question is given that we have seen a lot of uncertainties whether Turkey supply coming in, additional dumping duty decision to be pending. Why are we expanding our capacity at this point of time?

**R. S. Jalan:**

See, if you look at first the advantage which we have because our capital cost per tonne of soda ash vis-à-vis any new capacity which is either in India or outside India, we are at a much better position, almost around 50% in the cost which we are incurring per tonne of soda ash as compared to the competition, number one. Number two, as you know that Indian economy is growing and overall in a longer term perspective, we believe that ultimately this commodity needs to be supplied from domestic producers only , if you look at globally also and this project does not complete in 6 months, it takes almost around 2 years to complete the project. So unless we are ready for that we will be losing an opportunity when the demand picks up.

**Sarvesh Gupta:**

And sir have you been able to do what kind of various scenarios will, I mean in case the additional dumping duty goes away what can be the margin hit for us because of the lower realizations or lower volumes?

**R. S. Jalan:**

Yes, but as on today my belief is that this is not much significant reduction in the pricing of a commodity, primarily because the cost pressure has always been to every player. Either be it is a China player or the Europe player, this cost pressure which has been happened coal prices, coke prices, these pressures are there with everyone. So therefore I personally believe there will be not much reduction in the domestic pricing going forward.

**Moderator:**

Thank you. We will move on to the next participant that is from the line of Devansh Lakhani from NVS Brokerage. Please go ahead.

**Devansh Lakhani:**

I have only one question that is basically related to on the revenue front. So we have been seeing that since the last 5 years, we have only grown at a CAGR of approximately 8% but on the EBITDA front and the PAT front, we are doing very fine. So like what can be the guidance for the next 2 years or something that on the volume front since we are also increasing the capacity in soda ash and in the textile businesses going to be much better. So what can we expect on the revenue front, the growth in the next 2 or 3 years?

**R. S. Jalan:**

See, like I said soda ash's volume growth will be in the range of around 10% this year because of this expense and which we have done. And in addition to that, in the textile also I would say that kind of a revenue growth you should expect. So, overall I would say that in a longer term period we should be looking at around 15% CAGR growth on the topline.

**Moderator:**

Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

**Saket Kapoor:**

Sir, I missed my answer for the last question wherein I was asking about the inflationary trend being up, we are in the month of May now and how has this quarter shaped up in terms of this soda ash business?

**R. S. Jalan:**

Like I said that Q4 2017, our inorganic margins EBITDA margin was around 28% and we believe that in Q1 2018 we should be in a position to maintain this margin.

**Saket Kapoor:**

20,000 was the extra volume from the expanded capacity that was booked in the last quarter?

**R. S. Jalan:**

Not booked, that was produced.

**Saket Kapoor:**

That was produced so that is an inventory built up that they have for the fourth quarter?

**R. S. Jalan:**

No, what I said is that we have produced as well as sold also.

**Saket Kapoor:**

That is what I am asking. So, there will be an incremental 20,000 plus on top of whatever we produced on a quarter basis?

**R. S. Jalan:**

Yes.

**Saket Kapoor:**

Sir my question now pertains to the textile division for this quarter in particular also the revenue was up significantly but our margins per head had a dent. So, could you explain the reasons that since we were covered up with the cotton part, how could the margins were lower at around 8% net margin?

**R. S. Jalan:**

Let me answer you this. First of all on the cotton side what you said, I had clarified in the past also. The cotton coverage starts in the month of November and it continues to be covered up to March because the season starts from November and this season remains means you get the good quality of cotton up to March. So, you continue to cover the cotton and build the inventory up to March. And after that, then you consume that inventory since up to the October going forward. So, hedging if you talk today, I would say yes my hedging is up to October. But if you say in the month of January, no I did not have an inventory coverage till up to October. That is the process of coverage, it happens in that quarter. In a way, I would say that the major coverage happens in the period between January to March because that is the peak period for the cotton quality.

**Saket Kapoor:**

Sir, in terms of the margins?

**R. S. Jalan:**

In terms of the margin I would say, yes, margin has been impacted as you know that like I said in the past that the Dollar has depreciated, in the US market lot of volatility or lot of oversupply where the pricing pressure is also there from the retailers side and all put together that has definitely added to the margin pressure on the textile business.

**Saket Kapoor:**

Sir, but the revenue is up by 100 crores quarter-on-quarter, so just could not understand that …

**R. S. Jalan:**

See, revenue growth what happens is the revenue growth like, that last quarter we had because of the some shipment was not shipped in the last quarter, which had also gone in this quarter as well as some new customers have been added into the basket and sometimes you do an aggressive pricing also to have the volume. So, this is what has been done in this year.

**Moderator:**

We will move on to the next participant that is from the line of Sangita Purushottam from Cogito Advisors. Please go ahead.

**Andrey Purushottam:**

This is Andrey here again. I just wanted the clarification based on the questions and the answers that I have just received, on the one hand you have said that the soda ash volume growth by which I mean, I hope your meaning in Rupee growth is about going to be 10% for next year. On the other hand, you said that the incremental capacity utilization which was 50% in quarter 4 will go up to something like 80% or 90%. Now if it goes up to 80% or 90% and depending upon the pricing that you are thinking of that results in the growth that should be in excess of 10% to my mind …

**R. S. Jalan:**

Now let me clarify this point Mr. Purushottam. Our current capacity is around 850,000 tonnes and when I say that my volume of 100,000 tonnes which is a new capacity, I will have the capacity utilization of 80% to 90%. Therefore, I am talking about 80,000 tonnes to 90,000 tonnes extra production, which comes to around 10% volume growth.

**Andrey Purushottam:**

And this volume growth can hopefully equate to Rupee growth or will there be a bit of inflation on that?

**R. S. Jalan:**

I would say that if I am assuming that prices of the soda ash remains the same that the volume growth will be converted into the Rupee growth.

**Andrey Purushottam:**

Minimum 2% to 4% variation should be there no?

**R. S. Jalan:**

When you go to the pricing of shares, you do not know what is the pricing is likely to be. In a longer term what you are saying is right. If I look at the last 10 years of the data, you will find that in spite of the volume remains the same there is an inflation increase in the pricing of soda ash. But this year as I said in terms of the global scenario and at this point of time, I am not assuming any increase in the pricing of soda ash.

**Andrey Purushottam:**

If I were to a rough yielding of this incremental capacity of 80,000-90,000 in Q1, Q2, Q3, Q4, what should I take as delta?

**R. S. Jalan:**

Soda ash business is always a slightly seasonality in terms of the production. First quarter is slightly better, the last quarter is the best and the third quarter is better. In between the two quarters which are rainy season where the production is slightly lower. So that way this number will be spanning out in the next 12 months, 60% to 65% I would say that comes, I would say 60%. 60% comes in the 6 months from January to say I would say June and balance 40% comes into the July to December I would say that.

**Moderator:**

Thank you. The next question is from the line of S. Kapoor from Kapoor and Co. Please go ahead.

**Saket Kapoor:**

Sir, I was just looking at the inflationary trend that we witnessed for this quarter, how are you seeing the cost pressure going forward. If we take the part of your employee cost also as well as the other expenses, the figures had been on the upper side. So, how were this numbers going to shape up going forward?

**R. S. Jalan:**

See, if you look at the employee cost, employee cost generally every year it goes around 10% to 12% and this year it is slightly higher because we have provided for the ESOP benefit also to the people and that has been added to this and therefore this inflation of employee cost of around 10% to 12% if all this thing there. In terms of the other costs depending upon the inflation, some increase will always be there. But that is getting nullified when you are increasing the volume because per tonnes or per revenue per Dollar revenue it goes down because if your volumes are high.

**Saket Kapoor:**

Particularly about the other expenses part, have you any one-off item for this quarter?

**R. S. Jalan:**

No, other expenditures are in line with the volume growth.

**Saket Kapoor:**

And this is going to be the trend going forward also?

**R. S. Jalan:**

Yes, because these are primarily on the variable nature because this includes packing cost and all those things. So, this primarily will be in line with this percentage of turnover.

**Saket Kapoor:**

Sir, we have been on the improving our efficiency and on the basis of that whether it is interest cost or the power and fuel, a lot of savings has gone into the system for this year. So, now since the scenario changing up in terms of the coal prices and in terms of now you are deploying more capital for the working capital also going up because of the expanded capacity. How do you think that this the contribution from the interest saving from the interest and the power fuel is going to continue or that will have a dent on demand going forward?

**R. S. Jalan:**

See, 2 things. One, in terms of the internal efficiency of the uses of any raw material or the any utility, our endeavor which has been continuing many years will continue whereas the pricing which is more dependent upon the international scenario will definitely be having an impact. And that is the reason you look at our margin during the Q4 is already top by 4%. My belief is that that kind of a margin of 28% we should be in a position to maintain.

**Saket Kapoor:**

For the year as a whole sir?

**R. S. Jalan:**

I think so, yes.

**Saket Kapoor:**

Sir, last part is on the 50 crores on the modernization of the spinning unit that was being explained in the presentation. Has the entire amount being spent and what are the benefits that are accrued to us and from which quarter are we going to expect the….

**R. S. Jalan:**

See, last year what we have done is we have created some value addition into this spinning business and this benefit we will start accruing during this quarter. May be some small benefit will be in this quarter and full benefit will be coming from the next quarter. In terms of the modernization, we have plan for 2017-2018 as well and which benefit will be coming 2018-2019. So, this process of making the capital and investment getting the benefit out of this will be an ongoing process which will continue.

**Saket Kapoor:**

Sir, for this fourth quarter the home textile margin should be taken as an aberration only and we should be picking up going forward to our base layer of around 10% to 11% of net margin?

**R. S. Jalan:**

See as I said, the market at this point of a time is challenging and at this point of a time predicting on a short term basis I would say, will be difficult.

**Saket Kapoor:**

No, sir, you have your order booking there, it is not that everything is on a spot basis. You must have your order booking, the programs which we do for a period of 3 to 6 months. So, there the margins are definitely locked up?

**R. S. Jalan:**

Yes, but you see margins are not locked up, my understanding. Because the margins are dependent upon many things other than the selling price, it is also dependent upon your cotton pricing, it is dependent upon the Dollar/Rupee, it is dependent upon even shipping cost. There are many things which are dependent upon on this. But yes our endeavor as I said in the past, our endeavor should be that we should be maintaining this kind of a margin.

**Saket Kapoor:**

And sir in this quarter sir, have we taken a revision in soda ash prices also as there are any lowering of prices for the April, May, this June quarter as the prices…

**R. S. Jalan:**

No, the prices remain the same.

**Saket Kapoor:**

And our plants are working at 90%-95% utilization levels?

**R. S. Jalan:**

Yes, it is running at the full.

**Saket Kapoor:**

Sir, only one suggestion I had, sir the result presentations are generally made with a lag time of around I think so one day. So, if the result presentation should accompany along with the result, then we would be having the lot of data numbers continuing to be done easy and the time lag should be avoided if it can be done its compliances, its issue, then it could be done then it will be much better for the investor if the presentation followed with the result number.

**R. S. Jalan:**

We take your suggestion.

**Saket Kapoor:**

And one more point, if we get a commentary from the MD and Raman saab also on what the quarter has gone back. So, that this opening remark, can be put forward towards earlier only and we will have more time to just go on for the Q&A session sir. Just a small reminder, sir.

**R. S. Jalan:**

We have noticed your suggestion and we will look into it.

**Moderator:**

Thank you. We take the next question from the line of Mr. Purushottam from Cogito Advisors. Please go ahead.

**Andrey Purushottam:**

Sir, small clarification on earlier question on the 80,000 tonnes-90,000 tonnes capacity, roughly how much will you be able to do in Q1 let's say?

**R. S. Jalan:**

See, like I said if you divide by 80,000 into 12, it comes to around 7,000 tonnes a month. So, it should be around 20,000 tonnes per quarter.

**Andrey Purushottam:**

So, this is not going to be much variation apart from the normal variation due to rainy season versus non-rainy?

**R. S. Jalan:**

Small variations only, 80,000 tonnes not too much of 2,000 here and 2,000 there that kind of difference will be there, not much.

**Andrey Purushottam:**

So, average per year will be that only.

**R. S. Jalan:**

Yes.

**Andrey Purushottam:**

Just add Mr. Jalan that we all of us stockholders are very happy that you have announced your extension by 5 years, just wanted to show our appreciation.

**R. S. Jalan:**

Thank you very much. I will continue to do my best to create a value for my stakeholders.

**Moderator:**

Thank you. We take the next question from the line of Saket Kapoor from Kapoor and Company. Please go ahead.

**Saket Kapoor:**

Sir, on the deposit part of 23 crores, we made for the buyback, could you clarify sir, what is this amount? It is as per account, is it any interest bearing part on it or on the compliance we have to do?

**R. S. Jalan:**

This is as per the compliance because whenever you go for a buyback, you have to deposit some percentage of the total amount you need to deposit with the …

**Saket Kapoor:**

This money will remain since the buyback gets over sir?

**R. S. Jalan:**

Yes.

**Saket Kapoor:**

And it will only be released once the 80 crores buyback is done. So, we have to deploy capital of about 103 crores for these 80 crores?

**Raman Chopra:**

No, it has to be deposited till the time 50% of the buyback is completed, now this money will be released.

**Saket Kapoor:**

My next question is to Raman Saab only. Sir, just to get an idea how because I know that since I presumed that you are the one who is looking after the buy-back program. So sir on an event date depending upon what the buyers and seller prices are, how do you evaluate, what quantity to buy on an event date because we have seen that on an event date you are buying, company is doing the buyback program of around 250,000 shares have purchased and other day 25,000 constant quantity has been maintained, even though the volume of shares getting traded on that particular date may be around 300,000 or 350,000 shares with average prices lower than what you purchased. So, how do you decide on today that of how many rupees' purchase you are going to do?

**Raman Chopra:**

Normally we tried to do it on a ship basis as you have rightly said 25,000 to 40,000 shares. But it also depends upon the availability of balance, sometimes we have to clear your statutory dues and sometime you have to have some large payments for the raw materials. So, it depends upon the amount of money which we have earmarked and this we decided towards the end of the day, every day that how much allocation will do the next day. So, depending upon the rate, the availability of funds, we take a call. But normally it is done on an equivalent basis kind of step.

**Saket Kapoor:**

Because I saw 250,000 - 275,000 being purchased in just two days' span.

**Raman Chopra:**

Rs. 275???

**Saket Kapoor:**

No, 275,000 shares purchased on a single day and 250,000 another quantity purchased on a …

**Raman Chopra:**

That depends upon the availability of funds. If the funds are available, definitely we will try to buy it if the rates are attractive because as you must have seen our current buying is almost on an average if I look at it is around Rs. 260 which is near the current market price.

**Saket Kapoor:**

The market prices are depressed, that is another factor, may be some other reasons will be there. The prices are depressed over the quarter itself. After the buy-back announcement, the prices have gone depressed, even the markets have moved up that the prices have remained this. So, that is another factor.

**Moderator:**

Thank you. The next question is from the line of Nisarg Vakharia from Lucky Investment Managers. Please go ahead.

**Nisarg Vakharia:**

Sir just one thing, in Q4 what is the average Dollar realization that you would have clocked?

**R. S. Jalan:**

Right now, we do not have that number. will give it offline.

**Nisarg Vakharia:**

Sure. We will take it offline sir.

**Moderator:**

Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Amar Mourya for his closing comments.

**Amar Mourya:**

I would like to thank the management once again. Thank you all for joining the call.

**Moderator:**

Thank you. Ladies and gentlemen, with that we conclude today's conference. Thank you for joining us and you may now disconnect your lines. Thank you.

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***Note:*** 1.This document has been edited to improve readability.

2. Blanks in this transcript represent inaudible or incomprehensible words.

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