

December 18, 2021

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

**BSE Limited**  
Corporate Relationship Department,  
1<sup>st</sup> 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 December 7, 2021**

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 December 7, 2021 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](http://www.bseindia.com/corporates)), National Stock Exchange of India Limited ([www.nseindia.com/corporates](http://www.nseindia.com/corporates)) and website of the Company ([www.ghcl.co.in](http://www.ghcl.co.in)).

You are requested to kindly take note of the same.

Thanking you

Yours truly

**For GHCL Limited**

A handwritten signature in blue ink, appearing to read 'Manoj', written over a light blue circular stamp.

**Manoj Kumar Ishwar**  
**Asst. General Manager (Secretarial)**



“GHCL Limited  
Update Conference Call”

**December 07, 2021**



**MANAGEMENT:**

**MR. R.S. JALAN - MANAGING DIRECTOR - GHCL LIMITED**

**MR. RAMAN CHOPRA - CHIEF FINANCIAL OFFICER AND EXECUTIVE DIRECTOR (FINANCE) - GHCL LIMITED**

**MR. ABHISHEK - FINANCE - GHCL LIMITED**

**MR. MANU - FINANCE - GHCL LIMITED**

**MR. MANISH - FINANCE - GHCL LIMITED**



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**Moderator:** Ladies and gentlemen, welcome to the business update conference call of GHCL Limited, on strategic divestment of home textile business hosted by Emkay Global Financial Services. We have with us today Mr. RS Jalan, Managing Director, Mr. Raman Chopra, CFO and Executive Director of 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 end of the presentation. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchstone phone. Please note that this conference has been recorded. I now would like to hand the conference over to the management.

**R.S. Jalan:** Good afternoon and a warm welcome on today's call on board decision's of for divestment of home textile business and carve out spinning business through scheme of the demerger. Raman, our CFO along with Manu, Manish and Abhishek from the Finance Team accompany me for this call. Requisite disclosures have been uploaded on Stock Exchange. Hope you had a chance to download and go through the same.

At the outset, we would like to thank you for all your utmost support and believing in us. We strive to always be agile in our conduct and aim to excel in our performance with the endeavor to create value for all our stakeholders. Your company has come around with a remarkable performance during these unprecedented and uncertain times of pandemic and the same is communicated to you during the quarterly interactions.

As you are aware with a view to have greater focus business approach we had initiated the process of demerger of our textile business. In the interim, we got an opportunity to unlock value of our home textile business, not being a strategic growth area for us by divesting the same to IndoCount Industry Limited as a going concern, on a slump sales basis for a consideration of Rs.596 Crores, subject to closing adjustments.

This is a strategic decision, which would help management to focus more on our core strength areas of chemical and spinning business. We are a marginal player in home textile business and generated average EBITDA of just Rs.22 Crores in last three and a half years, which is less than 5% of the total EBITDA of company and less than 20% of the textile business. We are retaining our spinning business which will account for more than 80% of our textile EBITDA and remain to be our core business.

We believe that this divestment will unlock the value for all our stakeholders as the proceeds of the sale will be ploughed back to its core business of Inorganic Chemicals and Spinning, which will be a major catalyst to our growth journey going forward.

In chemical we would like to pursue opportunities like Greenfield expansion, Increasing Product Basket, Enhancing the capacity of Refined Bicarbonate Business, Enter into JV arrangement and attaining operational leverages through IoT and AI.



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In spinning business we would like to focus to expand our value-added product basket as well as capacity to keep our growth momentum going. In addition to above GHCL is continuing with its objective of having separate entity for both these business verticals. Accordingly the board has also approved the Demerger of its spinning business to GHCL Textile Limited through scheme of demerger. The process of demerger is expected to be completed in next six to eight months.

I would like to reiterate that we are committed for creating the value for all our stakeholders and are putting our best efforts for that. Your support and trust drive us to pursue this endeavor with more zeal and energy. I 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. Ladies and gentlemen we will wait for a moment while the question q assembles the first question is from the line of Rahul Veera from Abakkus. Please go ahead.

**Rahul Veera:** I just wanted to understand in terms of post this transaction in terms of debt in the textile segment what would the debt look like and in terms of given the remaining business of textiles, how will we be able to service the debt Sir?

**R.S. Jalan:** Rahul, if you look at the total debt of spinning business obviously after when we get this transaction done, some of the debt which relates to the home textile will get repaid and after that tentatively my understanding is the total debt is around 140 Crore will remain into the demerged entity and this figure of 140 Crores is on September 30, 2021.

**Rahul Veera:** Okay and the interest cost in my view would be at least 7% so that will be close to 10 Crores of interest cost will be there. Will the spinning business, existing business will be able to generate that kind of EBITDA per se because historically we have been very volatile in this segment?

**R.S. Jalan:** No but see but if you look at the EBITDA of spinning business, has been close to more than around 100 crores. Broadly if I give you the number of last three and a half years average because as you rightly said, in the business sometimes volatility is there on the textile business the EBITDA of three and a half years of average EBITDA of spinning business is 108 Crores so this 108 Crores versus Rs.7 Crores to Rs.8 Crores is nowhere near closer to that, absolutely there is no issue on that.

**Rahul Veera:** What will the capex outlay over the next three years that we are looking including the Greenfield that we are planning?

**R.S. Jalan:** See broadly Rahul you know that overall our cash generation is in the range of around Rs.500 Crores to 600 Crores from the entire GHCL portfolio, right? Out of the home textile EBITDA was profit of average was nothing, almost nothing. Overall profitability of the overall GHCL will not have any significant or I would say even minor impact will not be there. So profitability



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remains, cash generation remains and that will be sufficient to maintain our debt equity ratio of 1:1 and grow in the business of Greenfield project, which we have announced and also side by side growing on the spinning business also. As you know that we have already committed approximately around more than 240 Crore into the spinning business which project is under implementation and they will have a sufficient cash to take care of the growth journey after the demerger. So overall if you look at we have enough resources and you know that we are completely deleveraged company, our debt equity ratio is negligible. So that way we do not see any concern on our growth journey of chemical as well as the remaining spinning business.

**Rahul Veera:** Just a last one, from the supply chain side, did the home textile business procure any materials from the spinning division and how will it happen going forward?

**R.S. Jalan:** See overall in the total business of spinning only 20% is getting consumed into the home textile, balance 80% we still today also sell into the market, so there is absolutely no concern. These two businesses are already in run independently, separate management, separate everything and 80% of the business is already being sold and now what we are doing Rahul is more on product basket expansion, value-added products, those are the things which we are we are doing and honestly if you ask me the product which we make into the spinning business they are much more valuable than selling for the home textile business. So our focus is more on selling to the garment segment where the higher quality is required, the realization is much better, so this is definitely. Of course home textile like IndoCount or other players also will be keen of buying the product from us, but for me as a strategic decision, I will always consider to penetrate into the garment segment where the value realization actually I would say 5% higher than to the home textile segment. Our focus has been for last two three years and that is the reason we have reduced our dependence on the home textile. Like I said if you look at the spinning business in totality even the competition to whom we were selling the home textile, spinning yarn to the competition also, the figure would have been meager. So therefore going forward, this will be frankly speaking this will help even the spinning business to enhance their margin.

**Rahul Veera:** Thank you so much for the time. I will come back in the queue.

**Moderator:** Thank you. The next question is from the line of Tarang from Old Bridge Capital. Please go ahead.

**Tarang:** Good afternoon. One question what is going to be the post tax cash flow after this transaction and when you think this transaction will be completely consummated?

**R.S. Jalan:** See in terms of the period I would say that by March 31, 2022 or April 1, 2022 the agreement is April 1 on us before April 1, 2022 because there are certain formalities needs to be kind of a completed, some export obligations shareholder's approval, all those things will be required the timeframe wise on or before April 1, 2022. In terms of the post tax I would say that broadly the



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tax implication could be in the range of around 35 Crores to 40 Crores. To that extent tax will go, balance will be the net cash flow will be coming to the company.

- Tarang:** Thank you Sir. That is all from me.
- Moderator:** Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.
- Sarvesh Gupta:** Good afternoon Sir. First I wanted to understand the valuation at which this business is getting sold? So you know if you look at IndoCount itself you know it may be trading at three four times of its book value compared to that given our small tax cash flow, it is very apparent that business is being sold probably less than two times book even on a EV to EBITDA basis I do not know if you are saying what has been the EV to EBITDA for this sale transactions for last 12 months or FY2022 expected for this business?
- R.S. Jalan:** Sarvesh, two things I just want to highlight here if you look at the valuation perspective. In any business somebody rightly said Rahul, rightly said this is a cyclical business. Should we take the last six months of the data or should we take a longer term data? I can only tell you last 15 years of the data in this business we have never made a significant amount of EBITDA and last three and a half years our average EBITDA was only 22 Crores. Now keep that 22 Crores into mind and look at that kind of a validation which we got for the 22 Crores of average EBITDA. Now even if you look at for the minute you look at the data of 2021 which has been just last past our EBITDA was in the range of around 42 Crores of the home textiles.
- Sarvesh Gupta:** What is the number for the six month of this year Sir?
- R.S. Jalan:** Number is definitely slightly higher. It is approximately around 60 Crores; however, like I said you cannot take any business on the basis of the six month performance. If I can give you the date of 15 years, five years, three years, I have given you specific data.
- Sarvesh Gupta:** Because in their presentation they have said PBT of this business is around 45 Crores. So does that mean that the depreciation and interest is only 15 Crores for this business?
- R.S. Jalan:** Like you rightly said, the total EBITDA is 60 Crores, depreciation is 11 Crores and the interest is 3 Crores, the total figure is the bottom is coming from around 46 Crores. So like you rightly said, they must have given the right number of 45 Crores, 46 Crores and in the investor presentation I think we have already. Sarvesh like I said few things according to me there are three things which are important, you sell the business at the right time. What is the right time? Right time is when everybody is positive about the business. I remember that in this business maybe if I would have been spoken about this business this investment two years back probably we would have



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got the half the value of what we have got just now. So you sell the business only when the people are positive about the business. The things are going in the right direction, but whether that right direction will continue for a longer period of time. That is question mark number one, number two in 15 years, are you been able to do a good value creation for the shareholders on this? No, we are not and I have said in multiple calls that in the chemical business we proudly say we are the best in class, in the spinning business I proudly say that we are best in class. Our EBITDA margin is 18%, three and a half years, my EBITDA margin in the spinning business is 18% wherein this business my EBITDA margin three and a half years is only 4%, so can I continue to run a business with EBITDA margin of 4%, which is a slightly longer term view. You have to take a longer term view and the kind of a management time is required to run the business, the kind of resources required in the business, is it better not to focus on the area, where you are good at. So you know that we are a marginal player in this business, we have not been able to give it still out of my total business, my capacity we have been filling 50 of our capacity by the job work. So will you appreciate a business which have a lot of no return, a lot of management time and not seeing any growth last five years I have not made any investment into this business at significant capital allocation business, because I am not seeing a clear visibility going forward in this business, how this business will shape up. So do the things which you are good at, so we are good at the chemical, we will expand in the chemicals, we are good in the spinning 15 years is the track record, we are the one of the best margin in the spinning business, we will do good there, we will plow back this money and management time in those businesses which creates value for all our stakeholders so that is why the logic of disinvestment and the valuation.

- Sarvesh Gupta:** What is the sales and capital employed for FY2021 and for H1 there, for this business?
- R.S. Jalan:** Just give me a minute. I will just give you the number. Total sale for home textile in FY2021 my revenue was 455 Crores and my capital deployed was about 560 Crores something of that sort.
- Sarvesh Gupta:** H1 sales?
- R.S. Jalan:** H1 sales revenue was roughly around 396 Crores and EBITDA I told you 60 Crores.
- Sarvesh Gupta:** Finally now what is the plan on the capital allocation part because already we are leveraged beyond I mean we are lower than the optimum leverage right now in terms of debt to equity and our Greenfield is going to come with a lag and also it will be back-ended and phase wise so there is no sort of immediate use of cash and then we are generating 500 Crores, 600 Crores and then we have got 500 Crores, 600 Crores more from this sale also and we do not have any major capex plan apart from the regular capex and regular increase. So where all is this going to get deployed and how much are you planning to give back to the shareholders as a special dividend or something because I really do not see any need of all this excess cash that we will be floating around with?



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**R.S. Jalan:**

Sarvesh, two things; first and foremost, is it the right decision to sell and get the money at the time when you can get the money? Now the question is I think, we as a management we believe this was the perfect timing of selling this business. Now as you rightly said the question remains is how are we going to deploy that resources? Now sometimes what happens even if you do not have an opportunity for a minute if I assume there is no opportunity but still better to slightly deleverage, wait for the opportunity and invest the money in the right business, which you believe either you can create a value for the shareholders or for all stakeholders, why should I say only for the shareholders, for everyone. Now timing-wise this was a perfect but like deployment as you rightly said deployment wise we have plan like sodium bicarbonate, sodium bicarbonate we are expanding the business to the double the size what we have right now. We will require the capex there, number two. Spinning like I said already we have committed 240 Crores, we have signed the agreement of 500 Crores of investments with the Tamil Nadu government with the green energy. Similarly yes the green field project for soda ash will be there, till the time it is nothing wrong in having a slightly deleverage and invest the money at the right place, instead of hurry to make the investment and make account investment at the wrong place that I personally believe that is not the right strategy for a long-term value creation. We are not in the business of a faster value creation for our stakeholders. We are in the business of a long-term value creation and you have seen our journey last seven eight years. We have been gradually creating a value consistently value creating for our stakeholders and will continue to do that, but we are not in a rush, we cannot look at okay buy a company of a specialty chemical at a very high price and deploy the resources. I do not want to do that because ultimately my objective is not a 100 meter race. It is a marathon race. In that we have to work in a manner so that in the long run I can create a value. I do not mind be slightly deleverage and use these resources at the right place at the right time.

**Sarvesh Gupta:**

Understood but any hopes of a special dividend or any one one-time payout to the shareholders?

**R.S. Jalan:**

Sarvesh, we have always been rewarded our shareholders in terms of the buyback, in terms of the dividend, if the fraternity believe that returning the capital to the shareholders will be more beneficial than creating a growth opportunity out of that business, we can always discuss this on the board but like you people are as large shareholders, you will understand that sometimes the return on capital employed is important from the sales perspective also how are they going to deploy the resources but we will be open to these kind of thoughts and discussion going forward how to reward the shareholders. Right now we have not thought of any of that kind because we have just concluded the deal yesterday only and we still understand that this deal is going to still take four months time, there is enough time to look at how do we look at the part of the suggestion which you have given it to us.

**Sarvesh Gupta:**

Thank you. All the best Sir.





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

**Riddhesh Gandhi:** I just want to understand how much is the EBITDA of the spinning business both in H1 FY2021 and FY2022, we just has some indication of how large that is?

**R.S. Jalan:** Mr. Gandhi is a very significant number. I will just give you the number. In FY2021 our EBITDA was 113 Crores from spinning business, which was 18% whereas in the home textiles was only 42 Crores, in the six months the number which are just given 60 Crores is the EBITDA of home textile whereas the EBITDA of spinning was 116 Crores, the margin was 29%. Spinning I has always been rewarding.

**Riddhesh Gandhi:** So I think 116 Crores is the EBITDA for the remaining business for the last six months effectively?

**R.S. Jalan:** Yes and that is going to retain with us. That is going to remain with us.

**Riddhesh Gandhi:** Yes got it and how many incremental spindles are we adding and do we expect that to come on stream?

**R.S. Jalan:** As per the target it was supposed to be coming in March 2022; however, because of this weather condition one or two months or some machine supply delays there maybe it will take another one or two months and this will get completed and this will be 40000 spindles, this will give us a revenue of roughly around 200 Crores extra, revenue out of that business and again like I said if you look at the data from the spinning I just want to reiterate the data again last four years data in front of me 112 Crores into FY2019, 91 Crores in FY2020, 113 Crores in FY2021 and three years average is 105 Crores and six month 116 Crores so what I am trying to say is spinning business whereas in the home textile in FY2019 my EBITDA% was zero, FY2020 it was -14 crores.

**Riddhesh Gandhi:** If I hear you correctly, what you are saying is actually if we look at the textile business you are primarily is spinning players, you are just trying your hand at home textiles, it has not actually played out as planned so given there was a player who is a leader who was acquiring it at a reasonable cost you exited to them they may be able to do great thing with it but at times, we can redeploy it at a lot more attractive rates for return, is what our view is?

**R.S. Jalan:** You have very rightly said. You see sometimes you do something good like in the spinning we do better than many people but they might be doing good into the home textile, they are a good player in the home textile so they will be able to create a value for their stakeholders whereas we will be able to create a value for our stakeholder by way of spinning the chemical business.



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**Riddhesh Gandhi:** Just on the spinning side of things are we on the specialized side of it because how are we able to have 18% plus EBITDA over the last three four years that is appearing to be slightly higher than most of the other players out there so just wanted to know, I understand is that are we in a specialized area, is the way we run our better just wanted to understand with that and effectively the ROCE roughly over the last three years of spinning?

**R.S. Jalan:** Like you very rightly said in the spinning business we are master if I can use the right word, we have mastered in three things; one is our understanding about the cotton outlook has been fabulous. I can give you the data of because that is the largest cost of any spinning business that is number one. So that is one we have been able to do at the right time that is number one. Second our product basket, the way we have transformed this business in the last five six years by going into the right, we call the right customers, it is the same product, if I sell you to the home textile I will get 5% lower value than I am selling it to the garment segment and that too also specialized garment requirement because the quality standard or the quality requirements are significantly different. So we have been able to make our infrastructure and the culture where we have been able to create those high quality specialized yarn, special fiber from Pima cotton or the Giza cotton or the Cilian cotton you name it, we are making every type of yarn. So that is where we get a better value from our customers and the customers who do not want to will not like to move away from us even if we are 5% or 3% costlier than the market because consistency in the quality. That is the second thing. So in terms of the cost competitiveness, power we have significantly made an investment into the power. Our power cost is very significantly lower than the competition. Similarly on the labor cost we have modernized this plant labor cost is only coming to 4%, 4.5% so all these things cost wise we have aligned ourselves rightly, similarly on the site we have been able to sell to the right customer. My return on capital employed, Mr. Gandhi, you asked me my return on capital employed on a slightly longer term is around 15%.

**Riddhesh Gandhi:** This is all spinning or this is overall the textile and we should...

**R.S. Jalan:** I am only talking about spinning.

**Riddhesh Gandhi:** Understood. That is extremely helpful and then we like look forward to hearing the top plans over the next few months on the capital allocation of the free cash flows and the reserves you have as well.

**Moderator:** Thank you. The next question is from the line of Anish Jobalia from Banyan Capital Advisors LLP. Please go.

**Anish Jobalia:** Good afternoon Sir. First I wanted some clarification of the debt. So at one point of time I think we have mentioned that our debt on the in the textile side has been 300 Crores so if you could give a clarification on how much is related to the home textile and how much is to the spinning and how much would be transferred to say IndoCount because of this transaction that would be very helpful to understand a bit more granular?



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**R.S. Jalan:** First of all and foremost there is no debt is going to be transferred to IndoCount. It is all cash deal, all the debts and everything will be taken care by us. That is number one. In terms of September 2020-2021 like I said the remaining debt or debt all get put together I am talking about working capital debts and everything put together is around 140 Crores, the remaining debt is approximately around in September 150 Crores, so like you rightly said the number was 300 Crores and something out of that 160 Crores remains with the with the spinning business and 150 Crores with the home textile which will get paid off from the proceeds which we will be getting from the newer acquirer.

**Anish Jobalia:** Secondly so we did spinning division revenues of 350 Crores in H1 FY2022 approximately let us say and which means an annualized rate of 700 Crores odd so do you think that the 700 Crores of the revenue run rate is now sustainable going forward or is there any further upside here also I mean without these 200 Crores of spinning capex which will come on stream in the next year so from the existing capacity?

**R.S. Jalan:** See six month data of spinning business my revenue is around 400 Crores plus so if I take that number then you can slowly multiply that number and this figure this comes around 800 Crores to 850 Crores because in this six months also the few weeks was there where the Tamil Nadu was closed, if my memory goes right. So if I take that and this number is coming to something around 800 Crores to 850 Crores and surely after this expansion which we are doing this number will be surely be crossing more than 1000 Crores.

**Anish Jobalia:** To understand this expansion a bit better so at one point we had mentioned about 200 Crores of expansion right so this is the one which is already going on and then another 500 Crores on capex will be coming in the future so is that correct that we are now looking at a total capex of around 700 odd Crores between these three plants which have been announced?

**R.S. Jalan:** Total figure is 500 Crores out of that like it as you rightly said 240 Crores we are making an investment now and balance amount will get invested in next year.

**Anish Jobalia:** I just want to understand like what is the kind of debt to equity that we will be looking to take in the textile business, I mean how the numbers would look over there? So once the demerger completes like what would be the say the total or the net debt to equity in the textile business itself? How are you looking at this and secondly also if you could give a more clarity on the timelines on this capex and what kind of return expectations do we have over here?

**R.S. Jalan:** Let me answer one by one. In terms of the indicative numbers which will get transferred of course that number will be at the time of when demerger gets approved that number will be will be visible; however, as on September 30, this number was 160 Crores against that my networth was roughly around 700 Crores. If I take that from that perspective you will find that we have a significant deleveraged balance sheet of the spinning business going forward and maybe this number can be slightly more improved because once this money is coming in and we can make



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more deleverage the spinning business so that they have their own journey of a growth with sufficient resources in their balance sheet and they are also earning like I said they are also earning good so they will be able to continue out their journey of growth number one. You said in terms of the investment which we are making what is the visibility of the return. Like I said if you look at MAT on this basis that we have been generating around 15% to 18% return from this business in the longer term period so I would expect that this would be slightly better this new investments should be slightly giving a better return than this number of 15% to 18% so you can be rest assured that this return will be much better than the cost of capital, which we are you know that 7% is approximately our cost of borrowing is there. I hope I was able to answer your question?

**Anish Jobalia:** Fantastic Sir.

**Moderator:** Thank you. The next question is from the line of Tej Prakash an individual investor. Please go ahead. As there is no response we move to the next question which is from the line of Prerna Jhunjunwala from B&K Securities. Please go ahead.

**Prerna Jhunjunwala:** Thank you for the opportunity and congratulations Sir on the sale. Just wanted to understand what was the capacity utilization of home textiles division for FY2021 and in the first half?

**R.S. Jalan:** Prerna, if you look at in terms of the capacity utilizing the processing capacity I would like to divide that into two parts; one is our own export which we were doing, which was approximately around 50% balance amount we were doing your job work so in terms of the utilization yes I was doing the 90% plus but whether I have been able to create value out of this job work? No.

**Prerna Jhunjunwala:** In first half revenue is much higher at an annual run rate than your FY2021 numbers is it just the time difference or there is some?

**R.S. Jalan:** Prerna, if I can say that you know that in the last few months or last few quarters, the textile has been on the upswing because of the two reasons; on one side the raw material cost was on the lower side and whereas, we have been able to get the better price from the market. So one of the advantage which is coming for the home textile as well as for the spinning business. In home textile what you see the jump of EBITDA expanding from 40 Crores to 60 Crores in six months, one year of data was particularly in the one six month you got the data of 60 Crore that was primarily because of that but now the thing is changing because the raw material prices has gone up, your cotton prices have gone up whereas transferring these costs to the buyers, is one of the biggest tasks for anybody in the home textile because you know that the concentration of the buyer in the home textile is and this I have been saying in the last few quarters that margin contraction will happen into the textile business going forward. So probably I would call it again a reasonable margin into home textiles in the range of around 14% to 15% which have been, we were not achieving that. We were not achieving that like I said if you look at my EBITDA margin was in the range of average of three years, three and a half years, it is only 4% probably



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the logical number is around 15% whereas my spinning business it is in three and a half years 18%, my understanding is of course in six months we got a margin of 29% in the spinning that is not going to sustain for a longer period of time.

**Prerna Jhunjhunwala:** Sir with this 50% utilization that you did with the premium customers, the customers also move with the business or they will be a fresh requirement from customer side to evaluate stuff again for procurement? How is it?

**R.S. Jalan:** We are transferring the business on a going concern basis Prerna and all the customers, all the employees everything, all the commitment, all your vendors, everything will get transferred to them. So they will be getting a business which is having a turnover of x value, they will be getting that along with that they will be getting the assets and they will get all the employees. They will procure the business themselves.

**Prerna Jhunjhunwala:** With GHCL your inflow is around 370 Crores odd minus the debt that you have to repay to the bankers minus out of that, is that understanding right?

**R.S. Jalan:** Prerna, we are getting 596 Crores to be precise. Out of that we have to pay the debt like I just indicated the number to you 150 Crores, balance amount out of that probably we have to pay some other liabilities, but broadly I would say that I said that my finance team is giving me the figures that 500 Crores roughly around the 400 Crores or 450 Crores kind of a number, will be coming to us out of that some taxes has to be paid like I said because of one time income, 30 Crores, 40 Crores will go there, the balance amount will remain with us.

**Prerna Jhunjhunwala:** That is great. Could you just give me some details about the spinning capex that you will be incurring post this 40000 spindles that is going to come in at FY2023 first quarter?

**R.S. Jalan:** Like I said Prerna that 200 Crores is already committed to this spinning business then we have a sodium bicarbonate also were also we are doubling the capacity so all this investment growth will go there but we will have a surplus cash. There is no doubt about it and for that next year we are also looking at expansion into the spinning business. Now we will have a focus also into this spinning business to slightly expand the business more rapidly because the now management time will also be there, resources will be there.

**Prerna Jhunjhunwala:** You see the spinning margins continuing at the higher levels as you have seen in the last 12 months?

**R.S. Jalan:** Not only Prerna on the 12 months like I said the respectable margins the spinning business is in the range of around 18% to 20%. In last three and a half years my EBITDA margin of the spinning business has been 18% so I am assuming this 18% or slightly 1% or 2% more should be possible going forward, if everything goes well in a slightly longer term because somebody



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rightly said some volatility is there in this business but on a longer term basis this kind of a margin should be should be achievable on this business.

**Prerna Jhunjunwala:** Thank you so much for this detailed answer, Congratulations and all the best.

**Moderator:** Thank you. The next question is from the line of Pranay Jhaveri from JHJ Holdings Private Limited. Please go ahead.

**Pranay Jhaveri:** Thank you Sir. Thank you for this opportunity. Sir if you can just share some thoughts on the capex in spinning. What are the number of spindles that we are planning in phase one and phase two including the latest Tamil Nadu announcement?

**R.S. Jalan:** Right now, we are approximately around I am just giving you the down figure number we are roughly around 190000 spindles 195000 spindles right now, in addition to that we have an airjet spinning, we have a TFO, we have open-end machines and so on. So if I club everything then we are at more than 200000 spindles at this point of a time. Then we are adding another 40000 which is getting completed like I said in next few months it is going to be completed. Next year we have another plan of 40000 50000 spindles which plan is already under discussion and that will get implemented next year. So probably you can say that by in another one, one and a half years of time probably we will be reaching to the level of around 300000 spindles broadly if I take everything put together and this is reasonably a good size of the spinning business in India.

**Pranay Jhaveri:** If you can just throw some light on the current yarn spread, how are you seeing things?

**R.S. Jalan:** Yarn spread at this point of time, is very good but like I said you should in a longer time you should not look at those kind of spread and you should be looking at a reasonable spread and like I said the margin should be in the range of around 18% to 20% we you should expect on that business EBITDA margin. I think that should be a fair assumption of on a slightly longer term perspective, but yes next six months could be a good period for the spinning business continuing.

**Pranay Jhaveri:** The last question from my side in terms of this sale of home textile division I am just wondering if we were in not so much of hurry of getting this cash as our all expansions future expansions are taken care of by our internal cash flows and probably in home textiles we are at probably one of the lowest point in terms of our RM cost hitting us badly and we are not able to pass on so I am just trying to understand from a longer point of view if we were to compare there is a ballpark figure that you are saying that spinning three, three and a half years fast margins are better whereas in home textiles is not but if I were to see your last say 10 years EBITDA margins then comparing home textiles with your spinning so I am just trying to understand that are not we selling at a low point of time and would have waited since we are not in that dire need of cash? Thank you Sir.



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**R.S. Jalan:** Let me give you each other around I think if you look at the 15 years of the data of home textiles we have never made money, we have never made money, a small portion only on 2016-2017 we have met and always we have been losing money on this business. That is number one. In terms of the timing see I always believe that the best time of selling is when somebody is interested in buying and the people will be interested in buying only when they see that the future is right or looks to be better that there is a point, even in the normal behaviors what we do when the things are looking good then only that time only we want to buy. So I think in terms of the timing-wise I think we could have been late if I would have waited for another one year or six months and if we have not done good job in 15 years how can we believe that we will be able to do the good job in going forward. I think in terms of the timing I personally believe that such a perfect time, perfect valuation because you get the better valuation only when the things are better. The same situation I used to repeat it when had I sold it two years back I would have brought for the fixed valuation we could have got maybe 60% or 50% of the value which we had because nobody interested in buying, selling at the right time is the right thing and I personally believe this is the right time.

**Pranay Jhaveri:** Thank you. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Vikas Kasturi from Focus Capital. Please go ahead. Your line is unmuted please go ahead with your question.

**Vikas Kasturi:** My line was on mute, My apologies. First of all congratulations on this deal. Sir I have just one question Sir you have a couple of retail brands iFlow so do you have any plans to divest them anytime in the future? That is it from me.

**R.S. Jalan:** Vikas, you are right in terms of that are also one of the business which is a very small product basket or business what we have and we have there also we have not been able to create a big value out of that, okay. So at the right opportunity if we find some right buyers, we do not mind selling that business also because again that is not making a strategically sense of a 100 Crores 50 Crores to 100 Crores of the business in the basket of the thing, but at this point of a time we do not have any such kind of a possibility, but yes if opportunity comes and I just want to remind my investors that two or three years back I have said this we run the business not with the emotion, we run the business with the logic and we run the business with future prospects of the business where we can do the right and we have said that if in the home because there were a lot of concerns on the investors that you are not doing good in the home textile, where the people are doing I said if the right time, if required we will divest on this business and we have demonstrated that without having an emotion of continuing with the business where you are not doing good, similarly on the iFlow you said at the right time if we find an opportunity very small business, no significance into the bottomline or the topline. We do not mind exiting from that business if you get an opportunity.



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- Vikas Kasturi:** Thank you Sir. Thank you for your detailed answers.
- Moderator:** Thank you. The next question is from the line of Rohit Sinha from Sunidhi Securities. Please go ahead.
- Rohit Sinha:** Thank you for asking my question, first of all congratulations for the deal. Most of my questions are already answered. Just wanted to understand and post demerger how would we see the management team of both this business and how we should see the basically the employee costs going forward?
- R.S. Jalan:** Rohit, in terms of the business that that both the businesses we are good at and we will continue to grow that to both the businesses. In terms of the employee cost, I do not see any significant change into the employee cost of both the businesses separately also, because that spinning business is a very focused, small group of people, they are managing that business and we will continue with that journey because that is a commodity business I must say that and therefore the cost competitiveness in all corners be it the employee cost, be it the power cost, be it any cost, we are very agile on that basis that loads the business to the extent, which can sustain the business in a longer term basis not on the short term if you are making good money does not mean that load the cost, with a lot of thing so we have like i said only 4% to 5% is my total wages, cost into the spinning business and we will continue with that kind of a journey in the spinning business going forward, even in the chemical business my total cost is coming in if my memory is correct maybe around 5%, 5.5% kind of a thing and that also we will maintain. Size will become bigger into chemical business because that is our core competency, but my cost will proportionately not go up, it will rather come down in terms of the percentage.
- Rohit Sinha:** Thank you so much. That is all from my side.
- Moderator:** Thank you. Ladies and gentlemen please limit your questions to two participants. The next question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.
- Saket Kapoor:** Namaskar Sir and congratulations. Firstly what would be the effective date of this unit getting transferred means by what time we will be booking the revenues and the profitability from this segment in our books?
- R.S. Jalan:** See the date is April 1, 2022 on or before April 1, 2022. We will try to complete as quickly as possible but as on date the target date is on or before April 1, 2022.
- Saket Kapoor:** So in lay language for this current quarter for the December quarter and also for some part of the March quarter the revenue and the profitability from the home textile would be clubbed in the GHCL combined entity?





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- R.S. Jalan:** Yes up to March 2022 if the date remains the same, the profitability and the revenue will continue with the part of the GHCL.
- Saket Kapoor:** Right Sir. Sir when we see this announcement on November 27, of 500 Crores MoU in the state of Tamil Nadu that 500 Crores capex will happen when Sir and are factoring that into the current year 240 Crores amount is that been clubbed together I did not get that number?
- R.S. Jalan:** Yes, Saket. We have got both this figures clubbed into that because you see you get some incentive from the government also so on this MoU which we have signed we will have some incentive from the government so we have clubbed these numbers and we will be getting those incentive on those numbers.
- Saket Kapoor:** Sir just to come to a very small point we were in the merge at the anvil of the demerger had been received the order the demerger would have happened had not that they had been extended to the next 23rd January and now we will be calling back the proceedings. Sir, what actually transpired in such a small span of time that we were able to conclude such an important transaction over a period of just two months if you could throw some light and also is the current soda ash prices the improved realizations and the factored that are giving you the direction that the prices are going to remain at these levels they gave us some more impetus to exit this segment and grow the soda ash faster than what it would have happened had the prices remained at March levels. So are these things connected, if you could give some more color?
- R.S. Jalan:** No it is not connected Saket ji it is not absolutely not connected these two businesses are completely different and is nowhere connected our decision has not been based on since the soda ash is doing good and therefore we should be saying this no because we do not take a short-term view on any of the business you know in the soda ash business and consistently we have been performing very good. Yes, currently the market scenario is very bullish we are expanding our margins and we continue to believe that in next one and a half year to two years time the margin should be much better than what I had been in the past, but that has no relationship with the exit of this decision. Now coming back as you rightly said on the midst of demerger see honestly we got this opportunity in few months back not it is that it has not happened in one month or two months it has taken a quite a bit of our time we were debating and we were discussing a lot of final points you know that lot of final points has to be debated negotiated and it has taken a significant amount of time. We were in the midst of that and the moment this had got finalized so instead of doing the demerger and waiting for this transaction to wait another six months time we thought it is always beneficial for my stakeholders to complete this transaction and do the demerger in another six months time that is always better then you go with, otherwise what you do is all the transaction you first take it to the new company do all those changes and then again that you do not do that.



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**Saket Kapoor:** I got your point and what is the cost of setting up this 1000 spindles today if we take the enterprise value of the spinning business on a replacement basis the current 2 lakh spindles with the modernized facility what should be the replacement cost.

**R.S. Jalan:** It depends on what kind of a machine configuration you do, what kind of a thread count it is a poster count it is a finer count.

**Saket Kapoor:** For us Sir what it is?

**R.S. Jalan:** Broadly if you can say I would say roughly my understanding is it should not be less than Rs.40000 to Rs.50000 per spindle so if you take that basis the valuation of the spinning business which is 200000 and mind it along with that we have a solar energy, we have a green energy, so if you look at it will be not less, the replacement value almost maybe 1100 Crores I am just giving a ballpark number I am not prepared that number it could be in the range of around Rs.1100 Crores it should be the numbers because green energy itself we must have paid around 200 Crores and all put together. All put together is something about 1100 Crores to 1200 Crores should be the kind of a value of maybe 1000 to 1200 Crores kind of a thing.

**Saket Kapoor:** Depending on today's mix of yarns which we are selling at optimum level what should be the peak revenue for the spinning capacity on a standalone basis.

**R.S. Jalan:** I have just said that Saket ji that number could be in the range of around 800, 850 Crores of the topline should be kind of a number should be there and the way we are going to journey maybe this is maybe touch around 1000 Crores.

**Saket Kapoor:** Very small point Sir. Sir we have always tried to move up the value chain whether it is from the soda ash we have the sodium bicarbonate and looking at other product basket even here also I think so various types of yarns we are looking into but as currently if we look at the profile of the company we are into the two commoditized product only whether it is on the soda ash one hand and the other side it is yarn. So what steps are in the anvil is the management contemplating so that we can move into that value-added segment wherein we will have more margin accretive and products going ahead and lastly Sir as earlier also emphasized to share this amounts with your shareholders with this demerger proposal again being persuaded the thought for buyback again get delayed since no buyback can happen when the restructuring or demerger is in the anvil. So that gets elongated again by a year or one and a half year maybe Sir. So what is the thought on that, Sir?

**R.S. Jalan:** See first of all let me answer the last question first. You see I do not personally believe that this time this demerger will take such a long time because there is a very valid thought process one. Earlier because of the home textiles that the banker support was not as supportive as it is going to be now because that business is doing there are a lot of concern about the home textile. Now the business which is getting demerged is a highly profitable business so we will not take longer time



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from the getting the banker's approval second as of course the COVID is still there but COVID has also delayed the process of this thing. So overall my belief is that it should not take more than six to eight months time of getting that demerger completed and we will be pushing for that timeline. Now coming back to you said commodity versus see two things, one see sometime in the anxiety of creating a value-added product we went to the home textiles with the same thought we are going for a value chain our experience has not been good in that. So I think my personal belief is try to be doing the things which you are good at and you can maybe create a value in the space where you are good at that do those things number one. Second yes in this space itself we are creating a branding perspective like I said in the spinning we are creating a benchmark for ourselves that we will be catering to this kind of a customer this kind of a product basket where the commodity will have a lesser role to play means you will have a certain quality standard certain customers certain products basket which is a value added product, I can sell one product which is a commodity of a 30s count but instead of that 30s count I am making a product which is made out of Australian cotton same 30s count with Australian cotton that is the value-added product then we are adding like I said air jet is spinning we have added TFO. So do those kind of a thing to create a basket, now we have come with some of the innovative products into spinning the 40000 which we are spending or we are investing there we are going to produce all the innovative products of this spinning. So we are remaining in this spinning but we will be moving in the value chain and going to the innovative product that is the one in the chemical side two things sodium bicarbonate sodium bicarbonate is the value of the product we are expanding that product, the product basket and as you know that in the product basket expansion we are looking at a possibility of some of the opportunity in the specialty chemical or in the API or the bulk chemicals. So that is also, so we are clear in our mind that let us do the something which you are good at create a value in those things by doing the things differently than the other commodity players are doing and that you will be able to create a value for your stakeholder that will be the thought process.

**Saket Kapoor:** Right Sir, and lastly Sir on the Soda Ash price trends the way we exited the quarter and the last conversation and currently with the value add and in the raw material prices now subsiding does the trend is still continue or there is a fall back in the international prices has been the case with other commodity Sir?

**R.S. Jalan:** It continues the same and like I said at least for one or two years I clearly see a good return coming on from that business.

**Saket Kapoor:** Right Sir and thank you sir for the clarification and thank you for the call Sir taking into account our request and addressing us in the proper forum and all the best we are there to support the company and their growth journey and we hope all stakeholders as have been looked will be looked going forward also and all the best to the team. May God Bless! Thank you.

**R.S. Jalan:** Thank you Saket Ji. Thank you everyone.



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**Moderator:** Thank you. Due to time constraint that was the last question. I now hand the conference over to the management for closing comments.

**R.S. Jalan:** Thank you very much, to all my stakeholders and my shareholders. I have always been saying that we will do our best in terms of creating a value for my stakeholders in a right spirit, in a right way. Yes sometimes when you do the things in a good intention a good listing sometimes you may make mistakes but that will happen but overall our endeavor or the passion of the entire GHCL team is only one thing how do I create a value for my stakeholders in a longer-term perspective not from a shorter-term perspective. We feel pride that we have been able to do a reasonable job and we will continue to work hard on that and your support is really encouraging to us in our journey. So thank you for all your support and the guidance.

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