



February 7, 2017

**National Stock Exchange of India Limited**  
"Exchange Plaza"  
Bandra – Kurla Complex,  
Bandra (E), Mumbai – 400 051  
Fax # 022 26598237/38

**BSE Limited**  
Corporate Relationship Department,  
1<sup>st</sup> Floor, New Trading Ring, Rotunda Building, P.J.  
Towers,  
Dalal Street, Fort, Mumbai – 400 001  
(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 February 3, 2017**

In continuation to our earlier communication dated January 25, 2017 & February 1, 2017 regarding Investors' conference on February 3, 2017. We are pleased to attach copy of the transcript regarding said Investors' conference held with the management on February 3, 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

**Bhuwleshwar Mishra**  
**General Manager & Company Secretary**

# GHCL Limited

## Q3FY17 Conference Call Transcript

### Moderator:

Ladies and gentlemen, good day and welcome to Q3 FY'17 Results 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 & 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 an operator by pressing "\*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amar Mourya - Research Analyst of Emkay Global. Thank you and over to you Sir!

### Amar Mourya:

Good evening everyone. I would like to welcome the management and thank them to give us an opportunity. I would now hand over the call to Mr. Jalan for his opening remarks. Over to you Sir!

### R.S. Jalan:

Good evening ladies and gentlemen, I welcome you 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 our finance team.

During the quarter, we all have witnessed a major economic decision of demonetization of high-value currency. This has led to a demand slowdown during the period, impacting most of the industries including us. Our revenue for the quarter has dropped by 7% from 708 Crores to 662 Crores. However, cumulatively our revenue has grown by 4% from 2026 Crores to 2100 Crores. Even in this environment, we have achieved a 21% growth in profit after tax at 81 Crores compared to 67 Crores in Q3 FY16. In the organic segment, we have achieved a capacity utilization of 90% despite having a shutdown period, which has impacted around 15,000 metric tonnes of production. The domestic industry witnessed a demand growth of around 4% in the nine-month period. With regard to global soda ash industry, Chinese have moderated their production level resulting in a stable demand-supply situation in that region. Whereas, US witnessed a demand slowdown pushing more exports. Turkish expansion of 1 million ton is likely to come around second quarter of 2017-18. Antidumping duty case is also sub judice. Due to these factors, there is a likelihood of softening of soda ash prices. Major commodities like coal and coke have seen a sharp increase in the last two quarters. We, however, expect to sustain our profitability due to benefit arising out of 1 lakh metric ton expansion and our focus on building operating efficiencies. In textile segment, in nine months revenue growth is 8%. We are reasonably confident on achieving our guidance of 15% margin for FY17 on higher volume. We see the opportunity of growth in both US market as well as the Indian market, which is also likely looking strong with a growing organized retail. As we have said earlier also, we continue to be positive on our next year journey with a top line growth of 10% to 15% along with a margin in the range of around 17% to 18%. We have achieved a debt-equity ratio of 1:1 as per our previous commitment. We have recently allocated a fund of Rs.50 Crores towards modernization of one of our spinning units as per our defined parameters.

I am glad to inform you that we have surpassed our FY16 profit of 250 Crores in nine months of FY17, by registering a PAT of 274 Crores. As a part of our commitment to reward our shareholders we have announced a buyback of an amount of not exceeding 80 Crores at a maximum price of 315 per share along with an interim dividend of Rs.1.50 per share. We have

### Analyst:

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

### Management:

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

**Mr. Raman Chopra**  
Chief Financial Officer and Executive  
Director (Finance)  
GHCL Limited

**Mr. Sunil Gupta**  
Finance  
GHCL Limited

**Mr. Abhishek Chaturvedi**  
Finance  
GHCL Limited

added another feather in the GHCL cap that we are certified as a great place to work during the quarter on our first ever participation itself. Additionally, we have also got Manufacturing Excellence silver award and Beginner's Award on sustainability from Frost & Sullivan. I would now invite Mr. Raman Chopra to take you through the quarterly financial results. Thank you.

**Raman Chopra:**

Good afternoon everybody. With a note of thanks to Mr. Jalan I welcome you all on today's earning call. We are glad to inform you that we have achieved reasonably good set of financial numbers, more particularly in the challenging environment emerging out of demonetization. Whereas, there has been some drop in revenue owing to the impact of demonetization and rescheduling of some shipment. We have continued to produce at our maximum capacity, thus essentially building inventory for the coming quarter. Our revenue was lower by around 7% from 708 Crores to 662 Crores. Soda ash sales during the quarter was down by around 11,000 tonnes from 1.83 lakh tonnes of Q3 FY16 to 1.72 lakh tonnes in Q3 FY17, impacting turnover by Rs.20 Crores, which is only a deferment of revenue to be realized in the next quarter. In textiles, there was rescheduling of one shipment of around 26 Crores, which has been done now in January 2017. Despite lower revenue with our focus on improving operational parameters, we achieved EBITDA of 141 Crores versus 138 Crores in Q3 FY16. The margin for the same period has increased by 230 basis points, to 25% from 22%. Profit after tax has shown a growth of 21% from 67 Crores to 81 Crores during this quarter. In our inorganic chemical segment, we achieved a capacity utilization of 90% despite annual shutdown quarter, achieving a production impact of 15,000 tonnes. In spite of lower sales volume, we achieved EBITDA of 128 Crores as compared to 124 Crores in Q3 of last year. The EBITDA margin has also improved by 234 basis points from 29.2% to 31.5%. Even in our textiles segment, we have continued to produce at 93% capacity utilization in processing during the quarter. However, as stated earlier due to rescheduling of one order, the same has not converted into revenue. Despite lower sales, we have achieved an EBITDA of 35 Crores with an improvement in EBITDA margin by 180 basis points from 12% to 15% over Q3 of FY16. For nine months, our textiles segment has achieved 15% EBITDA margin.

Owing to our expansion in soda ash and other textile Capex, there was an increase of 88 Crores in fixed assets and 75 Crores increase in working capital as compared to Q2. This has led to increase in short-term debt by 55 Crores with a total debt of 1276 Crores at the end of December 2016. Overall working capital days have increased from 43 days to 56 days during the period. We expect with a situation of normalcy in business operation resulting now, the working capital will return to normal levels of around 45 days. We have achieved an ROC of 23% for the quarter as compared to 22%, and ROE of 28% versus 24% Y-o-Y basis. I would now open the house for discussion and any questions that you may have.

**Moderator:**

Thank you very much. We will now begin with the question and answer session. Anyone who wishes to ask a question may press "\*" and "1" on their touchtone telephone. If you wish to remove yourself from the question queue, you may press "\*" and "2". Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We will take the first question from the line of Sangeeta Purushottam from Cogito Advisors. Please go ahead.

## Question and Answer Session

---

**Sangeeta Purushottam:**

Hi! Mr. Jalan and Raman, thanks a lot and congrats for the decent set of numbers. My question really pertains to the revenues of the textile division. You said that a shipment of 26 Crores got pushed into the Q4, but if we were to add that back also the growth would have been flattish Y-o-Y. Is there any reason for that? Was there anything peculiar in this quarter and what kind of volume growth do we see for the textile business going into next year? Also if you could give some guidance on what is the growth likely on the soda ash?

**R.S. Jalan:**

About the textile, as you rightly said, even if we add these 26 Crores of the shipment deferment, this leads to flattish growth. However, if you look at the overall nine-month period you will find that there is a growth, number one. Number two, even the demonetization has also impacted the revenue of textile division as well, because some of the markets particularly where we sell the yarn there was a serious impact of the demonetization and that has also resulted in the drop in the volume. Overall, we believe that this quarter you will see a growth in the top line. Even next year, as we mentioned before, we are expanding our capacity and that is likely to be operational in Q3 of next year. Overall we see around 10% to 15% of growth in the revenue next year. We are looking at margin expansion also from 13% last year we had to 15% this year, and next year we are targeting on this enhanced volume, we are targeting a margin of around 17% to 18%.

**Sangeeta Purushottam:**

Okay, and you said the yarn sales got impacted in this quarter because of demonetization, is this volume that was lost likely to come back or you think this is lost forever?

**R.S. Jalan:**

No. It is likely to come back because our production remains at the same level. Obviously, the same thing has happened in the soda ash as well. In spite of shutdown, we have achieved the highest production. That volume has got built up into the inventory. In textiles also, the inventory got built up and that we are definitely going to recover in this quarter.

**Sangeeta Purushottam:**

Okay. I had one more question, which is relating to what you mentioned that the soda ash prices are likely to be a little soft because of what is happening globally, did I hear you right when you said that you would still be able to maintain your margin?

**R.S. Jalan:**

I said that we would be able to maintain our profitability.

**Sangeeta Purushottam:**

Okay, and profitability you are defining as profit per ton or in percentage terms?

**R.S. Jalan:**

I am talking about absolute profitability. To make it more clear, there were two impacts. On one side because of this global situation including the antidumping duty, which is sub judice, right now. On one side there is some pressure on the pricing of the soda ash. On the other side, the cost of raw material, coal and coke we all know also gone up. These are the two impacts which we see and I did mention in my earlier calls that if the antidumping duty goes away there will be a pricing pressure on the soda ash, but this we have been able to cover up which I said in absolute terms, we will be able to cover up by expansion as well as the cost optimization which we are doing.

**Sangeeta Purushottam:**

Right, okay, great. Thank you very much.

**Moderator:**

Thank you. We take the next question from the line of Sachin Kasera from Lucky Investment Managers. Please go ahead.

**Sachin Kasera:**

Good afternoon Sir. My first question was regarding the soda ash business. If we see, compared to Q1 the EBITDA is down quite a bit. You did mention that you have taken some cost reduction initiatives. If could you highlight as to what is the type of cost reduction we have achieved in the first three quarters on a per ton basis or an absolute basis that could help us?

**R.S. Jalan:**

If you look at in the past calls also I have mentioned the first and foremost which reduces your cost is how efficiently you run the plant. If you look at the last three quarters, even this quarter if we talk, in spite of a shutdown, which has impacted 15,000 tonnes of production, we have still been able to achieve the same production, which we have achieved last year, 1.93 versus 1.93. Last year in the same quarter, we had the similar production and this quarter in spite of having a shutdown we have been able to produce a similar quantity. Number two, our power efficiency or the steam power balance, that is another area, which we have worked, and there also we see an improvement. Third, again very important is, how you cover your raw material that is another area we have worked on. Even if the coal price today is in the range of around \$84 to \$85, our coverage cost at this point of time and that will be reflecting in the next quarter as well is, much lower than that. These are the initiatives. Further initiatives you will be seeing next year.

**Sachin Kasera:**

Okay, because when I compare your Q1, in Q1 your revenue was 421 Crores and your EBITDA was 147 Crores, and in Q3 our revenue is down to 404 Crores and the EBITDA is down to 128 Crores, capacity utilization is only down by 1%, from 91% to 90%, Q1 versus Q3.

**R.S. Jalan:**

If I can look at the Q1, as you rightly said, my production in Q1 FY17 was 1.93 and my sales was 184. Now, this quarter, though my production remains at the same level of 191, it has gone down only by 2000 tonnes. Whereas my sales is down from 1,84,000 to 1,72,000. So, there is an inventory built up of something around 10,000 to 12,000 tonnes and that will get now corrected in this quarter, because of demonetization we had to build the inventory.

**Sachin Kasera:**

Okay. What is the incremental tonnage that you are expecting next year from this new 1 lakh ton capacity?

**R.S. Jalan:**

Like we said before, out of this 1 lakh ton, overall we should be getting around 85,000 tonnes of production. Some benefit we will start getting in this quarter itself, January-March quarter itself.

**Sachin Kasera:**

Okay, you mentioned that this inventory built up was part of it because of demonetization, so now we already in February have you seen this normalizing Sir? It gives the confidence because last quarter the question has been ability to sell because of demonetization not the production, and if we are able to produce more from the new capacity then is there enough demand that we will be able to sell even from incremental production from these?

**R.S. Jalan:**

Yes, surely we will be able to sell that, maybe some production next year, I am not talking about this year, next year also maybe we will be shipping to out of India as well.

**Sachin Kasera:**

Okay, my second question was regarding the textile business. Again, if I see in Q1, our revenue was 312 Crores and our EBITDA was 50 Crores. If I see Q3, the revenue is down to 258 Crores and EBITDA is 35 Crores. You did mention that there has been some impact because of the reschedulement of 26 Crores, but in the same slide, I do not know if there is some mistake, the utilization is going from 76% to 93%. So could you just explain that?

**R.S. Jalan:**

First of all, the variation that happens in the EBITDA, one of the primary reasons is your wind. If you look at the wind energy in Q1, which you did mention, 44 lakh units were generated in Q1 FY17. 6 Crores was the benefit because of the wind energy. This quarter, the benefit came down

very significantly, which is just 2 Crores. So there was a difference because of the wind energy, as a result there is a reduction in the EBITDA.

**Sachin Kasera:**

That is around 4 Crores, but we are down by 15 Crores. Secondly, on the top line even if we add this 26 Crores back, we get to a figure of around 285, and our Q1 was 312 Crores. If you could also tell us because I think we also have significant revenue coming from yarn. Where exactly is the hit that is coming? Is it coming on the yarn side, on wind power or on the home fabric side, because that will be helpful?

**R.S. Jalan:**

I agree with you Sachin. I have given you the numbers on the wind side. On the other side, definitely spinning had an impact as I just mentioned. Also we said that deferment of the shipment into the home textile as well. This has an impact on all the three.

**Sachin Kasera:**

Okay. For the nine months, if you could give us a breakup of wind, yarn, and fabric separately in terms of revenue, that will be helpful?

**R.S. Jalan:**

If you look at nine-month period of FY16 versus FY17, in FY16 we had revenue of 804 against this year we had revenue of 869 Crores, which is around 8% growth. EBITDA in nine months FY16 was 106 Crores against these nine months we have 135 Crores, there is a growth of around 27%. Do you want any other information?

**Sachin Kasera:**

I wanted the breakup between yarn, fabric, and your wind power, because from what I understand going by the previous commentary, you were very confident on the performance of the home fabric unit, so where exactly the hit is coming. Is it only because of wind power; is it because of deferment or on the yard side because of the increase in cotton prices that had been hit on the EBITDA?

**R.S. Jalan:**

I can give you the numbers. If you look at my home textiles, against last year of 569 Crores, our revenue is 580 Crores in that division in spite of the deferment which we just said. There is a growth in the revenue in nine months by 2%. When it comes to spinning, we had a growth from 335 Crores to 395 Crores on the revenue side, which is around 18% growth. As you know, Q-o-Q some shipment variation will take place depending upon the customer mix, and that change is bound to happen.

**Sachin Kasera:**

Sir, this capacity utilization of 93% that you have given in the presentation, this is combined for both spinning and fabric or only for fabric?

**R.S. Jalan:**

We are talking about only fabric.

**Sachin Kasera:**

What would have been the utilization for the spinning unit?

**R.S. Jalan:**

It must be around 99%.

**Sachin Kasera:**

This 50 Crores modernization that you are taking up in this spinning unit, what is the timeframe for that and what is the payback you are expecting?

**R.S. Jalan:**

The capital employed will be in the range of around 20%. That is the benchmark we have. If you remember in the past also we have said any investment which we make under the parameters, we take around 20% of the return on capital employed.

**Sachin Kasera:**

When will it get completed?

**R.S. Jalan:**

It will take around 9 months to 12 months.

**Sachin Kasera:**

In FY19 we will see the benefit of this?

**R.S. Jalan:**

Yes, you will see the benefit. We are making two investments in that, one we are going for a new gadget finish, and on the other side we are making modernization in one of our units.

**Sachin Kasera:**

You had planned to benchmark your spinning unit to the best in the industry, I think you did this exercise somewhere around three or four quarters back. So, in the last three to four quarters what is the journey you have done and how it has improved in terms of internal benchmarking vis-à-vis in the industry?

**R.S. Jalan:**

As you know, the company, which we have benchmarked ourselves, one of the changes, which we require, is the quality culture and that quality culture is a process, which takes a little time. I can only tell you that there is a tremendous improvement in the last nine months. If we say that we have reached to that journey, no. Still it will take some time, but I am sure that this change will definitely make a significant improvement in the next year.

**Sachin Kasera:**

Okay, thank you so much Sir and wish you all the best.

**Moderator:**

Thank you. We take the next question from the line of Alok Deshpande from HSBC. Please go ahead.

**Alok Deshpande:**

Good afternoon Sir. My first question was regarding the soda ash margins. From what I understand correctly, you are saying that next year despite the capacity addition in absolute numbers you expect to have the similar profitability. Is it fair to assume that because of the global factors and the pressure that you see on pricing, there can be a 10% or so pricing decline?

**R.S. Jalan:**

It is difficult to say about the numbers, but I do not think it will be 10%. It should be in the range of around 4% to 5%.

**Alok Deshpande:**

Okay, because of these factors that you mentioned. Second was because of the antidumping duty, I know that we will not be able to comment on which way the decision will go, but just internally if you have worked out any impact, what kind of per ton impact can be expect or any range that you can offer?

**R.S. Jalan:**

When I saying this number of 5%, I am taking that factor also into account.

**Alok Deshpande:**

Okay, but currently on our EBITDA per ton margin, you expect only \$4 to \$5 sort of impact even after antidumping duty goes away?

**R.S. Jalan:**

I said 4% to 5% of the margin. Even after antidumping also, this number should remain in the same level.

**Alok Deshpande:**

Okay, that is what I am saying Sir, based on the production numbers that you give Sir, if you work out EBITDA per ton number, it would work around close to \$110 per ton?

**R.S. Jalan:**

**I would like to comment on the EBITDA margin, our EBITDA margin on inorganic chemicals is 31.5%. So, what I am saying is this number of 4% to 5%, and that takes care of everything, but again I say this is a premature number. What happens after (inaudible) 27:40 that will have an impact on this, but I am talking about this number taking into account the antidumping duty as well.**

**Alok Deshpande:**

Sure Sir that is very helpful. Second thing is in terms of the utilization levels not only for you but India overall, you expect these kinds of utilization first of all for you and also then on a nationwide basis to continue for all the players?

**R.S. Jalan:**

We are demonstrating for at least the last five to six quarters this utilization level and probably this would be considered one of the benchmarks in the utilization terms.

**Alok Deshpande:**

Sure Sir, just one small question if I could ask, regarding the antidumping duty, what would be the timeline that we will come to know about what has actually happened on this decision, any light you can give us on that.

**R.S. Jalan:**

**It is difficult because the matter is right now in the Gujarat High Court and the process as you know is that some decision will be taken at the Gujarat High Court then subsequently the matter (inaudible) 28:55 as well.**

**Alok Deshpande:**

Okay. Sir, just last one, if you could just tell us what would be the cost of capacity addition right now, if you look at 1 lakh ton capacity or something like that and Capex needed?



**R.S. Jalan:**

If you look at Brownfield like we have done that has cost us something around Rs.37,000 per ton. So, for a Greenfield project which one of our competition is planning to do, that cost is approximately around Rs.60,000 to Rs.65,000 per ton.

**Alok Deshpande:**

Okay. Our target for this Brownfield capacity for soda ash will be to have ROCs of at least 20% like you said for the textile?

**R.S. Jalan:**

ROC of soda ash depends. If you talk about right now what we are doing, gross margins are 50% plus. There are no incremental costs on that on the fixed side. So, ROC is around 20%.

**Alok Deshpande:**

Thank you so much for answering my questions. All the best.

**Moderator:**

Thank you. We take the next question from the line of Surender Nath from SMPL. Please go ahead.

**Surender Nath:**

If we take traditionally, Q4 has always been the best quarter for this inorganic chemical part. So now the inventory built up taking place in Q3 and getting percolated to Q4, how is this quarter shaping up and how likely the same be comparable to the last Q4 of FY16?

**R.S. Jalan:**

As you rightly said, Q4 always is a better quarter in the overall four-quarter cycle and the same thing you will get reflected in this quarter, in this year as well.

**Surender Nath:**

What I was trying to make out is your inventory built up will actually get liquidated in the Q4 and there will be play out that generally happens in the Q4, so it should look much better due to this inventory built up also?

**R.S. Jalan:**

I will not say we should look at that because like I said if you look at Q4 of FY16 versus Q4 of FY17, on one side as you rightly said the volume will be higher on both the accounts, one is inventory built up and probably we will also produce more than what we have produced last year. The volume will be higher than Q4 FY16. However, raw material prices and some dip in the selling prices will reduce the margin per ton, but still we maintain that Q4 FY17 should have a good number.

**Surender Nath:**

How has the price trend been for Q3? How much price correction happened for this quarter?

**R.S. Jalan:**

No. It is almost stable.

**Surender Nath:**

So, the price correction has happened after December, in January and February price correction has been done by these people.

**R.S. Jalan:**

We are anticipating.

**Surender Nath:**

What is the main reason for that?

**R.S. Jalan:**

We just said, because of the global new capacity coming in and Turkey factors, all those things, even antidumping duty.

**Surender Nath:**

Okay. If I come to your buyback part, first of all congratulations Sir, you have accepted shareholders and other people's request for the buyback part, but if we take the math about 32 lakh shares valuing 80 Crores, that is the maximum amount you would spend, the average price comes out to be Rs.250, whereas you have put forward the number of Rs.315 as the maximum price. How did you come to this number? Secondly, why did we choose the mechanism for open market and not the acceptance part, because now exchanges have mandated a new system wherein we can tender our share and avail the long-term capital gain benefits also by paying STT on the sale, why not a fixed price buyback then going through the whole process of maximum value. You could have fixed it if the purpose is only to buying back the shares.

**R.S. Jalan:**

The purpose of buying back is only to reward the shareholders. The mechanism, which we have chosen, the board has an authority to approve only 10% of the net worth of the company. Based on that number, we have calculated the number. The mechanism we have chosen is the process by which we have been able to get the approval of the buyback from the board. Secondly, this is a very cost-effective mechanism to buy the shares. Now, when you said the 32 lakh shares at Rs.250, no. Our objective of putting those numbers was only one, that since in the board approval it should not happen tomorrow, we want to spend these 80 Crores, however, since the number limitation is there and therefore we cannot execute these 80 Crores, and therefore we have taken a higher number of 32 lakh shares. I hope I am clear.

**Surender Nath:**

No Sir, I could not get it.

**R.S. Jalan:**

Let me repeat what I just said. Putting these 32 lakh shares was objective only to take an approval; we do not know what the price will be, so we have taken a higher number from the board. Our target is 315 maximum and the total amount is 80 Crores. Depending upon whatever market is there, we would buy in that six-month period of time. The mechanism which we have chosen is more cost effective and faster also.

**Surender Nath:**

When the buyback part is going to commence?

**R.S. Jalan:**

The moment the formalities get completed, we will start the process.

**Surender Nath:**

Maybe in the March quarter itself or it will take longer?

**R.S. Jalan:**

No. It should be in the March quarter, because we have to engage the merchant bankers and complete the formalities and then after that we will start.

**Surender Nath:**

One more clarification Sir. We took two shutdowns in this year. I think one more shutdown was there in the September quarter also if I am not wrong?

**R.S. Jalan:**

This is the first shutdown we have taken during this year.

**Surender Nath:**

And that happened in which month Sir?

**R.S. Jalan:**

We have done in the month of October.

**Surender Nath:**

And last part is how are you seeing the power fuel and water cost going to shape up going forward, because inflationary effect is definitely there on the system and crude price is hovering at around \$54 to \$56. How well are we shaped to take care of these factors, because maximum saving has happened on account of power, fuel, and water cost?

**R.S. Jalan:**

Power cost as we all know that it has already gone up and we see at this point of time the coal prices in a stability zone. We do not see any further upward on the coal prices, where the price of the coal has softened in the last few months, so we do not see any upside on the coal prices going forward. I do not think water has a major cost in any of our businesses, and that does not impact our bottom line.

**Surender Nath:**

I just wanted to understand the saving which we have made for this year, in the percentage terms of the sales we are going to be in that parameter or are the margins going to be different because now the factors being negative?

**R.S. Jalan:**

Like I said, some upward revision has taken place in the coal price and that is definitely going to have percentage margin which I have just given, can come down; however, absolute profitability we will be maintaining.

**Surender Nath:**

If I understand you correctly, you told that the incremental capacity coming into the system and the antidumping duty is likely to be away, we are going to have a downward margin of 4% to 5% with the incremental volume. So, on a total whole we will be in the ballpark of 27% or something in that range.

**R.S. Jalan:**

Yes, 28% kind of range. I just want to clarify. I am talking about in the current context. This 28% can become higher also, like the talk of about the Turkey expansion coming in the later part of this year if that gets delayed the scenario can change.

**Surender Nath:**

Okay Sir, I will come back in the queue. Thank you.

**Moderator:**

Thank you. Ladies and gentlemen, in order to ensure that the management is able to address questions from all participants in the conference, please limit to your questions to two per participant. We take the next question from the line of Dikshit Mittal from Subhkam Ventures. Please go ahead.

**Dikshit Mittal:**

Good evening Sir. Just a little clarification on next year's outlook. You mentioned that you expect 4% to 5% correction in the realizations because of these two things, but on margin you said that absolute we would be maintaining, so is it per ton?

**R.S. Jalan:**

Total profitability in absolute numbers.

**Dikshit Mittal:**

Okay, so that means in spite of higher volumes EBITDA may remain flat for the next year from soda ash?

**R.S. Jalan:**

Yes.

**Dikshit Mittal:**

Okay. Secondly, you mentioned you expect incremental 85,000 tonnes of soda ash volumes. Will it come in next year itself or over a course of the next two to three years?

**R.S. Jalan:**

That will come next year itself. Like I said, some benefit has already started coming in this January-March quarter.

**Dikshit Mittal:**

Okay. Sir lastly, the coal cost has increased. Earlier we had some hedge positions in coal, so we were making higher margins. This higher prices have flowed into the cost in this quarter or will it come in subsequent quarters?

**R.S. Jalan:**

I am talking about the numbers for 2017-18. Some impact has already come in the last quarter, Q3, but when I said 4% to 5%, I am taking into account all those factors.

**Dikshit Mittal:**

Okay, thanks.

**Moderator:**

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

**Riddhesh Gandhi:**

**Congratulations on your numbers. Just a question with regard to as we think about FY18, inorganic chemicals we are expecting it to be flattish (inaudible) 42:45, as you think about overall growth, how much do you expect it to be in terms of FY18 perspective?**

**R.S. Jalan:**

Mr. Gandhi first of all let me clarify one thing. When I said flattish, that flattishness is based on our assumption or the way we look at it today. This may change. I just want to add one thing here. Chinese price in the last six months has been showing an upward trend. However, on the other side on the other market there is a drop in the prices, European prices. We do not know how these things will shape up next year. So, therefore at this point of time it will be premature to say how the prices will look like. I am sorry if you can repeat your question again Mr. Gandhi?

**Riddhesh Gandhi:**

What is the volume increase in the chemical division in FY18 we can expect? I am assuming 100,000 tonnes incremental which will come on line in Q4 of this year, which effectively speaking earns incrementally with our margins given effectively all of the growth margins, can still flow down into EBITDA. Net-net if you are saying, assuming even with the increased volumes we will be flat Y-o-Y assuming the price scenario is as of today. In the home textiles, do we expect any growth to happen?

**R.S. Jalan:**

We said around 10% to 15% growth we see in the home textile top line.

**Riddhesh Gandhi:**

Okay, and there is also extremely high free cash flow conversion to EBITDA in your business. So obviously you have been generating a large amount of cash. Would you expect to use that to ultimately pay down debt or are there other Capex plans that you have in place?

**R.S. Jalan:**

We wish to have an optimum mix of all these things. As you have rightly said, this buyback is one of the ways of rewarding the shareholders where some cash will be utilized, that is one. Dividend is another portion, which will be going to the shareholders. The interim we have given and final will be coming. In addition to that, surely we have a mix of debt as well as the Capex. In Capex if you look at, we have taken some approval of 50 Crores in the textile division. If you remember last quarter, we have said that we are expanding the home textile processing capacity, so those processes will take place. Our objective Mr. Gandhi is that we must maintain our discipline of debt-equity ratio of 1:1, and we had achieved that. If you remember, we started the journey and at that time we said that our objective is to have 1:1 debt-equity ratio and we have achieved that debt-equity ratio of 1:1 and we would like to maintain that debt-equity ratio of 1:1 going forward.

**Riddhesh Gandhi:**

Understood, thank you so much.

**Moderator:**

Thank you. We take the next question from the line of Sanjay Sathpathy from Ampersand Capital. Please go ahead.

**Sanjay Sathpathy:**

I have a question on your textile business. With this cotton price going up, how do you think it will affect your profitability?

**R.S. Jalan:**

If you go back and see how the cotton prices behaved in the last few months, last year in the same period the cotton prices were in the range of Rs.36,000. At the end of the year and before starting the next crop, which happens in the month of October and November, the price went up to as high as Rs.50,000 per candy. Then subsequently from Rs.50,000 it went down to Rs.42,000, Rs.38,000 and then again moved to Rs.42,000. Going forward we believe the cotton prices are going to be upwards and primarily this will move on a higher note after March, but I am happy to inform that we are reasonably well covered on the cotton till now. That probably will go in our advantage because we have covered the cotton at a lesser price than what we are anticipating will likely to happen.

**Sanjay Sathpathy:**

Understood Sir. Can you just give us a colour on price movement of the yarn vis-à-vis cotton?

**R.S. Jalan:**

If you look at the yarn prices vis-à-vis cotton prices in the last few months the cotton prices had moved slightly higher than the yarn prices. That means the margin slightly came down. However, we are seeing now this trend, if you look in the 1st of February, some of the industries in South India, there was just a good amount of increase on the yarn prices, so probably yarn prices are catching up to the extent of the cotton prices. So, I see better margin in the spinning going forward for the people who are well covered on the cotton.

**Sanjay Sathpathy:**

Just a last point on this yarn price, we have seen historically when cotton prices rise in India, the yarn margin declines, but this time around it is not happening that way. Is it because the yarn utilization has gone to a much higher level and some of the weaker players have gone out of the system or what really is working here?

**R.S. Jalan:**

It is not like that. Cotton prices and yarn prices at this point of time is unfavorable to the spinning industry. The margin has not improved. However, like I said going forward the margins should improve for the people who are well covered on the cotton. If the cotton price for example goes to last year at Rs.50,000 in the month of May or June then probably the people who have already covered the cotton at the range of around Rs.42,000 or Rs.43,000 will have a huge advantage.

**Sanjay Sathpathy:**

Understood Sir. I just wanted to know what the yarn utilization for the industry is.

**R.S. Jalan:**

Like I said, our capacity utilization is around 99%. For the industry, it generally depends, there is a wide variation in this percentage, but I would say that the best one will be in the same range of 99%; I am talking the best lot. There is 80% also.

**Moderator:**

Thank you. We take the next question from the line of Devansh Lakhani from NVS Brokerage. Please go ahead.

**Devansh Lakhani:**

Good evening Sir. Congratulations on a decent set of numbers. Basically my question has already been answered by you, but I wanted a clarification on the other point, I think one of the analysts had asked about the 315 being the buyback price. How is that calculation working out? I think Sir just answered that, but I did not understand it properly, so if you could just repeat that once?

**R.S. Jalan:**

The approval of the board is that we will buy the shares to the maximum value of 80 Crores at a maximum price of Rs.315. While doing this calculation, we had just put this number of 32 lakhs just for becoming a slightly safer side so that tomorrow if we do not get restricted by those numbers of shares. So therefore I do not think you should look at the 32 lakhs very seriously. We should look at 315 and 80 Crores.

**Devansh Lakhani:**

Okay, so the number of shares can get adjusted accordingly.

**R.S. Jalan:**

Yes.

**Devansh Lakhani:**

All right, thank you.

**Moderator:**

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

**Sangeeta Purushottam:**

Sir my question goes back to the home textile division, where you gave us nine-month numbers both for this year and last year. This year you said we did 580 Crores and if we were to add that 26 Crore shipment that would give us 606 Crores, which really represents a growth of about 6.5% over last year. I just wanted to get a sense that is there any reason why the home textile growth is in single digit, was it a capacity issue or have you seen any softness in the market?

**R.S. Jalan:**

Like I said, when we are looking at these numbers, let us add the number of the likely Q4 number of FY17. Probably you will see that number in the range of around 10% or double-digit growth into the home textile business. I think that will be the right answer for this.

**Sangeeta Purushottam:**

All right. I had one more question, this year we have seen a trend of your paying of debt and interest cost coming down both as a result of that as well as reduction in the interest rate. Is this trend is something which we can expect to continue next year as well?

**R.S. Jalan:**

Surely. We are working on the rating. As you know that our rating has improved in the last two years continuously and we are working on the rating improvement next year as well. That will help us to reduce the rate of interest. On the other side, our overall working capital cost will come down because of more efficiency in our working capital management.

**Moderator:**

Thank you. Ladies and gentlemen, due to time constraints that was the last question. I would now like to hand the conference over to Mr. Amar Mourya of Emkay Global for closing comments.

**Amar Mourya:**

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

**R.S. Jalan:**

Thank you very much to everyone. If you have any question remaining, you can always get back to us and we will be happy to answer offline.

**Moderator:**

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

- 
- Note:**
1. This document has been edited to improve readability.
  2. Blanks in this transcript represent inaudible or incomprehensible words.

## Emkay Rating Distribution

BUY	Expected total return (%) (Stock price appreciation and dividend yield) of over 25% within the next 12-18 months.
ACCUMULATE	Expected total return (%) (Stock price appreciation and dividend yield) of over 10% within the next 12-18 months.
HOLD	Expected total return (%) (Stock price appreciation and dividend yield) of upto 10% within the next 12-18 months.
REDUCE	Expected total return (%) (Stock price depreciation) of upto (-) 10% within the next 12-18 months.
SELL	The stock is believed to underperform the broad market indices or its related universe within the next 12-18 months.

### Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

**DISCLAIMERS AND DISCLOSURES:** Emkay Global Financial Services Limited (CIN-L67120MH1995PLC084899) and its affiliates are a full-service, brokerage, investment banking, investment management and financing group. Emkay Global Financial Services Limited (EGFSL) along with its affiliates are participants in virtually all securities trading markets in India. EGFSL was established in 1995 and is one of India's leading brokerage and distribution house. EGFSL is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX). EGFSL along with its subsidiaries offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, portfolio management, insurance broking and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.emkayglobal.com

EGFSL is registered as Research Analyst with SEBI bearing registration Number INH000000354 as per SEBI (Research Analysts) Regulations, 2014. EGFSL hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years, except that NSE had disabled EGFSL from trading on October 05, October 08 and October 09, 2012 for a manifest error resulting into a bonafide erroneous trade on October 05, 2012. However, SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on EGFSL for certain operational deviations in ordinary/routine course of business. EGFSL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

EGFSL offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

**Other disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-**

EGFSL or its associates may have financial interest in the subject company.

Research Analyst or his/her relative's financial interest in the subject company. (NO)

EGFSL or its associates and Research Analyst or his/her relative's does not have any material conflict of interest in the subject company. The research Analyst or research entity (EGFSL) have not been engaged in market making activity for the subject company.

EGFSL or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: (NO)

EGFSL or its associates may have received any compensation including for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. EGFSL or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. EGFSL or its associates may have received any compensation or other benefits from the Subject Company or third party in connection with the research report. Subject Company may have been client of EGFSL or its associates during twelve months preceding the date of distribution of the research report and EGFSL may have co-managed public offering of securities for the subject company in the past twelve months.

The research Analyst has served as officer, director or employee of the subject company: (NO)

The Research Analyst has received any compensation from the subject company in the past twelve months: (NO)

The Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months: (NO)

The Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months: (NO)

The Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months: (NO)

The Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report: (NO)

EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject EGFSL or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of EGFSL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of EGFSL or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.