

**November 4, 2022**

**कार्तिक – शुक्लपक्ष- एकादशी  
विक्रम सम्वत् २०७९**

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

**BSE Limited**  
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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 October 31, 2022**

In continuation to our earlier communication dated October 20, 2022 and October 31, 2022 regarding Investors’ conference on October 31, 2022 and pursuant to requirement of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are pleased to attach copy of the transcript regarding said Investors’ conference held with the management on October 31, 2022 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**

**Bhwneshwar Mishra  
Sr. GM-Sustainability & Company Secretary**



“GHCL Limited  
Q2 FY ‘23 Earnings Conference Call”  
October 31, 2022



**MANAGEMENT:** **MR. R S JALAN – MANAGING DIRECTOR – GHCL LIMITED**  
**MR. RAMAN CHOPRA – CHIEF FINANCIAL OFFICER & EXECUTIVE DIRECTOR – FINANCE – GHCL LIMITED**  
**MR. MANU JAIN – GHCL LIMITED**  
**MR. ABHISHEK CHATURVEDI – GHCL LIMITED**

**MODERATOR:** **MR. ROHAN OHRI – EMKAY GLOBAL FINANCIAL SERVICES**



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**Moderator:** Ladies and gentlemen, welcome to the Q2 FY '23 Results Conference Call of GHCL Limited hosted by Emkay Global Financial Services. We have with us today Mr. R S Jalan, Managing Director; and Mr. Raman Chopra, CFO and Executive Director Finance. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of this presentation. Should you need assistance during the conference call, please signal an operator by pressing star then zero on touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Rohan Ohri, Emkay Global Financial Services. Thank you and over to you.

**Rohan Ohri:** Thank you, Yashashri. Good evening, everyone. I would like to welcome the management and thank them for this opportunity. We have with us today; Mr. R S Jalan, Managing Director; and Mr. Raman Chopra, CFO and Executive Director Finance.

I shall now hand over the call to the management for the opening remarks. Over to you, gentlemen.

**R S Jalan:** Good afternoon, everyone, and welcome to GHCL Earning Call for the second quarter and the half year ended September 30, 2022. Our results and presentation have been uploaded on the stock exchanges and company website. For this call, I'm accompanied by our CFO, Raman, along with Manu and Abhishek. Our Q2 results for the chemical business reflect the strong demand and higher realization by 9% over Q1, thus absorbing higher input cost and resulting in better margins. The textile business continued to face headwinds, which resulted in lower profitability.

I will now share our views on the global soda ash industry. Number one, long-term demand outlook is very healthy barring some blip in near term. Demand shall reach to 78 million to 83 million metric ton by 2030, driven by newer segments, such as solar glass, lithium and sodium bicarbonate. Second, China will not be significant in global trade as it will focus on domestic market. Third, no significant supply will come up in next two, three years barring some debottlenecking. Fourth, new capacity addition will happen from natural soda ash mainly in US and Inner Mongolia. However, because of the supply chain scenario, synthetic soda ash will continue to grow as well.

Currently demand in China has softened due to real estate sector resulting in higher export and also freight costs have gone down significantly. However, barring China demand is strong in rest of the world. In India, demand from glass industry remains strong. Extended monsoon moderated demand from detergent segment, which shall recover going forward. Some temporary blip may happen in the short term due to higher energy prices and increased export from China. We conducted plant maintenance at our soda ash unit in October, due to which our production shall be impacted by around 15,000 metric ton in Q3 FY '23. The textile business buoyancy from



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last few quarters has now started to taper down. Prices for both cotton and yarn has corrected from the peak and the spread has contracted. The business has resumed positive traction after two, three quarters and our margins will revert back to 17% to 20% range.

We are focusing on implementation of our various growth initiatives. The soda ash Greenfield project is one step close post completion of an environment related public hearing. Sodium bicarbonate expansion project is on track and shall be completed in this quarter. Strategically, we are strengthening our raw material integration with the acquisition of limestone mines. Other initiatives, including digitization and product basket expansions, are progressing well. At our textile division, installation of 40,000 new spindle is in advanced stage and we shall achieve full utilization by the end of this fiscal.

We are further enhancing our green energy footprint by implementing an additional 5-megawatt solar rooftop project. On the demerger front, we have received approval from shareholders and unsecured creditors in August. Now we are awaiting orders from honorable NCLT, which may happen in December. For the benefit of our investors, I would like to draw your attention to the slide 14 to 18 in the investor presentation where with the help of historical data, we have demonstrated the unique characteristics of soda ash in comparison with other chemical.

I will now hand over to Raman and request him to share the financial performance. Thank you.

**Raman Chopra:**

Thank you, sir. Good evening and a very warm welcome to all of you in our earning call. I am going to share the financial highlights and segmental performance for the quarter ended 30th September 2022. Our results demonstrate strong business fundamentals especially supported by the inorganic chemical business. Revenue for the quarter came in at INR 1,389 crore as compared to INR 805 crore in the corresponding quarter of last year. This is a growth of 73% on year-on-year basis and 1% on a sequential basis.

EBITDA for the quarter stood at INR 442 crore, which has significantly increased by 159% from INR 171 crore from last year and by 3% from INR 429 crore from first quarter of this year. Our EBITDA margin increased from 21.2% in Q2 of last year to 31.3% in Q1 of this year and now further increased to 31.8% for Q2 of this year. Profit after tax for the quarter stood at INR 289 crore compared to INR 93 crores in Q2 of last year, that is an increase of 212% and INR 345 crore in Q1.

Let me now share the segmental perspective. In the Inorganic Chemicals segment, revenue came in at INR1,130 crores. This is higher by 98% compared to INR 572 crore in the corresponding quarter of last year and by 3% from Q1 of FY '23. EBITDA for the quarter stood at INR 413 crores, which translates to an EBITDA margin of 36.6%. In absolute terms EBITDA is up by 291% from Q2 of last year and by 13% from Q1 of FY '23. This strong performance is due to higher realization as well as strong plant operational performance.



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The textile business is facing severe headwinds. Revenue for the quarter stood at INR 260 crores as compared to INR 233 crore in the corresponding quarter of last year and INR 275 crore in Q1 of FY '23. EBITDA for the quarter stood at INR 29 crore compared to INR 65 crore in last year and also INR 65 crore in Q1 of this year. Hence, the EBITDA margin has now contracted to 11.3% for the current quarter. We believe that the unfavorable scenario may continue for half two of this year and we will revert back to a normalized margin of 17% to 20% in the next fiscal year.

In half one we have generated a cash flow of INR 930 crore. As of 30th September, our gross debt stood at INR 496 crore and net debt is around INR 230 crore. This represents a net debt-to-equity ratio of 0.06 times only. In shorter term, we are prudently utilizing our funds and in the longer term, we shall deploy these funds towards our growth initiatives including the Greenfield project.

With this, I conclude my remarks and will now request the moderator to open the forum for question and answers. Thank you very much.

**Moderator:** Thank you. We will now begin the question-and-answer session. We have our first question from the line of Rohit Sinha from Sunidhi Securities. Please go ahead.

**Rohit Sinha:** Congratulations for a good set of numbers. Sir, my first question is in terms of the pricing scenario, which currently is in favor of us. So how much scope -- what kind of scope...

**Moderator:** Sir, there's a lot of background noise on your line.

**Rohit Sinha:** Is it okay now? So just wanted to understand what kind of scope is there for further price hike in the soda ash segment as we are already at almost the highest level given the current demand-supply situation in the global market?

**R S Jalan:** See Rohit, if I can say like I said in my opening remarks, two scenario. One, if you look at the long term, we are looking at a very bright price scenario going forward; but short term, probably the prices will remain softened, maybe slightly some blip may happen in the soda ash pricing. Maybe in a quarter because of the China real estate is on the downwards trend. So maybe could have some softening in the soda ash pricing. I'm not saying it will be very big, but margin shock can happen.

**Rohit Sinha:** Got it. And with the kind of capacity addition we already completed a couple of quarter back and we are operating at almost 90% kind of utilization level. So just wanted to understand what kind of volume growth we should be targeting and should expect for FY '23?

**R S Jalan:** FY '23 next six months, probably maybe seasonality can have some impact. However, like I said, in the third quarter, because of the plant shutdown, there will be a reduction in the volume



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by 15,000 tons. So balance I think we are not looking at a very major volume growth in next two quarters.

**Rohit Sinha:** Okay. And one question on the textile side. As you have highlighted in your last call also that there would be challenges in the textile side. So how much you see that has played in this quarter and may be how much would be playing in the coming quarter? I mean just wanted to understand that, I mean H2 compared to H1, how we should we be seeing?

**R S Jalan:** So if I can say, Rohit, this first six months, first quarter was good. The second quarter has seen the impact of this meltdown and probably like you have seen in the second quarter, probably that kind of a number or maybe slightly lower than that number should be expected in the third quarter. But I think recovery will start in the fourth quarter itself.

So probably I would say the third and fourth quarter if I look at in totality, probably you can see that number compared to the second quarter of this year. Broadly I'm just giving an outlook of that. But there could be a significant recovery. This entirely depends on how the demand of our customers' finished products, particularly home textile or the garment segment, more particularly in the home textile, how the recovery happens, which is now at this point of the time in US lots of inventory has got built up, which is getting cleared now.

Probably the people are expecting -- our consumers in the home textile, they are expecting, this inventory clearances will happen in the next six months. Probably the new demand will start coming in the '23-'24. So therefore, you will see the recovery in '23-'24, significant recovery if I can say so.

**Rohit Sinha:** Okay. And 1 last question if I squeeze in. I mean just wanted to know your thoughts on the newer chemistry or newer projects, which we are looking at. How the progress has been there and what kind of contribution we should be expecting in coming years?

**R S Jalan:** I'm sorry, Rohit, can you repeat your question?

**Rohit Sinha:** So in terms of newer chemistry or newer projects, which we are -- any new projects which we are looking at to produce in the coming years in terms of adding new chemistry or new products or different product range maybe just to know the growth -- where we should be seeing the growth coming from in the next one year or two year apart from this soda ash thing?

**R S Jalan:** See Rohit, we are looking at multiple opportunity in the growth initiative. One, as you know, that we have said about the Greenfield project. But of course as you know that this may take two, three years of time from now onwards. Of course sodium bicarbonate is another expansion which is happening and probably the third opportunity, which we are evaluating, various opportunity of maybe merger and acquisition or those kind of things also we are looking at.



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So probably you will see some kind of -- this kind of a feedback once we have something which we can speak on. But clearly the management is very focused on the growth of the business. We are continuously working on the growth objective of the organization.

**Moderator:** Thank you. We have our next question from the line of Ritesh Gandhi from Discovery Capital. Please go ahead.

**Ritesh Gandhi:** Congratulations on the numbers. Just a couple of questions. Sir, you indicated some amount of softening in prices of soda ash, could you give an indication as to how much have they already softened compared to the average of the Q2 levels?

**R S Jalan:** No, till now there is no such kind of a softening has happened. But we always believe that we give our feeling of next few months. So probably till now, like I said till October, that kind of a softening has not happened in the domestic prices. But it may happen some going forward. So that's what we have indicated.

**Ritesh Gandhi:** Got it. So as of now, we are not seeing any softening, but you expect it would happen?

**R S Jalan:** Yes. Because, like I said China, the way we look at the China and I again want to repeat it. China is more of a spot market and maybe after 20 days or after 15 days or maybe after one month the scenario will change in China. But at this point of time because of the real estate downward trend, there could be some kind of more volume getting into the Indian or this part of the world. Probably that can put some pressure on the pricing. It's not going to be very significant, but some can happen.

**Ritesh Gandhi:** Got it. So if we expect it would be what, maybe like I mean 1% to 2% decrease or it could be higher also?

**R S Jalan:** No. Like I said, at this point of time we are realizing some softening, okay? But it can revert after 1 month also. It's very difficult at this point because if you look at any other market other than China, I would have been able to predict it. But China is a very uncertain market. I remember that a few months back the prices all of sudden has gone up almost around 150% and all of a sudden some drop has happened. So this is a very spot market where depending upon the inventory, depending upon they try to sell some volume.

**Ritesh Gandhi:** And on your spinning side, we've got some extra spindles also expected to come on stream by Q3. So then if we add those spindles would we then expect some amount of normalcy on the spreads? Are they I mean historically low and would we expect this to normalize and how long?

**R S Jalan:** See, two things I would like to just here highlight. This 40,000 spindles, the project which we are visualizing will have our product basket expansion a very wide range. That will give you a



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much bigger platform in the customers and the customers which are at this point of time not in our basket of premium customers will be able to catch up to that demand.

However, at this point of time as you know probably that all the textile mills and particularly if I talk about the spinning mills, many mills are kind of running at a very, very low capacity or they are not working on. We are still much better than the competition. But the challenge of margin for actually for this quarter & third quarter will be definitely going to be there.

Because now the cotton prices are softening, but on the other side, even the demand of the yarn prices are also on the lower side. So the spread has reduced. So probably third quarter will definitely be not better than the quarter which we have just gone, third quarter. Maybe fourth quarter could be better than this quarter depending upon how the recovery happens in the consuming industry, particularly in home textile and also into the garment.

**Ritesh Gandhi:** And the last question is in terms of you'd indicated a December date for the demerger or the NCLT approval at least. Do we have a date for the NCLT date or this is expected and any reason it has taken so long which was held back in court?

**R S Jalan:** See the date is 20th of December 2022 and this is primarily because of the report from ROC and RD has not been received by the court. Hopefully, we are pursuing personally now and hopefully by the 20<sup>th</sup> December this would happen. And you know that NCLT at point was flooded with a lot of cases and it is becoming invariably kind of a thing where the things are getting dragged into the NCLT. But still we are trying by 20th December at least this should happen.

**Ritesh Gandhi:** But the indication is that it's likely to happen by December-end?

**R S Jalan:** Yes, that is what our target is.

**Moderator:** Thank you. We have our next question from the line of Prerna Jhunjhunwala from Elara Capital. Please go ahead.

**Prerna Jhunjhunwala:** Just wanted to understand the textile segment performance. What was the mix of cotton yarn versus blended yarn in this quarter versus last quarter?

**R S Jalan:** That mix always, Prerna, is going to be the same. Because out of our total spindle our growth around 40% of the spindles are on the synthetic and balance 60% on the cotton side. So the mix is always going to be the same, because we have to reach 100%. Only what has happened is that the prices of yarn has gone down and cotton prices in the last quarter, if I can say so, was on the peak. So some coverage of the cotton has happened in that period also. But because of that, it's what we are seeing at this point of time. So percentage will not change quarter by quarter.



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- Prerna Jhunjunwala:** And sir, utilization levels, how you're seeing in current scenario. Because your commentary suggested that there will be pain there in this quarter?
- R S Jalan:** Pain is in terms of the margin, Prerna, not in terms of the utilization. Of course there could be few percentage of utilization could be here and there, but we are running the plant at the peak of 99%.
- Prerna Jhunjunwala:** And sir, what is driving this utilization, which segments? Largely apparel or home textile is seeing some traction or which segments are seeing?
- R S Jalan:** Prerna, in terms of if you are talking about the production, the production all the machines are running at the peak. When we are talking about the sales side, the drop in the sales is all the segments, of course more is in the home textile. Home textile situations are little more bad than the garment, but still I would say the garment is also not doing great.
- Prerna Jhunjunwala:** And sir, weaving versus knitting?
- R S Jalan:** Knitting is also bad, but I would say weaving is slightly better as compared to knitting.
- Prerna Jhunjunwala:** How much inventory would you be carrying from the previous season in this quarter Q3 and raw material?
- R S Jalan:** Raw material, Prerna, generally, we covered the cotton for season-to-season. I would say at the end of September probably because it was the end of the season, almost end of the season, you will not find much of the inventory into the raw material barring some imported cotton. But now this inventory buildup will happen in next few months. By March probably we will cover up to maybe August, September or October depending upon how the pricing pan out to be in the cotton. But this is what the practice is.
- Prerna Jhunjunwala:** And sir, how is the spread currently as compared to Q2?
- R S Jalan:** That's why as I said, Prerna, right now you're talking about the current month, almost at the same level, but the spread was there in the Q2.
- Moderator:** Thank you. We have our next question from the line of Anika Mittal from Invest Research. Please go ahead.
- Anika Mittal:** Sir, my question is are we seeing any upcoming demand traction from Europe due to energy crisis going on there as the largest player in Europe, where soda ash is curtailing its production now. So are we seeing any demand from there?
- R S Jalan:** Demand from Europe to India?



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**Anika Mittal:**

Yes, sir.

**R S Jalan:**

See, honestly, in this month, in the month of October, we had attended a conference of World Soda Ash Conference and the sense which we got is yes, Europe is facing a challenge of the energy cost and because of their cost of production has gone up. And however, the demand of soda ash is also on the lower side. Likely chance of any other part of the world other than US exporting to that country will be minimal. However, one advantage definitely will happen. They were exporting almost around 1.5 million from Europe to the other part of the world, probably that will disappear and that will be helpful in a global demand-supply situation, that will be helpful.

**Moderator:**

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

**Saket Kapoor:**

Firstly, sir, congratulations for this improved investor presentation. It's totally revamped and that gives us more clarity of what the management understanding about the two business dynamics are. Thank you for this improvement. Sir, firstly if you could give us the data on how has the volume been for quarter 2 for soda ash versus Q1? On a sequential basis, what was the change in the volumes?

**R S Jalan:**

In terms of the percentage, the production was higher than the first quarter, higher as compared to the first quarter. Of course the sales was slightly on the lower side as compared to the first quarter. The sales was down primarily, as I said, because the segment was or the demand was on the lower side. So therefore, small drop so I would say sale is lower than the first quarter.

**Saket Kapoor:**

Sir, then what explains this increase in realization for us if the volume sold was lesser than the June quarter. We had on a sequential basis on INR 1,091 crores to INR 1,123 crores and the significant increase in profitability from INR 353 crores to INR 400 crores. What explains this when the selling quantity was lesser on Q-on-Q basis?

**R S Jalan:**

No. Saket, if you remember that our last call also I said, we have taken some price increase in the first quarter. The benefit of that has also accrued to us in this quarter, number one. And some of the contracts are on fixed contracts, there also the price negotiation has happened and therefore, overall realization has improved per ton. That overall realization improvement has helped the higher sales number and revenue number and also the higher profitability.

**Saket Kapoor:**

Correct, sir. Sir, you did speak about softening of soda ash prices in the likelihood because of the Chinese factor. So sir, as you have told earlier that the prices there as on a spot basis and have moved haphazardly up and down. So currently, what are the price trends in dollar terms for specifically the China market so that we can have an understanding what is the arbitrage currently between their prices and our domestic prices?



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- R S Jalan:** See Saket, I will not be able to give you the number of China primarily only because of 1 reason because China prices are varying from customer-to-customers and location-to-location. So therefore, its numbers are on a spot basis and where depending upon the customer, depending upon the seller, they decide the price. So there is no fixed price kind of a scenario in the Chinese market. But like you rightly said, if prices softening does happen, probably some correction in our pricing will happen. But like I indicated, that will not be significant. I'm repeating it.
- Saket Kapoor:** Only to get to it, sir, again, what kind of volumes are you expecting from China to flow to Indian market and also to market in the vicinity because of the sudden reduction in freight cost?
- R S Jalan:** See, I don't see a very major jump into the volume, but yes, some volume increase will happen. How much that number will be, very difficult to kind of predict. But some increase in the volume will happen. And therefore, we are as a producer, we have to take cognizance of that and as an investor, we should know that.
- Saket Kapoor:** So this 15,000 reduction in production number for this quarter will be a temporary loss and we would be making up for the same in the coming quarter or is it a permanent loss in terms of the volume?
- R S Jalan:** Saket, I can only tell you we will be producing full to our capacity.
- Saket Kapoor:** And what kind of additional cost we will be incurring because of the ramping up exercise that happened post the plant shutdown and have we taken the capacity completely and are we running or that will happen in the next month?
- R S Jalan:** No, that has already happened and the plant has come back to the normal.
- Saket Kapoor:** And what would be the additional cost, sir, incurred because of this plant shutdown?
- R S Jalan:** Very difficult at this point of time. The numbers of October has not yet been finalized so very difficult to give you the number. But historically whatever the number has happened, that number will happen.
- Saket Kapoor:** Then two mall points, firstly sir, just to conclude what you spoke earlier that the margins which we have posted Q-on-Q, the quarter 2 margins are slightly looking profit going ahead because of the likelihood of changing factors especially from China entering this soda ash space going ahead. So for us to maintain these margins especially on the inorganic chemicals would be a challenge going ahead. So this understanding is correct as of now?
- R S Jalan:** See, I will not say that it's going to be a big challenge. But yes, like I said, this kind of a blip, not today, this kind of a blip may happen in the longer term also. Some maybe one quarter could be slightly lower and then it may be recovered very aggressive next quarter. So that kind of a



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blip, Saket, we have to always be prepared for that. Of course our efforts on the highest production like you have seen in the production, in this quarter the production is much ahead of more than around 10% as compared to the same quarter last year.

So our effort is more towards that, how can we optimize our production, how can we optimize on our cost? Those efforts are there. But marketing, pricing some blips here and there can happen. But I'm repeating it like I said. If you look at slightly medium term to longer term, the things are very bullish.

**Saket Kapoor:** On utilization levels, I missed your point. What are our utilization levels for the H1, sir?

**R S Jalan:** No, I said, Saket, that as compared to the same quarter last year, this quarter our production is higher by 10%, 9% and whereas in the first quarter of last year, there was no shutdown, because only if you can see improvement and the hard work by the team and that's what we have been able to increase the production. And which is a very significant number, you can assume that number is 10%, 9% is a big number and that is also one of the reason of this higher profitability in this quarter.

**Saket Kapoor:** Sir, and this inventory change of INR 60 crores, can you bifurcate the same? How much is attributable towards the yarn business and towards the soda ash?

**R S Jalan:** At this point of time, we don't have a number. Offline we can give you the number. But broadly this will be primarily on the soda ash side and very little on the finished side because in finished as I said, probably the inventory will be slightly same level because the cotton inventory has been lower than the last quarter. So therefore, major working capital and inventory increase will be in the soda ash side and that happens primarily because of the raw material. Because any consignment of coal, as you know, that the coal prices has gone up so any new arrival of coal will increase the inventory on a particular day.

**Saket Kapoor:** But the raw material market, you did not touch upon how is that shaping up and what -- I think some steps were there in the annual for some procurement long-term contracts for salt also and also we trying with Russian coal. So how is the raw material basket currently shaping up and what is the thought process going ahead? How would that contribute? Whether we will have incremental margins because of reduction or how is that basket shaping up?

**R S Jalan:** See, as per our strategy, we always continue to work on the long-term security of the raw material, right, and try to keep an inventory of slightly longer terms so that the volatility is less impacted to us. So that we continue to do, right. Currently the raw material prices are same only. Of course some softening had happened in the coal pricing and like you rightly said, we are also doing some mix-up of the Russian coal also and probably that will help us to kind of neutralize the increase which is happening in the other raw material or in the coal which we are buying from Indonesia.



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So probably going forward at least in the third quarter, probably you will see raw material prices in the range bound only. And just to give you the specific, Saket, just now my team has got. As I was telling you and I was right on that soda ash working capital primarily has gone up by around 550 and textile is down by 180 or 200. So like I said, the major significant increase is primarily because of soda ash only and textile is down.

**Saket Kapoor:**

Sir, I didn't get this 550 and 180 number, can you explain once again?

**R S Jalan:**

No. See, basically what we are saying is don't go on the numbers. The increase in the inventory is only because of soda ash, let's say it that way.

**Saket Kapoor:**

And this is the finished soda ash or the coal and other inventory into it because I'm just trying to understand...

**R S Jalan:**

Main increase in what you call in the raw material, but yes, some increase in the inventory. Like I just said, soda ash sales is lower and obviously that has increased the soda ash inventory as well.

**Saket Kapoor:**

So that shows the perception we have Sorry, I didn't get you, you complete, sir.

**R S Jalan:**

What I'm saying is that is still our soda ash inventory is maybe a few days of inventory.

**Saket Kapoor:**

And sir, last point is on this merger and acquisition part. Can you did spoke that we are in the annual or looking into merger and acquisition. So if you could give us some more color on what kind of size, segment or any other things? What are we trying to convey to your investors in terms of merger and acquisition, the terminology used by you, sir?

**R S Jalan:**

No. Saket, we are only giving that what is the effort which we are doing it. Beyond that, unless there is some specific thing in our hand, I don't want to kind of speak on that.

**Saket Kapoor:**

I can continue for two more questions. First on the sodium bicarbonate expansion part and I think the Greenfield project also. Sir, if you could throw some more light on where are we? I think some hearing was due for environment clearance. So do we see this project coming up sometime in 2024 the calendar year or is it will be commissioned sometime 2025? So that would give us some color how are we going to use the cash going ahead just for this Greenfield project, sir?

**R S Jalan:**

Saket, two things on that. I have already said in my opening remarks that public hearing, which was one of the most critical thing for the Greenfield project has been successfully completed. So that's one step closer to starting the Greenfield project. Second, sodium bicarbonate, I've already said that it's as per schedule and by end of this quarter the projects will get completed and the benefit of that should start in the next quarter.



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- Saket Kapoor:** And for soda ash, there is no further debottlenecking at the site, at our current site?
- R S Jalan:** We will always try to do that, but at this point of time we are not seeing such kind of projection.
- Moderator:** Thank you. We have our next question from the line of Aman Madrecha from Augmenta Research Private Limited. Please go ahead.
- Aman Madrecha:** Yes, my all the questions have been answered.
- Moderator:** Thank you. We have our next question from the line of Giriraj Daga from KM Visaria Family Trust. Please go ahead.
- Giriraj Daga:** Sir, I have a question related to the Greenfield expansion. So like we are saying we are one step closer to starting the project. So what is the timeline will you mention that what time frame we can expect the complete EC clearance and then how much time will it take to build the project?
- R S Jalan:** See, our expectation at this point of time by March '23, the complete environmental clearances should happen. Of course we'll try for early, but generally this kind of time is being taken. So that's one. And after that, probably two years. So probably by March '25, probably we should see the plant being set up, everything has been completed. That is the target we have.
- Giriraj Daga:** And are we -- like earlier we had mentioned at some point of time the size is 5 lakhs tons and the cost will be about INR 3,000 crores. Post that, obviously the world has gone through a sea change and inflation has picked up. So what will be the revised number on this?
- R S Jalan:** At this point of time, we are working on that number because lot of technological changes also we are looking at in the project keeping the environment angle into it because as you know that, and as I said in my opening remarks also, the world is moving towards a greener initiative and therefore the soda ash expansion will happen more on the natural side. So we are also looking at how do we do the technological change to make it more environment friendly. So these numbers are getting calculated and hopefully by next quarter we'll be able to be having a better number in our hand.
- Giriraj Daga:** What is the internal IRR estimate like we are working with?
- R S Jalan:** Roughly around 17%.
- Giriraj Daga:** And at the prices of like obviously current prices are a bit higher so...
- R S Jalan:** We are not looking at the prices. Obviously we are not looking at the prices. We are looking at slightly longer term how do we see the business, how it that has happened in the last 30 years, how the margin has been there. So we are taking a kind of a reasonable number on that.



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**Giriraj Daga:** Last question from my side. Sir, there was some local media reported that local people are protesting against this project because they believe it might harm environment and marine life. So your comments there?

**R S Jalan:** I think that we have already made in the public hearing we have made to the people to understand that this kind of business is running across the globe. Even in India, like our plant itself is running for 35 years and there everything is perfectly okay. Similarly, our competitors are also running the plant in various areas of Gujarat and there is no such impact on the environment. As you know that everywhere some kind of a concern or some kind of a group which always want to have a different this thing. And therefore, I'm sure that nothing to worry on that. Even they have gone to the court and the court has given them kind of bad remarks if I use the right word and given a cause to them that they are trying to. So I'm sure that you got the message what I'm trying to give.

**Moderator:** Thank you. We have our next question from the line of Resham Jain from DSP Investment Managers. Please go ahead.

**Resham Jain:** So my question is related to your comment related to possible or you are open to looking at inorganic acquisitions so just to get a sense around that. What are the kind of attributes you will look at when you look at or when you'll be looking at inorganic opportunities and also the size of those opportunities? Because the cash generation which you will be doing now given the balance sheet is almost like closer to zero debt, how should one look at this opportunity especially on the inorganic side which you mentioned?

**R S Jalan:** Resham, a couple of things I just want to kind of highlight. This is my thought at this point of a time so probably we have go to the Board when the right opportunity comes and some of the thoughts which we're having. One which is very important, it should be in a chemical space where we have a kind of a synergy. That's number one. Of course product market expansion we are looking at. Second, again very important where the capital turnover ratio is slightly better than what we have at this point of time. That's the second thing.

Third is whether growth opportunities, sustainable growth opportunity is there. That is going to be the third opportunity. Of course we will also look at in that how the chemistry as a whole can. How can we leverage that business in expanding our chemical chemistry. So probably from one level suppose they're having a particular commodity. Can that commodity or can get technology can be expanded or the raw material can be used for expanding the value creation from that product. So these are the couple of things.

In terms of the size, probably INR 1,000 crores kind of a number. But if we get a right opportunity and one more thing, I think I missed that point. There the management is also going to be very important for us too. What kind of a management? How that business is being run by the professionals? Those also will be important.



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But of course as you know that all of these cases may not be fulfilled, but if combination of everything, if we find an opportunity where the growth opportunity is there, where we can see that the chemistry value creation can happen, probably we will be looking at 1,002 kind of a basket of the product, which can add to our growth journey.

**Resham Jain:** And sir, the second question is on energy cost for you. This quarter we could see INR 236 crore power and fuel and obviously there will be some coming from textile business as well, but you mentioned that this number will be stable in 3Q as well. Is that a right understanding?

**R S Jalan:** See Resham, honestly this number could be slightly here and there because of the inventory adjustment. Sometimes the inventory of the whole value, which can be change in the next quarter, so that kind of a number will be there. But if I look at on a like-to-like basis, I would say that the pricing of the raw material is slightly softened in this quarter. So barring the inventory adjustment, the price or the cost of the product things will be slightly cheaper in this quarter or for Q3.

**Resham Jain:** Q3 price of the final product, manufactured product will be slightly cheaper than 2Q?

**R S Jalan:** Subject to only the inventory adjustment, if some inventories are there which is in high value or low value, that adjustment could be there.

**Resham Jain:** And hence this comment related to softening of prices. Like one is obviously a realization may come down. But on the other side, cost is also coming down. So is this how one should read it or is there overall margins, which we have been doing over the last few quarters that itself you see like coming to normalized levels. How should one think about it?

**R S Jalan:** I don't know, Resham, what normalization level you're talking about. Normalization level is a different number. But if you look at that compared to the first, second quarter which you have seen, like quarter 1, the margin in the second quarter was higher. Probably the margin in the third quarter could be slightly lower than the quarter 2. But if you say normalization margin will be much better than probably what has been the normal margins.

Resham, I want to make it very clear this scenario is today we are reading this scenario. After 15 days, the scenario can be changed because of the China situation. Maybe if China scenario changes, this number could be better than the second quarter also. It all depends on how the things happens in China.

**Resham Jain:** Sir, the last part of my question is the new capacity which is coming up of Tata Chemicals is also will be there in second half. So the demand-supply situation when you calculate your own in terms of the overall Indian supply demand, that will get absorbed is what you're saying.



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**R S Jalan:** 100%, Resham. Because you see let me give you the number. If I look at in the short term, the demand growth for this year should not be less than 6% to 7%. Six months number, which is a broad number which I know, probably the demand growth in six months is around 6%. For that, you require two and a half lakhs for the extra requirement. And secondly, like still there is a 0.5 million tons or 600,000 to 700,000 of the import coming into India, so you have enough opportunity for a new player to come in. There is a new capacity coming into the business to make it a more domestic based supply line.

**Moderator:** Thank you. We have our next question from the line of Rohit Nagraj from Centrum Broking. Please go ahead.

**Rohit R. Nagraj:** Congrats on a good set of numbers. Sir, first question is you just talked about the imports. So in the last quarter, how the imports and exports have panned out from India and even for our company?

**R S Jalan:** See, overall import if you look at from a normal level, then import in this quarter has also been lower than the normal level. But if you compare it compared to the last quarter of Q1, it is higher and this kind of a change will always happen. And this change is what I just said, the number is slightly on the higher side, is primarily the material coming in from China. Other than China, in fact world is very, very firm. And this is a unique situation, the entire world is tight except China.

**Rohit R. Nagraj:** Sir, second question is you talked about the world soda ash conference. So from environmental perspective or carbon dioxide footprint perspective, were there any thoughts which were spoken about and which could be probably beneficial from soda ash pricing perspective on a prospective or future basis?

**R S Jalan:** Like you rightly said Rohit, there were lot of thought on the environmental or the carbon footprint and the entire world is focused on how to minimize the carbon footprint. So lot of thought has come in and there also we also noted some of the thought. That's why I said in the new Greenfield project which we are talking about, we are trying to capture those thoughts into our new Greenfield project.

And our initiative even in the existing plant also as you know, there are a lot of initiatives we are doing on even on some of the initiatives on how to reduce the carbon footprint into the existing plant as well because this going to be very important in the going forward and we are consciously working on that.

**Rohit R. Nagraj:** Sir, just one last question. What was the quarter ending debt on soda ash and textile separately just the numbers?



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**R S Jalan:** I'll just give you the numbers. Total figure was INR 400 crores for soda ash INR 90 crores was for textile and like I said, we had cash on the balance sheet and if I reduce that number, net debt will be only INR 230 crores.

**Moderator:** Thank you. Ladies and gentlemen, kindly restrict your questions two at a time We have our next question from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

**Vignesh Iyer:** Congratulations, sir, on a good set of numbers. I want to ask you about just conference. GHCL participated in a conference arranged by Arihant Capital after the Q4 numbers were declared, there two points were mentioned. I just wanted to know what is the progress on that part. One was there some capex on salt project of around INR 100 crores I guess to help in improvement of raw material or something. Can you explain and help me understanding what it was exactly and what is the progress on that front?

**R S Jalan:** Vignesh, that's a very good question on this from your side, that project is progressing very well and that will definitely add a big bottom line to us. We are looking at expanding our productivity increase in the same portion of land and expanding the salt production from the same almost more than 100%, that is what our dream is. That may take two, three years of time, but that will have a big bottom-line impact into our business and that is progressing very well. Hopefully, some results of that will be seen in the '23-'24 also.

**Vignesh Iyer:** So it is expected to take effect from only quarter 1 of the next year also, right?

**R S Jalan:** Yes. Basically, what happens that the salt production start somewhere in the February, March probably and so therefore some impact in the February, March can happen, but the major impact will happen quarter 1 of next year and probably the full impact will take two, three years of time. But it's a very profitable or I would say big initiative and that will add a big significant amount to our bottom line.

**Vignesh Iyer:** Sir, another point you have made actually in the same conference, one was where you were looking for a downstream part for a chlorine-based derivative, which was supposed to be an import substitute and another product, which was not related to your current chemistry. Can you comment on it whether it's still in the drawing board or has it progressed or you have not decided to go ahead with anything?

**R S Jalan:** So Vignesh, that project is still on our thought process and that will link with that because this is linked with the caustic and chlorine put together, right. Caustic and on the other side chlorine and chlorine derivative from there. That project is very much on this thing and probably this project also will be sitting at the same Greenfield project where we are putting the soda ash plant. But this may take some period of time. Probably that could see a kind of a implementation or this thing, but that thought is still there on the line.



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**Vignesh Iyer:** Sir, just to understand this. This is 60,000 metric tons added on sodium bicarb, right. Can you just give me what would be a ballpark figure would do on what will be the best-case scenario of revenue realization from this capacity?

**R S Jalan:** See, sodium bicarbonate revenue realization of per ton is almost at the same price of the soda ash. So whatever extra volume is there, that probably you can simply do the calculation. Of course it all depends on how that capacity gets absorbed, how much time that takes to absorb that volume into the market.

**Vignesh Iyer:** Sir, the last question from my side.

**Moderator:** Mr. Iyer, I request you to come back in the queue. Kindly restrict your questions two at a time. We have our next question from the line of Mohit Khanna from Banyan Capital Advisors LLP. Please go ahead.

**Mohit Khanna:** I have a question regarding the financing of the Greenfield project. Now that we're coming closer to that part, what is your thought process on financing that INR 3,000 crores of Capex and then what could be the size range of the acquisition that you might likely to do? What is the thought process on that?

**R S Jalan:** Size of acquisition I've already mentioned in the earlier question, it could be in the range of around INR 1,000 crores. In terms of your question on how are we going to finance. I mentioned that we are on a cash surplus situation and we are likely to be by year-end and so that we will have some at least we have two years or three years of time frame to fully implement the Capex of Greenfield project.

By the time we will have enough cash generation out of our current operation and probably that will help. And still some rate will be required, which we have done the working, which will be absolutely much below than 1:1 debt to equity ratio. Maybe it may not touch even 1:1.5 I mean it will not be more -- 1.5 to 1. In terms of the financing, we don't see any reason or any concern of leveraging the balance sheet. Balance sheet will always be deleveraged.

**Moderator:** Thank you. We have our next question from the line of S. Ramesh from Nirmal Bang Equities. Please go ahead.

**S Ramesh:** Congratulations on the good results. Sir, if you're looking at your Greenfield Capex in terms of your own internal evaluation, can you share your thoughts on what is the kind of ROCE you expect from this and what is the kind of underlying EBITDA margin per ton and dollars per ton you're assuming for soda ash?

**R S Jalan:** See Ramesh, I've already given the indication of what we call IRR on the Greenfield project. But let me tell you one more thing, which is very important for the soda ash business. This



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project has to be seen in slightly longer terms because here the capital turnover ratio, as you know, that capital turnover ratio is unfavorable on the soda ash, but these projects are meant for maybe more than 100 years and therefore, in terms of economics, IRR is a very good indicative number of 17%, which is again a very good number.

But in addition to that also, it is also important to see that how the company wants to go forward in this kind of investment, how important this kind of investment for the growth of the business. And the last point on this. This Greenfield project is going to bring a continuous growth into the soda ash business by GHCL because we have a capability of building two million tons of the capacity here.

In addition to, if you want to have another basket like I just said caustic, chlorine and things like that so at this time point in time, we are already talking about 0.5 million tons. After that, the Brownfield benefit like we have seen in the Brownfield expansion benefiting to the current location, which has given a huge advantage to us in terms of the return ratio. So that will also happen in this business in this new Greenfield project.

**S Ramesh:** So for your IRR estimate, is it possible to share what is the underlying EBITDA per ton assumption because that's partly going to drive your cash flows? I just want to get a sense in terms of where you see the long-term EBITDA per ton settling for the soda ash industry.

**R S Jalan:** At this point of time, difficult to share that number.

**S Ramesh:** So in terms of the current pricing for soda ash, what is the kind of pricing you're getting now and where do you see the prices moving going forward?

**R S Jalan:** See, right now the prices -- it's difficult to share the pricing per ton. But I think just now what I said that pricing softening -- some short-term price softening can happen. But in the longer term we are not seeing any drop in the pricing. Prices can be slightly better from here because the kind of growth we are seeing in the business where the new capacities are not coming in, like just now I said in my opening remarks, next two years, three years we are not seeing any new capacity coming in whereas the demand will continue to grow. So therefore, definitely the demand supply situation will be slightly in favor of the supply and that will push the pricing.

**S Ramesh:** Sir, if I can squeeze in one last thought?

**Moderator:** Mr. Ramesh, I request you to come back in the queue. We have our next question from the line of Rohit Sinha from Sunidhi Securities. Please go ahead.

**Rohit Sinha:** Sir, one question on the overall Capex number for FY '23 and '24? And secondly, on the margin side for the inorganic chemical, as we have scaled our margin profile significantly in last two years in this segment. With the sodium bicarb being added and having a higher margin compared



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to the soda ash and we are talking about the higher cost scenario. So taking into all these accounts, just wanted to understand what kind of margin we could easily be comfortable with?

**R S Jalan:** See Rohit, like I said, small blip maybe Q3 or Q4. Barring that, in the long term this kind of margins should be sustainable. And for the specific number. I don't have a specific number at this point of time and it will be kind of difficult at this point of time to speak that specific number.

**Rohit Sinha:** And sir, on the Capex number for '23 and '24?

**R S Jalan:** Rohit, one more thing I would just like to add which you can see in our presentation, which we have shared. We have given soda ash dynamics. Look at that number, probably that will give you a sense of if you look at it slightly longer term, how does the margin has been moving in the last, I would say, 11, 12 years, okay? Very consistent margin barring the '21-22, which was COVID impact, you'll see the very, very consistent margins in the range of around 34%, 35% kind of a margin.

So at this point of time, margin is not very significantly different. Few percentage, 4%, 5% here and there. But otherwise, you won't see any – though you people are seeing that the margins are very high, but no, this kind of businesses require that kind of a margin. I request you to please see our presentation, the slide numbers which I have stated of 14 to 18. See that, there you get a good sense of how does the margin slightly longer term or medium term you could visualize.

**Rohit Sinha:** And sir, on the Capex number for '23 and '24?

**R S Jalan:** See Capex number broadly in the year '23 will be roughly around INR 360 crores will be the total number, okay? Roughly INR 360 crores to INR 370 crores and out of that, primarily it will be more on the textile side and some will be in the soda ash side. Out of that, almost 50% we have already spent and 50% is likely to be spent in next six months. '23-'24 probably the figure could be in the range of around INR 800 crores to INR 1,000 crores. Out of that, probably INR 500 crores to INR 700 crores will be in the new Greenfield project.

**Moderator:** Thank you. I would now like to hand over the call to the management for closing comments. Over to you, sir.

**R S Jalan:** Thank you. Thank you very much. Like I've always been saying, which is important for us. As a management, our focus will always be to create or to do the best performance and our endeavor will continue to do that either it's the cost of efficiency improvement or it's the cost of growth of the business or looking at a new opportunity of growth. We'll continue to do that.

And of course the support -- the question which you are asking us on this investor call definitely helps us to bring new perspective in our thought process and we always take this feedback and try to work on those feedbacks to create better value for our shareholders. So creating a higher



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value for our stakeholders is the only objective which we as a management are working in GHCL.

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