

August 2, 2022

श्रावण – शुक्लपक्ष – पंचमी
विक्रम सम्वत २०७९

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

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

Dear Sir / Madam,

Subject: Filing of Transcript regarding Investors' conference held on July 28, 2022

In continuation to our earlier communication dated July 25, 2022 and July 28, 2022 regarding Investors' conference on July 28, 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 July 28, 2022 for your reference and record.

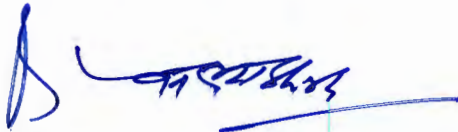
Please note that copy of this intimation is also available on the website of BSE Limited (www.bseindia.com/corporates), National Stock Exchange of India Limited (www.nseindia.com/corporates) and website of the Company (www.ghcl.co.in).

You are requested to kindly take note of the same.

Thanking you

Yours truly

For GHCL Limited



Bhuwneswar Mishra
Sr. GM-Sustainability & Company Secretary



“GHCL Limited
Q1 FY2023 Earnings Conference Call”

July 28, 2022



**ANALYST: MR. AYUSH CHATURVEDI - EMKAY GLOBAL
FINANCIAL SERVICES**

**MANAGEMENT: MR. R S JALAN - MANAGING DIRECTOR – GHCL
LIMITED
MR. RAMAN CHOPRA – CHIEF FINANCIAL OFFICER &
EXECUTIVE DIRECTOR (FINANCE) – GHCL LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to the GHCL Limited Q1 FY2023 Earnings Conference Call. We have with us today, Mr. R S Jalan - Managing Director and Mr. Raman Chopra - CFO & Executive Director (Finance). This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ayush Chaturvedi from Emkay Global Financial Services. Thank you, and over to you, Sir!

Ayush Chaturvedi: Good evening everyone. I hope everyone is doing great. I would like to welcome the management and thank them for this opportunity. So, I shall now hand over to Mr. Jalan for the opening remarks. Over to you, Sir! Thanks a lot.

R S Jalan: Thank you, Ayush. Good afternoon everyone and welcome to the GHCL’s earning call for the first quarter ended June 30, 2022. For this call, I am accompanied by our CFO, Raman along with Manu and Abhishek. Our results and the analyst presentation had been uploaded on the stock exchange and the company's website.

I will share my thoughts on the soda ash industry. In the first quarter demand has remained good driven by glass industry with additional demand coming from the solar glass and lithium carbonate user segment. Supply is constrained by several sectors such as high energy prices, disruption in the supply of natural gas to EU market and Russian Ukraine situation. Imports into India remained low compared to last few years and going forward we believe that this demand and supply scenario shall continue. No significant capacity addition is coming up in near future.

However, we are watchful of any adverse development such a recession scenario impacting demand or cost inflation putting pressure on margins. Prices have remained firm and we have taken price increases thus absorbing the higher input costs resulting into better margins. Our focus is on growth initiative such as product basket expansion, cost



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leadership, governance, digitization, sustainability, differentiation, initiatives and HR & leadership. Now coming to the textile business, there is a slowdown in demand from various end user segments. Prices for both cotton and yarn have started to correct from peak and is expected to further correct in the near future.

Outlook for the cotton crop looks good as there is an indication of increased sowing in certain areas. We expect the next few months shall be challenging and the business will again gather positive momentum from FY2023-FY2024. Moving on to de-merger of our textile business, we have received an order from honorable NCLT to conduct a meeting of unsecured creditors as well as the shareholders on August 18, 2022. With this positive development we shall be one step closer to complete the process by third quarter of this year.

In the textile business we had a fantastic journey in the last 20 years. Our revenue has grown by 15% CAGR to now to 1000 Crores and EBITDA by 31% CAGR, our average EBITDA margin in the last twenty years 16%. Our focus going forward is on value added segments. This will result in the margin expansion by 3% to 4%. we are also focus on green energy, product basket expansion and 20% volume growth every two years. I will now hand over to Raman and request him to share the financial performance of our company for the first quarter.

Raman Chopra:

Thank you very much, Jalan, Sir. Good evening everyone 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 June 30, 2022. Revenue for the quarter came in at Rs.1371 Crores as compared to 699 Crores in the corresponding quarter of last year. This is growth of 96% on year-on-year basis and on sequential basis revenue increased by 7% from Rs.1279 Crores in Q4 of FY2022. EBITDA for the quarter stood at 429 Crores, which has significantly increased by 169% from 159 Crores in Q1 of FY2022 and by 4% from 411 Crores in Q4 of FY2022. This represents an EBITDA margin of 31.3% for the current quarter compared to 22.8% in the similar quarter of corresponding quarter of last year and 32.1% in Q4 of FY2022.

Profit after tax for the quarter stood at Rs.339 Crores as compared to Rs.85 Crores Q1 FY2022 and Rs.244 Crores in Q4 FY2022. PAT includes one time gain of Rs.52 Crores on an account of HT business divestment, which is reported under exceptional items. This



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demonstrates a very strong performance across all the financial parameters due to strong momentum in the underlying business. Let me now share the segmental perspective.

In the inorganic chemicals segment, revenue came in at Rs.1096 Crores. This is higher by 108% compared to 527 Crores in the corresponding quarter of last year and by 10% for Q4 FY2022. EBITDA for the quarter stood at 364 Crores, which translates into EBITDA margin of 33.2%. This is up by 12% from Q1 of last year and slightly down by 0.5% from Q4 FY2022 mainly due to the impact of trading activities. Our EBITDA per ton has increased by 13% on sequential basis. The reason for this strong performance in soda ash business is mainly due to price increases undertaken in the last few months. This has adequately covered the increase in energy and other raw material cost. We expect the higher realization to continue in the next quarter as well.

Moving on to the textile business, revenue for the current quarter stood at 275 Crores as compared to 172 Crores in the corresponding quarter of last year and 278 Crores in Q4 FY2022. This translates into a growth of 16% on year-on-year basis and just down by 1% on a sequential basis. EBITDA for the quarter stood at 65 Crores, which has increased from 48 Crores in the same quarter of last year. This translates into EBITDA margin of 23.5% for the current quarter. The impact of price correction in cotton and yarn will be felt in coming quarters. For the quarter, we generated a cash flow after tax of 407 Crores, during the quarter we have paid a dividend of 143 Crores and we have repaid a debt of Rs.213 Crores and our gross debt at the end of the quarter has reduced to 572 Crores as compared to 785 Crores at the end of FY2022. This represents a net debt to equity ratio of 0.16 times. With this I conclude my remarks and I would 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 a first question from the line of Rohit Sinha from Sunidhi Securities. Please go ahead.

Rohit Sinha:

Thank you for taking my question and congratulations for a very good set of numbers. So just few things on the pricing of soda ash, how much the overall realization growth was there in this quarter and going forward how we are seeing this as you have already said that prices are likely to remain firm, however, the prices are largely depended upon the demand and input prices, so how the input prices are looking as of now with lot of commodity prices started correcting, so do you see any sort of price stability in overall soda ash prices?



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- R S Jalan:** Yes, Rohit, you rightly said, overall we have taken price realization of around 80%, even in this quarter also we have taken two price increases and as per my understanding these prices have to remain firm at least for the next two to three quarters. I am very clear the prices are going to be very firm, globally also I am not seeing any major supply coming in from any part of the world and that will also keep the prices of soda ash firm. Second, it is also very important that even the rupee-dollar as you know rupee-dollar, dollar has appreciated that also will help the prices to remain firm.
- Rohit Sinha:** Okay and in terms of demand and as we are talking about slow movement across the world and even this kind of inflationary pressure, which we are talking about so are we seeing any sort of demand mainly particularly industry as such or it is still we are in the healthy track?
- R S Jalan:** See, in terms of the demand if I can say for global scenario I am not seeing any contraction in the demand scenario primarily because these industries are the solar investments and the lithium these are the two things, which are definitely increasing the demand significantly that is number one, secondly in India one of the unique advantages is that because of the very global demanding firm we will not see a lot of lithium coming into India whereas earlier around 23% of the demand was met from the imports, now that figure has gone down to around 13% and we do not see in the near future US or China and some of the European countries also they are not seeing a lot of metal coming into India that is number one, second as you know Russia and Ukraine also has the soda ash and the material was coming from Russia and Ukraine also to India that has also stopped, so overall I personally believe that I do not see any major demand coming down or supply is also going to be restricted going forward also.
- Rohit Sinha:** And we will be able to maintain this kind of margin for at least few quarters going forward?
- R S Jalan:** I think so.
- Rohit Sinha:** Right and just last question on this exceptional which we have got from the sale of the business, so I think all adjustments have been done from next quarter I think we do not see any exceptional numbers, correct?
- R S Jalan:** Yes, still there are only some amount there and the final payment of all dealers in that, right.
- Rohit Sinha:** That is all from my side. Thank you.



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

Rohit Nagraj: Thanks for the opportunity and congrats on a very good set of numbers. Sir, first question is generally, how the demand supply dynamics is behaving globally, if you could just let us know because you rightly pointed out that the imports to India have come down and that has certainly helped us, but how the overall situation across different geographies, how it is behaving currently as per your assessment, thank you?

R S Jalan: See, Rohit, first and foremost I just want to highlight here because very valid question you have raised, if you look at last month, if you look at last many years, this is an unique industry where demand and supply had been largely has been very balanced because I have a data of last 15 to 20 years and you can see that the demand and supply had almost gone hand to hand, so we have not seen a very large supply or the demand coming down because of that situation, the second data which validates this again it is very important if you look at the soda ash pricing, in the last 15 years soda ash prices has not gone down by one or two years, in 15 to 17 years, the soda ash prices has always been on the upside that is number two, number three the cost soda ash margin per ton has moved very significantly in last 16 to 17 years, year after year and a very bigger margin in this business has been very consistent with ranging between 32%, 35%, 37%, only the gap between these two is around 5% to 7%, and the last which is also very important is, we have done an analytics that whether the soda ash follow the commodity cycle, the soda ash does not follow the commodity cycle. We have captured this with the coal or with the metal or with many other commodities and we have seen there is no correlation between these two even if the raw material prices had gone down, so that Soda ash prices has not gone down, so in the way what I am saying Rohit is, overall if you look at all these things I generally say that soda ash is not a commodity, it does not correlate with any of the community or any of the raw material. Now coming back to your specific question on demand dynamics, today if you look at the US it was approximated on 13 to 14 million of the production, there are natural marketing more on their own market and there is South America, yes, some volume was coming from the south east Asia and Middle East, now that volume has been almost like a consistent, the demand in the US has gone up, in the South America this demand has gone up very significantly, so therefore, the volume coming into this part of this, and even India used to get around 200000 tons of that soda ash from that market that is now absolutely zero. Similarly, China if you look at one of the plant of 1.5 million stop with no new intensity coming there and their demand because of the solar investment the demand is also



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grown, so their presence also into the other part of the world has also gone down. Europe again balanced, so overall if you look at in globe and if you look at in totality the India used to get something around 800000 to 900000 tons of the volume, now that figure is not more than 5 to 6 lakhs ton, but that way what I was saying is that, we do not see next two years, we do not see any major capacity coming in any part of the world maybe in 2025, 2026 some volume will be coming in the China, which is a Mongolian plant or some volume may be coming in the US plant, but this growth of even 2% in global scenario will require around 1.2 million tons of extra production required, so we personally believe that in the next two years we do not see any major, this balance in the demand supply situation, I hope I was able to answer your question.

Rohit Nagraj:

Yes, Sir, this was quite elaborate. Sir, the second question is, what is the status update on our project and generally speaking for a synthetic Greenfield expansion I think for us we have indicated that it will take about three years so somebody got to go for expansion for the natural soda ash, what is the time difference for both the things, thank you?

R S Jalan:

See, Rohit, if you look at the natural soda ash, natural soda ash is only possible in the some part of the world like I said some part in the Mongolia, which they are exploring that, Turkey is another and you have in the US, like in Africa one plant is there, if somebody wants to come with the new Greenfield for the natural plant that also will take almost the same timeframe except one which is the land acquisition and more particularly in the Indian space land acquisition itself take a lot of time so that could be differentiated between the Greenfield and also natural soda ash versus the synthetic soda ash, otherwise the target will remain the same, in our Greenfield project, again in the same land acquisition we are working on that, but still I would say we are not able to close everything on that footprint, so that kind of a hindrance definitely in Indian space is there acquisition, I hope I answered that.

Rohit Nagraj:

Yes, Sir, thank you so much and best of luck, Sir.

Moderator:

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

Saket Kapoor:

Thank you for this opportunity and congratulations for a very steady set of numbers. Rohit you mentioned about margins being lowered because of trading aspect, could you clarify more on the same, Sir?



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- Raman Chopra:** Yes, because in our inorganic chemicals we definitely undertake some trading activity on the chemical side and the trading generates for a year almost 200 Crores of top line on which we will make around 2% to 3% margin these are where we use in our existing I would say leverage our existing marketing infrastructure and last year of Q4 we had almost 76 Crores of trading volume and almost 2.5 Crores profit this quarter because of a large volatility we have a 108 Crores top line with a break even kind of situation, so that has basically impacted the margin, on an inorganic chemical if you look at there is a slight drop in the margin, but if you look at soda ash globally the margins even in terms of the percentage also have remained on more or less the same or slightly increased during this quarter.
- R S Jalan:** I just want to highlight here what Raman had said if you look at in terms of the percentage remains the same, but if you look at the per ton it is significantly higher compared to before.
- Raman Chopra:** I already said in my speech there it has gone up by almost 13% and the second point again that the January, March is a peak quarter for everything because being the winter season the production is also higher and cost of raw material is also on the lower side, so in spite of that we have been able to maintain the percentage margin.
- Saket Kapoor:** Sir, what had been utilization level for the first quarter?
- R S Jalan:** You know like Raman has already said that 13% margin per ton has gone up and there is as I said primarily because of higher realization as compared to last quarter we have taken almost around two price increases and that has really helped us to increase our EBITDA per ton.
- Saket Kapoor:** It was applicable in the utilization level, what have been the utilization levels currently for the first quarter?
- R S Jalan:** During peak, Mr. Saket, we are almost at the utilization, the good thing is that first I would say that in our last many years that in this season also our utilization is excellent.
- Saket Kapoor:** Okay, I think the last time you mentioned about one lakh per ton required production in numbers were given by you, so that one lakh per ton for a month was repeated for any time in this quarter?



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R S Jalan: Almost closer to that.

Saket Kapoor: Sir, coming to the point of the raw material basket, you spoke and elaborate on how the dynamics of soda ash industry is currently poised and as per your understanding was it is a tight market, I think the raw material prices, coal and all have been started trending lower, so how is the raw material basket currently shape and do we foresee any incremental increase in margins on an account of softening of these raw material prices going ahead and also on the chart in the integration part I think you were on the verge of some contacts which you were envisaging earlier?

R S Jalan: Two things, Mr. Saket, on the salt side which I had mentioned last time also that the process is on obviously the benefit of that I had said in the past call also that the benefit of that will be seen in the next year because the crop season starts from January, March onwards, so the benefit of that, uses of that will be next year that is number one, second in terms of the softening of that raw material prices if you look at the salt prices, the salt prices up till now is not soften, but people are expecting that the next crop if becomes good some softening can happen and definitely that will help in overall cost reduction in salt, however, that also according to me we will seen next year only because this year we have already covered the salt requirement in the season, so I do not see any major benefit coming in, in terms of the other also like energy as we are seeing the benefit of that because we have covered on the low prices because generally we cover all the energy for almost around five to six months, so any reduction in that energy prices also the benefit you will be seeing almost in the next year, but in a summary what are we trying to say is the way I look at it is the margin of this kind of a healthy margin should be maintained this year may be 1% here and there margins should be maintained and any major impact on the margin may be seen on the positive side may be next year, but it all depends on how the scenario pans out in the next nine months.

Saket Kapoor: And what have been price hike for the first quarter of FY2023 and that benefits will flow I think so in the coming quarter only?

R S Jalan: No, we have taken the price increase in some of the contracts, and yes, some price increase will be there or realization process will improve, but accordingly the cost of raw materials because we had some cheaper raw material now we will have a slightly higher cost of raw material, so roughly the margin will ranger around in the same range.



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Saket Kapoor: Sir, you were telling about the seasonality factor that Q1 being where the production is also high, so now we are entering the monsoon or we are in the mid of monsoon quarter, so again we could be experiencing some slightly or due to this solar demand being an uptake, what kind of soda ash volumes are being sold for soda manufacturing from outside, so how much of our soda is being catered for this solar panel demand?

R S Jalan: Mr. Saket, the specific number would be difficult for me to give you, but I can only tell you that even in this season except like I said in my initial remark except on the detergent side, the demand on the solar panel or on the flat glass or on the bottle glass, they are all very robust, we are not seeing any demands coming down or demand pressure we are not seeing so roughly the seasonality some production could be slightly down for the industry because of the seasonality, otherwise, demand is no issue.

Saket Kapoor: So, we have a sense of belief that these numbers are having core strength and these are sustainable and this are not one of creation because of some raw material price is going up and increase, what we have seen in other business is that there is a big fluctuation in the earning, but where we can expect 1% to 2% here or there or sustainable set of earnings in the inorganic chemical part I am talking is sustainable is where the influence can be drawn.

R S Jalan: Yes.

Saket Kapoor: Right, Sir, and a small point and then I will come to queue, about this capital allocation policy currently, as earliest when we came out with dividend distribution policy of 15-20% distribution at that time we were also having the home textile business under our pool and now with the divestment of home textile business in the first quarter there is relook in terms of the incremental cash flow that we are generating currently from our core business your thought process on this because a big factor may be one of the way in which the rewriting aspect which happening currently will get boost that is my understanding depending upon how the capital allocation is going to be ahead from now?

R S Jalan: See, Mr. Saket, let me tell you we have a very clear cut thought in our mind about the capital allocation and one of the beneficiary of the capital allocation is our shareholders and which you are seeing is a very consistent distribution of dividend along with the two buyback you are seeing that and as you know that today because of this de-merger the buyback is not possible, but we will keep that into mind about the properly distributing the earnings to the shareholders going forward also either in the form of dividend or in the form



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of buyback. Second as you know that for any business a responsible growth is also very important and we will keep on investing the money into the business to get a better return for the shareholders and in terms of the debt as you know that we have very clearly said we do not want to be very under leverage also, but we do not want to be over leverage also, so therefore our capital allocation philosophy reasonable debt equity reward to the shareholders in terms of the buyback or the dividend and put some money into the growth and that will continue and as you know the last six years we have distributed 500 Crores to our shareholders either in the form of dividend or in the form of buyback and this kind of a process will continue going forward also.

Saket Kapoor: Right, Sir. I would like to come in the queue for the followup, I have couple of them, but in the paucity of time I will in the queue and all the best to the team, thank you.

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

Resham Jain: Good evening, Sir and congratulations on a very good set of numbers. so, I have few questions, first one is on the Greenfield capex, you mentioned that some portion of the land acquisition is still going on and may close in sometime so is there any timeline in terms of by when you will start the Greenfield capex actually on the ground?

R S Jalan: Two things I just want to highlight, Resham, one, on one side some of the work on the ground has already started, this is not a physical activity, one of the pipeline, which is required the pipeline the contract has been awarded on that to the national agency and on the other side a technical consultancy, we are evaluating two international firms and I think in the next few weeks that contract also will get awarded, I think hopefully by January, we should be in a position to get the environmental clearances where the public hearing is likely to happen by end of September after that may few months will be required for getting the final approval from the government and after that probably by March 2023, we will be in a position to start the physical activity, so from January to March 2023, we will be in a position to start the activity of the Greenfield project and hopefully still our target is March 2025 we should try to complete that because the longest duration was with this pipeline, which we have already awarded the contract.

Resham Jain: Okay, so from the cash utilization perspective any capex from cash perspective will happen only in 2023 now maybe minor deposits or something might happen?



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Raman Chopra: Yes, marginal capex will be there on the land acquisition, which we are still some land we are acquiring, when we were marginal this year we have put around Rs.25 Crores to Rs.30 Crores, but major capex will be only start from the middle of next year only that also was not significant, the major significant outgo will be on the land.

Resham Jain: And has there been any change in the capex outlet in terms of your suggestion?

Raman Chopra: We have said that it will be in the vicinity of around Rs.3500 Crores, so that is what we will be able to accomplish our job.

R S Jalan: And one thing I just want to highlight here is, one of thing which we are doing probably could be a benchmark for us, we are talking to many of people we are definitely looking at a much I would say better technology, different concept because we have engaged some of the consultant which is one the best, a lot of thoughts are going on there how to have the lower emissions, how do you have the lower capital pattern, how to you have a better operating costs, so a lot of thoughts are going because this kind of plant is built for 100 years, so therefore all the thoughts of green energy or the low emission or the better technology, larger equipment.

Resham Jain: I got it. Sir, another question this is more on this quarters number, the home textile amount in terms of the divestment amount, I think it is close to 600 Crores odd and we have generated around 400 Crores odd, so total 1000 Crores of cash generation has happened in this quarter and I think in your presentation you have mentioned 535 Crores of total cash outflow in terms of dividend, capex and working capital, so I was just wondering, why your debt is still there because there has been a total 1000 Crores kind of cash generation during the quarter, so your March end debt number was around 540 Crores odd, so am I missing something here?

R S Jalan: I think there is a money is of 600 Crores which had come from Indo count, some money had come in the last year and some money had come in this year, so I will just give you the number what exactly has happened this year, our cash profit is approximately 400 Crores and we got roughly around 200 Crores net after tax, so this 407 Crores includes the base of 54 Crores is already built into this 400 Crores so over and above that 52 Crores we got around 170 Crores somewhere from Indo count this year, balance we got last year and we spent around 100 Crores on the capex, loan we had paid 200 Crores, working capital there is a change or there is a increase in the working capital around 250 Crores, 143 Crores we



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had paid the dividend and 28 Crores is basically the other expenses, it is primarily deferred tax taken more of an accounting so total outflow it around 731 Crores against 580 Crores of inflow, we had around 240 Crores, which we got from the Indo count last year so that money was lying in the bank that we have utilized and still we have around 100 Crores of net cash in the balance sheet. One note I just want to highlight here is see one of the things which has happened which is good for the GHCL is because of the very high raw material prices as well as the very high project prices soda ash textile, the working capital requirement has significantly gone up in the last one-and-a-half years because you know that the soda ash prices have almost gone by 80% and even if you keep the inventory of seven days the working capital requirement has gone up so similarly the inventory coal prices have gone up so a lot of working capital requirements had gone up and we have been able to manage this without increasing the debt, almost 800 Crores of the working capital requirements has gone up in last one-and-a-half years mainly because of the pricing and some inventory volume also because the production has gone up, even in the spinning also because the yarn prices have gone up, cotton prices of 40000 to 100000 so all those things created a kind of a big requirement of our figure because this we have been able to finance without any single loans taken some in spite of that we have paid around 200 Crores of debt this quarter itself, the moment just some softness happen in the raw material prices next year 2023-2024 probably a lot of money will get released from the working capital also.

Resham Jain: I understood, Sir, yes, this is very clear.

Moderator: Mr. Resham may I request you to come back in the queue.

Resham Jain: Okay, I will come back in the queue, thank you.

Moderator: Thank you. We have the next question from the line of Raj M from Mili Consultant. Please go ahead.

Raj M: Good evening and congratulations on superb number. My question is on material superiority I just wanted to understand basically you need key raw material for limestone and coal, so you have been using lignite also in your process, my first question in that respect to that what is the percentage of overall coal consumption by way of lignite and the remaining is the coking coal or it is something normal coal which you need similarly what percentage of all you are buying from the market of course limestone is your own mine, so there is no question on that, if you can clarify it will be helpful?



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- R S Jalan:** Thank you very much for this question. First and foremost let me address the limestone itself first, we have captive mine but still, 80% of our limestone requirement is made from the imported limestone, we are importing 80% of our limestone because the quality of this limestone is extraordinary good and this includes our productivity benefit to clarify that we are using the imported limestone that is number one. Now coming to the salt, salt last two years because of the adverse weather condition our captive salt production was not very significant and because of that almost around 70% of this consumption we have been using the purchase salt, however, we are speaking on captive salt production hopefully in the next two years this figure will be going around 50% will be the purchase salt and 50% will be the captive salt this is what the plan we are working out for the next two years. The third is on the coal and lignite, we are approximately if I call on tonnage basis we are approximately using something around 30% of lignite, we are using some pet coke in that mix and we are using approximately around 50% of the coal in the overall this thing, which is a steel coal not a metallurgical coal, hope we are using for our skill which is more like a raw material.
- Raj M:** So, the fault will be you will be able to procure captively or you will sort to open market purchases or your expansion, Greenfield expansion?
- R S Jalan:** Okay, Greenfield expansion right now we have applied for the government for the salt only if that happen then it will be 100% captive, but what about the time states there still we get that land then it will depend on the area will be there because that area has an ample amount of salt production, a lot of new salt license has been given by the government, we personally believe this is going to be a competitive advantage for us to procure the salt from the purchase also did not have any adverse impact on us.
- Raj M:** Thank you, Sir. All the best.
- Moderator:** Thank you. We have the next question from the line of Vignesh Iyer from Sequent Investment. Please go ahead.
- Vignesh Iyer:** Congratulations on a good set of numbers. I just want to know one thing is if you see the EBIT margins seem to have come down right so like quarter-on-quarter it was 33.9% has come down 32.3%, so just I wanted to know is this two rate hikes that you have taken had it come already in quarter one or would that some of that rate hike will come up in this quarter two?



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R S Jalan: No, if you look at in terms of the EBIT margin in inorganic chemical it has gone down from 31.6% to 31.2%, which Raman has already explained this is because of the trading activity because the trading activity last year had some margin and the volume was there, this year the volume is high and there the margin is only 2% to 3% because of this, in terms of the inorganic purchase soda ash the margin is slightly higher as compared to last quarter.

Vignesh Iyer: But, the price hike that was taken has already taken into effect from quarter one, right, there is no fresh price hike that has been taken in quarter two, right?

R S Jalan: In the first quarter we have take the price increase, the second quarter has just started only one month has passed, we do not know whether there is any price correction or price upstart, we do not know right now.

Vignesh Iyer: Okay, Sir, but in general to understand this business as a whole as in the soda ash business, we have been seeing continuously that historically as well there is not much difference in the supply and demand, etc., and we have not moved according to chemical commodity cycle, have we at the point where if we say take further price hike at that new price well the demand will go down for the product, are we in that position today, I just wanted to know because historically it has been very close net, so I just wanted to know today the price is at a very high level so are we at a point where if we take one or two more price hike at the higher head weighted price the demand would go down?

R S Jalan: See, we probably believe that the demand will not go down mainly in the detergent little bit because of the consumers will not be able to afford the detergent to powder, but overall in other segment no, however, what will happen is because ultimately there are competition also in the business, so if we increase the price and the competition starts selling more or the material coming from import tomorrow the material if we go for an unreasonable price the import volume can go up and that can jeopardize your interest so therefore obviously you have to take the price taking into account the global scenario as well as the domestic scenario.

Vignesh Iyer: Just one more question on my side, on a textile division side at this position what inventory levels are we sitting because I am presuming this inventories are high cost inventory considering there has been a significant reduction in cost in last few weeks and we might see some margin pressure in quarter two or quarter three so by when this high cost inventory do you think will get rid off and will get you know will sail off in such a way that



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we might see again good margin the wealth so if you could give me a general time line and which matters that?

R S Jalan:

So, first and foremost the good news is that we do not have a large inventory of yarn where we can have a kind of a pressure on that margin, similarly on the cotton side our inventory at this point of the time even cheaper than the current price of the cotton and we personally believe this will not have any impact on the margin because of the high inventory of the raw material or the finished goods, however, going forward if the yarn prices goes down and the cotton prices, yarn prices so probably the margin could be there so that is business title, but good part is that we are running the plant 100% and because of our product basket or product basket of the high quality of the premium project we are not seeing any major impact on our sale size and we are running short.

Vignesh Iyer:

Good to know, Sir. I will join back in the queue. Thank you.

Moderator:

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

Resham Jain:

Sir, just one question on the capacities, which you have as of today, so on soda ash I think you mentioned that there has been some de-bottlenecking which is happening you may get some capacity available to you during the year and on sodium bicarb also there has been some increase in capacity, so if you can just explain this 1 lakh per ton, is there any scope for it to improve till the Greenfield plant comes in and also on the sodium bicarb?

R S Jalan:

See, Mr. Resham, in terms of the soda ash we do not see any major capacity expansion or the volume expansion happen, of course utilization will make some difference, but on the sodium bicarbonate, yes, you are right, we are doubling the capacity and that will happen tentatively by November, December kind of a scenario, so maybe in the last quarter of this year so roughly some advantage we will see, but full advantage of that will also happen next year, but that will be a significant and one good thing also I will talk about here is the NPC trial on the sodium bicarbonate has been going very well, they have restarted after the COVID and hopefully that will expand into the major demand next year, even on the soda ash also as you know there is a lot of people are going for a massive solar investments because of the green hydrogen that will also help to have a significant growth into the soda ash demand going forward.



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- Resham Jain:** Do we have extra land at the same location for increasing sodium bicarb capacity or we are now full at the existing plant?
- R S Jalan:** No, like I said one existing plant which we are doing currently that space is there already and this plant does not require too much of land and therefore even if you have to suppose tomorrow we have to increase the another 30% to 40%, we can do in the same location, frankly speaking we are looking at the old plant how to look at the plant to increase the production in that plant itself, overall how do we increase the overall capacity of the plant in current location itself.
- Resham Jain:** Understood, Sir. Thank you.
- Moderator:** Thank you. We have the next question from the line of Rohit Nagraj from Centrum Broking. Please go ahead.
- Rohit Nagraj:** Sir, just one clarification, what was the soda ash price by end of June?
- R S Jalan:** Soda ash pricing it is difficult to because being a competition data it should be difficult for us, we will give the range of the increase which has happened and probably offline if you want we can give you.
- Rohit Nagraj:** Right, no worries, Sir. And soda ash current capacity is 11.5 lakhs tons that is correct, right?
- R S Jalan:** In terms of capacity I would say that, yes, approximately around 11 lakhs tons and we are almost at the full.
- Rohit Nagraj:** Understand we had 50000 de-bottlenecking underway that was supposed to get commission?
- R S Jalan:** That is already commissioned and that is the reason we are seeing that even if I tell you the capacity is around 12 lakhs and we are using 95% of the figures will be coming in the same range, we are almost running at 100% that is because of the de-bottlenecking which we have done.
- Rohit Nagraj:** Sure, got it, Sir. Thank you so much.



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- Moderator:** Thank you. We have the next question from the line of Saket Kapoor from Kapoor Company. Please go ahead.
- Saket Kapoor:** Sir, thank you so much for the opportunity. Sir, for the increase in capacity for the sodium bicarbonate, what would be the annual increase in the revenue for the next financial year?
- R S Jalan:** See, almost you can say if I take the current pricing around Rs.30000, it may go to approximately around Rs.150 crore.
- Saket Kapoor:** Sir, another point was another point we had an admin resolution you were trying for some I think so Rs.100 Crores fund breaking through some new instrument, so any update on the same how are we going ahead with it?
- R S Jalan:** At this point of time we do not have any plans to raise that whenever we see an opportunity or the appropriate time we will raise that otherwise at this point of time no plan.
- Saket Kapoor:** Sir, you have articulated that the down trade which the yarn industry is currently experiencing we are somewhat insulated the same because of our product mix this is a good conclusion we can go from?
- R S Jalan:** Mr. Saket, the truth I just want to tell you I think in my call six months back itself I have said that the yarn looks to be on the downward side that has happened that is number one, at this point of the time in any business you cannot say that you are completely you are protected from the industry but will be much lesser like some of the large competition they will stop, but in our case we are running at full 99%, second we are not having a large inventory of the yarn, but if the yarn prices have gone down in the market definitely that will have an impact on this, but as I said, Mr. Saket, we must understand like I am saying in soda ash I do not see too much of cyclicalities or the volatility in the prices or in the margin also wherein the semi, if you look at a longer term just if you look at the data last 20 years back EBITDA margin on the spinning, which is a benchmark product we have positive of 16%, which includes the number where we were on the commodity cycle, now last few years we have moved from a commodity to the premium segment and that give us around 3% to 4% better margins over at the 16% however, that will be slightly on a medium term basis, quarter-by-quarter you cannot compare this.



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- Saket Kapoor:** That should be right, Sir. In your presentation you did mention about the situation for soda ash would be very difficult operation for Europe because of the gas availability so if you could articulate to us how is the soda ash industry currently in Europe and how is that affecting the total environment there because of the gas nonavailability, what has gone wrong for the soda ash industry in Europe?
- R S Jalan:** See, as of now I do not see any major disruption on their supply side, in the production side I do not see that, because till now they are getting the energy either from some other country, but going forward probably there could be a challenge, however, they have been able to pass on this energy hike cost to the consumer by way of a energy sector, so I personally believe there will be not too much of discussions into their supply going forward also, but who knows I do not know how the scenario of Ukraine and Russia war going on.
- Saket Kapoor:** Correct, Sir. Thank you for all the elaborate answer and looking forward for the sustainability and predictability has been the case for us is being guided by you and the management team and all the best and looking forward.
- Moderator:** Thank you. We have the next question from the line of Vikas Kasturi from Focus Capital. Please go ahead.
- Vikas Kasturi:** Hello, Mr. Jalan and Mr. Raman. I had a question, so do we use the coal in the manufacturing of soda ash, is it used in any proportionate at all, Sir?
- R S Jalan:** Yes, Vikas, as I had just said in the earlier question that we are using for the energy power and speed, we are using coal along with the lignite as well as some approximately around 50% of the uses is in the form of coal and the balance 50% is the lignite and visco.
- Vikas Kasturi:** Sir, the reason I was asking is, I just read a reports where Europe is banning Russian coal and therefore they are going to import coal from other parts of the world like Australia and so on, so therefore the price of coal is going to go up so are you seeing any such things in your business?
- R S Jalan:** Yes, Mr. Vikas, like I said Russian coal is much cheaper as compared to the other part of the world and more particularly the high quality of the coal, which we are buying definitely there is an upside down on that coal, but somewhere my personal belief is that in the next few months the prices of the cold should get stabilized or maybe slightly going on the lower



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side, which is what my belief is because the China and India also has started a big amount of coal importing from Russia so that will also make an impact on the overall demand from the other part of the world, so definitely that will soften the price of the coal.

Vikas Kasturi: Thank you, Sir. Thank you for the answers.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management team. Over to you, Sir!

R S Jalan: Thank you very much to Emkay Global as well as the team and to all the participants and the questions I always say that your questions, your thoughts provoking questions definitely help us to do and our endeavour is always going to be create value for our shareholders that is the mission which we had still had and which you have seen over a period of last seven, eight years, we have been able to build our performance and we will continue to do that going forward. Thank you everyone.

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