

May 6, 2022

वैशाख –शुक्लपक्ष - पंचमी

विक्रम सम्वत् 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 May 2, 2022

In continuation to our earlier communication dated April 26, 2022 and April 30, 2022 regarding Investors' conference on May 2, 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 May 2, 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



Manoj Kumar Ishwar
Asst. General Manager (Secretarial)



**“GHCL Limited
Q4 FY2022 Result Conference Call”**

May 02, 2022



ANALYST: MR. ROHIT NAGRAJ - EMKAY GLOBAL FINANCIAL SERVICES

**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**



GHCL Limited
May 02, 2022

Moderator: Ladies and gentlemen, good day and welcome to GHCL Limited Q4 FY2022 Results Conference Call hosted by Emkay Global Financial Services. We have with us today, Mr. R S Jalan – Managing Director; Mr. Raman Chopra – CFO & Executive Director (Finance). As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rohit Nagraj from Emkay Global Financial Services. Thank you, and over to you Sir!

Rohit Nagraj: Thanks. Good evening, everyone. I would like to welcome the management of GHCL and thank them for this opportunity. I now handover the call to the management team for their opening remarks. Over to you Sir!

R S Jalan: Thank you Rohit. Good evening and welcome to GHCL Earning call for Q4 and financial year ended on March 31, 2022. I have with me, our CFO Raman along with Manu and Abhishek.

Our result table and analyst presentation has been uploaded on the stock exchanges on our company’s website. Hope you all had an opportunity to look at that.

I am pleased to say that we have successfully completed disinvestment of our home textile business effective April 2, 2022 as planned. The total consideration realized was 608 Crores subject to customary adjustments.

Many of you track us and underline industry very closely. Let me present some of my thoughts on the same. Globally, soda ash demand has stayed strong due to revival of economy and strong growth in downstream segment and emerging applications likes solar glass; however, on the supply side, we have seen a lack of flexibility for capacity to match this growth in requirements.

There are number of causes for this, foremost is a closure of some capacity in China then there is an issue of higher supply chain related cost and at the base of it the fact that no fresh investment has been undertaken in the last few years anywhere in the industry. Thus, we are of the opinion that this situation will persist at least during this year. Having said, we need to be watchful for on the global demand scenario going forward and monitor for adverse impact on business momentum due to high cost of energy.



GHCL Limited
May 02, 2022

We have presented our vision in chemicals and are absolutely working towards accomplishment step by step. We continue our focus on the Greenfield project in soda ash, the sodium bicarbonate expansion, product basket expansion and cost optimization and to build efficient coverage of raw material and we shall update you in the timely fashion.

Moving on in the spinning business, there is a sign of slowdown in the demand due to very high cost of cotton; however, we believe that going forward the demand situation will revive and some of the contributory factors supporting our convictions are the “China+1 strategy being followed by the key buyers and chains, the situation in Sri Lanka and also in Pakistan and likely FTA that will be signed by India with UK and Europe.

Our focus on the spinning business is to expand our capacity gradually, this will be supplemented by the investment in green energy to have a better control on cost of energy, where we have a target to meet internally up to 85% of the power requirement, our strategy as we have shared earlier, will also see us move the share of premium offerings from 60% to 80% within sales. Further to share a corporate update our progress on the demerger of the chemicals and spinning business is as per schedule and we hope to complete it by 3rd Quarter of this year.

Thus, I have covered what I wanted to convey. Now, I would like to request Raman to share with you the performance of the quarter and for the year ended March 31, 2022. Over to you Raman!

Raman Chopra:

Thank you very much, Sir. Good evening, everyone and a very warm welcome to all of you in our Q4 earning call for FY2022. I will share the financial highlights and segmental performance for the quarter ended March 31, 2022.

The results of the home textile business have been disclosed as profits from the discontinued business. Accordingly figures for all prior periods have also been reclassified and disclosed separately.

Revenue for Q4 FY2022 came in at Rs.1279 Crores as compared to Rs.723 Crores in the corresponding quarter of last year. This is a growth of 77% on year-on-year basis. On a sequential basis, the revenue increased by 27% from Rs.1006 Crores in Q3 FY2022. EBITDA for the quarter stood at 411 Crores, which is a significant increase of 113% from Rs.193 Crores in Q4 FY2021 and by 64% from Rs.251 Crores in Q3 FY2022. This represents an EBITDA margin of 32.1% for the current quarter as compared to 26.7% in Q4 FY2021 and 24.9% in Q3 FY2022.



GHCL Limited
May 02, 2022

Profit after tax including discontinued operation for the quarter stood at Rs.260 Crores compared to Rs.104 Crores in Q4 FY2021 and Rs.163 Crores in Q3 FY2022. This demonstrates a very strong performance across all financial parameters due to strong beat in the underlying business.

Let me now share the segmental perspective. In the inorganic chemical segment, we have reported revenue of Rs.1001 Crores during the quarter, which is up by 89% as compared to Rs.531 Crores in the corresponding quarter of last year. EBITDA for the quarter stood at Rs.338 Crores as compared to Rs.142 Crores in Q4 FY2021, which translates into EBITDA margin of 33.7% in Q4 FY2022 as compared to 26.7% in the same quarter of last year. The reason for this strong performance in soda ash business is due to combination of volume growth and also due to price increase undertaken in the last few months to offset the inflation in cost. This led to better margin as increase in prices has more than offset the increase in input costs.

The performance of our textile business continues to be robust. As a result, revenue from the current quarter stood at Rs.278 Crores as compared to Rs.192 Crores in the corresponding quarter of the last year and Rs.241 Crores in the last quarter. This translates into a growth of 45% on a year-on-year basis and 15% on a sequential basis.

EBITDA came in at 73 Crores as compared to 51 Crores in the same quarter of last year and 69 Crores in the last quarter translating into EBITDA margin of 26.4% as compared to 26.7% in Q4 of last year. This is due to strong demand for yarn and high spreads despite elevated cotton prices. We have been able to achieve better realization due to our focus on product basket expansion and value-added products.

For the quarter ended, our net debt stood at Rs.543 Crores as compared to Rs.722 Crores at the end of last year. This represents a net debt equity ratio of 0.18 times.

With this, I conclude my comments and would now request the moderator to open the forum for questions and answers. Thank you very much.

Moderator:

Thank you very much Sir. Ladies and gentlemen, we will now begin the question-and answer session. The first question is from the line of Vikas Kasturi from Focus Capital. Please go ahead.



GHCL Limited
May 02, 2022

- Vikas Kasturi:** Good afternoon, Sir and congratulations to you on a fantastic performance. My first question is how were the spot prices for domestic soda ash determined?
- R S Jalan:** Good afternoon Vikas. Currently the spot prices are in the range of around Rs.34000.
- Vikas Kasturi:** My question was more like is it traded on MCX or some exchange like that where these prices are determined?
- R S Jalan:** No, it is not like that.
- Vikas Kasturi:** Okay and what would be your mix between spot and contract? How much of your volumes would go on spot and how much on contract?
- R S Jalan:** Vikas, generally it used to be around 30% of the fixed and 70% used to be the spot. Out of this 30% used to be mix of yearly, six monthly and quarterly, now over the period of last few months, I would say that we have moved from yearly to six months and that is why we are softening the fixed contract period but at percentage of 30% still remains.
- Vikas Kasturi:** Okay and last question Sir, what is the status of the anti-dumping duty on soda ash?
- R S Jalan:** Vikas, there is no anti-dumping duty as at this point of a time in soda ash.
- Vikas Kasturi:** So, does that mean that imports from say Turkey could come into India and be cheaper than the Indian prices?
- R S Jalan:** No Vikas, at this point of a time, the imports are costlier than the domestic prices.
- Vikas Kasturi:** Would you know, what is the price of that Sir per tonne, the import price?
- R S Jalan:** No, it depends on the customer to customer, and it depends on with the contracts, when the contracts have been done and in India at this point of a time, not a very large volumes are coming from any part of the world, except those volumes which are already been contracted longtime back otherwise no.
- Vikas Kasturi:** Thank you. Thank you for answering my questions.
- Moderator:** Thank you. We have next question from the line of Dhaval Shah from Svan Investments. Please go ahead.



GHCL Limited
May 02, 2022

- Dhaval Shah:** Congratulations on green numbers. Just one question from my side, by when we receive we are going to receive net proceeds from sales ranging out?
- R S Jalan:** Out of that 50% we have already received before March and the balance 50% we have already received in the month April, at this point of a time, almost the 90% except some small amount which have been kept in escrow around Rs. 10 Crores or Rs. 11 Crores.
- Dhaval Shah:** Okay, so 50% received and almost the amount to be received so far was totally how much?
- R S Jalan:** Approximately 600 Crores.
- Dhaval Shah:** Okay, so the tax would be after this, right?
- R S Jalan:** Yes.
- Dhaval Shah:** Okay and so near at 560 Crores net debt as per the presentation roughly, so what would be the figure by June or September do we intent to 80 basis or keep cash in escrow?
- R S Jalan:** At this point of a time, it is very difficult to predict but likely to happen by September 2022; however, let me give you some sense on this, as you know that overall the raw material prices has gone up in the soda ash prices has gone up, so some amount of this resources will be utilised for the purpose of working capital also because coal prices have gone up from \$150 to \$300, so some portion will get the price here. For the end of the year of 2022 means March 2022, we have approximately around 200 Crores in the balance sheet cash balance because we got this money from the account at the end of the last week of March 2022. How the number will span out that we will see going forward and we know that dividend is also had to be paid.
- Dhaval Shah:** Yes, correct. My second question is about the capex, now the Greenfield capex for soda ash which they are going to undertake, can you share some timeline in terms of how the cash outgoing will be seen from the balance sheet towards the Greenfield capex and by when should we see the outlook from the new plant?
- R S Jalan:** The large investment will happen only from 18 months onwards and that to you can say 2024-2025 some portions will be there, and the major portion will be 2025, so from that perspective in this year 2022-2023 only the margin is investment in the form of from a small land or some from the basic engineering and things that will happen, so not a very large in this year.
- Dhaval Shah:** Okay, so could you quantify the capex for this year in 2023, 2024 and 2025?



GHCL Limited
May 02, 2022

- R S Jalan:** Right now, I do not have the numbers, Raman you have numbers if you could share?
- Raman Chopra:** For this year, you are technically asking about Greenfield this year will not be more than Rs. 50 Crores, next year probably we can end up may be around 300 Crores to 350 Crores kind of number we can anticipate 300 Crores kind of number but that is what the green, but we have got other capex lined up for both soda and textile during this year.
- Dhaval Shah:** Okay, so that would be, so that would lead to how much total capex and also, I want to know the cost of this first leg of 5 lakh of tonne?
- R S Jalan:** First leg 5 lakh tonne, the cost is approximately around 3500 Crores which like Raman said that major portion of that will get spent two years from here.
- Dhaval Shah:** So, this year FY2023-2024 total capex will be how much?
- Raman Chopra:** In 2022-2023, the total capex would be something like around Rs. 550 Crores outflow. I am talking about the outflow.
- Dhaval Shah:** Yes, the capex outflow, further to that 50 Crores will be given Greenfield and the rest towards some debottlenecking and textile including, right?
- Raman Chopra:** Yes, this includes both textile as well as chemical, so approximately 350 Crores towards the textile around 200 Crores towards the chemical business.
- Dhaval Shah:** Okay for chemical. Okay, got it Sir. Thank you.
- Moderator:** Thank you. We have next question from the line of Rohit Kumar, an investor. Please go ahead.
- Rohit Kumar:** Good after Sir and compliments for recommending the special dividend to the investors, I have just heard that you have announced that 3500 Crores is the capex which we saw roughly about Rs. 70,000 per tonne of capital cost, does it include the backward integration infrastructure and sodium bicarbonate also?
- R S Jalan:** No, it does not include back integration like captive salt and those kinds of a thing are not included in this and neither the sodium bicarbonate.
- Rohit Kumar:** So, what could be ballpark number attributable to that on top of 70,000 per tonne?



GHCL Limited
May 02, 2022

- R S Jalan:** If you look at in terms of backward integration if you go for a 100% that number will be much higher, however if the kind of a size which we have for the backward integration we can assume another Rs. 15,000 minimum to be added into this to have a backward integration. I am giving you just ballpark number.
- Rohit Kumar:** Obviously, so which means that this translate that our current capacity of 1.1 million tonne is almost 10,000 Crores replacement value, am I right?
- R S Jalan:** That number you can calculate, I can just give you the number what it is likely number which can be.
- Rohit Kumar:** Surely and my second question is that in the presentation we have sodium bicarbonate of 1.2 lakh tonne going froward, what is the EBITDA per tonne for sodium bicarbonate if you can elaborate?
- R S Jalan:** There are two things, in the sodium bicarbonate is more of its specialty chemical, so we are moving this is specific you know, the uses of this sodium bicarbonate is also being envisage for the flue glass treatment and EBITDA per tonne if I convert it into the soda ash number, it will be 1.4 to 1.5 times roughly around 1.4 times of this contribution soda ash EBITDA.
- Rohit Kumar:** This is really happening that almost 10% of our volumes would be now contributed by a value added or a specialty chemical, would sense that we have to grow this segment in two years to three years as a market at GHCL?
- R S Jalan:** See like I said in the past also the flue glass treatment is a huge opportunity in the sodium bicarbonate uses, however, that because of the COVID, NTPC was trying this product into various of their power plant but because of the cost special at this point of a time, we have slowed down but still some trial has already been started there, the moment this flue glass treatment is been stabilized then we are seeing a huge opportunity in this but still the growth into the sodium bicarbonate last four years to five years is more than around 8%, so I clearly see a very good opportunity in the sodium bicarbonate going forward and here the capex is also not very large capex is required, for 60,000 tonnes, we have just you can say approximately cost will be Rs. 30 – Rs. 40 Crores only.
- Rohit Kumar:** So, that is a good ROCE?
- R S Jalan:** Yes, there is a very good ROCE of this.



GHCL Limited
May 02, 2022

- Rohit Kumar:** Sir, my last question is now with the Greenfield on the target next two years to three years, are we only contemplating soda ash into that Greenfield, or any other chemical has also been added to it?
- R S Jalan:** No, we have already said in the past also that we are working some of the bulk chemical of along with it and that bulk chemical will also be get added to this baskets over a period of time along with some of the other chemical, some of the other things also we are looking at and hopefully those things will add to the kind of a basket of the project on that project.
- Rohit Kumar:** And these all-new products will come along soda ash immediately or that will take further time?
- R S Jalan:** No, from my understanding it will take it should come immediately after the soda ash is coming, there the investments are not going to be very large.
- Rohit Kumar:** Okay. Thank you very much for taking time for my questions.
- Moderator:** Thank you. We have next question from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.
- Sarvesh Gupta:** Good afternoon, Sir and thanks a lot for taking my question and congratulations for a very good set of numbers. In the last call, you have said that the realization has increased by around 6000 odd tonne in soda ash, so has there been any further increase in realization and against the cost how is it panning out against the cost increase per tonne?
- R S Jalan:** In last few months, I think the total increase in the soda ash price is around Rs. 11,000 and beyond that during this quarter also in the month of April there is another increase of around Rs. 2,000 and in terms of the cost of course the cost is also increasing particularly the energy, so my sense is that whatever the cost increase is happening we have been able to pass on that cost to the consumer.
- Sarvesh Gupta:** In this level of EBITDA per tonne given the tightness you said that at least for a year there should persist, so this level of EBITDA per tonne should persist for a year?
- R S Jalan:** I think so yes.
- Sarvesh Gupta:** Understood Sir and secondly, I could not understand fully the capex plan, so 550 Crores is 50 Crores is Greenfield, 500 Crores is for the existing business, 300 Crores ground field, 200



GHCL Limited
May 02, 2022

Crores textile but this does not include your sodium bicarbonate and other things, so what is the exact plan over there and also for the next one year and two years, what is the capex plan?

R S Jalan:

Raman, can you clarify this?

Raman Chopra:

Yes, I will clarify, for this year the capex plan is 550 Crores of which Greenfield is around Rs. 50 Crores also sodium bicarbonate that 30Cr expansions we are doing that is also included, in addition to that there are other projects in the chemical side which are relating to salt improvement and some capacity enhancement in lime kiln and all and some AI digitization initiative, so those are the expenses capex which we are doing on the chemical side all put together Rs. 200 Crores which includes Sodium bicarbonate, which includes Greenfield Rs. 50 Crores and which includes some salt yield improvement project also, so that is the part of 200 Crores. In addition to that, we are going to have a plan of 350 Crores on the same side which will have our previous 40,000 single project is getting completed a balance payment of that and we have already got another sanction 41,000 spindles spend on that, both put together will be approximately 260 Crores, in addition, we will be putting our solar energy which is around Rs. 45 Crores and then there are certain small debottleneck project that spend will be there, so all put together in textile will be spending around Rs. 350 Crores this year. I hope I have been able to clarify.

Sarvesh Gupta:

Yes, what about backward integration, is that included in 200 Crores of inorganic?

Raman Chopra:

Yes, that is what, when you say backward integration in this particular current location, we are looking at salt yield improvement, so that is included in this, salt yield improvement is three years to four years project which spend some money last year we will be spending some money this year and next year also we will be initiating some money from spend on the capital, that will help us improving our salt yield at our capital mind which will help the organization. In addition, to that would be building our improving our capacity on the lime kiln area because of our production has gone up, so that will also strengthen the requirement after that spend there is also included in this.

R S Jalan:

I just wanted to add what Raman has just said few things; one; captive salt yield improvement we see a huge opportunity on this front, almost the capability of producing this captive salt will just double it in next two years' time, so that is the huge backward integration either you can say, the dependability of buying the salt from outside will significantly reduce, that is number one. Second, limestone we are looking at a possibility of a Rajasthan limestone this is course the capex requirement will not be very larger but of course that will not happen this



GHCL Limited
May 02, 2022

year but the work is going on that to have large reserve of limestone into the Rajasthan state, so that way we are trying to build the backward integration.

Sarvesh Gupta: Understood Sir and on the Greenfield side now we have been talking about Greenfield since at least four years, so do we regret that we have moved on this at a very slow pace and now when the markets have really turned up for soda ash, we do not have any excess capacity?

R S Jalan: I do not think, personally I do not regret on for the past, you see ultimately we have to take a judicious decision at the time when we are taking a decision and regretting something after the time is passed, I do not think that is the right approach, at least we will not have that approach, yes gives us kind of opportunity of expediting the progress if we can do that.

Sarvesh Gupta: Understood Sir. Thank you again and all the best.

Moderator: Thank you. We have next question from the line of Rohit Sinha from Sunidhi Securities. Please go ahead.

Rohit Sinha: Thank you for taking my question, Sir. First of all, congratulations for good set of numbers. Two things, one is what is your thought process in being such a downstream and further into products you were talking about caustic and chlorine business last time so what is the development in that phase?

R S Jalan: So far as the caustic and chlorine is concerned, as I had mentioned in the past also that expert has been appointed and they are working on this project and we are going very closely with the consent and hopefully in next three months to four months we will be able to firm a prospects on the caustic and chlorine, like I said this caustic and chlorine project will also be coming into the current Greenfield project which we are talking about and that will happen along with the side by side of the soda ash.

Rohit Sinha: Okay got it. As you are talking about the price as you have mentioned that Q4 also this gives 2500 to 2600 kind of per tonne price increase was there so will it be possible just to know how many price hikes you have taken in Q4 and the number of price hikes which we have taken and do you believe that these prices will sustain in the near term concluding first of all obviously US supplies and also if you can just touch upon what is the current situation in the Turkey side considering the current location there?

R S Jalan: Two things, from one side in terms of the Turkey which you have just said, we do not see any large volume is coming into Indian space except those volumes which has already been



GHCL Limited
May 02, 2022

contracted by the global players, be it Turkey or be it Europe or be it US, so therefore the demand situation is going to be tight going forward and therefore the prices, if I say today I have just said that today the domestic prices are cheaper than the landed prices of the soda ash coming from outside India. From that perspective I personally believe these prices are going to be sustainable unless something drastically happens which is we cannot visualize at this point of a time or there is a demand construction happens going forward which probably in another one year or 18 months at least we do not see that, if that happens then probably there could be kind of a challenge otherwise these kind of a margins, these kind of a prices should be sustainable at least for one year or one and a half years kind of a thing.

Rohit Sinha: Okay and as you said that domestic prices are cheaper as compared to import, so does that provide further of our dividend in the domestic prices as it?

R S Jalan: At this point of a time, it is difficult to say that because you see ultimately, we have to look at the customer's point of view also and therefore at this point of a time I do not think I will be able to come and turn this.

Rohit Sinha: Okay, that is all from my side. Thank you.

Moderator: Thank you. We have next question from the line of Rohan Gupta from Edelweiss. Please go ahead.

Rohan Gupta: Good evening. This question is on current scenario on soda ash which is favorable industry and as you mentioned that the capex of roughly 3000 Crores for a 5 lakh tonne plant, so in this scenario also, in the current scenario do you see that the payback period will be lucrative enough to justify the current ROCE and will you see with the rising soda ash prices there may be more Greenfield capex announcement may happen in the industry because that is always is the case in the industry favorable company go for the capex plans, so do you see that on both the side that, if you can share your outlook on that?

R S Jalan: Rohan, thank you very much because this is a very, very pertinent question which you have raised about the viability of Greenfield project, my question is unless the margins and the range of what we have the margins right now, no project Greenfield project will be viable, so these kind of a margins are required for a new Greenfield project and therefore my personal believe is this kind of a margin will be sustainable for a longer period of time. Just now I have said if you want to set up a plant along with the captive backward integration, the kind of a project cost you are talking about unless you have exceptional margin, you will not be having any ROCE or good ROCE and obviously you are looking for decent ROCE for a new



GHCL Limited
May 02, 2022

investment. Second, if somebody decides to set up a plant, you know that there is a large competition which has taken seven years even in our case also almost two years has already been strength on the land acquisition and various approvals, so minimum requirements of any plants to come in will require five years in Indian scenario, so you can visualize that how the scenario will look like going forward. I hope I have been able to answer your question on this.

Rohan Gupta: Yes, so you have mentioned that if I just want to understand dynamically it will be more of Greenfield plant, 3000 Crores is without any kind of backward integration I am talking about I mean up to the mining stage it does not include that, it is only for the plant including power plant, right?

R S Jalan: Yes, like you said overall the total cost which we are talking about 3500 Crores is primarily the soda ash plant, we are not talking about salt, or we are not talking about limestone and things like that, we are not talking about that, that will be over and above this investments.

Rohan Gupta: If you can put some number, I will come back in queue further. With the Rs.3500 Crores capex and right now the EBITDA will be in the range of Rs.10000 to Rs.12000 per tonne if you do not expect that soda ash prices will go up further. So, with the Rs.10000 per ton and Rs.35000 Crores the ROCE's will be still low single digit number. As you said that the margin should be in line with the current margin. How you see that dynamics of this new project will work, I am still not able to understand, Sir?

R S Jalan: Rohan, I just try to answer in the range I understand this. Overall, if you look at the soda ash industry, if you are looking at an ROCE for next one or two years or three years after the plant is being set up surely what you rightly said the numbers of ROCE will be on a single digit. But you have to look at this business more of a slightly longer-terms. If I look at the business from 10 years, 15 years that kind of a number this number will be good and the IRR what number we have calculated,

Raman Chopra: Yes, IRR is 17% and even ROCE on a longer period of time will be 20% kind of number and that we have done not on current margins that we have done on a conservative margin lower than the present margins. We can share these numbers in case whoever wants there we can share with him offline.

R S Jalan: No, Raman basically what Rohan was talking about is to understand that how the dynamics looks like, the broader number we have given Rohan, on longer-term basis IRR is around



GHCL Limited
May 02, 2022

17% and return on capital will be in the range of around 18 to 20% on a slightly longer-term but if you are talking of one to two years then definitely these numbers will be lower.

- Rohan Gupta:** Right, fine. Thank you, sir. Thank you. Thank you so much.
- Moderator:** Thank you. We have next question from the line of Jatin Kumar from Alpha Capital. Please go ahead.
- Jatin Kumar:** Thank you for taking my question and congratulations for very good set of numbers. When you speak spot prices are currently around Rs.34000 per ton, I just wanted to check in Q4 what was our realization, was that similar to this number or was it bit less than this?
- R S Jalan:** It was lower than this number in this, because you know that there are some concepts which on a six monthly or three months, so obviously the increase which has happened wherein in the entire quarter it has happened.
- Jatin Kumar:** Can you please quantify that number?
- R S Jalan:** No, I do not think that I will be able to give the numbers.
- Jatin Kumar:** We have taken a price hike in April is what?
- R S Jalan:** Yes.
- Jatin Kumar:** Sure sir, and any more increase in electricity price and other things which can be a hurt for margin of do we think margins may even improve from the strong Q4 numbers?
- R S Jalan:** My understanding is that the current margin what we have achieved in Q4 will be a sustainable margin. On one side the raw material prices also have gone and on the other the soda ash prices have also gone up, overall, maybe slightly better than the Q4 numbers but ballpark there must to be in the same range.
- Jatin Kumar:** Sure Sir, and any more color on de-merger, when can that how is the timeline going on that front?
- R S Jalan:** It is going as per the schedule, CCI approval and stock exchange approval has come in and now during this week we will be filing with NCLT and hopefully by third quarter of this year we will be in a position to have both these companies separately listed.



GHCL Limited
May 02, 2022

- Jatin Kumar:** Sure Sir, and in the next year any kind of volume growth you would like to guide us?
- R S Jalan:** In textile definitely the volume growth will be there, because these 40000 spindles will get commissioned in the third quarter with that volume growth will be there. The soda ash, sodium bicarbonate some volume growth will be there and overall soda ash marginal growth of volume may also happen.
- Jatin Kumar:** Sure Sir, thank you and all the best.
- Moderator:** Thank you. We have the next question from the line of Saurav Jain from HSBC. Please go ahead.
- Saurav Jain:** Thanks for the opportunity. I have a few questions on the global soda ash. Sir, can you help us in the stand, there was some discussions of some capacity in US coming on screen, with Granger, any update on that, is it coming or is it not coming, how is it?
- R S Jalan:** We also have heard that new capacity is coming in US and even we have heard some of the capacity is coming in Mongolia. But all these capacities any likely color of this capacity will be beyond two years down the line. Second thing you must understand that on the other side there will be a huge demand of the solar glass across the globe and particularly now because of this geopolitical system, geo-consulate lot of focus has been also started happening about the green energy, solar is one of them. Second, you know that the lithium battery also there is huge requirement likely to happen in that area also in our capacity. So, I do not see supply increase will have any major impact on the new capacities coming in at least for next two years I do not see that, only concern which I have personally is one; whether because of very high commodity prices including soda ash, including all other commodities and because of that inflated increase whether some demand contraction happens to what extent it happens that will only to be seen. But at least for the newer terms of maybe around a year's time I do not see that having a very significant impact but going forward we do not know.
- Saurav Jain:** That is helpful, and can also quantify how much will be these capacities in Mongolian Granger, any numbers from that?
- R S Jalan:** We are talking about a very large capacity but probably in 2024-2025 some volume can come in from Mongolia and they are talking of about almost 5 million tons, that will take some time, and second thing even if the global demand grows by 2% you need one and a half million tons of soda ash consumption, if I am not taking solar glass nor I am taking lithium battery, in normal demand of 2% you require approximately around 1.2 million or 1.4 million



GHCL Limited
May 02, 2022

tons of extra requirement every year. Second, some of the non-competitive plant as you know in China has also been stopped overall, I do not see any major threat coming because of this new capacity is coming in which will take at least three – four years from now.

Saurav Jain: Just to continue on this, like you said there is no need to talk which will be added over next two years and probably utilization credits also running quite high. Do, you see a scenario of globally there a bit shortage of soda ash, that was to happen which NDU segments might face these shortages?

R S Jalan: Some marginal capacity definitely will come here and there, but I do not see any major capacity coming in and today one of the challenge which I see on Indian space at least for a detergent side, because detergent the people are not been able to pass on the cost to the consumer, other industry like your glass or the bottle glass are doing good, so I do not know how this will shape out to the glass industry but we can see definitely price rise of raw material including soda ash and other chemicals as well.

Saurav Jain: Fair point, and lastly in China this capacity that has gone away what is the possibility of this coming back in the market when you start to face the shortages for the garment segment?

R S Jalan: That has been permanent start and at least for next two years we are not seeing the capacity coming in after two years re-locate to some other location and then it may but not for next two years.

Saurav Jain: Okay, and if I may squeeze in one last question, how much is the demand phase for the glass as of now for soda ash?

R S Jalan: Sorry, can you repeat your question?

Saurav Jain: What is the demand now for soda ash into the solar guide glass?

R S Jalan: Solar glass?

Saurav Jain: Yes.

R S Jalan: Right now, I do not have a ready number.

Saurav Jain: Okay, no problem. Thanks a lot. That is all from my side.



GHCL Limited
May 02, 2022

- Moderator:** Thank you. We have the next question from the line of Sangeeta Purushottam from Cogito. Please go ahead.
- Andrey:** This is Andrey, Sangeeta's partner. First of all, congratulations for absolutely great results to you and congratulation to you and Raman Ji. My question was really a follow up question on the global demand and supply situation, so my first question was if the demand without soda glasses and lithium batteries around has been globally inlining about 2%, what additional percentage you anticipate coming from these two areas and the second question is could you tell us a little bit more about the supply and demand situation in specific geographies being China, Southeast Asia, South Asia, and Turkey?
- R S Jalan:** My understanding at this part of the time is that demand has just recovered to the pre-COVID level and when we say 2% of the demand goes obviously some of the countries, we have to see a major increase which is one is India and second, we are seeing China and to some extent we are seeing in South America as well.
- Andrey:** My question that how much does demand hit augmented by the new users does it lithium batteries and glass?
- R S Jalan:** When I say 2% of the demand which we are not talking about the lithium battery or the solar glass, I am talking about that demand will be in addition to this 2%. This 2% I am talking about is more on a normal demand growth into the various traditional users.
- Andrey:** I understand that my question really is if 2% traditional users you have some idea as to what it could go to with the additional of glass and lithium batteries?
- R S Jalan:** Anybody's guess, at this point of a time I have been told that this could be in the range of around, maybe I do not that the number will come from the percentage but probably on how the solar glass introduction happen in India and China or this number could be much higher, this number I could not be able to tell you.
- Andrey:** How would be supply and demand situation in Southeast Asia, China, and Turkey?
- R S Jalan:** Every where the demand supply situation is tight overall, any part of the world.
- Andrey:** Okay, there is no immediate set of any supply impacting India in the near future, right?
- R S Jalan:** No, we do not see at least for the next one year any increase in supply into India from any part of the world whatever we can do increase the production here that will be the only thing.



GHCL Limited
May 02, 2022

- Andrey:** Thank you very much.
- Moderator:** Thank you. We have the next question from the line of Anurag Patil from Roha Asset Managers. Please go ahead.
- Anurag Patil:** Thank you for the opportunity. Sir, if you can share any outlook on the spinning margins for next couple of quarter that will helpful?
- R S Jalan:** Thank you very much. This is very pertinent question, like I said in soda ash we are very firm that going forward at least for one year the scenario will be positive, on the other side of the spinning side though the demand looks to be good which I said in my opening remark as well. However, the margin definitely are going to be lower than what we have achieved last year primarily because last year we are in advantage of lower cost in prices and higher realization, this year cost in prices has gone up very significantly higher and that will definitely have an impact on the margin of staining going forward. Last year at least the number is around 26%, roughly this year our number should be in the range of around 20-22% kind of a number we should be achieving. But one thing which we are doing probably will help us, like I said investing into the solar energys that is really helping us because you know that energy price has gone up because of power cost also has gone up, but we are almost now around 70% of our requirements are met through the green energy that will have an advantage. Second, our shifting from a commodity of spinning to more towards the value-added segment or the premium customers and that is also helping that is why I am saying approximately around 20-22% kind of a margin we will be clocking next year.
- Anurag Patil:** Okay, and on soda ash side what was our utilization level in Q4?
- R S Jalan:** It is almost around at a peak 98-99%.
- Anurag Patil:** Okay, that is it from my side. Thank you very much.
- Moderator:** Thank you. We have the next question from the line of Yogesh Tiwari from Arihant Capital Market. Please go ahead.
- Yogesh Tiwari:** Good evening, sir, and congratulations for a good set of numbers. I had one question on the global scenario. So, if you just look at Europe it is like 12 million tons of production of soda ash. What do you think are you seeing any disruption in production in Europe because of the problems in energy, for example, if I take Polish manufacturer CHIECH or Russian manufacturer, are you seeing any disruption in Europe for soda ash?



GHCL Limited
May 02, 2022

- R S Jalan:** Very valid question and very valid question and fortunately Poland as well as Bulgaria which we have heard the news that the gas supply has been stopped. They are mostly on the coal both the soda ash plants in Poland and Bulgaria are on the coal at this point of the time we do not see any production disruption or any consumption disruption into Europe.
- Yogesh Tiwari:** Sure Sir and finally just one like there are some Russian players as well like JSB soda and other players, any disruption on their side for production?
- R S Jalan:** At this point of the time, we are not seeing any disruption in the soda ash production or the consumption across the globe including Russia.
- Yogesh Tiwari:** Okay, thank you.
- Moderator:** Thank you. We have the next question from the line of Rohit Kumar an individual Investor. Please go ahead.
- Rohit Kumar:** Thank you for taking my question again. Just one question, what is the value-added segment in the spinning percentage to do overall revenue and what was it maybe a year or two year earlier?
- R S Jalan:** You are right Rohit, thank you again. We have moved in a very significant manner in the value-added segment in last three years. At this point of the time approximately around 60% of our products are in the value-added segment which we have the plan to move to 80% going forward.
- Rohit Kumar:** What was it may be two years back?
- R S Jalan:** It must be something around 20% or less than 20%.
- Rohit Kumar:** That is a remarkable achievement. I am sure the value-added segment is much higher margins compared to the normal margin.
- R S Jalan:** 100% there are two advantage we see in that one advantage is your margin fluctuations get reduced, because when you are dealing with the premium customer where you have the high-quality expectation is high type of product automatically you are not leading with the market fluctuation into those products, that is one advantage we did and second obviously these products have better margin than the commodities.



GHCL Limited
May 02, 2022

- Rohit Kumar:** Also, as we are growing almost 50,000 spindles there is enough market for value added segment going forward that will be 80,000 spindles can also be on value added segment?
- R S Jalan:** That is where we are focusing one, margins are falling for the value segments at a large and we are also adding the new product like the 40,000 spindle which we will have in third quarter of this year where all we are talking about different product which are most sustainable and more of synthetic and cotton base which has a different usage. That kind of thing we are doing where we are seeing a clear weakness in our product definitely that will have a unique advantage to us in the margin as well.
- Moderator:** Thank you. We have the next question from the line of Saket Kapoor from Kapoor and Company. Please go ahead.
- Saket Kapoor:** Namaskar Sir and thank you for the opportunity and commendable set of numbers and also the dividend payout and the special dividend all going very well for investor and thanks a lot to the team for the hard work as we can see the results in front of us. Sir, you have very specifically mentioned about the salt yield improvement part, what kind of fixed cost reduction can be expected going forward and how is the bottom line going to benefit from the salt yield if you could dwell more on and when will this get improved into commission phase for our existing capacity?
- R S Jalan:** Saket Ji, if I can say in one line the moment, we will achieve this stream we will have a bottom line hit of around Rs.200 Crores.
- Saket Kapoor:** Bottom gain up to Rs.100 Crores annually?
- R S Jalan:** Rs.200 Crores of the bottom-line gain can be hit into the bottom line and that probably will take another two-year time, hopefully next year some gain will be there not 2022-2023, because this salt yield the season starts from the month of November – December, so some benefit may happen this year but maximum benefit will happen next year and year after that. That means in the next two years we will have an advantage unless weather conditions becomes so bad otherwise, we should have approximately in two years we will have a hit of around Rs.200 Crores into the bottom line.
- Saket Kapoor:** But gain of Rs.200 Crores not hit there; we will be gaining Rs.200 Crores advantage?
- R S Jalan:** Yes advantage.



GHCL Limited
May 02, 2022

- Saket Kapoor:** Sir you are saying hit, hit means loss, sorry for correcting?
- R S Jalan:** That means loss for you but for me it is positive.
- Saket Kapoor:** No, that is what I am correcting Sir, out of this project we are going to gain Rs.200 Crores just on the implementation of this salt yield improvement. Pardon sir, what is the capex we are spending on it?
- R S Jalan:** It is approximately my guess is around Rs.100 Crores.
- Saket Kapoor:** And we have spent how much, sir?
- R S Jalan:** Right now, Saket we do not have ready numbers.
- Saket Kapoor:** Raman Sir, we have the exceptional item of Rs.25 Crores loss on the standalone numbers, can you explain me what is that account for?
- Raman Chopra:** This is basically our investment in Grace home fashion in US subsidiary because now we have liquidated our home textile business whatever investment is lying there that is being written off because on overall basis we have gained as compared to the books so, all the investment are liquidated that is the exceptional item we have taken.
- Saket Kapoor:** Right Sir, and for this year March 31, 2023 any new capacity for soda ash i.e. 50,000 tons more will be coming on stream for our existing facility or every brown field extension is on track and has been commercialized?
- Raman Chopra:** Everything has been already completed and Mr. Jalan has mentioned in his remarks there is some efficiency improvement and you may have some improvement in volumes coming in. But major improvement will come in the RCB side which is sodium bicarbonate.
- Moderator:** Thank you. We have the next question from the line of Amit Shah from Taurus Corp. Please go ahead.
- Amish Shah:** Congratulations on a great set of number. Sir, can you share some light on the volumes during the fourth quarter and full year?
- R S Jalan:** We have given you the indication of approximately around 98% kind of utilization that kind of the numbers are there in the year as a whole and our volume this quarter is up by as compared to the same quarter last year our volume has increased by something around 13%.



GHCL Limited
May 02, 2022

- Amish Shah:** 13% okay and sir about the debt position that you have are we comfortable with the existing debt or are we planning to take it off further given the cash flows?
- R S Jalan:** At this point of the time, we have only net debt of around Rs.550 Crores which is very small in terms of the number and we are definitely comfortable with these numbers.
- Amish Shah:** Okay fine, thank you.
- Moderator:** Thank you. We have the next question from the line of Satyam Wadhwa from Perfusion Capital. Please go ahead.
- Satyam Wadhwa:** My questions have been answered. Thank you.
- Moderator:** Thank you. We have next question from the line of Vignesh Iyer from Sequent Investment. Please go ahead.
- Vignesh Iyer:** Congratulations on good set of numbers. I have two questions, first pertaining to the internal as in the capital power you have got, you mentioned to a investor who asked you a question that 70% of the total requirement is being in captive power, right? So, as I went through your presentation here it is written that there is 6.5 megawatts renewable energy project for inorganic chemicals and 10 mega Watt under implementation for textile and for the year ended FY2023 total renewable energy at 55 megawatts catering to 75%. Is this 10 mega Watt and 6.5 mega Watt included in this 57 megawatts?
- Raman Chopra:** There are two parts to this power; for our textile business what we have mentioned is we are with expanding with 10 megawatts last year we have invested 20 mega watt of solar energy and we have reached almost 65% of our entire spinning energy requirement is net to green initiative. Now, with this new 10 mega Watt we will be reaching around 75% and our ultimate objective is to reach around 85% through green or a renewable energy that will be one initiative. Now, in our chemical business the entire energy of ours is produced through the captive sources, so we produce steam and with steam we generate power that is used. However, to go green there we are implementing one more initiative in our chemical business where we are going in with a 6.5 mega Watt of renewable energy which will be a mixed project, it will have solar as well as it will have wind. So, that is the new initiative which we are taking in the chemical side. Hope I have been able to clarify.
- Vignesh Iyer:** Okay, just one thing I understand 85% for the spinning section but inorganic as of now on traditional 100% plus renewable of some incentive company on lease?



GHCL Limited
May 02, 2022

- Raman Chopra:** Yes, it will be owned.
- Vignesh Iyer:** Okay fir, thank you. One more question, net debt position of your company which is around Rs.500 Crores, is it after taking into consideration the Rs.600 Crores we are going to receive from ICIL or that net debt is without that?
- Raman Chopra:** Net debt is as I said we have received 50% around Rs.300 Crores before 31st March that is included there the remaining money remaining money can come post 31st March if not as a part of this.
- Vignesh Iyer:** Okay, got it. Thank you and all the best further.
- Moderator:** Thank you. We have the next question from the line of Rohit Nagraj from Emkey Global. Please go ahead.
- Rohit Nagraj:** Thank you. The first question is what was the soda ash March exit price and was there any coal cost compact during Q4 and have we witnessed the same in current ongoing quarter? Thank you.
- Raman Chopra:** We will not be in a position to disclose the exact selling price. As far as the energy cost is concerned there has been an increase in some new purchases of the energy cost but please understand that we do the forward booking of the coal during the quarter there has not been any significant increase in overall cost but going forward there will be definitely increase in the cost because the new coal cost or energy prices expensive but whatever increase happens will be neutralized by the increase in the selling price.
- Rohit Nagraj:** Right, I was not asking the on-raise price I was just asking what was the exit price at the end of March for the industry as such?
- Raman Chopra:** What is the exact price?
- Rohit Nagraj:** Exit Soda ash price, in April you indicated that Rs.34000 has been there?
- Raman Chopra:** I repeat at the end of 31st March probably the price would be in the range, now we have take control through two things really i.e., two and half.
- Rohit Nagraj:** Right, got it Sir. Thank you so much.



GHCL Limited
May 02, 2022

Moderator: Thank you very much. Ladies and gentlemen, that was the last question. I would now like to hand the conference back to the management for closing comments. Over to you Sir!

R S Jalan: Thank you everyone. Thank you for your appreciation for the performance and that keeps us always driving. Our focus at this point of the time in the business is 3, 1 to expedite our green field project. Look at the growth of other chemicals like I said some of the product basket expansion and on the spinning side focus on the volume growth and also the green energy and now with moving from the commodity space which I said from 60% to 80%-85% and in the soda ash one initiative which I just said salt production and the backward integration of limestone. These are the initiatives to maintain that we will be in a position to maintain our leadership into the margin and return to the shareholders on their investments.

Moderator: Thank you very much, Sir. Ladies and gentlemen, on behalf of Emkay Global Financial Services that concludes this conference. Thank you for joining with us. You may now disconnect your lines.