



“GHCL Limited
Q4 FY2023 Earnings Conference Call”

May 02, 2023



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Moderator: Ladies and gentlemen, good day and welcome to GHCL Limited's Q4 FY2023 Conference Call. We have with us today, Mr. R S Jalan, Managing Director and Mr. Raman Chopra, CFO & Executive Director (Finance). As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this call is being recorded. I now hand the conference over to Mr. Rohan Ohri from Emkay Global Financial Services Limited. Thank you and over to you Sir!

Rohan Ohri: Thank you. Good evening everyone. I would like to welcome the management and thank them for this opportunity. I shall now hand over the call to the management for the opening remarks. Over to you gentlemen!

R S Jalan: Thank you. Good afternoon everyone. Welcome to GHCL's earning call for the quarter and year ended 31st March, 2023. Our results and presentation have been uploaded on stock exchanges' and company's website. For this call, I am accompanied by Raman who is our CFO; along with Manu and Abhishek from the investor's relation team.

I am pleased to announce that we have completed the demerger of GHCL Textiles effective 1st April. This will now create two separate sector focused listed entities and shall benefit all our shareholders.

Moving over to Soda Ash, the global markets are in balance. We expect that Soda Ash demand will get a boost from environment related sectors such as solar glass, lithium carbonate and sodium bicarbonate. Input costs including the energy prices have moderated and supply chain cost is below pre-covid level. This has resulted in softening of Soda Ash prices and passing the benefits to customers. In Indian also, prices have softened and we have taken a price cut of 3-4% in April. However, with reduction in input costs, impact on our margins shall be minimal.

As intimated to stock exchanges, we witnessed a lime kiln breakdown at our plant. This has happened for the first time. We have taken preventive measures to identify early detection in future. We have made progress to contain the loss and production shall normalize by end of May.

Coming to the textile, the sector continues to face headwind but demand has started to recover and we believe that business sentiment will improve in next 1-2 quarters. Our plant has been fully operational and there is no major inventory build-up. We expect our margins will revert back to the average margin in range of 17-20% going forward. This results are reported as discontinued operations due to demerger.



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We continue to focus on implementation of various growth initiatives. We are making progress on the greenfield project and basic engineering activities are now starting. We have announced a new Vacuum Salt project which will expand our product basket. We shall manufacture edible salt by harnessing the energy from the Soda Ash plant. This project shall take approx. 18 months for completion. Salt yield improvement and digitization projects are progressing well.

I will now request Raman to share the financial performance.

Raman Chopra:

Thank you Sir. Thank you Sir. Good evening everyone and a warm welcome to our Q4 and year ended FY23 earning call. I will share the financial highlights. As you are aware, the demerger of our textile business has become effective from 1st April, 2023 and the results of this business have been reported as discontinued operations. Accordingly, all assets and liabilities pertaining to spinning business has been taken over by GHCL Textiles Ltd. The continuing operations now represents Inorganic Chemical business.

For Q4 FY23 Revenue from continuing operations came in at Rs. 1,141 Crore. This represents a growth of 8% on a YOY basis and 3% on a sequential basis. The main reason for this growth is better realisation over last year. EBITDA for the quarter stood at Rs. 370 Crore, which is an increase of 10% from Q4 of last year. For the quarter, EBITDA Margin came in at 32.5% compared to 31.9% in Q4 FY22 and 33.6% in Q3. The decline in margins on a sequential basis is due to lower production during forth quarter. PAT for the quarter stood at Rs. 251 Cr. vs. Rs. 200 Cr. in Q4 of last year and Rs. 254 Cr. in Q3 FY 23. For the full year FY 23, PAT including discontinued operations stood at Rs. 1117 Cr. Compared to Rs. 637 Cr. for FY22, this is a substantial increase of 75%. Dividend for the year has been announced at Rs. 17.5 per share, which is highest ever by the company. For the year FY23, we generated cash inflow of around Rs. 1400 Cr (including balance proceeds from sale of HT business). Which was utilised towards capex (Rs. 357 Cr.), working Capital (Rs. 267 Cr.), loan repayment (Rs. 342 Cr.) and dividend (Rs. 143 Cr.). At the year-end we had the surplus of Rs. 525 Cr, which included liquid fund investments of Rs. 365 Cr. and cash and equivalents of Rs. 160 Cr. At the year end our gross debt stood at Rs. 426 Cr. with net cash surplus of Rs. 99 Cr. for the company as a whole. With this, I conclude my comments and would now request the moderator to open the forum for question and answer. Thank you.

Moderator:

Thank you very much. We will now begin the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. The first



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question is from the line of Jatin Damania from Kotak Securities Limited. Please go ahead Sir.

Jatin Damania: Thank you for an opportunity. Sir just wanted to check now with the breakdown of the lime kiln that we have seen what was the production loss that we have witnessed during the quarter?

R S Jalan: Approximately around 40000 tonne.

Jatin Damania: 30000 tonne and when do we expect the lime kiln to come back on the stream?

R S Jalan: First let me clarify this is not 30000 tonnes this is 40000 tonnes and second the lime kiln out of that major portion has already been recovered and by end of May the full production will be there, 90% of the problem has been solved remaining 10% problem will be solved during the next few days so by end of May we will have it full.

Jatin Damania: Sir in terms of the volume if you want to check we did 11.4 lakh tonnes of volume in this financial year so more or less we will be closing FY2024 on the same number with a lower realization is it safe to assume that?

R S Jalan: Sorry can you repeat your question again.

Jatin Damania: Sir we closed this year soda ash volume with 11.4 lakh tonnes now with the breakdown in the lime kiln we will be losing a two month of production is it safe to assume that for FY2024 we will be closing around more or less on the same level of the volume?

R S Jalan: I think so. I do not see any region of the sales being lower than the numbers which we have achieved during this year.

Jatin Damania: Sir my last two questions. One is on your overview on the soda ash industry as you said the demand is getting a boost from the solar glass, lithium bicarbonate and sodium bicarbonate but the other end we have also seen the prices have softened like 3% to 5% even you categorically mentioned about the price cut that we took in the month of April so with the new capacity that is going to come in inner Mongolia where do we see our soda ash prices given the moderation in the input cost and increasing the overall supply in the coming months?



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R S Jalan:

Yes I think this is a very valid and very important question you have asked. Let me give you a picture of long term as well as the short term. If I look at slightly on a longer term based on the global outlook which has been presented in the last soda ash conference there is a very bullish scenario coming in the next five to six years. It is 63 million of the total demand at this point of time, the projection in the demand will be 80 million and if I take all the production which has been announced or likely to come it is still the global team feels that there is going to be shortage of around 4 million so that means in the longer term if you look at there is a very bullish situation in the soda ash. Now let us come to the immediate next few quarters. If I go country-by-country I think I will be able to give you a little better picture on that. If I go to China in China what is being said is that alone the solar investments and the solar demand will enhance the soda ash demand by around 6% to 7% and if I take the normal increase there is a very bullish situation in China and all this Mongolian new capacity which is coming around 1.5 million tonnes during this year will get absorbed in China. Now coming back to US, US there is a very balanced demand supply for their production as well as their supply to the natural market. If I come to Europe, Europe situation has significantly changed over a period of last one or two quarters because of all the contracts which are there, of course the demands are very good in Europe and supply is also fully operational. The demand supply balance is there however the prices have softened because their prices are always fixed with the gas price indexes so because of that the prices have softened and they have become competitive. Coming back to India, India's demand of soda ash in all the sectors are doing good and the growth into the solar investment and the normal glass and the detergent and every sector put together we believe that 5% of the demand growth will happen in India as well so keeping everything and we do not see any major imports coming in or more than the imports which have been coming in the past will be coming to India so therefore if I look at in the total situation on one side demands are good, some supply increase like you have seen in Mongolia you said or some in the US will happen but keeping everything in the demand supply will be a balance. In terms of the pricing, pricing as you rightly said some softening has happened and may be some more softening can happen in the next few months; however, that will not because if the supply chain cost has gone down as well as your raw material prices or the energy prices soften I personally believe there will not be any significant drop into the margin of going forward. I hope I have been able to clarify to you a bit.

Jatin Damania:

Yes Mr. Jalan thank you for your detailed answer. Sir last question from my end before I jump back in the queue again this is more on the balance sheet now after the demerger our balance sheet has strengthened which was already there in the last year we have seen a sharp increase in the cash and cash outflow and as a corporate we have also done a good job



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in terms of increasing a payout this year but we were also discussing some of the buyback that the capital deployment that suppose the company was supposed to be announced in the last quarter or after the demerger so any guidelines on the capital allocation for FY2024-FY2025 and any sort of corporate action that we can see?

R S Jalan: Let me give you this answer in a very safe manner, which we have said the philosophy that ultimately the cash which we are generating will ultimately either go into the growth of the company or will get distributed to the shareholders of the company. Now only thing will be the timing of those things will happen in appropriate time, but we are conscious about the rewards to the shareholders and in the appropriate time those right decisions will be taken.

Jatin Damania: Thank you. I will come back in the queue.

Moderator: Thank you Sir. The next question we have is from the line of Saurabh Jain from HSBC. Please go ahead Sir.

Saurabh Jain: Thanks for the opportunity. Again Sir can you provide more details around the new China capacity that is supposed to come, what is the broad understanding would be the timelines and is it a phase wise addition, what is the total size of the project, any color on that will be very helpful?

R S Jalan: You are right Saurabh that this investment of inner Mongolia is very coming in a phase wise and hopefully this year probably 1 to 1.5 million tonnes of a new capacity that we are hearing will come in but still I would say that very clearly my understanding about this that China in a longer term period will not be kind of a supplier to the world because two things will happen, in China itself the demand the growth will take care of this new addition, second the focus on the environmental thing they will be looking at some shifting of the plant or some closing of the unviable plant so my understanding in a longer term China and which has been in the global soda ash content as I discussed. China will not be a major supplier to the world.

Saurabh Jain: Okay but how big is this project like phase one you explained would be coming this year about 1.5 when do you expect this to commercialize and when would the rest of the phases would be adding to the global capacity, is it going to be next year or is it going to be spread over a longer term how do you see that?

R S Jalan: It will be a longer term It will be coming like I said 1, 1.5 million this year and there will be some addition in the next year because there are a lot of challenges also there. Water



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allocation is a big challenge to them. The transportation because this is a very far off transportation from the stores to the mainland will also be a big challenge so even if they want they cannot come in once, it will be coming in the phase manner and one more thing which is very interesting in China which is happening. I believe if you remember that China was more of dumping the materials, the cost of the economies was not very important for them. Now the cultural change which we are seeing there is that they will moderate their production but they would not like to sell at a cheaper price so keeping that into mind they will definitely come in phases on this inner Mongolia.

Saurabh Jain:

But again correct me if I am wrong this will be a natural soda ash process right compared to the rest of the synthetic capacity on HOU processed in China largely HOU process so would it also be right to understand that this pricing for this Mongolian project which is based on natural process the price would be much lower than what or the cost of production would be much lower for this inner Mongolia compared to the rest of the products in China and then become incremental cost that you are talking about to bring to the coastline will that be offset largely because the cost of production would be lower in the inner Mongolia and they can very well then ship out these products out of China into the rest of the countries like India, South East Asia where they are currently pushing in their synthetic exports will that be a possibility?

R S Jalan:

The natural soda ash is always going to be cheaper in terms of when it comes to the cost of production. Even if you take an example of US or take an example of Turkey. There is a definitely their costs are much lower as compared to the synthetic process it is very right; however, the supply chain costs from the remote location where the plants exist to the seacoast like this if my memory is correct this is around 3000 kilometers away from the main port so the supply chain cost after taking into account their supply chain cost and if they want to export to the consuming country like China or for that matter the Europe or some other country definitely there will be Indian or the local producer will always be competitive on that and this historically has been seen in the past so like take US or the Turkey. Turkey has the same cost of production. Now Turkey material coming into India definitely India has a competitive advantage because of the supply chain cost of Turkey production from there to the port and port to India. You cannot say that because of this production the price disruption will happen.

Saurabh Jain:

So what you are alluding to is that the cost of transportation would be more than offset the lower cost of production for inner Mongolia is that correct understanding?

R S Jalan:

Yes.



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Saurabh Jain: The other question is that what kind of so already four months have passed during this year how do you see the growth in the conventional segment demand for soda ash and how do you see the full year demand from the conventional levers that are there for the soda ash industry, is it going to increase or stable or decline, what will be your view be over there?

R S Jalan: Definitely it will be positive. I said in my opening remarks also that demand of the soda ash will grow by 4% to 5%. Our expectation is conservatively the demand growth will be around 5% because glass is doing great and bottle glass are doing fantastically well. Even the rural demand into the detergent had picked up. Even the textile which was struggling and there also the pickup has started happening so therefore overall we are seeing a demand growth of around 5%.

Saurabh Jain: This will be conventional segment of the soda ash or the total soda ash you are talking about?

R S Jalan: Largely this is a conventional segment and then some addition may happen. Of course some demand of the soda ash has been shifted towards the caustic because of the caustic prices are low but keeping that also into account and the new investment which is coming into the glass and solar we believe that conservatively the demand of soda ash growth will be around 5%.

Saurabh Jain: Thanks a lot Sir.

Moderator: Thank you Sir. The next question is from the line of Sarvesh Gupta from Maximal Capital Private Limited. Please go ahead Sir.

Sarvesh Gupta: Good evening Sir and thanks a lot for taking my question. Sir the first question on the soda ash side this year has been has been very, very different in terms of the margins, pricing and everything and this was not the level of profitability that we saw in the previous years at all, Sobut now you are more or less saying that this is the new normal so just from an understanding perspective all the drivers including glass, Chinese, and environmental-related problems, all these are always there right so what specifically has changed this year which has created a sort of a new normal in terms of the profitability of the soda ash industry which you think is what it is going to be more or less going forward so that is one and second is on the textile side so even after adjusting the one off I think we are still coming to like 3% to 4% EBITDA margins and you said something like 17% to 20% so how soon do we see the margins reverting to the average sort of levels of 17% to 20% and if you can throw some more light on the revenue drivers for that and because of the



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demerger if you can also throw some more light on the management of that business how has it been done in terms of the top management split between the two companies and what will be the thing going forward for that business? Thank you Sir.

R S Jalan:

Good. First and foremost I do not think the margins which you are talking about you must be referring the margins from a per tonne of soda ash, but if you look at in terms of the percentage, if you look at the 15 years history of soda ash and our data you will find that the margin of around 30% to 32% has been a normal margin and currently also if you look at this year as well the margin has been around the same level. If you come to the per tonne of soda ash if you look at 10 years back it must have been maybe some few thousand rupees and every year there is growth of around 9% if my memory is correct a per tonne of soda ash margin has been increasing approximately around 9% and that is primarily because of the soda ash prices are going up and I think I have said in the past also soda ash prices in the last 15 has been continuously growing except do not compare the last two years of the COVID period. At that time the situation I would say that or prior to the COVID period, that period was slightly abnormal. Otherwise the margin has been in that range and the growth in the soda ash pricing as well as per tonne of soda ash growth was happening. My personal belief is these margins are required for the viability of the soda ash plant not going forward also and therefore I do not think there is a very abnormal situation on this margin and profitability of soda ash because of these margins.

Sarvesh Gupta:

Per tonne a better matrix because you were alluding that now from April onwards because of the input cost going down the ultimate price realization?

R S Jalan:

Prices are also going down and therefore you should look at the margin, if your cost is doing down the prices are also going down. The margin a percentage in that same range should be there that is number one. Second I said to you that overall the demand supply situation because the demand always ahead of the supply which has been seen in the last many years so therefore I personally believe this kind of a margin should continue and may be a few percentage here and there could be there but not very significant drop should not be there at least in the near future I do not see that and the balance we do not know in the longer term in such a volatile market what will happen but at least in the shorter term I personally do not see any major reason of any significant or any drop into the internal margins. Now coming back to your second question which was on textiles see as you rightly said after the one-off also if I remove that one-off there is a margin in that business but my belief is that at least for one or two quarters maybe this quarter as well as the second quarter could be challenging; however, you will see improvement in the margins this quarter than in the second quarter and so on. Maybe this 17% to 20% margin should be



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possible may be Q4 of this year or may be Q3 or Q4 of this year but things are looking up in that zone and the reason of this is primarily because of two reasons one last year the comparison was there because on one side the cost of cotton was higher whereas the yarn prices has dropped, with all the goodwill they added an inventory. In our case also you have seen that inventory we added a higher part which we have taken a write-off or one-off but now the cotton prices have softened and because of that the yarn prices are stable now and the way the demand growth is taking place probably some improvement in the yarn prices will also happen so this will lead to a margin expansion and again let me repeat this question this thing which I have said. This industry is a commodity industry and therefore fluctuation in the margin will happen. If you look at slightly longer term view like we have seen in the last four to five years you will see that our margins are in the range of around 15% to 18%. Now coming back to the third question which you spoke about the management we have a very competent management there. We have CEO of that business, we have CFO in that business and of course they have not been taken on the Board at this point of time but we have a very competent management there. We have a company secretary so there is a complete management team is there and surely we will support for some period of time till they get stabilized on the entire process.

Sarvesh Gupta:

Understood Sir and on the textile side the US had a big inventory issue as such so are we seeing any impact on our business because of the inventory being higher on the export market especially the US?

R S Jalan:

I would say to some extent the inventory had got liquidated and therefore the new demand has been generated and for us one good thing is there which I think we have done in the last three to four years. To a great extent we have moved from a commodity space to a specialized space in every segment of the yarn and because of that in spite of in the past if you look at the last few quarters you will see that many of the industry or the spinning industry they have been running underutilized somebody was running at 60% or 70%, we have always run on full capacity of 99% and we have not built the inventory so our customer base and our product basket has been designed in a manner so that we have an advantage over the competition on this account.

Sarvesh Gupta:

Understood Sir and excess capacity buildup in that business is not a threat for us as such because of this?

R S Jalan:

Excess capacity in the spinning always it happens. Whenever the times are good some new capacity gets added and whenever there is a bad time the marginal capacity or the unviable capacity gets closed so this is a very common phenomena in that business but good part in



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that business is now, earlier I was saying because I have seen this business for a long period of time a small investment used to come in a big way now that is not happening that is a good sign for that business of spinning business. Earlier somebody was putting 10000 spindles or 15000 spindles that are now not happening. Now only the larger capacities are coming and because of that some consolidation will happen going forward on that business.

Sarvesh Gupta: Thank you Sir and all the best.

Moderator: Thank you Sir. The next question is from the line of Vasunath from New Berry Capitals. Please go ahead.

Vasunath: Good evening. Thanks for the opportunity. A question on the lithium carbonate you have mentioned in the initial remarks also that you see a new market opening up because of the batteries and lithium carbonate I would just like to know what sort of opportunity size it is and whether we have started communicating with any battery manufacturers, how would be the margins in this area and whether we will participate in volume or value kind of things?

R S Jalan: First and foremost lithium carbonate has a huge potential. Of course the major demand will be more in China and because today also world's total 70% of production of lithium carbonate gets produced in China and this is also one of the driver of China not becoming a more exporter to the soda ash because there also lithium carbonate consumption of soda ash in the lithium carbonate will also multiply in the next few years. In India some research has been found out; however, still not in a very significant manner where lithium consumption or the soda ash consumption is recently happening maybe going forward that will happen so therefore at this point of the time I would not be able to say that okay some volume is growing in that segment or in the near future that volume will be growing but globally the lithium carbonate will be a big driver of soda ash consumption.

Vasunath: So in India you see the visibility after one odd year looking into small kind of volumes would start?

R S Jalan: Yes you can say that.

Vasunath: Understood. Thank you. That is it from my side.

Moderator: Thank you Sir. The next question is from the line of Vishal Jain from Techno Family Office. Please go ahead.



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Vishal Jain: Good evening Sir. Just two questions regarding the demerger of the textile unit. One by when we can expect the listing of the demerged company that textile company and secondly the cost of acquisition what would be the cost of acquisition would the company share any directives for that?

R S Jalan: See Vishal if I look at in terms of the listing hopefully I think by this month end the listing should happen. I am sure that you must have got the shares of textiles in your portfolio and the process is on and hopefully by this month end or maybe prior to that the listing will happen. The second is that in terms of the costing we are working out that costing and hopefully we will come back soon to the shareholder that what costing. In your balance you have to take into account by transferring this cost from a joint investment but that number will be I think will be a good number.

Vishal Jain: Okay, So that also we can expect by another 10 to 15 days?

R S Jalan: Yes 100%.

Vishal Jain: Thanks a lot and all the best.

Moderator: Thank you Sir. The next question is from the line of Saket Kapoor from Kapoor & Co. Please go ahead.

Saket Kapoor: Good evening. Thank you for this opportunity. Sir just to take into account the additional volume that will be coming from inner Mongolia your understanding is that it would be consumed by the Chinese market itself and that will be more close towards the solar requirement with the type of projects that China has envisaged over a period of time so this understanding is correct that this material is not going to flow through other geographies?

R S Jalan: I think this is what my understanding at this point of time.

Saket Kapoor: Secondly taking into account what is your understanding on the raw material basket and the power fuel cost shaping up and what factors would be driving the sales your thoughts on that?

R S Jalan: Power cost and the raw material costs are softening and it has softened a bit and hopefully my personal belief is that this will remain soften or this will remain at this level going forward also.



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Saket Kapoor: On the salt front I think so the improvement in the salt in-part when will the company start reaping the benefit of the same and for the current year that we will be also getting the benefit of the expanded capacity from RBC so your thoughts when will that flow into our numbers?

R S Jalan: You see so far as this salt is concerned we will start seeing the benefit in this year but not 100% but gradually but some benefits or good benefits will be seen this year itself. In terms of the RBC maybe some benefit can be seen this year. Of course RBC market is slightly sluggish at this point of a time and therefore may not be a very significant the bottomline addition this year but in the longer run as I have been saying that this flue gas treatment some of the consumers of the flue gas treatment their trial has been very, very successful so we are clearly seeing in the near future a lot of upside into the consumption of the sodium bicarbonate consumption into the flue gas treatment. It may take some time to really get a full benefit of the expansion which we have done.

Saket Kapoor: As you mentioned the demand is sluggish so we have I think added 30000 tonnes during the last quarter our capacity has doubled from 30000 to 60000 so that kind of utilization levels?

R S Jalan: So Saket at this point of a time to give a specific number will be difficult but like I said market is sluggish and our volume has increased from 60000 to almost around 120000 tonnes.

Saket Kapoor: The capex number mentioned post the Board meeting was Rs.336 Crores so if you could elaborate where this money is going to be spend?

R S Jalan: Obviously this money is going to be spent on the Greenfield project and vacuum salt which I have just mentioned in my speech or my opening remarks which is a new product basket the investment will be there also and regular like green initiative we are doing some investments will go into the green energy those kind of a thing.

Saket Kapoor: So there will be no incremental volumes for this year we would be producing 1.2 million taking into account also the effect of the breakdown do you say look forward for this year for a production of 1.2 million tonnes for the year as a whole?

R S Jalan: Our capacity is 1.2 million tonnes and based on that what we have been doing in the past and keeping into the breakdown let us see what numbers we achieve.



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- Saket Kapoor:** In your presentation also there was a mention about some losses because of surrender of lease of land to GIDC to the tune of Rs.17 Crores if you can explain the details for the same?
- R S Jalan:** We have been allotted some land to GIDC and in 2013 the Board has approved some of the land required by the GIDC for the port near to our plant and that land we have given back to the GIDC and because of that whatever the cost that the land had in our balance sheet we have taken a write-off on that.
- Saket Kapoor:** Sir we are not going ahead with the proposal for which the land was acquired?
- R S Jalan:** No they needed this land Saket for this project and therefore we had to give it to them. This will not impact any of our growth plan or something. This was the land which was a little away from our factory.
- Saket Kapoor:** So we will not be compensated for that, this loss has to be taken by us even after paying of the land?
- R S Jalan:** Yes they will give me only the land which only the value which as per what they have given it to us and that we will be getting from them.
- Moderator:** Thank you. The next question is from the line of Riya Mehta from Aequitas Investments. Please go ahead.
- Riya Mehta:** Hello, Thank you for giving me the opportunity. My first question is in regards to the demand so basically in India I think the detergent demand is going on inbounding and do you think that the newer sectors of solar and this other lithium carbonate is over compensating for the loss of detergent?
- R S Jalan:** No Riya I do not think there is a loss in the detergent segment's demand and the demand of the detergent section is good and going forward we believe that the normal growth into detergent demand will come through. As you know that the rural population the demand is now good there and therefore my personal belief is that the demand in detergent will continue to be good. The demand of solar where the new capacity has come or some of them are likely to come in a few months which will add to the total demand of soda ash which I said the demand growth will be around 5%.



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Riya Mehta: In terms of China we are seeing some demand slowdown over there so basically the imports from China have increased in India so what is the scenario right now for that?

R S Jalan: I do not personally I said that the demand in China is very good particularly on their solar side as well as lithium carbonate side along with the regular consumption also so overall the demand in China is good and overall we do not see any major volume coming into India from China in the near future.

Riya Mehta: In terms of power cost do we see the realization going downwards in tandem with the decreasing raw material cost and will we be able to maintain the margins of last year?

R S Jalan: Riya I have said that overall the prices are softening and the cost of production is also softening. Keeping that everything to mind there should not be any marginal or there should not be any major impact on the margin.

Riya Mehta: Thank you so much.

Moderator: Thank you Madam. The next question is from the line of Rohit Nagraj from Centrum Broking. Please go ahead Sir.

Rohit Nagraj: Thanks for the opportunity. Sir my first question is on the vacuum salt project so in terms of our earlier initiative on the product line expansion in terms of spices we have not been able to scale up this particular initiative so on the vacuum salt project what is the kind of philosophy that we are working on, will it be a product which will be branded ourselves or we will be a bulk for some other branded players and how do we expect this to scale up over a period of say three to five years? Thank you.

R S Jalan: I think a very interesting and very important question Rohit. First and foremost this vacuum salt which we are producing is going to be consumed with the waste energy of our existing production so therefore this production will be a very cost competitive except the salt and sub cost all the energy will be kind of a free on this entire process so therefore this project is going to be definitely a good basket addition to that. At this point of the time we are not looking at branding of this product, we are looking at this product to be sold in a bulk as a bulk volume. In a longer term probably we will see those opportunities of a B2C or the branding one but at this point of the time no.

Rohit Nagraj: Sure got that. Sir my second question is just on the volume front so in Q4 we had this adverse impact from the lime kiln breakdown of about 30000 tonnes what is the expected



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impact in Q1 and after this incident what is the kind of preventive action that we are taking that certain incident does not occur with other lime kiln? Thank you.

R S Jalan: So Rohit very rightly you said the first and foremost this has happened this breakdown has happened first time in the history of GHCL for the last three to five years and we have taken this very seriously and lot of preventive action has been taken. It is not one or two there are many on that. I do not want at this point of time to give a technical answer of this what infrared or to what kind of cameras and all there are many things we have done. Now in terms of the Q1 I think I just said to a great extent the production has not come to the normal in the month of May and whatever the small gap is there which will get covered by the end of May so therefore by end of May the full production will start and hopefully in this month or in this quarter probably 10000 to 15000 kind of a number drop will be there which we have already announced to the stock exchange information also and the balance next quarter onwards it will be a full production and full glass production.

Rohit Nagraj: Sure Sir thank you and best of luck.

Moderator: Thank you. The next question is from the line of Niraj Mansingka from White Pine Investment Management Private Limited. Please go ahead.

Niraj Mansingka: Just two questions one what is the production of soda ash for the last quarter and the year?

R S Jalan: Specific numbers probably will be difficult for us to give.

Niraj Mansingka: Okay, Can you give us utilization for the quarter?

R S Jalan: The production is almost around 40000 lower or in terms of utilization I can give you the utilization percentage. The utilization percentage is approximately around 94%.

Niraj Mansingka: For the year?

R S Jalan: For the year as a whole?

Niraj Mansingka: Yes Sir.

R S Jalan: It is almost around 100%.

Niraj Mansingka: What is the status of the Greenfield capacity there were some hearings and which was getting delayed any status update on that and when do you see the spending for that pickup?



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R S Jalan: Like I said when the capex detail I was giving or even in my opening remarks also I have said basic engineering work has been awarded and the basic engineering work is getting started now and hopefully the environmental clearances also all the formalities has been completed so hopefully the environmental clearances also should get in the next few months so I think this physical activity of all this basic engineering, retail engineering and all those things would happen in Q3 or Q4 of this year and in terms of the likely completion of the project maybe some delay definitely will happen in these projects but I think 2025 or 2026 probably we should see the production. I am sorry one clarification I want to give. I think the production which I gave you the number was wrong. Its number was 86%. I have given you the number of the sales so I am sorry for that and overall our capacity utilization for t full year is around 94% and not 100%.

Niraj Mansingka: That is what I was wondering. Thank you.

R S Jalan: I am sorry for this.

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

Tarang: Good evening Sir I just wanted to check for the Greenfield soda ash project has here been an upper provision in terms of the outlay that we are looking at now?

R S Jalan: I think it will happen but at this point of a time we do not have a full number at this point of a time but yes some upward revision will happen because a couple of new thoughts which we are bringing into that. One we are bringing is how to build the carbon reduction or I would say that the technology of the energy in a manner so that for a longer period of time the carbon costs are getting reduced because the carbon costs in the Europe is very, very high so we are coming with a technology where the carbon footprints will be lower, slightly different technology and more efficient technologies so all this put together so probably some upside in the cost will be going up but once we are ready with that we will share with our investors about the whole project.

Tarang: Is it in the ballpark of Rs.4000 Crores to Rs.4500 Crores?

R S Jalan: At this point of the time it is difficult to talk about that number. Once we are ready with this number we will definitely share with you.



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- Tarang:** The second question was if you could give us the production volumes for the FY2021 and FY2022 for soda ash?
- R S Jalan:** We do not give specific number I am sorry for that Tarang but like I said this year we are higher than the last year by 4%.
- Tarang:** Okay, What was the utilization last year FY2022 and FY2021 capacity utilization?
- R S Jalan:** Last year our capacity was 11 lakhs and this year our capacity is 12 lakhs as you know so utilization numbers will not be representing each other.
- Tarang:** Thank you.
- Moderator:** Thank you Sir. The next question is from Yogesh from Arihant Capital Markets Limited. Please go ahead.
- Yogesh:** Good evening Sir. Thanks for the opportunity. I had two questions. One question is there has been some increase in other expenses on a quarter-on-quarter basis by about 6% so what would be the driver for it on a quarter-on-quarter basis?
- R S Jalan:** I think I will request Raman to answer this.
- Raman Chopra:** This has taken into impact of land surrender. You Know the capital loss on account of surrender of land to GIDC, the impact is around Rs.14.5 Crores so that precisely if you eliminate that the other expenses are lower than corresponding quarter.
- Yogesh:** Thank you Sir and my last question is on the demand from the lithium segment so have we done any calculation what would be the impact on soda ash, the demand only from lithium industry any unit economics how much suppression is required for lithium battery anything on that front?
- R S Jalan:** So yes we have done on a global scale because and if my memory is correct that figure is around five to six million in the next seven to eight years.
- Yogesh:** So like statistics to it demand is about 80 million like 5 million to 6 million will come from lithium am I correct?
- R S Jalan:** Currently at this point of a time I think it will be around 1.5 million tonnes and this will lead to something around more than 5 million tonnes in the next five to seven years.



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- Yogesh:** Thank you very much. That is all from my side.
- R S Jalan:** Wait for a second , I will give you a very specific number which has been Roughly around 6% it is roughly around 5 million which I have said to you by 2030 and currently roughly around 1.2 to 1.3 so that kind of a number you can see roughly around 4 million of extra demand will be coming in the next four to five years or six years from lithium carbonate alone.
- Yogesh:** Around 4 million to 5 million in the next five to six years from lithium carbonate?
- R S Jalan:** Yes.
- Yogesh:** Thank you Sir. That is very helpful.
- Moderator:** Thank you Sir. As there are no further questions I would now like to hand the conference over to the management for closing comments.
- R S Jalan:** Thank you very much to all my stake and shareholders and like I have been always been saying this call definitely helps us to take the feedback from you people and to improve upon our performance on a period-to-period basis and I think over a period of the last five to seven years we have been able to do a good job in terms of growing the business and growing the profitability. I remember that couple of years back and now onwards there is a significant change which is happening to the business. On one side the profitability has multiplied manifolds and the volume or the other growth into the business of volume growth has also been happened. I think we are very few companies in India where our profitability or the profit after tax is more than Rs.1000 Crores. We have achieved this year Rs.1100 Crores of profitability. With your support we will continue to do the good improvement or the good work on to the site and also continue to allocate our capital in a rightful manner keeping into account growth and the rewarding the shareholders and that will be our priority always. Corporate government is going to be one of our major focus and we will continue to do our journey on that also. Thank you everyone.
- Moderator:** On behalf of GHCL Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.