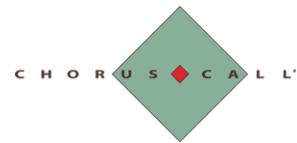




“GHCL Limited
Q2 FY’24 Results Conference Call”

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MANAGEMENT: **MR. R S JALAN – MANAGING DIRECTOR – GHCL LIMITED**
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MODERATOR: **MR. MEET VORA – EMKAY GLOBAL FINANCIAL SERVICES**



Moderator: Ladies and gentlemen, welcome to the GHCL Q2 FY '24 Results Conference Call hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Meet Vora from Emkay Global Financial Services. Thank you, and over to you, sir.

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

I shall now hand over the call to the management for their opening remarks. Thank you, and over to you, sir.

R S Jalan: Thank you. Good afternoon esteemed investors, and welcome to GHCL Earnings Conference for the Second Quarter of FY '23-24. Please note that results and accompanying presentation has been uploaded on the stock exchange and on our corporate website. Joining me today is our CFO, Mr. Raman Chopra and also Manu Jain and Abhishek from our Finance division.

The global product market is soft as the global economy is grappling with some macroeconomic challenges. Europe and U.S. are undergoing higher inflation, whereas rebound in China's real estate market is lower than expected. However, regions such as Latin America, Southeast Asia and the Indian subcontinents are exhibiting growth with a stable demand. The market is in oversupply situation due to this soft demand scenario, at the same time, operational commencement of the new production capacity in China and the U.S. This is exerting downward pressure on prices.

Looking ahead, we anticipate the global economic environment will remain in its current state in the near future as we approach the end of 2023. There is a cautious optimism that the year 2024 will see a decline in inflation and increase in the real disposable income, resulting from less stringent monetary policy. This could signify a revival of soda ash demand from various end leisure segments. The need for carbon emission reduction is growing across the globe. The soda ash industry is no exception and we'll gradually adopt energy transformation through uses of sustainable energy sources, including biomass, renewable energy and other innovative methodology.

The landscape of soda ash supplies is evolving with the natural sources gaining traction. Nevertheless, synthetic soda ash will remain relevant and continue to play a crucial role in meeting the global incremental demand, which stands at an approximately 2 million metric tons annually. Domestically, we are witnessing a more resilient demand scenario compared to the global market. However, oversupply is caused by increased imports, primarily from U.S., Russia and Turkey resulting in price challenges. Going forward, these increased imports may persist until we see a recovery in the global market. Yet, we are optimistic that demand from Indian



detergent sector will revive after the monsoon season and some of the new solar glass capacity will be commissioned in the H2 of FY '24.

Moreover, recent downtrend in the input cost will somewhat offset the previous price reduction and support our margin. Due to this global situation, higher imports into India will continue, and there will be an oversupply situation in near future. The domestic prices may remain soft with a risk of further price cuts and also margin may remain soft. However, in the medium term, we believe the business will remain strong.

We have undertaken a planned maintenance shut down during the month of October. While this resulted in a production shortfall approximately around 20,000 metric tons, it is not expected to adversely affect our sales in a later half of the year. We remain committed to implementing our strategy for growth. The greenfield project is moving forward with the basic engineering tasks currently in progress, efforts to enhance the vacuum salt production, salt yield improvement and digital transformations are advancing as planned.

I will now hand over to Raman, who will provide you detailed financial performance, after which, I look forward to engaging with you, your questions and insights.

Raman Chopra:

Thank you, sir. Good evening, everyone, and a very warm welcome to our Q2 FY 23-24 earnings call for the quarter ended 30 September 2023. The performance for the current quarter came in at lower than our expectations at the beginning of the quarter due to various factors covered by Mr. Jalan in his opening remarks.

And consequently, the revenue for the quarter came in at INR817 crores as compared to INR1,183 crores in the corresponding quarter of last year and INR1,029 crores as compared to Q1 of this year. The reason of this fall is mainly due to reduction in soda ash realization and due to lower sales volume from the same quarter of the last year as well as previous quarter. This is largely due to prevailing market conditions and increased imports.

EBITDA for the quarter stood at INR224 crores compared to INR413 crores in Q2 of FY '23 and INR310 crores in Q1 of current year. For the quarter, EBITDA margin was at around 27.5% as compared to 34.9% in the corresponding quarter of last year and 30% in Q1 of FY '24. Our margins, as I explained earlier, have been adversely impacted due to lower realization and lower volumes or sales volume. But this has been partially offset by a reduction in input costs but the overall impact of lower realization is much higher than the reduction in the input cost.

PAT from the continuous operation stood at INR143 crores as compared to INR291 crores in Q2 FY '23 and INR426 crores in Q1 FY '24, including exceptional items. For the half year ended 30th September 2023, we generated INR426 crores in cash profit after tax. We are a net debt-free company at the end of the second quarter. Our gross debt stood at INR268 crores, and our cash balance stood at around INR612 crores. And therefore, there is a net cash of around INR343 crores. This is after the payment of INR166 crores as dividends to our shareholders during Q2.

With this, I'll conclude my comments and would now request the moderator to open the forum for question and answer. Thank you.



Moderator: Thank you very much. The first question is from the line of Mr. Kunal Sukhwani from Indvest Group.

Kunal Sukhwani: My first question was on realization and EBITDA per ton. Can you give us a number of realization and EBITDA per ton for this first quarter?

R S Jalan: See Kunal, giving a specific number of realization probably, I think I can give you the margin, which is like Raman said, 27.5% EBITDA margin. And I can also tell you that the realization is down as compared to the last quarter by almost around 15%.

Kunal Sukhwani: Sure, sir. My next question is on the new Chinese capacity which has come in, Inner Mongolia. Any sense of how much capacity is operational at this point? And when is the next bit of capacity expected to come then?

R S Jalan: See, almost as per our information, 3 million tons of capacity has already been coming, and it is likely to be 3 million only in the near future.

Moderator: The next question is from the line of Mr. Jatin Damania from SVAN Investment Managers.

Jatin Damania: I just wanted to understand, I mean, a few good quarters ago, I mean, before the capacity of Inner Mongolia came on stream and now since new capital is likely to hit in U.S., we were quite confident that the prices will continue to remain stable in the global market and also in the domestic market. However, scenario has changed because of a lower global demand. So just wanted to understand from you, how would be the demand supply situation going ahead? And what was the import situation and the pricing difference in the domestic market between import and domestic manufacturers?

R S Jalan: Well, Jatin, you are 100% right. Honestly, like Raman said, in his opening remarks, that we never expected this kind of a scenario change 6 months back. And I think in my career of long years, I have not seen this kind of volatility in my such a long career. It has gone beyond our expectations. Just to clarify that, yes, though I was clear, and we have said in our earlier call that the market is going to be soft. But we never thought that the prices or the import will change to this scenario.

Even if you remember last time, somewhere we have kind of indicated that China is in a soft supply and some of the export has gone to China, means import has been landed into China. And there was some rumour in between that the prices will go up and things like that. So a lot of volatilities happened, which was not expected. So you are right that this kind of downward trend was not expected.

Now coming back to specific question of how do you see the next 2 quarters? As I said in the opening remarks, market looks to be soft because oversupply situation persist. And till the Chinese recovery of the real estate and the Europe recovery, particularly Europe, I would say. Europe recovery does not happen, so that means the market is going to be soft. And let me tell you a little bit, basically, as you all investors know that U.S. and Turkey, they have like U.S. has added a capacity of 1 million tons and Turkey has added a capacity of 0.4 million tons. And

demand in Europe has softened. So because of that, primarily the import or the dumping, if I can use the right word, into India, it happens from these 2 sources along with Russia.

China: we have not seen any major imports coming into India. And the way we are looking at slightly medium term, probably maybe some few quarters, probably China could be a little aggressive in the global market. Because recently, we have attended the World Soda Ash Conference, there the Chinese presentation was also there. And they very clearly articulated the way they would like to run this business. And our assessment at this point of time is, barring maybe 1 more year, after that, they will go into a demand-supply situation balance. They will not be a threat to the global export market. This is what is my understanding.

And just to add something here, so that a lot of people you will have some kind of questions on this. I'm just pre-empting that question. I know that this quarter result has not been as per the expected line. And if you remember, last many years of presentation, we have very clearly said, some short-term blip will happen. And this blip is that if you take a slightly longer-term view and we have a data in front of me, we have a data of almost around 8 to 10 years. And we have seen in that data a few things, which is very important to kind of highlight. Since 20 years, the EBITDA per ton has grown by 8% CAGR, very important to note. 15 years 6%, 10 years 6%, 5 years, 4.5%. So if you take a slightly longer-term view, so that EBITDA per ton, which is the most important measurement of any performance has been continuously growing. That in between some small blip will happen, like this has happened. Last year, if you look at '22-23, you will find that company has abnormal profitability. And obviously, that was because of certain circumstances.

Now the supply chain cost has gone down. Your raw metal prices are also softening. Supply has increased in China and U.S. and Turkey. So all these factors kind of bring short-term blip into the business, which probably maybe 1 or 2 more quarters will persist. And after that, in the long run, we are very bullish on this business. Same your solar, lithium carbonate, sodium bicarbonate, flue gas treatment. They all still stand for this. And we are very confident that the margin will kind of grow in the similar fashion which has happened in the last 20 years, 10 years or 5 years.

Jatin Damania:

So sir, if you look at the domestic market, probably in 2023, I mean the domestic market about 4.3 million tons. So if we want to probably project the infrastructure growth demand that you are seeing and the greener initiatives, which you indicated, what could be the production growth rate, the demand growth rate one can assume for the next 2 to 3 years, probably FY '24, definitely will be a softer year, but if I look from an FY '25-26 perspective, what will be a steady state annual growth rate one can assume from a domestic market perspective as well as a global market perspective?

R S Jalan:

See, global market at this point of a time, guessing is becoming a little difficult for us, honestly, because it's geopolitical system, which is happening, it is really becoming very difficult for us to kind of predict for a longer term. We never realize that how the Chinese real estate will recover because that's the largest consumer of the soda ash. So that is number one.



Second, the geopolitical, like I said, this kind of a war, which has happened, which was unexpected to all, all these things will create a lot of uncertainty into the market. But everything remains the same, so that we can say that the global demand should be in the range of around 2.5% to 3% kind of a demand growth will be there and that's a substantive number. And our view of 2030 of 80 million of the demand from 60 million to 80 million will stand if everything remains same.

Okay, coming back to the India, if you remember last time also I have said that, today, it's around 4.3 million, which will go to 7 million by 2030. So there is a potential for demand and particularly if you say percentage terms, India, probably, I would say, not less than 5% to 7%. This could be higher than that. So if you're looking for 2, 3 years, I would say things are very good for this business.

Jatin Damania:

Sir, agree on that 2, 3 years. But if you look from the import perspective also given the lower demand, I mean, we will also see an import increasing in the India, which we have seen in the last 6 months because of the subdued global demand. So looking at this, how shall one look at the pricing and in terms of our EBITDA per ton or EBITDA margin perspective, because 27.5% that we reported in the last quarter will be probably one of the lowest since 2016, which we have done. So can you help us in understanding the trend for the EBITDA margins in the inorganic chemical business?

R S Jalan:

I think very clearly I have associated in my opening remarks as well as in the discussion which we had just now, that this margin is going to be soft in the next 2 quarters. If you're looking for next 2 quarters, it's going to be same. Maybe it can go down from 27.5% by even 1% or 2% lower than this. I think, I have answered your question.

Jatin Damania:

Sir, I'm not looking from a 1 or 2 quarters perspective, but I'm looking for at least another 2 to 3 years, whether will be again back to 30% or probably now the new norms will be back to this 27%?

R S Jalan:

So that we will rest assure of 30% because if you look at us, again, I have the data of EBITDA margin over the last 20 years, okay. I can give you the data from 2004 to 2024, okay. It has been ranging, if you take an average, it will be more than 30%. Barring 2004, 2005, which was 24%. After that, it was continuously 35%, 36%, 34%, 32%, 30%, 31%, 30%, 30%, 33%, 36%, 39%, 35%, 35%, 36%, 29%, 30% and now it's 27.5%. So this number clearly indicates to you that 30% is a very sustainable number. And without this number, no new capacity will also come in.

Let me tell you that also that EBITDA per ton will improve. If you look at the EBITDA per ton, I am giving you the historical data, the EBITDA per ton of last 7-8 years, of course, that moved from INR7,000 to maybe INR13,000 in 2023. So roughly that average of 8 years is around INR9,800. So if I change the formula which I told you that the EBITDA pattern growth of 5% also from here, you can imagine what kind of EBITDA margin will be there in the next 2, 3 years of time.



We have trend also, of course, it cannot be set to be authentic or 100%. If the similar trend of 20 years remains where the EBITDA per ton has improved after 2, 3 years of the gap, and we have done a trend analysis by the computer, probably the EBITDA margin will be in the range of around INR9,000 to INR10,000 kind of a thing minimum. So these kind of numbers of 30% EBITDA margin, if you're not looking at 1 or 2 or 3 quarters, should maintain.

Jatin Damania: Yes, sure. And sir, one question on the volume front. So now given the demand subdued, what can be the volume guidance, if there is any for FY '24-25, if you can help us?

R S Jalan: Very difficult at this point of time. But obviously, as you know, that import will be the driving force of the entire thing. But I'm sure that we will be able to sell what we produce in '24-25 that 4% to 5% growth will be there.

I hope I've been able to answer your question. And I'm trying to kind of pre-empt some of the questions of the investors. I'm sure that some of the questions have been answered.

Moderator: The next question is from the line of Ms. Riya Mehta from Aequitas Investments.

Riya Mehta: My first question is in regards to the volumes. So what was the kind of volumes? Because I think last quarter, there was some backlog because of the incident that happened.

R S Jalan: Yes, we are. If you look at we have approximately around lost the production, if you look at the same quarter of last year versus this quarter, we have lost around 7% production. Now that issue is now more or less resolved. And compared to the first quarter, we are up by 6%. That means in this quarter, our performance has been better in production terms as compared to the first quarter. However, we are lower by 7% as compared to the same quarter last year. In the sales, we are down by 13% in this quarter as compared to same quarter last year, and we are down by 4% as compared to the first quarter of this year.

Riya Mehta: Got it. So my second question is in regards to the China capacity of Inner Mongolia, how much capacity has been on onstream?

R S Jalan: 3 million

Riya Mehta: 3 million, the entire 3 million, how much, there were some industry inside this, there were some issues in this slowdown and the ramping up of this. So how is it so far?

R S Jalan: Very difficult to kind of give you an accurate answer on that, but as per our information, they have some quality issue kind of a thing, but they are running reasonably at a good capacity.

Riya Mehta: Also in terms of demand, how are you seeing demand in detergent and glass in India, specifically over the, say, next 1 year?

R S Jalan: See, if you look at detergent, we are clearly seeing detergent demand will continue to grow the way it has been growing in the past, around 4% to 5% growth will be there within certain demand and all it depends on how our economy grows in the future, but generally 4% to 5% growth in



the detergent demand will be there. Container glass are doing good. My understanding, they have been good. Flat glass there was some kind of fizz recently, earlier they were good. But recently, I have been heard, that some of the imports are coming on the flat glass. Because of that, of course, they are producing 100% of this quantity capacity, but they are also under pressure.

Riya Mehta: Got it. And what is your current capacity utilization for our quarter 2?

R S Jalan: Quarter 2 is 91%.

Riya Mehta: 91% capacity utilization, okay. And after the August, have we seen any more further cuts in realization?

R S Jalan: Sorry?

Riya Mehta: After the last cut in August, have you seen any further more price cut?

R S Jalan: I said, Riya, that we definitely see a slightly further reduction in the pricing going forward. However, like I said, some of the cost is also slowing down. So maybe some impact will be there on the EBITDA margin as compared to the current quarter, there may be some impact even on the EBITDA margin. But yes, price also will be little softer and even the cost is also going to be a little softer.

Riya Mehta: Right. And what will be the import parity cost which is coming, what would be the difference between our and maybe the Tata Chemical versus that coming from U.S. or Turkey?

R S Jalan: Riya, see, we are in the commodity space where we have to kind of match with our import price. And of course, there is some kind of a premium, general acceptable premiums are being offered. I think this is inbound, the prices will be range bound. Either we or our competition or the import, everything will be range bound.

Riya Mehta: And we have around 70% spot sales, right?

R S Jalan: Yes. Roughly around 70% is our spot sales.

Riya Mehta: Got it. My second question is in terms of sodium bicarbonate. So what kind of volumes and revenue that we see from that, considering it is working in double capacity?

R S Jalan: See, right now, we are running almost, I would say, same capacity what we have been running in the past because of this breakdown, which had happened. Because of that, we have not been able to produce because there we need the CO₂. CO₂ was not available to us. Going forward also, I personally feel that we'll not be able to utilize the 100% of the new capacity because the demand pickup of the flue gas treatment is happening gradually. There's a lot of activity happening in that space. But the real demand has not yet been come into stream. So gradually, the benefit of this expansion will happen to us.



- Riya Mehta:** Okay. What is the current capacity realization on the 120,000?
- R S Jalan:** 120,000 if you look at it will be roughly around 65% kind of a thing. 65% to 70%.
- Riya Mehta:** Okay. And what will the realization rate?
- R S Jalan:** Almost same range because the prices of sodium bicarbonate and the soda ash remains at kind of the same level. Only advantage you get in sodium bicarbonate is you soda ash usage is only 2/3 or maybe 66%. So because of that, your overall realization part of soda ash improves.
- Riya Mehta:** Right, right, right. My second question is in regards to the cost aspect. So what kind of savings have we seen in coal? Coal or briquettes, whatever we use.
- R S Jalan:** See, Riya, in the coal, definitely, there was a kind of a big reduction in the last, I would say, 2, 3 months, particularly the Indonesian coal, which we are buying. And of course, the benefits will be slightly because we have always had some kind of inventory. We're almost, I would say, from \$160 the coal price has come to roughly around \$130, \$135. So \$25 drop has happened in that. So that's a good significant drop has happened.
- Riya Mehta:** Right. So current quarter, what we will be buying would be at \$135?
- R S Jalan:** Yes, approximately that level.
- Riya Mehta:** And in terms of limestone?
- R S Jalan:** Limestone are stable. Freight purchases are not there. Only freight prices sometimes, freight difference of \$1, \$2 because limestone prices are almost around \$18. And in that, there may be \$1 or \$0.50 kind of freight variation happens. But the prices of the limestone which we import are the almost fixed. That doesn't change.
- The change is only, Riya, in only 2 things. One is the energy, which I said energy has 2 components: one is the coal; and the second is anthracite, I would say, right word of metallurgical coke. Metallurgical coke in last 1 or 2 months, there's not much change. Prices remain stable. Coal I have already briefed you. And secondly, the salt. So salt, as you know, that the advantage which we are getting this year, is because of our production of the captive has been better than last year. That advantage we are getting and the prices of the salt is also slightly soft, looks to be slightly soft for the next season, which will start in the month of January. So that salt prices will also give some benefit to the cost.
- Riya Mehta:** Got it. So we are seeing around 15% improvement because of coal prices is my understanding.
- R S Jalan:** In terms of the cost per ton of soda ash probably we need to kind of work out. This we can give you offline on that. Otherwise, price trend, I have already given you because you don't require 1 ton of coal into 1 ton of soda ash, so we have to work out that and we'll let you know offline.
- Moderator:** The next question is from the line of Mr. Saket Kapoor from Kapoor & company.



Saket Kapoor:

Sir, as in your presentation, you outlined about the key growth drivers and wherein you have outlined about these vacuum salt from waste energy and salt yield improvement program. Salt yield improvement, I think so we are already reaping the benefit. If you could just throw light on this vacuum salt part of the story? And are we building a consumer brand from this vacuum salt part or if you could just outline to us?

And also, sir, in the key growth drivers you have outlined other factors like the focus on the greenfield soda ash project. Where are we in terms of that? And then again, on the backward integration for enhanced cost control, all the points which you outlined, if you could throw some light on where are we in mid and what kind of capex have we spent already and what is left to be done? And then I have 1 more question after this.

R S Jalan:

Thank you, Saket. And I think very pertinent questions you have asked. Let me give you some of the vacuum salt. Vacuum salt going as per the schedule and like you rightly said, this is going to be a kind of a green salt because we are going with the waste heat recovery, complete waste heat recovery will be utilized for this. And even frankly speaking, we are looking at how to even deliver that product to the customers on a green initiative kind of a thing.

Okay. So that project is on stream and basic engineering has started, and the salt clearances have started. Of course, capital investment has not been done. The machines are getting kind of orders, some machines will come from imports. So by March '25, this project will be on stream, that's number one.

The second project, which you spoke about the salt yield, you are rightly said they have started benefit of that and probably in the time to come, we will further get the benefit on this project further because our yield is even going from more than what we have already assumed. That is in salt. Now let's come to the greenfield project. Greenfield project, of course, I have briefed to the investors in the past.

Definitely some challenges we are facing. However, I would say that at this point of time, all the approval for the environmental clearances has been reached Delhi. And hopefully, by next few months, we will be getting clearances from the Ministry of Environment. And on the other side, we have started working very aggressively on other things, like your basic engineering, detailed engineering, your pipeline, all those work has started. So probably things will be as per the schedule, what we have envisaged.

Coming back to the backward integration, as you know that we have acquired some of the limestone mines in the past. And hopefully, next year, we will start doing some mining of the limestone from those reserve also. I think backward integration and I think I've also highlighted last time that Green initiatives also we have set up some solar as well as wind put together of 6.7 million.

That will also give some benefit to the company. In terms of the cost reduction strategy, a lot of initiatives are there. There are some I would say, out-of-the-box thinking also under discussion. Of course, I'll not be able to share those details on the call and that's a continuous journey on the



cost reduction project where we are also looking at some kind of an out-of-box kind of cost reduction concepts.

Saket Kapoor: Sir, when you mentioned about the utilization levels being 91% for the second quarter. So taking into account the disruption in the first quarter, what is the H1 average, sir? And going forward, depending upon the current market conditions, what should be our exit rate for H2, sir?

R S Jalan: Saket, like I said, in terms of first half was 89%, complete 6 months put together. And probably, we'll be reaching to the around 91%, 92% kind of utilization for the year as a whole.

Saket Kapoor: Sir, as you just mentioned that we are still stuck with the clearance part, I think so from the Environment Ministry. So can this project is going to be delayed by the time we get the clearance, I think so this clearance part of the story is still there in the annual for a couple of quarters. And so if more clarity where are we stuck? And the time line pattern is not being understood by us, where exactly can be looked at, that will be the threshold? Or is it the bureaucracy part that wherein because the next year, we will be entering in 2 months -- 3 months from down the line into the general elections also.

And the next point was again to the utilization of cash now going forward. As you have always articulated that your purpose has always been rewarding your stakeholders, and again, you alluded to the fact that we are looking for the opportune time to communicate to our investors in terms of the buyback or returning cash. But taking into account the current scenario, in terms of the changing dynamics of the soda ash market, what's the message to your investors in terms of the buyback part, whether the opportune time has arrived or still the circumstances does not give us the right signal?

R S Jalan: Saket ji, first, let me tell you about this greenfield project, what you have rightly said. See, envisaging the time line in the entire process, as you know, that this kind of massive projects some hiccup happens, okay? And I can only tell you that if you look at across India, you won't find this kind of size of the project, many projects are coming. And so definitely some challenges are there.

So therefore, I will not be able to tell you that when this from Ministry of Environment, we will certainly get that approval. But we are hoping that in the next few months, we will get it because all the formalities have been completed.

Coming back to your buyback, you are our shareholder for the long years, we have been continuously rewarding our shareholders. Even last year, we have given INR166 crores as a dividend in July '23. Okay. Now in terms of your question about the buyback, as you rightly said, at an appropriate time, we will do it, slightly the market dynamics have changed in the soda ash market. So we have to be looking at the long-term objective of the shareholders value creation. We will be doing the judicious decisions about the buyback. And then as soon as we decide, we will definitely come back and kind of inform to our shareholders.

Saket Kapoor: Correct, sir. And sir, last point, if I may add, sir, in the change in inventory part, we have seen that, that number going up to closer to INR89 crores. Even the similar number was there for the



first half for the last year. But when we look at the cash flow, we find the inventories positive at INR23 crores. So if you could explain to us what kind of inventory in days or in tonnage are we carrying currently as of 30th September? Closing inventory.

R S Jalan: Saket ji, I would say that this number, you can always take offline because these are accounting numbers and you can always take offline.

Saket Kapoor: Okay, sir. I'll join the queue, and wishing happy Diwali if I don't get the opportunity. So I would convey my regards and we wish for prosperous new year ahead. And I hope the moderator gives me an opportunity for a follow-up.

Moderator: The next question is from the line of Mr. Chandramouli Jagannathan from Paterson Securities Private Limited.

Chandramouli J.: Sir, actually this is regarding there is a recent announcement from the Tuticorin. There is a green soda plant that they have put. What is your take on that?

R S Jalan: Sorry, your voice is not very clear. We are not able to hear you. If I've understood correctly, you are talking about green soda ash by Tuticorin, this is what your question is?

Chandramouli J.: Yes green soda ash.

R S Jalan: Tuticorin. That is different. They are producing the soda ash, which is a completely different technology and there they have kind of done some kind of a carbon capturing and based on that, they are talking about that there's a green soda ash. That's more like a Hou process. I would not say 100% Hou process, but slightly different technology, a combination of Solvay and Hou process, they don't use the limestone and things like that. Very small capacity, yes. But you are right, there have been kind of going into that model of green soda ash.

And I would not say that we will be able to produce the green soda ash, but our journey about creating a kind of much better environmental norms though we are better than the competition as on today also on those norms, but we have a journey and there we have a lot of global partners. We have aligned with them that we are looking for and particularly this greenfield project you will find that we will be very carbon friendly or the environment friendly so that we'll be able to produce.

Moderator: The next question is from the line of Mr. Saket Kapoor.

Saket Kapoor: Sir, in your opening remark also and in the presentation, you did spoke about this product basket expansion part of the story also. So sir, I think a lot of work has been done. So taking into account, again, the current scenario in the soda ash market, the changing dynamic, what's the message to us in terms of this product market expansion?

R S Jalan: Saket ji, you are 100% right, and we are really working hard on that. And I think in last many calls, I have indicated this point very clearly. We are not in a rush to kind of select something. A lot of evaluation is there, a lot of discussion is happening. And once in appropriate time,

definitely when something fruitful or something which is more certain, we'll come back to you people. But it is not that we are keeping quiet on that. I only tell you to that extent.

Saket Kapoor:

And sir, you did allude to some Chinese presentation on an international forum. So can you just repeat for the sake of repetition, what was the message from the people in the soda ash international conference, I think the month of October that happened.

R S Jalan:

Yes. I think good point, Saket ji. Basically, the message is few. One, in the medium term to long term, they would not like to be supplying to the world. On one side, they have added the capacity or they're likely to add the capacity. However, on the other side, either they will run at the lowest utilization or they will be closing the inefficient or the smaller plants, which are not environment-friendly. Barring a few quarters or maybe 1 year kind of a scenario, balance they would like to be in that range.

Second -- this is the 1 message. Second message is that their solar and the lithium carbonate capacity has been phenomenally been expanded, phenomenally. And they will continue to have this journey in the future. Probably the one of the message, which they have not said, but I'm reading between the line is they would like to be the global supplier of our solar project to the global scale. So they have built that kind of a capability.

That's number two message. Their real estate at this point of time is really struggling. How serious it is going to be, there are two things which are very serious in China. One is their real estate and second is their financial system. These two things definitely have a kind of a serious implication can happen on the Chinese economy. How that pains out to be on soda ash, yet to be seen.

Saket Kapoor:

Right, and for the European part also in your presentation, you did mention about some capacity will be reorganized. So what are you trying to communicate, so you did alluded to the fact that especially for the European market, the soda ash demand, the situation is weak there.

R S Jalan:

See, as you know that you must have read in the paper that Solvay has closed one out of the soda plants, some around 300,000 tons of capacity plant they have reduced. They are trying to realign their production and trying to kind of stop the production inefficiency. We are not seeing any new investment coming into soda ash in Europe. And once this inflation scenario is behind us, probably the demand pickup will happen. So that definitely will give an opportunity for other players and probably, the U.S. and Turkey. That is people who will be exporting the volume to the Europe.

Saket Kapoor:

Right, sir. And last point on the EBITDA question. You mentioned in your presentation that quarter 2 EBITDA stood at INR224 crores. And as mentioned by you that there is softening in demand and also softening in prices. So the margins will be lower in the coming 2 quarters also. So just to work on a ballpark understanding that even going ahead, what should be pressing in terms of the H2 EBITDA closer to INR200 crores or in the vicinity of INR150 crores to INR200 crores?



- R S Jalan:** It is very difficult to talk about this number. We have given you the overall view of ours. Now for this number you have to wait and see the actual result when it comes.
- Saket Kapoor:** Right, and Raman sir, last point on income tax paid. Yes, just a small point and then I'll join the queue again.
- Moderator:** There are other participants. The next question is from the line of Ms. Riya Mehta from Aequis Investments.
- Riya Mehta:** Currently, what percentage would be used in solar glass making?
- R S Jalan:** In India?
- Riya Mehta:** Yes.
- R S Jalan:** Right now it is around 5%.
- Riya Mehta:** It is around 5%. And globally?
- R S Jalan:** China is 15%. Globally 7%.
- Riya Mehta:** Globally 7%. So going forward with all the capex announced in renewable, especially solar, do we see this percentage increasing or have you seen further inquiries in solar
- R S Jalan:** Significantly. Riya, this will be going to be significantly, we have a kind of a data which projects -- is just let me open that number and show you. This number is going to I think more than 15%.
- Raman Chopra:** Yes. And on the higher demand. It's like incremental capacity that we're talking over the next 7 years by increasing by almost 18 million to 20 million tons, half of that will come from solar and EV segments, basically. Largely solar and smaller portion EV, so almost 9 to 10 million tons additional demand is likely to come from the solar increase.
- R S Jalan:** So we have a data -- we'll just tell you, your solar at this point of time is 5% globally. Sorry we have said 7% and it is going to be 11% on the increased demand, which is significantly higher. Like Raman said, the total new 18 million to 20 million capacity which is coming in, out of that 50% will be only in solar and lithium carbonate. Lithium carbonate, right now, it is up to 6%. So 4% increase there on 80 million and 6% in this. So 4% plus 6%, 10%. So half will come from this 80 million. We can say broadly 80 million of 10% will be around 8 million tons. 8 million tons demand will come only from lithium carbonate and solar panels.
- Riya Mehta:** Right. So I think currently also a good amount of solar installations are happening. So what is it that our uptake of volume is lower in this current quarter and going forward, our commentary is a little on a softer side?
- R S Jalan:** Solar glass investment in India has been kind of slightly delayed. Some of the people who are coming with the solar glass project, some delay there. The next quarter or next 6 months



probably, those plants will come into stream, okay? So at that time, the demand from the solar will increase. This capacity has to be built, otherwise just imports are happening from China and other parts of the world. In India also we have data, Riya. At this point of time, you have a data of soda ash, which is roughly around 1%, which is going to be 5% by 2030. And again, from 7 million, 5% comes to around 3.5 lakh tons.

- Riya Mehta:** Correct. And for lithium-ion, what would be the percentage, less than 1%, I mean, currently?
- R S Jalan:** Yes. Lithium carbonate is almost zero in India. In India, there is no production which is again like a flue gas treatment, which is zero, which will go to 2%, that means roughly 7 million 2% will be the new demand which will be coming from FGT.
- Raman Chopra:** 1.5 lakh tons.
- Riya Mehta:** But actually, there are a lot of FGT installations, which are already happening. I was just wondering why the volumes have not yet come across the soda ash players?
- R S Jalan:** So right now, FGT really only happening in NTPC. There are a lot of other project, the installations are happening. And maybe next 6 months, you will see some of the demand coming in from those areas, including even NTPC also is ready, adding a few more sites also into the FGT. So that demand also will come.
- Riya Mehta:** So 1 gigawatt of FGT would require how much soda ash?
- R S Jalan:** I right now don't remember. I'm not recollecting that number. So maybe offline I will give you that number.
- Moderator:** So we would take that as our last question. I would now like to hand the conference over to the management for the closing comments.
- R S Jalan:** Thank you. Thank you, everyone, for participating and being the value partner into our journey of value creation for all our stakeholders. We will do our best to kind of create value and deliver the results and your suggestions and feedback definitely matters a lot to us. Thank you, and happy Diwali to all of you, and wish you all New Year also, of course, the calendar year. But from our side, we consider Diwali also as new year. So happy Diwali to all of you. Thank you.
- Moderator:** Thank you. On behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.