

February 12, 2024

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विक्रम संवत्, २०८०

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 February 5, 2024

In continuation to our earlier communication dated January 25, 2024 and February 3, 2024 regarding Investors' conference on February 5, 2024 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 February 5, 2024 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

Bhwneshwar Mishra
Vice President - Sustainability & Company Secretary
(Membership No.: FCS 5330)



“GHCL Q3 FY24 Results Conference Call”

February 05, 2024



MANAGEMENT: MR. R. S. JALAN – MANAGING DIRECTOR, GHCL LIMITED
MR. RAMAN CHOPRA – CHIEF FINANCIAL OFFICER & EXECUTIVE DIRECTOR (FINANCE), GHCL LIMITED
MR. MANU JAIN – FINANCE – GHCL LIMITED
MODERATOR: MR. MEET VORA – EMKAY GLOBAL FINANCIAL SERVICES



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Moderator: Ladies and Gentlemen, Good day and welcome to Q3 FY24 Results Conference Call of GHCL 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 call, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that the conference is being recorded.

I now 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. Thank you for joining us on GHCL Q3 and 9 Months FY24 Results Conference Call.

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 of 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 Mr. Vora. Good afternoon esteemed investors and welcome to the GHCL Earnings Conference Call for the 3rd Quarter of FY24. Please note that the Results and the accompanying Investor's Presentation have already been shared.

I'm pleased to be joined by Raman Chopra – CFO and Executive Director and Manu Jain from the IR and Finance Team.

Before we discussed about the details of our financial performance, let's take a moment to assess the current market conditions. The global product market continues to face challenges with the oversupply situation resulting in higher exports to Asian regions including India and impacting prices. In Europe, high inflation has dampened the consumer sentiments leading to weaker export from Turkey to Europe. Further, the real estate market in China remains subdued, along with the additional 4 million metric ton natural soda ash capacity coming into operation.

Despite these challenges, during 2023 China's import of soda ash exceeded its export, indicating strong domestic demand uptick from emerging sectors such as solar glass and lithium carbonate. This is expected to drive China's growth by 5% to 6% for 2023.

Looking ahead while we anticipate the global market to remain challenging in the near terms a potential decline in inflation could spur demand recovery in 2024. In India while demand is relatively stronger compared to the global scenario, higher imports have resulted in oversupply



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and pricing pressure. This trend may persist for some time impacting domestic prices and our margin accordingly.

Regarding our operation, the previously announced maintenance shutdown was undertaken in October 2023. This has resulted in the production shortfall of approximately around 20,000 metric tons in this quarter.

Despite the current market challenges our current realization is better than pre-COVID period. However, it is lower than FY23 performance when we have experienced extensively a strong business tailwind with the peak realization and margin. Looking ahead, our EBITDA margin may remain at the current level for next few quarters due to temporary disruption in the global business cycle,

In the medium-term we expect prices and margin to recover, which will add our performance with a strong balance sheet significant corporate actions and disciplined capital allocation approach, we remain well-positioned to face these challenges. Our growth momentum will reignite once demand rebounds and we are committed to implementing a strategy that will drive our growth trajectory.

Our Greenfield project is facing some delays due to pending approval from the authorities. However, we are confident of securing these approvals at the earliest. Despite this, we are making progress with basic engineering and other project-related activities. Additionally, our expansion initiatives focusing on vacuum salt production, enhancing salt yield and digital transformations are underway, which will enhance our capabilities over time.

Now I will hand it over to Raman who will provide further details on our financial performance. Following that, I will look forward to addressing any questions you may have.

Raman Chopra:

Thank you sir. Good evening, everyone and a very warm welcome to our Q3 FY24 Earning call for the Quarter and 9 months ended December 31st, 2023. The performance for the current quarter reflects the global soda ash and chemical sector sentiments in India. These factors are very well covered by Mr. Jalan in his opening remarks. I will now share the impact on our financial performance.

Revenue for the quarter came in at Rs. 813 crore compared to Rs. 1107 crore in the corresponding quarter of last year and 817 crore compared to Q2 of this year. The reason for this fall is mainly due to the reduction in soda ash realization from Q3 FY23 on account of prevailing market condition and an increase in imports.

In FY23, we had witnessed exceptionally strong business tailwinds leading to peak realization and margins. EBITDA for the quarter stood at Rs. 165 crore compared to Rs. 372 crore in Q3 FY23 and Rs. 224 crore in Q2 of the current year. For the quarter EBITDA margin came in at



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20.3% compared to 33.6% in Q3 FY23 and 27.5% in Q2 of FY24. Lower realization has now primarily impacted the margins.

Also, in Q3 we have incurred additional repair and maintenance costs due to the planned shutdown. PAT from the continuing operations today at around Rs. 100 crore compared to 254 crore in Q3 FY23 and Rs. 143 crore in Q2 FY24. For the 9 months ended 31st December we generated cash of around Rs. 511 crore in cash profit after taxes, we have utilized around Rs. 131 crore for repayment of debt and Rs. 86 crore towards the CAPEX. CAPEX for FY2024 is lower than anticipated levels due to slower progress in Greenfield project which will now be shifted to early FY25. Our working capital has reduced by around Rs. 210 crore mainly due to raw material and stores and spares optimization. Our net cash surplus stood at around Rs. 625 crore after reducing a debt of around Rs. 217 crores.

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. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Simranjeet Bhatia from Elements Financial Solutions. Please go ahead.

Simranjeet Bhatia: Sir. I just want to understand till how long your EBITDA margins of 19% will remain in the upcoming quarters and when we can expect the revival in the margins going forward?

R. S. Jalan: You see basically, at this point of the time giving the timeline will be very difficult. As I had mentioned in my opening remarks, currently there is an oversupply situation in the global market and primarily in the US and Europe.

So, the moment the Europe recovery happens, or the inflation goes down and the demand picks up there that will have a trigger point for the upside into our business outlook. Second also as you know that and I just indicated in the China there is a very spur demand into the solar and the lithium carbonates and we are hoping that kind of a demand also picks up in the Indian scenario because a lot of new projects are underway for solar plants and so once that comes into stream so roughly that will also spur the demand of soda ash and that will ultimately likely we can improve the market situation of soda ash.

Simranjeet Bhatia: And what percentage of GHCL revenue came from the Europe region?

R. S. Jalan: Our revenue comes only from India, but basically because of the slowness into the demand into the Europe the material is flowing from Turkey and USA which are one of the major suppliers in Europe that material getting diverted in the Asian countries and India is approximately 100,000 tons of the import is coming every month into India and that is reflecting the price.



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- Moderator:** The next question is on the line of Saket Kapoor from Kapoor Company. Please go ahead.
- Saket Kapoor:** Sir, as you alluded to this awaited import. So, you maintained 1,00,000 per month is the current run rate of import?
- R. S. Jalan:** Approximately Saket ji the current import is coming around 1,00,000 ton up to this stage of around 60,000 tons the Indian demand do required beyond 60,000 tons the materials are in excess supply to India and that is definitely kind of leading to a pricing pressure in India.
- Saket Kapoor:** Taking into account the annual shutdown we took for this quarter, what were our utilization level sir QoQ if you could give the number for September quarter and December quarter?
- R S Jalan:** Sorry can you repeat your question again.
- Saket Kapoor:** Sir, I'm looking for the utilization levels for this quarter.
- R. S. Jalan:** Saket ji as you know other than this 20,000 tons broadly our utilization remains at a normal level. So, there is no kind of a production cut other than the annual shut down and generally if you look at the whole year as a whole 9 months so roughly will be in the range of around 90% to 93%. And if you remember that in the early part of the first one or two quarters, we had that breakdown if you remember that I had mentioned in my earlier call. So, because of that this year as of now in 9 months approximately 91-92% kind of the utilization is there which is likely to kind of in next quarter which is the fourth quarter this will improve.
- Saket Kapoor:** so this number of 91, 92 will be in 96, 97 vicinity for the fourth quarter 4% to 5%?
- R. S. Jalan:** See very specific number it will be difficult for us to give you the exit number generally yes.
- Saket Kapoor:** So, just to hop in over the point since it is an annual shutdown quarter, is it likely to be comparable on year-on-year meaning last year December quarter say volume terms may say compare sir?
- R S Jalan:** No Saket ji because last year we did not have the annual shut down because annual shut down normally we take in 18 months' time. So, it cannot be compared.
- Saket Kapoor:** So, volumes were higher for December '22 this is what my point?
- R S Jalan:** Yes, December '22 the production was higher as compared to December '23.
- Saket Kapoor:** What should we look then into the increasing inventory? Is it the raw material inventory that we are holding on or the finished goods to the tune of 770 crore for the 9 months what does this indicate?



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R. S. Jalan: See if you look at in terms of the last year December FY23 versus December FY24 primarily inventory of finished goods definitely has gone up, but if you compare as compared to the last quarter of Q2 of FY24 the inventory is almost on the same levels.

Saket Kapoor: Come again sir I missed your point.

R. S. Jalan: What I'm saying Saket ji that if you are comparing with Q3 FY23 inventory, the inventory of Q3 FY24 has gone up because the market was very different into the FY22-23 because of that the inventory was much lower. However, if you compare the same with the Q2 of FY24 the inventory is almost at the same level.

Saket Kapoor: And sir you did also alluded to the fact that the benefit of lower raw material prices will be accrued in the quarters ahead. So, for this quarter the raw material prices are not aligned to the decline, that understanding is correct?

R. S. Jalan: Yes, I will say two things Saket ji. On one side because of the annual shutdown lot of cost gets built up because of low production your cost goes up either in the terms of maintenance cost, even the power cost also goes up because your production is lower whereas it is not a direct variable cost. So, that's one region and second as you rightly said the full benefit of the lower value of the raw material will accrue in the coming quarters.

Saket Kapoor: Sir last point before I join the queue when we heard you today in two of the interviews to the leading news channel you did allude to the fact that now we are looking at this EBITDA margin of 20% going there. I think because in my recent memory these are historically the lowest EBITDA margin.

So, firstly, on this front if you could give that, is it the mean reversion since you are also referring to pre COVID margins and those levels, so are these permanent mean reversion used which you are observing and now it is going to be 20% and during this bracket only or what are we trying to explain by this?

R. S. Jalan: I will explain Saket ji. First and foremost, if you look at our EBITDA margin in terms of the per turn probably if I look at last couple of years you will find that the EBITDA margin are on a normal level, but when you compare in terms of the percentage since our realization is elevated at this point of time and because of that the margin percentage looks to be lower.

So, however the margin percent is almost at the same level what it was pre COVID level just now what I said number one. Number two as I said my oversupply situation is there definitely that is putting a pressure on the margin also and once this pressure gets released by once the Europe demand picks up automatically the price the margin will also improve.



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Historically, we had an EBITDA margin of around 30% and I am sure that after a few quarters maybe end of 2024-25 probably you will start seeing the improvement due to the margin percentage as well.

Saket Kapoor: And for the volume part for the next year, you alluded that we are looking for a volume growth of 5% to 7% on what we will be exiting this year since there will be no impact of?

R. S. Jalan: Yes, there are two things we'll have Saket on one side the annual shutdown will not be there including, but the small we are assuming that there will be no breakdown and because of that our production should be higher which we have achieved in '22-23 we have achieved higher production than what we are likely to achieve this year.

So, we are assuming that a similar volume we will be able to achieve next year in '24-25 and that will give you a 5% to 6% kind of volume growth into next year. We this if the prices improve which should according to me then probably this will help in terms of the revenue growth as well as the margin growth, but for that maybe probably few quarters we have to wait.

Saket Kapoor: Sir you have in your presentation articulated the fact that for European players we are expecting some reorganizing the capacity. So, for China you have very correctly mentioned in previous calls also that China will not be affecting the world market, their capacity and their expanded capacity will be met internal consumption to be renewables that has worked, but what are we trying to explain in terms of this European players getting reorganized the capacity if you could throw some light?

R. S. Jalan: If you look at in the last call also, I have mentioned that that Solvay has reduced one line into European factory. We are assuming that the likely scenario that Europe because of all environmental issue in terms of your carbon cost and things like that probably some reorganization will happen further into the European market as well.

Saket Kapoor: There will be further reduction in capacity utilization permanent we are expecting that will balance the market?

R. S. Jalan: Yes, it should happen that is what our understanding about the business.

Saket Kapoor: Last point about utilization of cash sir. I think so earlier when we were at the peak of the cycle at that time you did alluded to the fact that because of the corporate action due you were unable to return cash to investor and then came the reversal in the prices and today's current environment where the vision ahead and is alluding to lower margins, so what should be investors penciling in now in terms of I think so we have a cash reserve of around closer to 800 crore and net of the working capital debt it is around 625 crore. So, what is the current thought process and what would be the opportune situations or the factors that will allow you to proceed with the buyback



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since you have very well explained to us that buyback is always a tool which will be used by the management to reward its investors.

So, one was an extreme point when the margins were superlative, huge cash flow today we are looking at lower margins we are looking at a big CAPEX also going ahead, but still, we are debt free. So, if you could give us some understanding whether buyback is there going ahead in the near future, whether the things are aligned, or we should look for the growth trajectory for the company for the coming 2 years to 3 years and that's what should investors anticipate in terms of this sector?

R. S. Jalan:

Saket ji let me say two, three things. One I am sure that investors like you must have seen the journey of our rewarding to the shareholders in the over the period of time to buyback, liberal dividends. And we are very means we are very clear in our mind is that our shareholders must be rewarded, but in the case of reward I would only say that is it the right way of returning the capital to the shareholder is the right way or whether we should deploy these resources in a meaningful manner so that we can generate extra buzz for the shareholders.

Keeping that into mind we are looking at many opportunities and it is a matter of time, something where this opportunity of growth is because see ultimately growth is something which every investor would like to have from us. Of course, last couple of quarters we have not been able to do that, but in a hurry we don't want to take any decision of returning the money to the shareholders and compromising on growth. I am not talking about the Greenfield project only. I am also talking about inorganic growth.

So, keeping that into mind we are just keeping patience on the process, but if you don't find any opportunities in the near future probably we will go back to our board and go back to the shareholders as rewarding the shareholders. So, the rightful decision will be taken in the longer term interest of the shareholders that will be my objective.

Moderator:

Thank you. We'll move on to the next question that is on the line of Ridesh Gandhi from Discovery Capital. Please go ahead.

Ridesh Gandhi:

So, I just a question so is this slowdown which you're seeing in terms of prices is it all the demand let or is there also some amount of incremental supply which has come on stream because there were a few articles about some incremental supply in China etc, but I guess you're indicating that that may not have happened, so I just want to understand if it's only a demand issue or also or it's supply issue?

R. S. Jalan:

So, Riddhesh ji as you rightly said it is a combination of demand as well as supply. Now let's come to the first is the supply side in the major expansion which has happened is only in China major, some expansion also has happened in Europe, but that was that is not a very major one. In spite of such a large capacity coming into China in spite of that they had this year they had



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net importer as compared to the exporters in last 9 months. So, this indicates and the demand growth till 9 months is around 7% to 8% in China. So, keeping that into mind supply to that extent I would say is not kind of a big concern at this point of time.

However some supply in Turkey has increased, some supply in US has increased and because of this combination and the slowdown in the demand in Europe and some part of Southeast Asia and some part of South America also like Brazil these countries the demand slackness has seen. So, because of this there is an oversupply so a little bit of which is coming into India is primarily from Turkey and from us out of this 1 lakh ton which I'm saying most part is coming from these two countries. So, once the Europe demand slightly picks up after this interest the inflation becomes lower then things will become normal again.

Ridesh Gandhi:

And given the excess supply which has come on stream and other announcements which may have happened what's giving us the confidence to go ahead with the Greenfield actually expansion?

R. S. Jalan:

No Riddhesh ji you are 100% right and let me tell you we are very optimistic about the long-term demand of soda ash and because being an Indian player because one thing which we realize is in the long-term domestic demand has to be made by the domestic supply because that's the most competitive way of supplying or servicing to the customers.

This is a short-term pain which is happening because of access or the demand slowdown into Europe and the US or Southern America. The way like if you remember last time also I mentioned to that in India we are looking for the demand growth from 4 million ton to 7 million ton in next 6 years to 7 years' time and that's for sure.

You know that the big players like green hydrogen, your green ammonia you talk about your solar investment by many players or recently in the Government of India in the budget interim budget they have announced the rooftop solar in a big way and I would say that the way I personally believe that demand will pick up very significantly in India and we have to be ready for that. We cannot wait for the demand just to happen and after that we start talking about the supply because supply takes time that last few years we are working on this project our Greenfield projects still some approvals are still pending on that.

So, we are preparing ourselves to be ready for the demand up uptakes is going to happen and I'm very sure that that's the reason this year we have signed another investment with the government of Gujarat and now we have announced a million-ton capacity of that location and this will happen by 2020 of course we will be going in a modular form. First, we'll go for half a million tons then we will go for another half a million ton, but we are raising ourselves for this opportunity to capture by us.



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Ridesh Gandhi: Sir with the other question is that given like large increase in freight rates and given imports is what is ultimately impacting the prices and therefore landed prices should logically go up, are you now starting to see certain amount of uptake already I mean just given by freight let's leave everything else aside?

R. S. Jalan: Yes, I would say that that some amount of uptake in the freight has been seen and this probably has two impacts on us. On one side as you rightly said the import will become little costlier and that we are seeing at this point of time and therefore some slowness barring the already the concept that which has already been done by the buyers in India from import that is happening and maybe some kind of a slowness may be seen in the end of February onwards.

So, that's one, but on the other side there is a negative part also lot of our glass manufacturers which are getting exported like a fashion glass those kind of things which are getting exported to Europe and other countries there's also some demand impacted there because of this freight increase, but still overall net this will definitely have some positive impact on to our demand in the soda ash.

Ridesh Gandhi: Last question I had for the Greenfield I know you guys have alluded to the previous con-calls about exploring other areas and it's not only now it's been over the last few years is there anything even in because then otherwise I mean in the absence of that I mean better use of capital would be as per your policy to sort of at least do 25% payout either in the form having done the buyback. So, in the absence of anything given there isn't anything appearing to be happening, would that be appropriate or how should we be looking at that?

R. S. Jalan: See talking about very specific numbers will be difficult because this will be all be subject to the board approval, but yes we are going to be what you call mindful of rewarding shareholders in appropriate time either in the form of dividend or in the form of buyback and we will always mindful be taking the feedback from you people and recommending the board accordingly.

Moderator: Thank you. The next question is from the line of Resham Jain from DSP Asset Managers. Please go ahead.

Resham Jain: So, just two questions. First is on the timeline for the Greenfield facility because we have seen a significant amount of delay there. So, in terms of timelines where are we if you can just highlight on that front and the second question is on inorganic front if you can highlight what kind of inorganic kind of opportunities you are looking at is it to do with similar salt based chemistries or that would also be helpful. Just directionally how much chemicals you're looking at or is it not to do with chemicals, any color on that would be helpful?

R S Jalan: Resham ji first and foremost I would say that it is good that we have started this Greenfield project and in a way I would say that in spite of that we were not expecting this kind of a delays, but I think it was good that we have started this process and there are certain things which are



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not in your control you will understand that. But we are vigorously pursuing this or this downward trend into the soda ash business is somewhere kind of it is also that probably is also I would say that probably is, but yes in timeline I would say that hopefully in next few months probably all those approvals are likely to be in place maybe next few week end of this thing probably that should happen and then the zero debt will start.

So, we are not much uncertainty now I would say that. In terms of the new inorganic which you are talking about mainly we are we are focusing more on of course on halogen chemistry is the area which we are exploring the possibilities lot of opportunities are in our radar and we are working on that.

Resham Jain: And sir from the sizing perspective of the inorganic acquisition given that we have a large Greenfield capacity also lined up, how do you think about capital being deployed in the new inorganic front, what could be the quantum of that?

R. S. Jalan: If I can look at recently on this angle that we are talking we are not talking about a very, very large investment into the inorganic chemicals that's number one. Second, we have this one million ton which we have envisaged.

So, 1 million up to the half a million ton I think our current based on our debt equity ratio of 1 is to 1 we will be able to manage both these things together because right now we are almost around 600 crores of surplus cash in the balance sheet and plus going forward next 2 years the sufficient cash will generated and then including debt within the limit of the 3 is to 1 we will be able to manage both inorganic as well as this.

And beyond that, of course, depending upon how we are successfully inorganic, and another half a million ton probably could be kind of a thinker can be done on that for one or two years till we get the cash generation. We are very clear on one thing Resham ji our debt equity ratio we will never cross more than 1 is to 1. That's as a philosophy we agree and both these things together up to half a million ton and inorganic chemicals we will be able to manage within that.

Moderator: Thank you. The next question is on the line of Riya Mehta from Aequitas Investment. Please go ahead.

Riya Mehta: My first question is in regard to the volume levels. So, apart from the 20,000 which was under maintenance what kind of capacity utilization did we see for the quarter?

R. S. Jalan: You see in terms of like I said in the previous question that if you remove this 20,000 our utilization will be in the range of around 94%, 95% kind of utilization which is kind of utilization which we envisage. So, barring this other than this 20,000 I think balance everything is as the normal utilization what we have.



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Riya Mehta: And Genesis Alkali is also coming with a new incremental capacity. So, you think that would lead to higher import?

R. S. Jalan: You are talking about the US Genesis.

Riya Mehta: Yes.

R. S. Jalan: As I said in the past also the demand if you look at in the global scenario Riya there is a very clear-cut demand growth of around 20 million from 60 million to 78 to 80 million. So, new capacity has to come in and this is only a short period of time because of this what you're seeing at this point of time oversupply situation. Otherwise, we don't see any kind of oversupply situation for a longer period of time. So, a new capacity has to come in.

Riya Mehta: And currently in China the incremental 2 million ton which was supposed to come in December has the ramping up started or how is scenario there?

R. S. Jalan: They have already started the volume. The three lines is already operation, but their demand into the solar and the lithium carbonate is exponentially happened and because of that their overall in spite of the people say world say that globally the demand is down, but in China the demand growth is around 7% to 8% in 9 months period and the moment the real estate picks up again which is at this point of time is underplaying if that recovery of the real estate happen, then this growth of 7% to 8% can go much more and therefore what we globally we realize is that China is not likely to be a major player into the global trade of soda ash.

Riya Mehta: And what would be the next portion of auto million ton which would come for Inner Mongolia when would that be?

R. S. Jalan: I think that will happen in 24 and onwards right now we don't have a timeline on that. They have just started that process that may take around 12 months to 18 months' time as per our information.

Riya Mehta: That will be Phase-2, right?

R. S. Jalan: Yes Phase-2.

Riya Mehta: Phase of Inner Mangolia and that would also be total 4 million capacity?

R. S. Jalan: Yes.

Riya Mehta: Also, in terms of our Greenfield capacity which we are setting up or what are the kind of hindrances we are finding it right now like where is it stuck?



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R. S. Jalan: Basically, it is a government approvals as such those government approvals require some kind of sometime the process does takes longer time and that is what it is not something which stuck is not the right word. I would say it is taking more time.

Riya Mehta: If I'm right it will take 2.5 years from the day we get all approvals, right?

R. S. Jalan: Yes, you are right on this.

Riya Mehta: And for sodium bicarbonate what kind of capacity utilization did we pay for the quarter?

R. S. Jalan: I think we have a very valid question you ask about this sodium bicarbonate. Now we are seeing the traction of uses of the sodium bicarbonate into the flue gas treatment and if you look at in the current month which is current and just passed on January. Our utilization was something around 75% to 80% which was also used to be around 57%, 58%. So, there is kind of an upsurge has been seen into the demand of sodium bicarbonate by the flue gas treatments and a lot of new investments are coming into the flue gas treatment and PPC alone are having on two locations. They have already started. There are many other locations where they are setting up the infrastructure the same way private players are also setting up. So, a lot of investments are happening on the flue gas treatment even by the private companies also are doing it. So, probably in the next few quarters you will see the fully utilization of the sodium bicarbonate going forward. Frankly speaking, we are looking at the possibility of can we increase the further production into the sodium bicarbonate at the current location.

Riya Mehta: So, entire this will be on a increased capacity like 1,20,000 tons?

R. S. Jalan: Yes, currently we have 1,20,000 ton which we are seeing that possibility by doing some small debottlenecking then we increased to 200,000 kind of a numbers. Currently, at this point of time, we are exploring that possibility.

Riya Mehta: And what would be the kind of revenues or margins which we are doing in sodium bicarbonate?

R S Jalan: See margin if you look at in terms of sodium bicarbonate, we will be in the same range of around 27% to 30% kind of the range should be there on the sodium bicarbonate.

Riya Mehta: And revenue currently what will be the revenue coming from that?

R. S. Jalan: I don't have a specific number on that the separate revenue number.

Riya Mehta: Percentage of the total revenue would also do?

R S Jalan: You can just calculate that out of my total 100,000 tons of soda ash you have 7.5% kind of number is coming from there.



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- Riya Mehta:** Coming to the cost side of it this quarter we saw an increment till rise in the raw material prices, so where was this coming from, is this just related to the shutdown which happened in basically higher fixed cost which could not get allocated or there is actually an increase in raw material prices?
- R. S. Jalan:** This is primary because of the lower production and because in the annual shutdown a lot of stores and maintenance cost are required even then some of the semi variable cost percent goes up because of shutdown in the particular month otherwise the cost are on the downward trend, you will see that especially in the next quarter.
- Riya Mehta:** Q4 onwards do we expect a 5% reduction in the cost overrun?
- R. S. Jalan:** See percentage again very difficult at this point of time, but yes definitely in spite of the soda ash prices may soften from here because of all the new concepts are getting implemented and because of that still we will be able to maintain the margin at the same level and that is primarily because of the cost reduction which will happen in the next quarter.
- Riya Mehta:** Also coming to the EBITDA per ton so what would be a break-even realization for us for at the current cost level?
- R. S. Jalan:** Our EBITDA margin if you can look at our numbers as you find that my fixed cost is not a very significant amount and because of that breakeven we are far ahead of the breakeven.
- Riya Mehta:** But on a per ton basis what would be the fixed cost?
- R. S. Jalan:** Maybe around Rs. 2000-2,500 that kind of a number.
- Riya Mehta:** And total cost?
- R. S. Jalan:** Very difficult Riya at this point of time total cost to calculate and give you maybe offline we will give you.
- Riya Mehta:** And so over a period of the last 5 to 6 quarters you have seen a significant reduction in your employee cost also. So, have we rationalized it to the maximum, or do we see a further scope in reduction?
- R. S. Jalan:** No. Personally I don't think there is any big opportunity into that reduction of the manpower cost, of course, we'll continue to look at the various opportunity in all the areas of cost reduction, but a significant opportunity we don't see in that area.
- Moderator:** Thank you. The next question is on the line of Rohit Nagraj from Centrum Broking. Please go ahead.



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Rohit Nagraj: The first question is in terms of domestic demand, so which are the pockets you are seeing sub-judice demand or how is the environment across different sectors in domestic markets?

R. S. Jalan: If I can say look at sector by sector in the glass I would say that because of some import of glass is happening and because of that there is of course the demand growth is there in the glass sector, but because of import of glass is also happening because of that the last industry are under some pressure that is number one.

On the detergent side, I would say that demands are good actually recently I had a meeting with one of the big players, a big consumer of soda ash into the detergent. They are very optimistic of a demand growth of around 4% to 5% and that is kind of a continuing and particularly here the smaller players are playing a major role, a lot of conversions are happening from a soap through the detergent or the bar to the detergent.

So, I would say detergent is doing good chemical also because of some import which is coming and as you know that is the chemical industry is passing through a difficult time. So, consumption in the chemical sector is also somewhere getting impacted in terms of the demand.

If I come back to now on some of the silicate manufacturers and things like that there because of some conversion or the very cheap price of caustic soda some conversion has taken place into the caustic soda side and because of that also some demand of soda ash and that sector is slightly, in spite of all these things still the soda ash demand has grown by 2%.

Had this situation would have not been there the demand would have been around 5% to 6% because some improvement in the demand has happened in the solar glass side in India some new players had come in and because of that demand growth is seen there. So, in this 9 months the demand growth in India is around 2%.

Rohit Nagraj: Second question in terms of the exports from Turkey. So, are there any incremental capacities or incremental debottlenecking that has happened or just that earlier the exports were routed across different geographies including Europe and the demand from Europe is lower, so it is getting directed. So, just your thoughts on this?

R S Jalan: So, you're right there are two things, both the things that happen. On one side, they have increased the marginal capacity into their production. However, the major impact which is coming only because of the Europe demand has gone down.

Rohit Nagraj: And just last question on the Greenfield project. So, if we get approval in the next 6 months by FY27 end our project will be up and running, is that a fair assumption?

R. S. Jalan: I think so yes Rohit I completely agree with you that once we get this approval in next few months after that 2.5 years kind of a number should be there and surely because see on one side



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what we are doing is we are not only waiting for these approvals on one side we are working on these approvals on the other side we have already started a lot of work, basic engineering is already awarded, work is almost completed detailed engineering we have identified the vendors we have identified the equipment vendors also we have identified the technological partner also, lot of things we have already done like we have to put the pipeline we have identified who will be doing a more or less kind of situation where the moment we get an approval we can award the contract. We are kind of a situation where we are ready with everything just, we have to blast once the approval comes.

Rohit Nagraj:

And the MoU that we have signed with Gujarat government, is there any timeline that you have given or one with Greenfield project is completed we will start working on the next?

R S Jalan:

See this investment which we have signed into the Gujarat government is primarily to add on the capacity of the Greenfield project from half a million ton to 1.1 million ton right and there we have given a timeline this will be the Phase-2. First phase like you said 27 we will complete and the second phase we will start after that and maybe once this project gets closer to the kind of starting, we'll start working on that and the next 2 years we will be trying to complete that project. By 29 probably we will be completing both these projects and obviously we will be getting some benefits, or I would say some subsidy or some benefits from the government of Gujarat on both these accounts once we implement the project.

Moderator:

Thank you. The next question is on the line of Jenam Gilani from Swan Investment. Please go ahead.

Jenam Gilani:

Sir just wanted to understand that in your opening remarks you indicated that the domestic market import is almost around 100,000 ton and requirement is 60,000 ton. So, just want to understand how is the domestic demand in terms from the detergent market and the greener initiatives which we used to indicate in the previous call and what are the current realization as compared to the exit run rate of the last quarter?

R. S. Jalan:

See two things. One like I said the import is more than what it should be and because of that the prices are under pressure. On the other side I also said that the demand growth in India is in 9 months is around 2% and of course some of the volume, of course, some of the competition has also kind of that volume is lower.

Keeping that into mind and some inventory buildup is also happening into the system and many means including us we are also exporting a larger volume to the to the export markets like a nearby market. So, this is what the scenario is happening and in terms of the pricing as I mentioned to you prices are as compared to last quarter or I would say that the prices are down by almost around 7% to 9% and again I want to highlight that the likely prices further reduction



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will be there in the next quarter. However, because of the cost advantage probably we will be able to maintain the margin at a similar level in the next quarter.

Jenam Gilani: So, that means you want to say that whatever the cost saying that we will be having in addition to the operating leverage of the 20,000 ton that we lost during the last quarter the impact that will get nullified by the cost savings of near about in the power and fuel cost, right?

R. S. Jalan: Yes, that's right.

Jenam Gilani: So, sir if you can help us what was the coal cost consumption in Q3 and in Q4 and what was in Q4?

R. S. Jalan: The coal consumption percentage remains the same I don't think coal consumption changes only except like I said in terms of the tonnage if you are talking about, but I think I don't have a right now the readily number on that, but like I said including all costs put together we will be able to maintain the similar kind of margin going forward.

Jenam Gilani: But sir given the industry trend that we are seeing and probably even you are guiding that the current range of the margin of 18% or 20%, 22% will likely remain in for next couple of quarters. So, just wanted to understand the broader view probably by end of FY25-26 as per your interaction with the industry players how do we see the growth coming kicking in so that the at the end of the day demand supply gets balance and we might see a margin going back to 27%, 28%?

R S Jalan: See if I can give you a larger picture on this probably based on our understanding or my understanding generally our margin historically has been in the range of around 28%, 30%. If you look at the slightly longer-term average last year, we have seen our margin has gone to 36%, 37% also, but prior to that if you look at, you'll find that similar kind of a margin on longer term basis.

So, my expectation is this kind of a margin should come back in years' time of course in this volatile market geopolitical situation which you understand something with certainty cannot be said, but the way we are looking at the business and the way we are looking at the global demand and supply situation hopefully 2024-25 end probably the third or fourth quarter improvement will start looking into and probably '25-26 definitely should be there because we have a very rationale behind this.

Without this kind of a margin a long-term investment into this business cannot happen and therefore these kind of a margins are much for the new capacity or new supply to come into the business and everybody when we start, they are putting the money into the business. They are expecting that this margin will be coming and therefore this margin will likely to come.



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Jenam Gilani: Sir, last question as you indicated that the current price of the soda ash is 7 to 9% lower than the exit run rate of Q3. I mean as an industry are we anticipating further cut in month of February, March or probably you see that prices should somewhere hover around this level given the current demand?

R. S. Jalan: No, I said to you that we don't see any further price reduction into soda ash business at this point of time, but surely some of the contract which was earlier done at a higher price now that they are getting renegotiated and things like that and that will have some impact on the pricing also.

So, overall if you look at realization person, we'll definitely have a lower realization in the fourth quarter as well. However, that will be compensated for by that cost reduction also.

Moderator: Thank you. We'll move on to the next question that is on the line of Riya Mehta from Aequitas Investments. Please go ahead.

Riya Mehta: My question is what were the generally European market, how much will the import demand for European market and how much decrease are we seeing in there?

R. S. Jalan: Riya sorry I don't have a specific number on that. Therefore, I will not be able to give you a correct number on that.

Riya Mehta: A few months back we were seeing some consolidation which was happening in China a few players shut their shop. So, are we seeing that continuation of the trend somewhere globally?

R S Jalan: Definitely Riya that will have a consolidation, but it will take some time. See basically in China what will happen is some of the small players they will shut their doors and the new capacity like you say you have seen which has come in in Mongolia. So, smaller capacity plants will get closed because Chinese Governments are very sensitive about the environment and therefore all those plants which are between the city means synthetic base soda ash plant so roughly gradually, they will be able to kind of, but of course it will take some time.

And I think the one of the thing which our understanding on the base on the global input which we are getting from the global soda ash conference, the China in a longer run they've taken a decision that they would not like to be a world supplier of soda ash and therefore they would like to have of course in a short term this could happen, but in the long run they would not like to be a supplier of soda ash to the world and therefore they will produce as much as which is required for their own country.

Moderator: Thank you. The next question is on the line of Saket Kapoor from Kapoor Company. Please go ahead.



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Saket Kapoor: Sir as you were mentioning about the Greenfield project my line was dropped. Sir, are we also getting any tax rebate for the setting up of this new Greenfield complex?

R. S. Jalan: The government of Gujarat has certain policies of investments which we will be getting that benefit of that of course we will apply for that, and we'll get that benefit. There's not a tax benefit that's more on the on the GST side, more on the power side and things like.

Saket Kapoor: And sir you have been alluding to this fact that the requirement domestically will go up from 4 million to 6 million going ahead and major thrust will be from the solar capacity. So, taking that into account sir, how are things shaping up for the production of these solar panels?

How are the line set up? What is the ground reality in terms of the new capacity coming up and then the incremental demand from the renewal segment kicking in?

R S Jalan: See two things on one side even if you take the basic requirement which we call it essential. Essential demand like your detergent, normal glass, you know the way the urbanisation in India is happening, way the uses of the glass which is happening into the normal buildings as compared to the last. And historically you have seen soda ash demand has gone up by around 5% on average. If I take that number alone that gives you kind of a number of every year where you will require something around 200,000 tons of extra volume that's number one.

Now in terms of the solar I think lot of new investments you must have heard many major player Government of India has given PLI scheme also into this and a lot of land has also been allotted in Gujarat on the waste land for major players to kind of go for it green hydrogen or green ammonia.

All those investments is likely to happen in the next 2 years, 3 years of time and that will hurt the demand. In the meantime, like and those people will set up the glass manufacturing setup also. Lot of capacity is already coming in like one of the companies like Vishaka they have already put 3 megawatt of solar then Borosil, Gold Plus, Triveni they are the people they are making an investment. Borosil has already put that investment into that all those things are happening. There is a company called Gopal Glass. They're also kind of jackpot. So, lot of new investments are coming on this area, of course at this point of time they're also facing some difficulty because of the import of Chinese solar glass are happening into India and because of that they are under pressure, but I am sure that the Government of India will take care of their interest going forward and they will be able to produce fully on their new capacity which they're putting in.

Saket Kapoor: So, there will be new dedicated glass lines for solar manufacturing. These are not going to be Greenfield projects and they are not to be with the existing glass line. Is that understanding correct the entire setup will be at Greenfield?



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R. S. Jalan: Almost a Greenfield, but in the current location if they have a space, they will put the new line for the solar because solar requires a different kind of a line.

Saket Kapoor: And sir in your presentation also in the growth drivers you spoke about our the salt yield program and the vacuum salt from waste energy. So, where are these are in terms of that benefits getting accrued and sir you also mentioned that because of the annual shutdown there were some incremental costs. So, can you give a ballpark number of what would have been factored in our P&L because of ASD and that is not going to continue for the next quarter, any ballpark number you'd like to share?

R S Jalan: I don't think I have that ballpark number at this point of a time but let me tell you a couple of things which you asked me about the vacuum salt. Vacuum salt I said in my opening remarks, vacuum salt project is as per scheduled and that is likely to be March 25 likely to be completed. When you come to the salt there will be improvement. In this year itself in 23-24, we have seen a significant improvement into our production of salt almost around 30% volume increase has happened into the salt production and that has added to the bottom line or in the way cost has been reduced because of that, that is also one of the reasons that we have been able to kind of lower our cost. So, that benefit is there and going forward also the work counter because in my initial earlier discussion also I've said this salt improvement will happen gradually because we are keeping an investment on a regular basis and that will require some 3 years of time, but some benefit like I said 30% productivity has gone up and this will continue going forward and we will achieve our objective what we have defined for ourselves and this will have a significant benefit to our bottom line.

In terms of the vacuum salt, I would also like to mention the vacuum salt at this point of the time our project will be on a B2B model. We are not envisaging any B2C model at this point of time. Once we stabilize this business because we will have a significant advantage of cost because of the use of the base energy for producing the vacuum salt. We will later on see should we venture into the B2C model or not.

Saket Kapoor: So, what would be the revenue from the vacuum salt segment only to continue ma'am that's point?

R. S. Jalan: Yes, basically Saket ji roughly around if I can say this 125 crore kind of a top line will be there where the margins will be something around 30%.

Saket Kapoor: Hundred and I missed your point?

R. S. Jalan: You see broadly I said 125 to 160 crore kind of additional revenue will be generated out of that and maybe EBITDA margins will be something around 30% to 40%.



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Saket Kapoor: When FY25-26 will be the full benefit we will get this year we will be just putting up the capacity?

R. S. Jalan: Yes.

Saket Kapoor: And sir the last point was about the dividend payout part sir although mentioned in our presentation that dividend payout is in the vicinity of 15% to 20%, but we have always been using dividend at 15% and since you have in the earlier participant look for feedback, so a humble feedback from investing communities that this year because of the lower profitability, we should try to look forward to distribute 25% of the profit rather than sticking to only 15% that this is the humble submission from my side?

R S Jalan: Saketji I have mentioned already on that that we are always sensitive to our investors expectation and we will accordingly see and discuss with our board and then we'll come with the decision which is in a longer in term interest of the shareholders because we always believe longer term interest is more meaningful than the short term interest so just keep that into mind.

Moderator: Thank you. Ladies and gentlemen that was the last question I now have the conference over to the management for the closing comments.

R. S. Jalan: Thank you very much for all the participants and investors for your feedback and you're trying to understand the market scenario. I have tried my best for my ability to give you a right feedback on to the business and our journey of our growth for the investors or our passion to create a value for our soldiers will continue. This is a small dip into the margin.

It happens in the business, but our long term objective of creating a value for the shareholders will remain intact and I am very optimistic about this business going forward because we are seeing in a structural changes into the demand of soda ash because of this new avenues of solar glass and globally lithium carbonate as well and once our Greenfield Project comes on the screen we will have a huge opportunity of a growth into the business because there we have visualized a 2 million ton capacity going forward.

We will have the infrastructure ready; we will have a land parcel ready and whenever the demand growth happens in India and which we are seeing which will happen and we will be ahead of the competition in terms of setting up our business and we remain as one of the largest player of soda ash into India between these words. Thank you very much.

Moderator: Thank you members of the management team. Ladies and gentlemen, on behalf of Emkay Global Financial Services, that concludes this conference call. We thank you for joining us and you may now disconnect your line. Thank you.