

February 3, 2023

माघ - शुक्लपक्ष - त्रयोदशी  
विक्रम सम्वत् २०७९

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

**BSE Limited**  
Corporate Relationship Department,  
1<sup>st</sup> 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 January 31, 2023**

In continuation to our earlier communication dated January 27, 2023 and January 31, 2023 regarding Investors’ conference on January 31, 2023 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 January 31, 2023 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](http://www.bseindia.com/corporates)), National Stock Exchange of India Limited ([www.nseindia.com/corporates](http://www.nseindia.com/corporates)) and website of the Company ([www.ghcl.co.in](http://www.ghcl.co.in)).

You are requested to kindly take note of the same.

Thanking you

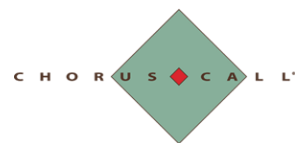
Yours truly

**For GHCL Limited**

**Bhwneshwar Mishra**  
**Sr. GM-Sustainability & Company Secretary**



“GHCL Limited  
Q3 FY '23 Earnings Conference Call”  
January 31, 2023



**MANAGEMENT:** **MR. R. S. JALAN – MANAGING DIRECTOR – GHCL LIMITED**  
**MR. RAMAN CHOPRA – CHIEF FINANCIAL OFFICER AND EXECUTIVE DIRECTOR OF FINANCE – GHCL LIMITED**

**MODERATOR:** **MR. ROHAN OHRI – EMKAY GLOBAL FINANCIAL SERVICES**



*GHCL Limited  
January 31, 2023*

**Moderator:** Ladies and gentlemen, good day, and welcome to the GHCL Limited Q3 FY '23 Earnings Conference Call hosted by Emkay Global Financial Services. We have with us today Mr. R.S. Jalan, Managing Director; and Mr. Raman Chopra, CFO and Executive Director of Finance.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rohan Ohri from Emkay Global Financial Services. Thank you. Over to you, Rohan.

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

**R. S. Jalan:** Thanks. Thank you, Rohan. Good evening, everyone. Welcome to GHCL Earning Call for Third Quarter ended 31<sup>st</sup> December 2022. Our results and presentation has been uploaded on the stock exchange and company website. For this call, I am accompanied by Raman, our CFO and Executive Director, Finance, along with Manu and Abhishek. Soda ash international market is largely balanced, except China. China's domestic demand is soft due to slowdown in the real estate sector. American market is balanced and annual contract has been closed.

In Europe, there is some relief with lower energy prices. International shipping trade costs have come down significantly. This has resulted in an increased export from China to other parts of the world. We are monitoring the development at China's domestic demand could bounce back over the Chinese New Year and opening up of economy.

As per plan, our plant maintenance was successfully completed in October, which had onetime production loss of 15,000 metric tons. We have taken a price correction of 2% in November 2022, and prices have been stable since then. Prices may change according to demand recovery scenario in China. The domestic demand from glass industry remains strong for both flat glass and container glass, though with the increased import of flat glass from China.



*GHCL Limited  
January 31, 2023*

Demand from detergent segment was soft but has now started to recover. Energy prices have started to soften, which may have favourable impact on margin going forward. As mentioned in the previous quarter Investor Call that textile business is facing headwinds. Price of both cotton and yarn has corrected from the peak and spreads have contracted. New cotton crop coming into the market is on lower side compared to the last year. However, festive sale in the international markets were good and consumer sentiment seems to be improving. We expect the business to gain positive traction in next two, three quarters.

In the last 5 years, our average margin has been 18%, which has been dipped to 12.7% for 9 months FY '23. We expect our margins will revert back to 17% to 20% range in next two, three quarters. We continue to focus on implementers on our various growth initiatives. A Greenfield project is making progress, and we are working with the various agencies and project consultants.

Sodium bicarbonate expansion is near completion. Other initiatives such as backward integration of raw materials for all the improvement projects and digitizations are progressing well. At our textile division, we have successfully installed 40,000 new spindles which will help us to achieve volume growth of around 20%. It expands our product basket diversification and increase value-added product basket. We are committed to enhance our green energy footprint.

I'm glad to share that we have received a regulatory consent to increase capacity of existing soda ash plant from 11 lakh tons to 12 lakh tons. We shall achieve some volume benefit in the current year. On the demerger front, honourable NCLT has conducted a hearing on 20th of December 2022 and have reserved their orders. As a next-step, our endeavour is to list the textile business upon receipt of the order.

I will now hand over to Raman to say the financial performance.

**Raman Chopra:**

Thank you, sir. Good evening, everyone. Very warm welcome to all of you for our Q3 Earnings Call Financial Year '23. I will share the financial highlights and segmental performance for the quarter ended 31st December 2022. The revenue for Q3 FY '23 came in at INR 1,289 crores as compared to INR 1,006 crores in the corresponding quarter of last year. This is a growth of 28% on a year-on-year basis. On a sequential basis revenue declined by 7% from INR 1,389 crores. EBITDA for the quarter stood at INR 376 crores, which is a significant increase of 50% from INR 251 crores in Q3 FY '22. On a sequential basis, represents a decline of around 15% from INR 442 crores.



*GHCL Limited  
January 31, 2023*

For the quarter, EBITDA margin came in at 29.1% compared to 24.9% in Q3 of FY '22 and 31.8% of Q2 FY '23. Profit after tax for the quarter stood at INR 248 crores compared to INR 153 crores in Q3 FY '22 and INR 289 crores in Q2 FY '23.

In Inorganic Chemicals segment, we have reported a revenue of INR 1,057 crores during the quarter, which is up by 38% compared to INR 765 crores on a year-on-year basis with a decline of around 6% from INR 1,130 crores on a sequential basis. The reason for this variation is mainly due to lower volumes due to plant shutdown in October coupled with softer realization.

EBITDA for the quarter stood at INR 372 crores as compared to INR 182 crores in Q3 FY '22 and INR 413 crores in Q2 of this year. This translates to an EBITDA margin of 35.2% in Q3 as compared to 23.8% in Q3 FY '22 and 36.6% in Q2 FY '23. On a sequential basis, EBITDA has gone down by INR 41 crores due to plant shutdown, resulting in lower volumes, onetime wage settlement expense, higher repair and maintenance was due to plant shutdown and softer realization.

Our textile business faced headwinds impacting the yarn industry. As a result, the revenue for the current quarter was INR 233 crores as compared to INR 241 crores in the corresponding quarter of last year and INR 260 crores in the previous quarter of this year. EBITDA declined significantly INR 3 crores as compared to INR 69 crores in Q3 of FY '22 and INR 29 crores in previous quarter, mainly due to lower realization and inventory impact.

For 9-month period of FY '23, we generated a cash flow of INR 1,151 crores. We have achieved a significant milestone of becoming a net debt-free company during the quarter itself as against our initial estimate of achieving the same by fiscal year-end. But gross debts at the end of the quarter stood at INR 462 crores, and we have a net cash surplus of INR 6 crores as at the end of the quarter.

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

**Moderator:**

Our first question is from the line of Riddhesh Gandhi from Discovery Capital.

**Riddhesh Gandhi:**

Just a couple of questions. You have given effectively the reduction in freight rates and slowdown which happened in China, which now we hope is behind us, yet the price reduction was only 2%. If you could throw some light on how it's leading to such strong active pricing? And going ahead, if you have a view on the inventory levels also, which



*GHCL Limited  
January 31, 2023*

might be there in China and other countries to give a view and outlook on, if you just see prices go up, stay steady or potentially reduce over the next few quarters and years?

**R. S. Jalan:**

Riddheshji, you've very rightly asked the question about China. Because, as you know, that out of the total global scenario, China is a very significant player. And if you remember a couple of quarters before, I have given to the investors feedback that in a slightly medium term, China will become a net importer. So China will not remain as a net exporter barring some blips in between and that situation still continues.

This small change which has happened in China is primarily because of their COVID resistance. The consumption in the housing sector hasn't been significantly lower. But our understanding is going forward, after the China is now starting opening up. So definitely, the demand recovery will happen in China, and that will change the outlook of the soda ash going forward.

One good thing is that China is having very bare minimum inventory of soda ash that is going to the China. So there is not an accumulation of the soda ash inventory. There are almost around 200,000, 250,000 kind of volume as the case. Their total production of something around 2.5 million tons per month. So their inventory is their business.

In terms of the logistic costs, as you rightly said, soda ash pricing has not declined in China. Frankly speaking, this gap, which you are seeing is primarily because it's a container freight or the freight has come down. So therefore, the price of Chinese product or I would say, any import product, which is coming to India, freight costs have gone down. But still, our prices are more or less in line with the current pricing which we will offer.

If you look at US, it's very strong in terms of overall, not a major offering from US Same in Europe, not a major offering from Europe also. So therefore, my personal belief that I don't see a major kind of a scenario changing in terms of price reductions and things like that going forward. But as you know, the market is very dynamic and how does the mix of after this Chinese economy gets opened up now after the new year, how the scenario happens in China may change the dynamic. But until now, we don't see any major downside in the overall scenario.

**Riddhesh Gandhi:**

And is there potential upside you see in prices as well in terms of giving this scenario of increasing end-user demand and effectively limited new capacity coming on in the industry?



*GHCL Limited  
January 31, 2023*

**R. S. Jalan:** See Riddheshji, maybe one or two quarters, I can't say because, but yes, in the medium term, probably that should shape up. Because as you rightly said, on the one side, the soda ash also solar investments are like in India itself in the next six months, there is an additional demand of soda ash is coming only on the solar investment is more than 1 lakh ton per year. That is go to 5% of the total demand. So that way, if the detergent demand gets improved or the textile gets improved, then the demand upside will be much better than what it is today.

So in the shorter term, maybe one or two quarters could be kind of a small blip or maybe this range. But after the potential is there, the way that soda ash demand growth is taking place globally. I personally believe that, yes, positivity is there.

**Riddhesh Gandhi:** And the other question is with regards to actually spinning. We are hearing from some of the other players that overall spreads are starting to improve given Indian cotton prices have effectively corrected to global levels. Is there any outlook you can give for maybe next 12 to 18 months?

**R. S. Jalan:** See Riddheshji, if you remember that I have been telling this maybe the last two calls, maybe six months before, there are two things: one, I personally see that there is a likely headwind for the textile. And therefore, today, if I can say a month before, the entire contingent, be it home textile, be it garment, be it spinning, everywhere, the demand outlook was very, very pessimistic and almost the people who are running around 50%, 60% of the facilities. So spinning also, majority of the mills were running out on a lower capacity, maybe somebody 60%, somebody, 70%, somebody 50%.

Fortunately, for us, we have been running 100%. Until now we have not reduced our production. In this quarter also, we have been running at full. So that's a positive sign from our side. In terms of the outlook, yes, a couple of positive things are there. One, now the cotton prices are more or less stabilized. Yarn demands are being seen, some improvement is being taken place because China has already started importing the yarn from India.

So there is a positive vibration is coming from China because now the economy is opening up, the demand of garment and everything will improve. So therefore, they have started importing the product from India as well. Similarly, the demand in the US and Europe also, this time in the holiday season, the demand was reasonably good. So therefore, all the consumers like the home textiles, some improvement I'm seeing in



*GHCL Limited  
January 31, 2023*

their demand outlook. So probably maybe one or two more quarters. We will have some gain. After that, you should definitely expect some recovery.

**Riddhesh Gandhi:** And the last thing is that effectively, given now you guide net cash and that too in a company which has got extremely steady free cash flows over the years. I mean, wouldn't it be prudent to maybe take some leverage and then either do a buyback or then do a large dividend or something of that sort, just to be little more actually efficient on our cap structure.

**R. S. Jalan:** See, I have always been saying on this, one of the important aspect for us is the rewarding our shareholders. Whatever we, either in the form a dividend or in the form of buyback, you know that we have already done two buybacks in the past. Today, because of demerger and some restrictions are there on...

**Riddhesh Gandhi:** Got it. Okay, understood.

**R. S. Jalan:** So therefore, of course, we will always be positive on this thing. Of course, Board has to take a decision on that. But yes, we will always be positive to reward our shareholders.

**Moderator:** Our next question comes from the line of Mohit Khanna from Banyan Capital Advisors.

**Mohit Khanna:** Sir. My question is pertaining to the expansion of the capacity that you had mentioned in the opening remarks from 11 lakh metric tons to 12 lakh tons. So what is the time line on it? And what is the capex of inventory?

**R. S. Jalan:** Mohitji, obviously, we have more or less kind of a 70%, 80% of work we have already done on this. And therefore, if you see that this year, we will get around 50%, 60% of the benefit of this expansion we will already accrue to us.

**Mohit Khanna:** In FY '23?

**Raman Chopra:** Some balancing is required and probably the full potential we will be getting next year. So in a way, you can say that most of the benefits will be accruing to us in this year itself.

**Mohit Khanna:** And secondly, in terms of soda ash demand, particularly in India and imports coming into India, there was a report that imports have increased and the demand was also increased, especially from the FMCG side and other consumable side. So what are the





*GHCL Limited  
January 31, 2023*

trends that we are seeing right now especially on the demand and the volume consumption side?

**R. S. Jalan;**

See, if you look at the major sector where the demand of soda ash is there, one is the glass, this business has been good. As I said, all the plants are running full, container glass is really very bullish. In the flat glass, both are running at 100%, but because it's from import from China, the margins are under pressure. However, like I said, China is now opening up and probably the scenario was also reverse. So glass, both the segments are doing very good.

In terms of detergent, there is some softness in the demand recovery after the monsoon. Demand recovery has not happened the way that it could happen. But now we are seeing a sign of recovery into the detergent demand as well. The next sector, which is, again, very important is the textile sector. Textile sector, as you know, the textile sector was down, but now some recoveries have been seen in the textile also. We have started getting some inquiry from Bangladesh for soda ash because Bangladesh is a very important country for the textile segment. So there also the exports are happening for the soda ash.

Overall, I would say, textile is also on the recovery path. Green energy, I've already said, a lot of investments are coming into the green energy. Some of the plants are getting commissioned in the next 6 months' time, and there will be a substantial demand of soda ash, which is almost around 5% of the total demand will come only alone from the green energy initiative.

All this put together, I clearly see a good outlook for soda ash demand going forward. Of course, how the China shape up in terms of their economic slowdown because they are almost around 40% of the global demand. And therefore, how that shape up or how the import comes from China, will be an area to be seen. Other than that, I don't see any major concern.

**Mohit Khanna:**

And just a final thing. What is the status of the greenfield capex right now? How much have we spent till now? And any other update on that regarding?

**R. S. Jalan:**

Yes. In the greenfield project, I would say that the investment is not very large at this point of time. We have almost spent around INR 50 crores, INR 60 crores only. That is also primarily on the land side. All of the approval processes are on the way. I think I have briefed to the investors last time that public hearing has been conducted which has been done. Now the papers have with the Ministry of Environment to get an



*GHCL Limited  
January 31, 2023*

approval from that. And as you know, it happens in any new greenfield lending projects, some of course NGOs and all those things are there. We are opposing the thing. But of course, government has to say their own views in terms of the overall outlook or the benefit of the plant into the nearby area. And I'm very positive that probably we will soon get the environmental clearances from the government. And after that, it will take almost another 2.5 years to 3 years of time to complete the project.

**Moderator;** Our next question comes from the line of Rohit Sinha from Sunidhi Securities.

**Moderator:** Ladies and gentlemen, the line of the participant has been disconnected. Our next question comes from the line of Sangeeta Purushottam from Cogito Advisors.

**Sangeeta Purushottam:** Congratulations, sir, for the really good set of numbers. My question really relates to the kind of volume growth we are likely to see in the next 2 to 3 years, until our greenfield project comes on stream. So would you be able to tell us what we can expect on that front? And a related question is because of the plant shutdown that happened in Q3, did we lose any volumes? And if so, how much was that?

**R. S. Jalan:** Yes. Sangeeta, two questions you have asked. First is that in terms of the volume growth into the soda ash business. Like I said, our capacity was increased, how it is going to 12 lakh tons. So almost up to 10%. Out of that 10%, most of them, around 70%, 80%, we will be able to or maybe 60% we will be able to achieve during this year. So that is until next year. Probably, you can say in next 2 years, we will be around the net sales will be around 10% overall, okay?

In terms of the second question, which you talked about your plant shutdown, as you see it will happen that every industry take around in every year, they take around the plant shutdown. In our case, we have gone for 18 months, and this shutdown has happened in the month of September and we've lost around 15,000 tons of the volume during that period, because in that period, you have to stop the plant and you have to may be change the new products. But that will get recovered in the next quarter that annual shutdown will not be there.

**Sangeeta Purushottam:** Sir, just going back to the first question again. After a capacity of 12 lakh tons gets utilized which the same happened in FY '23 and part will happen in FY '24. What about '25 and '26? Will we be seeing annualized volume growth in soda ash?

**R. S. Jalan:** Sangeeta, two things. One as you know that we are expanding our sodium bicarbonate capacity to double. That will have an advantage in terms of the volume growth. And



*GHCL Limited*  
*January 31, 2023*

then after that, we will have only the greenfield advantage. In addition to that, like I briefed the investors last time, one of the initiatives we're going to expanding our salt production. So that advantage not in terms of the revenue, but in terms of the cost advantage, we will have a significant advantage next year. So those kind of advantage will come not in terms of the volume growth of soda ash until the greenfield project comes.

**Moderator:** Our next question comes from the line of Sunil Gupta, an Individual Investor.

**Sunil Gupta:** Let me compliment you for becoming a zero-debt company, which has been made possible under your guidance and leadership and also buoyant market conditions. Now that we have a cash surplus of INR 468 crores, I'm sure investors should urge and you should consider a request for a buyback. Barring that, let me put two more questions to you. One sir, there has been a INR 250 crores increase in the capital employed out of which INR 130 crores is in the inorganic and INR 130 crores is in unallocated. So my request would be if you can throw some light on this?

And secondly, as you rightly said that there is a 15,000 tons impact of shutdown, there were some opening inventories that we must be carrying. So we are still carrying those inventories and could not liquidate due to weaker market conditions? Just two these questions, sir.

**R. S. Jalan:** No. You've asked for the three things. One is that company is always very conscious about rewarding the shareholders. At an appropriate time, the right proposal will be put up to the Board for their consultation. The second you spoke about very rightly about the capital deployment. So, these numbers have been because of the working capital. Because as you know that the working capital in terms of either the inventory of the finished goods or in terms of your raw material that deployment goes up or goes down, okay?

Third question, as you rightly said, because of the slowness of the demand, some inventory built up will happen, which we are planning to this quarter, we are trying to kind of export some of the volume to kind of minimize this increase in inventory.

**Sunil Gupta:** Sir, but increase in capital employed in unallocated segment of INR 130 crores. If you can throw some light because that is not related to soda ash?

**R. S. Jalan:** So that is, we have kept a liquid money into the fixed deposit.



*GHCL Limited  
January 31, 2023*

**Sunil Gupta:** One more question. My last question is that you said that you expect 17% to 20% margins in spinning. And there's been 5-year track record of the 20%-plus margin. I think probably aren't we conservative in saying 17% to 20% because when we used to achieve 20% average margins, our commodity business was higher in spinning and now with so much of investments in value-added segment, the number should be much higher than 17% to 20%?

**R. S. Jalan:** Sunil, I always go on a slightly longer term vision, okay. And like I said, the 17%, 20%, I think it fitted a policy for us. Historically like you rightly said, 18% is the margin. And going from 18% to 20% itself is a kind of a significant improvement. But I always want to be a little cautious about what I speak, and so it is always good that you speak less and you deliver more.

**Moderator:** Our next question comes from the line of Saket Kapoor from Kapoor & Company.

**Saket Kapoor:** You spoke about this annual revision in the long-term contracts. So if you could throw some light, how have things planned for us for the long-term contracts?

**R. S. Jalan:** Saketji, when I say long-term contract, this is more primarily for the US people, okay? Because the US, as you know that they always go on a multiyear contract. Of course, now the trend they are also releasing the multiyear contracts. So this year, the US, they have been able to close the yearly contract. And I think there's a better price than what they were getting before. So that was only from the the US side.

In terms of the India side, we don't have too much of, I would say, long-term contracts. Yes, some percentage are there where somewhere we have a 1-year contract, somewhere we have a 6 month or 3 months, that contract. And therefore, in some of the contracts, we have got a price increase because the contract was on a year back and after that the price has gone up.

In some of the contracts, which we have done, maybe say 2 months back or 3 months back, and if there is still the contract is valid that we are getting the same price. So it is more like a, not a very major impact on our realization overall because of this change in the annual contracts, because some were gains, some were size of small 2%, 3% of the drop to probably the same numbers.

**Saket Kapoor:** Sir, earlier you did spoke about some inorganic growth. And in your presentation, Slide number 18, I just quote within the soda ash, apart from the application in key end-user industries like detergent and glass, the company is strategically identifying newer end-



*GHCL Limited*  
*January 31, 2023*

use opportunity emerging out of solar panels. The objective is to target the right set of customers within the industry and offer them the right product and solution having right customers, prevent fluctuation in prices and therefore margins. Sir, if you could elaborate what are we trying to convey and just a thought on the same?

**R. S. Jalan:**

See, two things. Ultimately, we are in a business where the domestic competitions are there and you have a global competition is also here somewhere, right? So, how do you create a kind of a better value for yourself. And that is only by creating a value addition in terms of the service that you provide, the way you deliver the product, like delivering 24/7.

In the soda ash industry, I think GHCL was the first company who came with the concept of 24-hour delivery to the customer, even if your customer is sitting into the certain part of the country and the product has to move from Gujarat. So the point which we are trying to say here is our focus is to how to create that value proposition for the customers. How do we service them? How do we proactively support them into their business? How do we focus more on the retail customer because there probably these things are very important for them.

So from that perspective, we are talking about identifying this thing. In terms of the product basket expansion, which you are talking about, the product basket expansion, Saketji, we are still working on that, a lot of proposals are coming. But I said in the past also, we don't want to rush on something because it is a strategic investment at this point of time. We don't want to rush and go for some industry which is not what we don't get the marginal acquisition at the right appropriate price and where we have to see a significant growth going forward and opportunity.

In terms of RBC, refined bicarbonate which I've said, we are doubling the capacity there. So those kind of things we are doing to create the value for our customers. And maybe you are talking about in the textile, as you have been mentioning in the past, in the textile, the major focus is more towards the value-added segment. Strategic customers, strategic products, expanding the product basket of the textile so that we have a larger basket of the product. So these are the things which we are doing. And that is the reason today majority of the mills, they are running on 60%, 70% of the capacity, we are still running on 100% capacity. So this is what we said in the Page number 18.



*GHCL Limited  
January 31, 2023*

**Saket Kapoor:** Sir, any time line you would like to set or time line would be hazardous guess. It's an open-ended thought that it may take 6 months, it may take a year also that we would be identifying the stream? Or do we have any time line set for the same? And depending upon the quantity of what you have done, sir?

**R. S. Jalan:** So Saketji, I would not like to define the time line because in the rush of taking a decision in a time line this thing, we tend to make a mistake. We don't want to make a mistake. So we'd like to be very careful on selecting. So that, when we do this, you have a long, 20, 30, 40, 50-year kind of a scenario you are looking at. So don't rush and go for something where you can't create a value for your segment or part of that business itself. So we will be a little careful in taking that decision.

**Saket Kapoor:** Sir, on this sodium bicarbonate expansion that we have done by the December end quarter, and the volume benefit would be percolating to the fourth quarter?

**R. S. Jalan:** No. I have already said in the last quarter also that the sodium bicarbonate expansion will get completed including this quarter. And the benefits will be coming to next year.

**Saket Kapoor:** Right, sir. Sir, one small point about the Chinese prices. I'm referring to a Chinese website, wherein we have seen the soda ash prices being quoted in the Chinese currency being moving up from RMB 2,600 to RMB 2,694 over the period of, say, 20, 25 days with the Lunar holidays getting over. As you were guiding us that the scenario may change as the Chinese market open up. So are we getting any fillers on the ground that the price correction, which we have taken earlier may get reversed sooner than depending upon the dynamics of the market?

**R. S. Jalan:** At this point of time, I can only say that, yes, you are right that the Chinese scenario is slightly positive than what it was 10 days or 20 days or 30 days back. But the real picture will only emerge after when the China is fully operational from the holidays. And only the price trend will be clearly established. Probably this quarter, a wait-and-watch situation will be there how that shapes up, and based on that only future decisions or the financial outlook can be spoken.

**Saket Kapoor:** Only one small point I've seen in the note, sir, that during the quarter, it was mentioned that during the current quarter, 10,000 stock options lapsed under the employee stock option scheme, GHCL ESOS 2015. So what should one read into it? Is it regarding this 30% dip that we have seen in the market cap of the complete, is the reason why the same has left? Or how should one read into it?



*GHCL Limited  
January 31, 2023*

**R. S. Jalan:** No, no, no. Saketji, this stock option, which has been given a long time back. And it would have been beneficial to the employee who would have taken even at the current market prices. But the employee has left the organization, and he has not opted for that.

**Saket Kapoor:** So leaving the organization will not make him eligible to exercise it later on. That's the reason.

**R. S. Jalan:** Now in the future, he will not be able to exercise that.

**Moderator:** Our next question comes from the line of Rohit Sinha from Sunidhi Securities.

**Rohit Sinha:** So first thing just wanted some clarity on the depreciation side. I mean we have EBIT as per the press release for inorganic chemical segment as I think, INR 366 crores and on the PPT, we have EBITDA for 372?

**R. S. Jalan:** Rohit, I'm not being able to hear you properly. If you can slightly louder speak so that we can understand.

**Rohit Sinha:** Sorry. Sorry. So am I clear right now?

**R. S. Jalan:** Yes.

**Rohit Sinha:** Yes. So in the inorganic segment, I just wanted to clarify the depreciation amount for both the inorganic as well as textile side. As I was just checking on the PPT and press release that EBIT of inorganic was INR 366 crores and the EBITDA it was INR 372 crores. Just wanted some clarity there. Is there something missing? Or how we should see that number?

**R. S. Jalan:** So you are talking about which slide number?

**Rohit Sinha:** Yes. So in our press release, we normally mention the segment wise performance. There, if we look at the segment result from inorganic chemicals, it is INR 366 crores, which normally we take as EBIT. And in the press release, we have inorganic segment's EBITDA as INR 372 crores in Slide number 10. So how should we see the segment depreciation? Just wanted to check that.

**R. S. Jalan:** Rohit, frankly speaking, we need to kind of look at this number. We have to give a little time to understand because my team is already looking at that number.



*GHCL Limited  
January 31, 2023*

**Rohit Sinha:** We'll check with later on or something. So on the overall outlook, you have already indicated about the textile business that we have been also talking for the last 2, 3 quarters, I think that slowdown in the business is there. So now, any green shoots we are observing or how we should see the next couple of quarters or going ahead?

**R. S. Jalan:** Rohit, in terms of the spinning or the textile, definitely one or two more quarters will be painful on the two reasons, one is the recovery is being seen but there's still some inventory losses or the onetime losses will continue in the next quarter, at least more in the current quarter, which is running right now, you will see that. And now gradually, the demand recovery will take place. And probably this quarter will be a little bit more challenging. But of course, the work is progressing if I can say so.

And the way the scenario we see today, as you know that the market is so volatile, it is very difficult to say tomorrow what will happen, okay. However, the way I see today probably April, June quarter should be better than this quarter or the next quarter which is likely to happen. And after that, new recovery should take place. So '23, '24 should be a better year for textile per se. This is what my broader understanding of the whole scenario subject to all what you call volatility and uncertainty.

**Raman Chopra:** If you look at what we have reported in the quarterly results and the presentation, INR 366 crores is inorganic chemical and textile is 6 crores negative. So net comes to INR 360 crores. And if you from there, if you eliminate INR 16 crores of unallocated expenditure, then the total EBIT will come to INR 344 crores. And the breakup of that INR 344 crores is on INR 350 crores EBIT is there in the inorganic chemical business and minus INR 6 crores is there in the textile business. So net will be INR 344 crores. That is a reconciliation.

**Rohit Sinha:** Okay. Okay. So basically, I mean just wanted to do build on the numbers for depreciation amount, the total depreciation, which we are having around INR 30-odd crores for this quarter. I think this INR 32 crores something. So how much we should see that for inorganic chemical and textile?

**Raman Chopra:** 9 for textile and approximately INR 22.5 crores from the inorganic.

**Moderator:** Our next question comes from the line of Gaurav Joshi, an Individual Investor.

**Gaurav Joshi:** So I have two questions. One, in the recent investor call, which we had with Raman Chopraji, we had discussed about a prospective acquisition, which GHCL might or would be evaluating. And he had also mentioned about the size, probable size of that,





*GHCL Limited  
January 31, 2023*

which might be lucrative to the company. Any updates on that aspect or any actions which have been taken further? The second point is on the NCLT hearing, the order is resolved as we know. But has there been any further details, which NCLT has called for or any update on that score will also be helpful?

**R. S. Jalan:**

In terms of the second point first, NCLT, they have just the orders, no details, nothing because there are really a lot of cases are there, and we are just waiting that order to come in. There's no further detail or something. And I think very soon, probably we'll be getting this order. In terms of the first point, as I said even in the past last call also that we are evaluating many.

And of course, there's some parameters are there in terms of the size, in terms of the growth opportunities and a lot of evaluations are happening. But those evaluations has not materialized any serious discussion or any progress where we can kind of report to our shareholders but evaluation process are on, and we are continuously pursuing that objection. But till now no significant progress where I can say that, yes, something we have been able to achieve till now.

**Moderator:**

Our next question comes from the line of V.P. Rajesh. from Banyan Capital Advisors.

**V.P. Rajesh:**

Just one question about the debt. Since we are a net cash company now at the corporate level, should we assume that in the textile business also will be net cash once it is demerged?

**R. S. Jalan:**

See, in terms of the balance sheet when we will split, at that time clarity will come that how the scenario. But yes, in a way, I would say that we will try to be make the balance sheet of textile also at the time of demerger in a manner so that they remain healthy and they remain in a situation where they can take a journey of growth going forward. So we'll continue with that objective. So today, the overall scenario is that the company is at net cash.

**V.P. Rajesh:**

Right. Okay. Understood. And then just on the time line, I know you said it's imminent. But can we conclude that the demerger will likely happen before the end of this quarter?

**R. S. Jalan:**

I think so because now probably you can say that next 2 to 3 months' time is probably because there's a lot of formalities, the orders will come, then we have to take the certified copies, then we have to file – to the ROC. Probably, you can say maximum



*GHCL Limited  
January 31, 2023*

to maximum, say maybe 6 months' time at which probably this could happen. So next year 2024 could be.

**Moderator:** Our next question comes from the line of Rohit Nagraj from Centrum Broking.

**Rohit Nagraj:** Sir, just one question in terms of our capex plans. So in terms of the of 1.1 million ton to 1.2 million tons, how much capex that we have done. Similarly for sodium bicarbonate, what is the capex that we'll be doing? And just an overall guidance of capex for FY '23 and FY '24?

**R. S. Jalan:** I think in terms of the capex, like I said, almost a major portion of that capex on this expansion of 11 to 12 has been done. So some unspent amount there. Raman can brief you about the unspent amount of that. And in terms of the sodium bicarbonate also I think the amount is significant. Raman, if you can brief this?

**Raman Chopra:** Yes. Until now, we have done a capex of around INR 228 crores for the 9 months. And we are likely to have another capex of around INR 75 crores to INR 80 crores when we finish there. It will be something like INR 315 crores to INR 324 crores. Balance debottleneck for inorganic chemicals and which would be around INR 50 crores to INR 60 crores and balance towards the textile 40,000 spindles project, balance payment of that. Now going forward for the next year, it all depends upon how we shape up for our greenfield projects.

But as of now, in the spinning side, we are targeting around INR 75 crores to INR 80 crores investment. And on the inorganic chemicals side, we are targeting around INR 150 crores investment. This will be without any greenfield, any major spend on the greenfield. Greenfield will all depend upon how the thing shape up when we get the approval. But the larger portion of Greenfield spend is going to start towards end of 2024 or during the period '24, '25.

**Rohit Nagraj:** Right. And this INR 154 crores on the inorganic will be primarily for maybe some upgradation of capacity and I think the salt project that we have been talking about and the maintenance capex, right?

**Raman Chopra:** Fully right. Some capex on the salt side and some further debottleneck to achieve that 12 lakh-ton production, some balance work is going on. So that it will be towards that. Regular capex also is to maintain your efficiency.

**Moderator:** Our next question comes from the line of Sangeeta Purushottam from Cogito Advisors.



*GHCL Limited  
January 31, 2023*

**Sangeeta Purushottam:** Yes. Sorry, sir, my line had got disconnected earlier, so I did not hear your reply. So I just wanted to get an understanding of how we should think about volume growth for the company till the time being new Greenfield project comes on line. So over the next 2 to 3 years, what kind of annualized volume growth should we expect?

**Raman Chopra:** Sangeeta, when we talk about this inorganic chemical as I said, the volume growth of 11 lakh to 12 lakh increase around 10%, as we see this year as well as some benefit in the next year. That's one built up. We will surely get the benefit next year of the sodium bicarbonate, which the expansion we are doing for doubling the capacity.

So that's the second advantage you will see next year. Third advantage you will not in terms of the volume growth, but you will see in terms of the productivity we are utilizing on the salt, captive salt production. So those kind of advantage is next year onwards. And after that, the volume growth will only happen from the greenfield project.

**Sangeeta Purushottam:** Right, right. Okay. So bulk of the volume growth you're likely to see will be over the next, say, 12 to 18 months, and then there could be a bit of a lull until the new greenfield comes onstream?

**R. S. Jalan:** Yes. And in terms of the textile, of course, like I've just said in my initial remarks, in terms of volume growth, we have just completed the 20% of the volume growth, you will see next year. On the textile side, opportunities of volume growth will be there.

**Moderator:** Our next question comes from the line of Yogesh Tiwari from Arihant Capital Markets Limited.

**Yogesh Tiwari:** Good evening, sir. My first question is there has been an increase in the interest cost on a quarter-on-quarter basis. So what will be the driver for it?

**R. S. Jalan:** I don't think the interest cost has gone up. I think you'd say INR 29 or INR 30 crores to INR 31 crores.

**Raman Chopra:** No, no.

**R. S. Jalan:** 10.75 to 11.18. This is primarily because of working capital utilization, not a really significant.

**Yogesh Tiwari:** Sure, sir. And my last question is what would be the utilization rate for sodium bicarbonate for the quarter, sodium bicarbonate?



*GHCL Limited*  
*January 31, 2023*

**R. S. Jalan:** Sodium bicarbonate, we are almost running around 80% to 85% at this point of a time. And probably that kind of a number will continue in the future also.

**Moderator:** Ladies and gentlemen, we have reached the end of the question-and-answer session. I now hand the conference over to the management for closing remarks.

**R. S. Jalan:** Thank you, gentlemen, and thank you for all the support which you are giving. As a management, our endeavour is always to ensure that we continue to grow and continue to create a value for our stakeholders. And in that journey, we also are very clear in our mind to perform and create a trust among our stakeholders in terms of the outlook. We are going to be very responsible in our approach. And we will definitely see there is value for our stakeholders. So thank you very much for your support.

**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.