August 11, 2023

श्रावण (अधिक) – कृष्णपक्ष – एकादशी
विक्रम सम्वत 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 August 7, 2023

In continuation to our earlier communication dated August 2, 2023 and August 7, 2023 regarding Investors’ conference on August 7, 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 August 7, 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), 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

Bhuwneshwar Prasad Mishra
Digitally signed by Bhuwneshwar Prasad Mishra
Date: 2023.08.11 21:50:14 +05'30'

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

"GHCL Limited
Q1 FY2024 Results Conference Call"

August 07, 2023

ANALYST: **MR. MEET VORA – EMKAY GLOBAL FINANCIAL SERVICES LIMITED**

MANAGEMENT: **MR. R S JALAN – MANAGING DIRECTOR – GHCL LIMITED**
MR. RAMAN CHOPRA – CHIEF FINANCIAL OFFICER & EXECUTIVE DIRECTOR (FINANCE) – GHCL LIMITED
MR. MANU JAIN – INVESTORS RELATIONS - GHCL LIMITED
MR. ABHISHEK-CHATURVEDI INVESTORS RELATIONS - GHCL LIMITED

Moderator: Ladies and gentlemen, welcome to the Q1 FY2024 results conference call of GHCL Limited hosted by Emkay Global Financial Services. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Meet Vora, Emkay Global Financial Services. Thank you and over to you.

Meet Vora: Thank you. Good evening everyone. I would like to welcome the management and thank them for giving us this opportunity to host this. We have with us today, Mr. R S Jalan, Managing Director and Mr. Raman Chopra, CFO & Executive Director (Finance). I shall now handover the call to the management for their opening remarks. Thank you and over to you Sir!

R S Jalan: Thank you very much. Good afternoon everyone. Welcome to GHCL's earning call for the first quarter ended June 30, 2023. Our results and presentation has been uploaded on stock exchange and company website. For this call I am accompanied by our CFO Raman along with Manu and Abhishek from IR and the finance team. In general, the soda ash markets are soft demand from some of the regions and huge segments has been weak while new capacities coming live are now creating additional supply. As a result soda ash market is oversupplied in certain regions and this has put a downward pressure on prices.

In China, overall soda ash supplies demand situation is balanced, demand is up by 7% on Y-o-Y basis from January to till May YTD. Driven by the solar glass and lithium carbonate through other segments such as flat glass remains soft due to slow real estate sector. Soda Ash producer's inventory has decreased despite the producers overall operating rates are high. Exports have increased especially to Asia and Africa and is up by 21% Y-on-Y. Market have reacted calmly to the new 1.5 million metric tonnes natural soda ash capacity in Mongolia which came on stream in June end. Another line of same capacity is expected to come on stream soon.

In the recent development authorities have decided to shift from energy control to carbon control which will have even bigger opportunity for carbon free energy such as solar. The total solar glass capacity in China has reached an estimated of one lakh metric tonne per day which requires approximately around 7.5 million metric tonnes of soda ash per annum at full utilization. In America's soda ash production is down by 5% on YTD January, April 2023 while consumption is down by 6% and export is flat resulting in a higher inventory level. Demand from chemical salt increase while demand from flat glass drop. Some container glass unit has been closed America's region excluding the US is quite resilient on soda ash import. Trade data shows a weaker trend in import does the underlying demand in South America voice is not audible properly region.

In Europe demand is soft most part while soda ash supply continues to be readily available resulting in a surplus soda ash availability across the region. Container glass demand has recently declined while flat glass and detergent demand remains sluggish. Flat glass is experiencing a strong competition due to increased import from Asia, recovery may happen in fourth quarter of this year. In Turkey, soda ash demand has been weak. Turkish export has increased by 4% Y-O-Y till YTD May. This is likely extra soda ash capacity in Turkey following ineer 0.4 million tonnes expansion. Realization has reduced mainly due to combination of oversupply situation, reduction in input cost, new supplies from China and U.S and supply chain cost below pre-COVID level.

The global situation is likely to remain same for the next one or two quarters, China which is the largest soda ash producer and consumer is likely to remain stable going forward. Demand may improve from additional solar glass capacities coming on stream and on some of the soda ash plant going on the maintenance. The Central Bank of China has reduced lending rate in June 2023 by 10 basis point to stimulate economic growth and revise the real estate demand. The Indian soda ash market has been voice is not audible properly stable, demand in India has been strong for flat container and solar glass upcoming solar glass capacities are slightly delayed due to cyclone and are likely to be commissioned in H2 of this fiscal year; however, the ongoing monsoon season will contribute to a decrease in the demand for detergent, soda ash inventory has remained high due to increased imports.

As a result, the prices in India has decreased and we have taken the price correction from November 2022 till Q1 and by another 5% in July total to 20%. We see this as a healthy and necessary correction for domestic investors to remain competitive and also pass on the benefit of reduced input cost, especially the energy prices, to customers. We continue to focus on implementation of various growth initiatives. We are making progress on the Greenfield project and we are already making progress with the basic engineering activities various growth projects for vacuum salt, salt in improvements and digitization as well processing ahead.

Thank you and I will hand over to Raman for the financial results.

Raman Chopra: Thank you Sir. Thank you Sir. Good evening everyone and I welcome everyone to our earning call for first quarter FY2023-24 ended on 30th June 2023. Results for this quarter comprises of inorganic chemical business as demerger of Textile business has was completed on 1st April, 2023.

Revenue for Q1 FY24 came in at Rs. 1029 Crore. This represents a decline of 11% on a YOY basis compared to Rs. 1153 Crore in the corresponding quarter of last year. On a sequential basis, revenue declined by 10% from Rs 1141 Crore. The reason for this decline is mainly due to reduction in Soda Ash realisation from the March quarter and lower sales from the same quarter of last year.

EBITDA for the quarter stood at Rs. 310 Crore, which is a decline of 15% from Rs. 364 Crore in Q1 FY23. On a sequential basis, this represents a decline of 16% from Rs. 370 Crore. For the quarter, EBITDA Margin came in at 30.1% compared to 31.6% in Q1 FY23 and 32.5% in Q4 FY23. During the quarter there is an exceptional gain of Rs 219 Cr arising from the accounting treatment as per the scheme of demerger for the Textile business. PAT from continuing operations including exceptional gain stood at Rs. 426 Crore compared to Rs. 310 Crore in Q1 FY23 and Rs. 251 Crore in Q4 FY23. For the quarter ended 30th June, 2023, we generated Rs. 231 Crore in cash profit after tax. We are a net debt free company and at the end of the first quarter, our gross debt stood at Rs. 302 Crores and we have cash of Rs. 515 Cr resulting in net cash surplus of Rs. 213 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 very much. We will now begin the question and answer session.We have a first question from the line of Jainam Ghelani from Svan Investments. Please go ahead.

Jainam Ghelani: Thanks a lot for the opportunity. What was the volume growth quarter-on-quarter and year-on-year please?

R S Jalan: This quarter we have lower volume because if you remember we have in the last call also we said that because of some disturbances in our plant we have kind of a lower volume production. We are almost on the production side and we are down by around 10% to 12% on a year -on-year basis and however in the sales side also we are down by approximately around 13% in this quarter.

Jainam Ghelani: And year-on-year?

R S Jalan: Sorry.

Jainam Ghelani: And what would be the volume growth or the growth quarter-on-quarter ?

R S Jalan: Quarter-on-Quarter also if you could compare from the last year fourth quarter we are down by around 10% on the sales of course on the production, we are almost on the same level.

Jainam Ghelani: Okay and sir, what is your volume guidance for the FY2024 and FY2025 how do you wish to grow over the next two years?

R S Jalan: 2023-2024 probably we are seeing some downward trends in volume particularly on the domestic side. We will be down maybe around 7% in the sales side as compared to the 2022-2023.

Jainam Ghelani: Okay sir. Do we see further reduction in the prices with the commissioning of the Mongolia facility?

R S Jalan: Yes. If I can say that the three, four things I just wanted to kind of highlight on the pricing front. Like I said in my opening remarks we have taken around 20% reduction since November 2022. We definitely see further some reduction, not a very significant one, but some reduction definitely will be there; however, the raw metal prices are also softening, so probably this should be in position to compensate the different barring that some inventory what we have of the raw material. This impact should not be there for the reduction.

Jainam Ghelani: Would you be able to quantify like could it be only 5% to 10% decline in pricing or we expect more?

R S Jalan: This is the same range of around 5% my understanding of course if I look at from the current context.

Jainam Ghelani: Okay sir and could you please help us understand the import trends as imports are cheaper compared to domestic manufacturers?

R S Jalan: So, if you look at in terms of our pricing strategy we always kind of sometimes the benchmark on the competition and one of the competition is also your import and this reduction which you have seen as I said is primarily because of the import coming in at a cheaper price and also the supply chain cost which is coming down so both these factors and along with the raw material cost also. So probably I would say that at this point of a time we are closer to the kind of import prices. Any further reduction or some gap probably we need to look at slightly more pricing reduction which should be in the range of around 5%.

Jainam Ghelani: So, the imports are only 5% cheaper than our products currently?

R S Jalan: It depends on because we definitely get some premium on our products being a domestic supply chain, so if we keep that into mind then yes I see that kind of a range.

Jainam Ghelani: Okay. Thanks a lot sir.

Moderator: Thank you. We have a next question from the line of Saket Kapoor from Kapoor Company. Please go ahead.

Saket Kapoor: Thank you for this opportunity. Firstly, if you could elaborate on where are we in terms of our Greenfield capex sir and what are the current timelines, any new timelines we have set for the implementation and the commissioning of the project sir?

R S Jalan: If I can divide the total Greenfield project into various zones. On one side if you look at which are the most crucial thing, one is the environmental clearances, so one good news is that out of the two things which was required has been cleared and hopefully in next one month the proposal from Gujarat will move to the central government and we are expecting in next five to six months we should get an approval of the environmental clearance. So, I would say that yes some delay has happened, but now the things are much under control on the environment side. So, one is the forest clearances stage one that we have got it similarly at a local level,GPCL made clearances, so that meeting has happened on August 4 and hopefully next few days we will be getting their concurrence to move the application to Delhi. Now come to the second point which is again the land which is again very crucial. We have some significant improvement on the private land during this quarter. On the government land also, the proposal has been moved from a local level to the Gujarat government, hopefully things will now start moving into there also. Once that happened then I think these are the two crucial things which kind of define the timeline for the project. On the engineering side, on the basic engineering side, significant improvement has been done. We have appointed a consultant, the initial report has come in, we have given the feedback and our team, a large team has gone to see some of the world largest soda ash producers outside India and they have kind of a new because we are talking about new technology, different sizes, so all those things they have gone and they have seen. So, in a way we would say that even the vendor identification to a great extent has been done, so hopefully these are the three things which are there. In timeline wise I would say that once the environmental clearances has been given probably it will take around two-and-a-half years to three years kind of a time to implement them. Because all the basic thing on identification of the vendors everything has been done. All basic preparation has been done once we get that we can start the work.

Saket Kapoor: The amount to be spend earlier I think so we have spent Rs.100 Crores or Rs.150 Crores on the land acquisition, other than that how much capital work in progress had gone through for this Greenfield and for FY2023-2024 what has been earmarked as the amount to be spent?

R S Jalan: So far as the land value we have not even spend Rs.100 Crores also, we invest around only Rs.55 Crores till now and maybe marginal amount on the other things which is very, very insignificant and we normally those kinds of amount we take into our revenue in the operation itself we do not capitalize those, is that right Raman.

Raman Chopra: Yes.

R S Jalan: So basically That is a very insignificant amount, so in a way you can say that the land and investment which we have done is around Rs.55 Crores. I think we have projected of Rs.100 Crores for 2023-2024 to be spend on the Greenfield.

Saket Kapoor: As you mentioned about the softening of the soda ash prices especially because of the oversupplied market globally and also expecting further reduction I think so in the month of August also we took further cut which has now totaled to 20% going ahead, so excepting these into consider we had this EBITDA trajectory from Rs.370 Crores to Rs.310 Crores so what should likely be the EBITDA trajectory going ahead taking into account that further cut is also expected in the near term and also there is a benefit of softening of the raw material prices going ahead which will be negated by the inventory which we are carrying currently. So what should we look forward in terms of these numbers going ahead sir?

R S Jalan: My understanding is that approximately the range of the EBITDA margins would be in the range of around 28% to 31% kind of a range and you will be able to see that range, so it is not going to be significantly lower than those numbers.

Saket Kapoor: Right sir. Raman Sir, for this quarter I think this exceptional gain item, what should be the tax on that and if you could explain sir?

Raman Chopra: There is no taxation on this.

Saket Kapoor: Okay, so this is only a book entry?

Raman Chopra: Yes, this is only a book entry, because the entry has to be passed on the fair valuation of the spinning business, so it is a gap between the fair valuation and the book value net of stamp duty, so that is again which has been recorded in the books of soda ash, chemical business.

Saket Kapoor: And what have been net cash outgo for this quarter, so how much actual tax we have paid because we have done the provision at around Rs.70 Crores?

Raman Chopra: Against Rs.71 Crores we have paid Rs.27 Crores advanced tax this quarter.

Saket Kapoor: Rs.27 Crores is the advanced tax for this quarter?

Raman Chopra: Yes.

Saket Kapoor: I will join the queue. Thank you sir.

Moderator: We will take our next question from the line of Riddhesh Gandhi from Discovery Capital. Please go ahead.

Riddhesh Gandhi: Just a couple of questions around the pricing, we were expecting a few quarters ago that the prices to continue to be reasonably stable and understand that there is some amount of extra supply which is coming and some amount of demand slow down because of the global economy, but what is giving us the confidence that over in a longer term period that the demands supply in a balance will be in favor of the manufacturer?

R S Jalan: You are very rightly said, I have always been saying this. If you look at the way the solar or I would say green energy initiatives are being done, recently you must have noticed that the Government of Gujarat has given a large chunk of land to various industries for green hydrogen and for that the soda ash is the major raw material for the glass. Similarly, if you look at globally also I just have mentioned on my opening remarks, in China alone around seven- and-a-half million tonnes of the soda ash is required only for the solar and lithium carbonate is separate. This I have been saying all along with my last four, five years that barring this temporary blitz which happens long term there is a robust demand situation and robust margin situation in this business. So, therefore from a long-term perspective, you are right, there is a good growth possibility there in this.

Riddhesh Gandhi: This soda ash supply has come ahead of the solar supply and as the solar glass supply comes in, we would expect more of a balance in market?

R S Jalan: Yes, Riddhesh ji, if I can say in a way like I said in China which is the largest producer 40% of the global production is happening there. Only the real estate which is kind of a slightly on the lower side and the Government of China has taken some initiatives on that, some stimulus has been announced, so hopefully I think once that demand of the real estate improve you will see a kind of a surge in the demand in China as well and in a way if I can say so this kind of a small gap between the demand and supply for the short period of time will surely happen and that will kind of impact some time for the oversupply situation, but that will get neutralized very soon.

Riddhesh Gandhi: Got and the other question was we have reasonable amount of cash on books and our business also despite slowdown will still generate a large amount of free cash flow just wanted to know is the intent to just keep the free cash flow for the Greenfield expansion or are you guys looking to do some sort of a buyback?

R S Jalan: No, buyback will definitely be considered on appropriate time, because we always believe in rewarding the shareholders and you know that in the last few years two buyback has been done and this definitely will happen, timelines will be very difficult for me to kind of outline the timeline, but at an appropriate time definitely it will happen. Because as you rightly said cash flow wise or the Greenfield project wise, we are well positioned to fund that capex and for that we do not have to kind of have a big reserve of the cash generation at this point of a time to kind of a preserve for that, so surely this will happen.

Riddhesh Gandhi: Thank you. I will just join the queue.

Moderator: Thank you. We have a next question from the line of S Ramesh from Nirmal Bang Equities. Please go ahead.

S Ramesh: Good evening and thank you very much. So going back to the numbers you shared on the decline in revenue and the decline in volumes, so if you are looking at 11% decline in revenue and 13% decline in sales volume to ensure prices are up to go to 2% Y-o-Y, so that does not add up with the kind of decline in price, so can you just explain if you look at the decline in revenue in Q1 2024 on a Y-o-Y basis, can you break it up in terms of the impact of the change in volume and change in price?

Raman Chopra: Your question is on the revenue side if I have understood correctly?

S Ramesh: Basically, I want to know what is the split in terms of the impact of the change in volume and change in price leading to the 11% decline? So what is the….

Raman Chopra: If you look at the decline in the revenue compared to the same quarter of last year largely it is driven by the volume reduction, because the volumes have declined by 13%, okay so the large impact of that or I would say that is the only reason of decline in the revenue because of that. If you look at compared to the previous quarter, Q4 the decline is on account of the impact is both in terms of the volume as well as reduction in the prices and realization so it is a combination you can say 60% volume impact and 40% realization impact.

S Ramesh: Okay. Now the second thing is now if you look at the current trend and then in terms of your cost structure, when do you see the cost getting aligned with the current prices for your energy and freight so that in terms of the decline in prices you have taken, you will be able to report an improvement in margins on a per tonne basis so if you can just share some thoughts in terms of when you expect to get the margins per tonne back to normal levels based on the benefits of the savings in input costs and energy costs and freight which is not fully calculated in the first quarter?

R S Jalan: I would say if you look at in terms of both we have some advantage even in the selling side also at this point of a time, because some of the contracts are for a longer period of time and to that extent whatever the raw metal inventory impact which we have has been compensated on that. So, in a way you can say that the margin of this kind of the margin what we have currently should be in a position, we should be in a position to kind of a maintain, so the prices of the soda ash does not go down very significantly from here.

S Ramesh: Okay that means these are able to increase the volume to normal level and back to the normal margin trajectory, is that the right way to understand?

R S Jalan: Yes. If you look at in terms of the percentage, yes, you are right on that.

S Ramesh: Okay. Looking at the long term structure in terms of the cost structure for the industry in terms of cash costs your solar based capacity cash costs used to be around $150 perhaps gone up to $200 based on whatever you see, so is that going to be a challenge in terms of getting further price increases even if the demand goes up especially because if you are looking at the Chinese capacity addition we do not know what the cash cost is going to be, but what is the sense in terms of the overall cost structure for the industry going forward to what extent it will give you that confidence in terms of the pricing power and improvement in margins if the demand supply where to get tighter, what is the sense on that?

R S Jalan: Basically, if you look at this way, today you rightly said the cash cost of the green soda which is your basically the natural soda ash, their costs along with the supply chain cost to the consumption center probably we are closer to the cost what we have versus the cost what they have. Any upside into the demand and as you know that the soda ash capacity does not get built on a quickly basis. Any upsurge on the demand side probably will definitely give a benefit of increase in the soda ash pricing as well as the margins.

S Ramesh: Okay. Thank you very much, I will join the queue.

Moderator: Thank you. We will take a next question from the line of Resham Jain from DSP Asset Managers. Please go ahead.

Resham Jain: I have few questions. First one is in terms of existing intra you are doing several initiatives in terms of salty yield, some solar capacity or solar power you are adding up and sodium bicarbonate also capacity increasing, so once all these three things come up and in case if there is anything else which you can do in the existing plant. If you can just help to understand what kind of improvement in EBITDA could happen because of all those initiatives?

R S Jalan: Like you rightly said if you look at the salt is the improvements which I have given the indication in the past also probably that the numbers are significant and some benefits you will see during this year as well because some benefit has started, but in the overall achievement I would say that it will take another one-and-a-half to two years' time from now and we will get the total benefits approximately Rs.100 Crores will get added to the bottom line because of that. Vacuum salt which is again very big initiative we have taken and this will get completed by December 2024 to March 2025, the project has already been given basically this has been given to a world's largest technology company on this where I would like to highlight is one of the biggest advantages we are going to get in this project is. We are going to produce the vacuum salt from the waste heat and that would have a very significant advantage to gain with our bottom line approximately around Rs.50 Crores to Rs.60 Crores will be the number which will get added to the bottom line once that project gets completed. So as you rightly said sodium bicarbonate will also have a significant advantage; however, currently your flue gas treatment, some projects of NTPC has already been started. They are now adding two more power plant into that even we have recently came to know that even some of the three private power producers in the UP also is getting added, so probably I would say that next year probably you will see a significant advantage of the sodium bicarbonate and again that number could be in the range of around Rs.30 Crores to Rs.40 Crores will get added to the bottom line and in terms of other initiatives, one of the biggest initiative we are taking is we are challenging all our costs and I think on the energy and that also of course probably again Rs.30 Crores, Rs.40 Crores will get added because of those initiatives. We have hired a global experts on that and he is helping us to challenge the various costs on this existing plan. Probably all these things will get added some benefit you will see will be coming into the next year.

Resham Jain: Okay, understood sir. Just to clarify sir, even if let us say price has to come down from current level, all these initiatives are in addition to what we are doing currently, what you mentioned. Now if you add up everything it is close to Rs.250 Crores to Rs.300 odd Crores over let us say two years or so, is that a fair thing to consider?

R S Jalan: 100%. I think you will start getting some benefits this year itself number one and larger portion will come as you rightly said like vacuum salt you will be getting 2025-2026 entire amount will come in and salt I said some benefits maybe after one-and-a-half to two years you will get the full benefit of the salt and this cost of project some benefit will come this year and some portion will come next year also. As you very rightly assumed in next two years this kind of amount will get added into the bottom line.

Resham Jain: Sir, my second question is on capital allocation. If I just add up, the cash flows over the next three years, large part of your Greenfield capex I understand will happen in the second half of your three year period which means that the substantial cash flow generation has to be like what will be the , will you build up cash so that you are not required to borrow or you will keep your historical like 50%, 60% debt and 40% cash, how will the funding happen for the new project and the cash will be substantial so dividend buyback and any inorganic acquisition also in case if you are planning, your past track record has been quite good so just trying to understand how should one think about this?

R S Jalan: No, as you rightly said three things which are important which I have always been maintaining on that. We have to keep a balance between three things. Growth, your debt equity and return to the shareholders and the similar line will continue to have that we are very clearly articulated our debt position one is to one and by all this imagination of this project which is happening we will maintain that one is to one ratio. Surplus cash of course inorganic as you rightly said is on the table, we are looking at various opportunities. Unfortunately, till now we have not been able to lay hands on a kind of a project which we believe we can create a value for the shareholders, but the search is on that and by that I have already said dividend you know our track record in the past will continue to maintain that buyback and dividend to reward the shareholders. So these three will continue and will keep a very fair balance on the capital allocation to ensure that we achieve all these three objectives together.

Resham Jain: And sir last part is some of the non-core assets which we had in the combined entity earlier, has it gone to GHCL Textile or is it a part of GHCL Limited only?

R S Jalan: It has gone to the GHCL Textile.

Resham Jain: Okay. Understood and we are going to host separate calls for GHCL Textile, right?

R S Jalan: Not this time, we will have next time. This time we are not planning to have any call on that. So if you have any question on that probably I do not mind answering here one or two questions, but we will have a call next time.

Resham Jain: Okay, great. All the best. Thank you sir.

Moderator: Thank you. We have a next question from the line of Saket Kapoor from Kapoor Company. Please go ahead.

Saket Kapoor: Yes, sir. In continuation to your reply, sir, if you could give us some color on how the textile has performed so that will suffice the numbers are there now, so if you could give us some color and the trajectory which you are carving out for the remaining nine months of the year?

R S Jalan: As you rightly said the numbers at this time has not been good if you look at on a standalone basis, but if you compare this with probably the industry I think numbers are not bad. This industry has been on an upsurge in the COVID period and you have seen that 2021-2022 as well as some portion I would say the first two quarters of 2022-2023 was also very good. Subsequently, there was a downward trend demand has disappeared if I can use the right word. On the other side, the cotton prices was on the peak, because of that the margin has been kind of almost came to the level of zero. Now things are a little bit improving now I would say that. This is a rock bottom because on one side, the cotton prices have stabilized now and inventory in the pipelines are almost zero, because the people were expecting that the prices will go down and therefore there was kind of a keeping a minimum inventory of the yarn, so that is also now that people are getting a confidence that now these prices are only on a lowest level. Demand for the global place also some uptrend we are seeing in that therefore, so probably after one or two quarters I think you will see a kind of a significant improvement into the textile business.

Saket Kapoor: So going ahead, Q2, Q3 should be on this same mode this is what we envisage looking at what the environment is with the destocking and other parameters is getting in I think your margins are low, because disproportionate expansion also taken in content?

R S Jalan: Like I said you will start seeing some betterments in the Q2 also then some betterment in the Q3 also was full potential probably will happen after that by the time we are assuming that the demand revival will happen. Basically, it is mainly impacted by the U.S and the Europe demand. Indian demands are now recovering and probably I would say that after two quarters you will see a significant improvement.

Moderator: Thank you. We have a next question from the line of Rohit Nagraj from Centrum Broking. Please go ahead.

Rohit Nagraj: Thanks for the opportunity and apologies I have joined the call late, so the question might have been discussed earlier. Sir, first question on the power and fuel cost, so have we started gaining the entire benefit of lower coal prices or fuel prices from current quarter or will there be any further benefit which will be there Q2 as well? Thank you.

R S Jalan: Definitely, benefit will be there because we have not been able to capture the entire benefit of the lower prices and I think after two quarters because generally these kind of raw material you keep for six months so probably you will see that and the prices has continuously fallen. So probably after two quarters you will see the full potential coming into the place, but yes some benefit has been captured.

Rohit Nagraj: Right. Second question is from the imports perspective and particularly from China, so have we seen any different set of dynamics over the last three couple of months in terms of overall imports and anything new which is happening in China, because we have seen across the board China has been dumping the material in the global market. So, what is your friends on soda ash? I am sorry if I am repeating the question again.

R S Jalan: No problem. Basically, as you rightly said in soda ash, we are not seeing if the China is a very aggressive player even in my opening remark also I have said that Chinese inventories has a very low level and their demand and supply is almost like a balance, so therefore at this point of a time we are not seeing very aggressive import coming in from China. The major increase in the import, which is happened to India in the first quarter, in this quarter it is primarily from Turkey and U.S and some portion from Russia as well.

Rohit Nagraj: Got it Sir. Thanks a lot for answering the question. If I have any I will come back in the queue. Thank you so much.

Moderator: Thank you. We have next question from the line of S Ramesh from Nirmal Bang Equities. Please go ahead.

S Ramesh: Good evening and thank you very much for the follow up. So, if you are looking at the basic drivers for growth and profits in FY2024 and then FY2025 apart from the benefits you expect from your cost savings which is fair enough. Is it any growth and volume we can build in so it is FY2024 and then FY2025 or will it be mostly driven by improvement in realization in soda ash and then some of the costs savings reflecting in the P&L with a lag effect, how do we se the growth trajectory in terms of the P&L based on these key drivers?

R S Jalan: Like I said in terms of the overall the cost initiative saw the new project what you call your vacuum salt or the salt yield sodium bicarbonate which we have just discussed. You will see as compared to 2023-2024, 2024-2025 will have a jump into the volume primarily because as you know some of the volume we have lost in this year and we have an annual shutdown also in October 2023 and that will also have some impact on our volume; however, we will not have these issues in the 2024-2025, so therefore there could be around 50000, 60000 tonnes which is almost around you can say 5% to 6% of the volume growth will happen in 2024-2025.

S Ramesh: FY2025 volume growth?

R S Jalan: 2024-2025.

S Ramesh: Okay and so in terms of the lagged impact of the reduction in energy cost and freight cost, should we wait for the fourth quarter, will you see some of that occur in the third quarter because you said to take about two months for you to get the benefit of the new inventory at the current cost?

R S Jalan: Like I said energy is a basic raw material where some benefits will start, you are seeing in this quarter, also some benefit has come. This benefit will be there in the next quarter, but full potential will come only in the fourth quarter.

S Ramesh: Okay, just one last thought if I may in terms of your capital cost for the Greenfield expansion for sale at 25000 I understand about 3000 Crores, so if you were at based on the current EBITDA per tonne I am getting a return on capital at the EBITDA level of around 10% so, how do you see the economics of that project based on the capital cost and the return on capital, what is the kind of target you have in terms of ROC there?

R S Jalan: As you are very right question you have asked. When we have taken this calculation of the Greenfield project we have taken on the basis of a long term EBITDA margin which has been generated on the existing project and based on that we have done that and the IRR is coming around 17%. Because in this project please understand one thing we have to kind of look at this project of a life cycle of more than 100 years so keeping everything into mind the return on IRR is coming to around 17% and like I said we have taken a long term EBITDA margin on that, we have not taken in upside on the margin whereas historically if I go back if I look at the 15 years of the data of our numbers you will see that the EBITDA per tonne has gone up year by year. We have not factored that also into account so keeping everything into mind, you have to be always in the business and you have to keep on investing into the business which we have been doing, we have seen that I think we are the only player where we have continuously made an investment into our business and we said given a kind of a number of the profitability what we have. So keeping that into mind I think this project definitely justify of an investment.

S Ramesh: Thank you very much and all the best.

Moderator: Thank you. I now hand the conference over to the management for closing comments. Over to you sir.

R S Jalan: Thank you very much. Basically, I just wanted to kind of close my comments with a remark that in this business we have seen the last 15, 20 years, this business has been quite stable, some small blip has happened in quarter-to-quarter basis, but in the long run, the margins are very range bound margin which is ranging from 28% to kind of a 34%, 35% kind of a margin, very consistent margin in this business in spite of a lot of volatility, of course in this business we have not seen major volatility in last 15, 20 years. This volatility or the reduction which you are seeing is primarily, because after 2021-2022, 2022-2023 there was a kind of an abnormal period and in that abnormality, the supply chain was completely globally disturbed that has given a kind of enhanced margin which is now in a way I would call it is coming to the level of natural margins and this kind of a margin will be maintained in this business and I am sure that we will be able to do the good work on the cost side, on the supply chain cost wise and on innovation and keep on investing the money into the business to grow the business and that initiative will continue to create a value for our shareholders. With this word, thank you very much for participation.

Moderator: Thank you sir. On behalf of Emkay Global Financial Services that concludes this conference. Thank you for joining us and you may now disconnect your lines.