# GHCL Limited

*Creativity at Core, Values at the Front*

## Business Update- Q3FY18

*February 2018*

GREAT PLACE TO WORK® CERTIFIED

Sunil
1/2/2018

### Chemicals

Soda Ash
Sodium Bi Carbonate

### Textiles

Yarns

### Textiles

Home Textile


### Consumer Products

'i-FLO'

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# Financial Snapshot

| | Revenue* | EBITDA | PAT |
|---|---|---|---|
| Q3 FY 18 | Rs. 738 Cr | Rs. 158 Cr<br>EBITDA Margin 21.5% | Rs. 71Cr<br>PAT Margin 10% |
| | + 19% Y-o-Y | - 3 % Y-o-Y | - 12 % Y-o-Y |
| | + 3% Q-o-Q | + 14% Q-o-Q | + 33 % Q-o-Q |
| 9M FY18 | Rs. 2209 Cr | Rs. 464 Cr<br>EBITDA Margin 21% | Rs. 282 Cr<br>PAT Margin 13% |
| | + 12% Y-o-Y | -14 % Y-o-Y | + 3 % Y-o-Y |

Note * :- Revenue Figures are recasted to consider impact of Excise/GST accounting treatment based on Ind AS and SEBI regulations

# Key financial indicators for 9M FY18

| | |
|---|---|
| Total Debt | Decreased to Rs. 1314 crore as compared to Rs. 1431 crore in Mar 17 |
| Net Debt/ Equity | Improved to 0.85X as compared to 1.04X in Mar 17 |
| Net Debt/ EBITDA | 2.0X as compared to 1.93X in Mar 17 |
| ROCE* | 18% |
| ROE* | 26% |
| EPS | 29.15 (9M FY 18) |

- ROCE calculated as - Trailing 12 Months (TTM) EBIT/ (Total Debt + Shareholders Equity).
- ROE calculated as - Trailing 12 Months (TTM) PAT/ Shareholders Equity

# ..leading to efficient cash flow management

**Generated Cash Profits (net of Tax) of Rs. 323 Crores**

**CAPEX**

Rs. 155 crore

**DEBT**

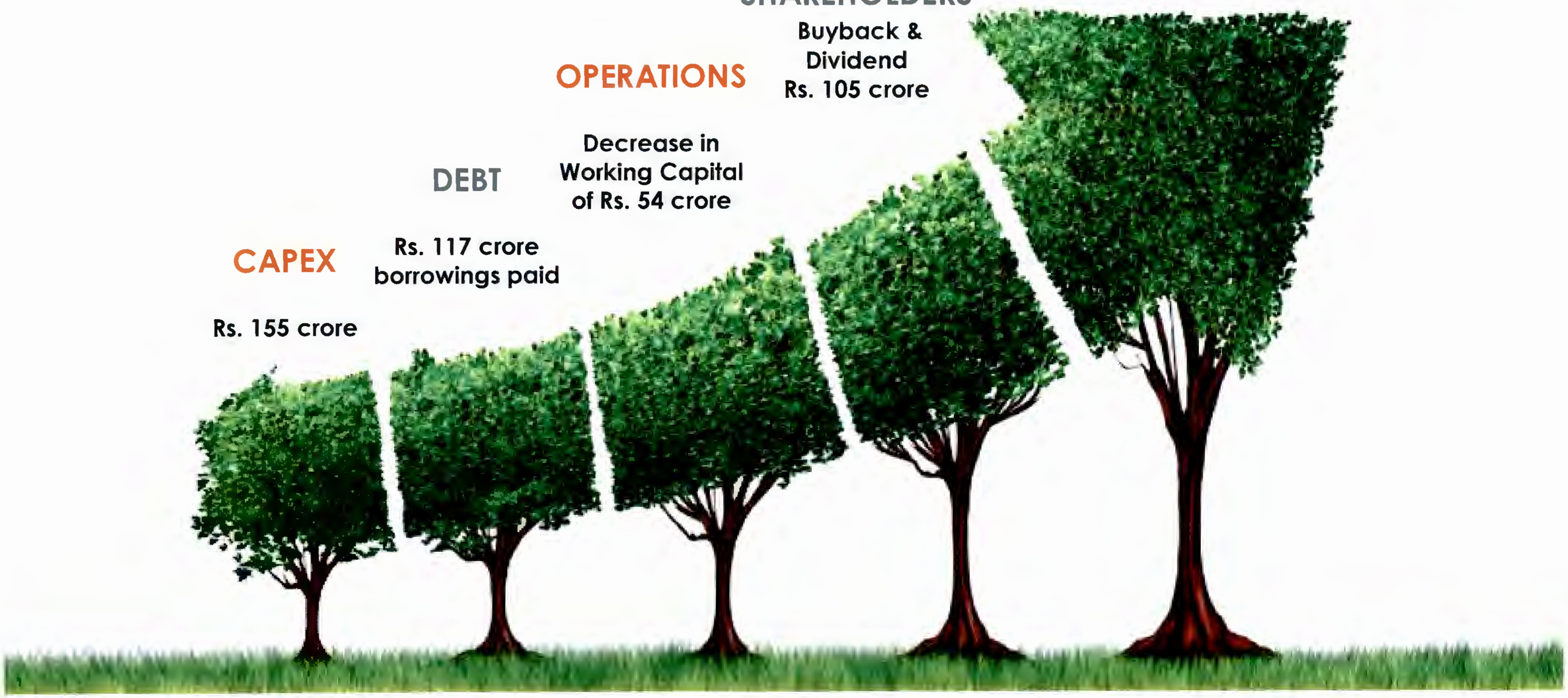
Rs. 117 crore borrowings paid

**OPERATIONS**

Decrease in Working Capital of Rs. 54 crore

**SHAREHOLDERS**

Buyback & Dividend Rs. 105 crore



# Segment Results – Q3 FY 18

## Inorganic Segment

| Particulars | Q3 FY 18 | Q3 FY 17 | Y-o-Y | Q2 FY 18 | Q-o-Q |
|---|---|---|---|---|---|
| Production (Lac MT) | 2.43 | 1.91 | 28% | 2.26 | 8% |
| Sales (Lac MT) | 2.33 | 1.78 | 31% | 2.14 | 9% |
| Revenue (Rs. Crores)* | 497 | 361 | 37% | 444 | 12% |
| EBITDA (Rs. Crores) | 157 | 128 | 23% | 136 | 16% |
| EBITDA % | 32% | 35% | -3% | 31% | 1% |

- ✓ Achieved ever highest production and sales in a quarter.
- ✓ Recorded Highest EBITDA in any quarter.
- ✓ Increased Soda ash market share from 23.5% to 24.5%.
- ✓ Doubled RBC expansion from 30K MT to 60K MT in Dec, benefit to come from next quarter.
- ✓ Global Markets stable, Indian markets remain buoyant with strong demand growth of 10%.

*Note :- Revenue Figures are recasted to consider impact of Excise/GST accounting treatment based on Ind AS and SEBI regulations*

# Segment Results – Q3 FY 18

## Textiles Segment

| Particulars | Q3 FY 18 | Q3 FY 17 | Y-o-Y | Q2 FY 18 | Q-o-Q |
|---|---|---|---|---|---|
| Revenue (Rs. Crores)* | 241 | 257 | -6% | 274 | -12% |
| EBITDA (Rs. Crores) | 1 | 35 | -96% | 3 | -67% |
| EBITDA % | 1% | 14% | -13% | 1% | - |

- ✓ Decline in revenue is primarily due to reorganisation of customer mix in home textiles.
- ✓ EBITDA for Q3 FY 18 is impacted due to low wind season (Impact : 7 Cr).
- ✓ Ready to launch environment friendly "Certain T® recycled PET" in bedding products in association with Reliance Industries.
- ✓ Yarn demand in domestic market is looking to be buoyant.
- ✓ Air jet spinning project is likely to complete by March 18, benefit to accrue in next year.

*Note :- Revenue Figures are recasted to consider impact of Excise/GST accounting treatment based on Ind AS and SEBI regulations*

# Profit & loss statement

Rs. In Crores

| Particulars | Q3 FY18 | Q3 FY17 | % Change | Q2 FY18 | 9M FY18 | 9M FY17 |
|---|---|---|---|---|---|---|
| Sales* | 738 | 618 | 19.4% | 717 | 2,209 | 1,966 |
| Operating Expenses | 580 | 455 | 27% | 578 | 1,745 | 1,426 |
| **EBITDA** | **158** | **163** | **-2.8%** | **139** | **464** | **540** |
| *EBITDA Margin* | 21.5% | 26.4% | | 19% | 21% | 27.5% |
| Depreciation | 25 | 22 | 15.8% | 25 | 76 | 65 |
| **EBIT** | **133** | **141** | **-5.7%** | **114** | **388** | **475** |
| Interest | 28 | 32 | -11.5% | 35 | 93 | 100 |
| Exceptional Items | -- | -- | | - | - | 3 |
| **Profit Before Tax** | **105** | **109** | **-4%** | **79** | **295** | **372** |
| Tax | 34 | 28 | 17.4% | 26 | 13 | 98 |
| **Profit After Tax** | **71** | **81** | **-11.6%** | **53** | **282** | **274** |
| *PAT Margin* | 10% | 13% | | 7% | 13% | 14% |

**Note :- Revenue Figures are recasted to consider impact of Excise/GST accounting treatment based on Ind AS and SEBI regulations*

# Recent Recognitions


Won Golden Peacock Award Special commendation for Corporate governance 2017

GREAT PLACE TO WORK®
BEST COMPANIES TO WORK

Amongst 100 companies in First Attempt, Ranking 16th in manufacturing industry.

Won Golden Peacock Award for Corporate Social Responsibility 2017


Mr. R S Jalan,
MD GHCL

Ranked 29th in the "India's Best CEOs" ranking by Business Today

*(8th in Sectoral ranking)*


Enhanced Credit Ratings – Upgraded to A with Stable outlook

# Agenda

1. Business Overview
2. Inorganic Chemicals Segment
3. Textiles Segment
4. Business Philosophy
5. Financial Annexures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# Business Overview


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# History, Milestones & Way forward

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## 1988 - 2000

- Production of Soda Ash commences with an installed capacity of 420,000 tons/year which increased to 525,000 tons/year
- Production of Edible Salt commences and Launch of 'Sapan' salt

## 2001 - 2006

- Soda Ash capacity increased to 850,000 tons/year
- Entered into Spinning business with 65,000 spindles which increased to 83,000
- Home Textile production commences with 36 mn metres processing capacity and 96 air jet looms

## 2007 - 2008

- Refined Sodium Bicarbonate plant commissioned
- Spindles capacity increased to 140,000

## 2010 - 2015

- Spindles capacity increased to 175,488, Installed 3,320 rotors
- Launch of 'i-FLO' salt and 'i-Flo Honey'
- Air jet looms capacity increased to 162

## 2016 - 2017

- Launched 'i-FLO' spices, Honey with increased geographical spread
- Soda Ash production capacity increased to 950,000 tons / year
- Added TFOs for value added yarn.

## 2018 – 2019 (E)

- Soda Ash production capacity will be increased to 11,00,000 tons / year.
- Doubled Sodium bicarbonate capacity to 60,000 tons/year.
- Spindles increased to 1,76,488. Air jet spinning facility will be operational by Mar'18
- Home textiles, Processing capacity will be increased to 45 Mn meters with total 190 Air jet spinning looms .

# Business overview

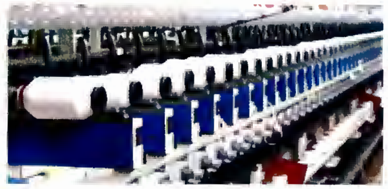
## Inorganic Chemicals (63%*)

### Margin leadership in the industry

- » **Among top 3 soda ash players with 9.75 Lakh MT capacity**
  - Catering 1/4th of Indian soda ash demand
  - Margin leader in the industry; with highest capacity utilizations
- » **Sodium Bicarbonate of 0.60 Lakh MT**
- » **Strong FMCG presence in South India with edible salt, Honey & Spices**
  - Expanding market reach by adding new geographies and product basket

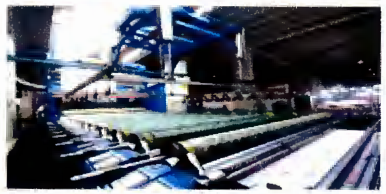
## Textiles Segment (37%*)

### Presence across the value chain

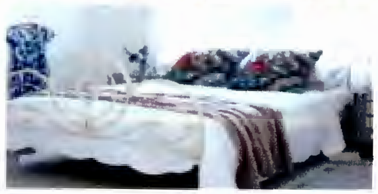


**Spinning**
1,76,488 Spindles
3,320 Rotors

**Weaving/Knitting**
12 mn metres pa
166 air jet looms



**Processing**
36 mn metres pa



**Finished Product**
30 mn metres pa

*9M FY18 Revenue contribution

# Inorganic Chemicals

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# Leading manufacturer of soda ash

**9.75L MT**
Soda cash capacity; 25% market share of domestic demand

**Margin leadership**
Captive sources of raw material

**95% Capacity** utilization; Highest in industry

**+30%***
EBITDA Margins; consistent high margins

## Captive sources of raw materials

- » **Captive control on fuel (largest cost component)**
  - Only company having its own lignite mines
- » **Innovatively replaced imported met coke with in-house developed briquette coke**
- » **Other captive raw materials - salt and limestone**
  - All limestone mines located within 40 km distance from the plant

| Captive Consumption | Salt | Limestone | Briquette | Lignite |
|---|---|---|---|---|
| | 40% | 25% | 65% | 15% |

* Based on last 3 year's average

## Clients – major FMCG/ Glass cos.

Hindustan Unilever Limited

P&G

MODIGUARD GLASS · MIRROR

HNG

SAINT-GOBAIN

GUJARAT BOROSIL LIMITED

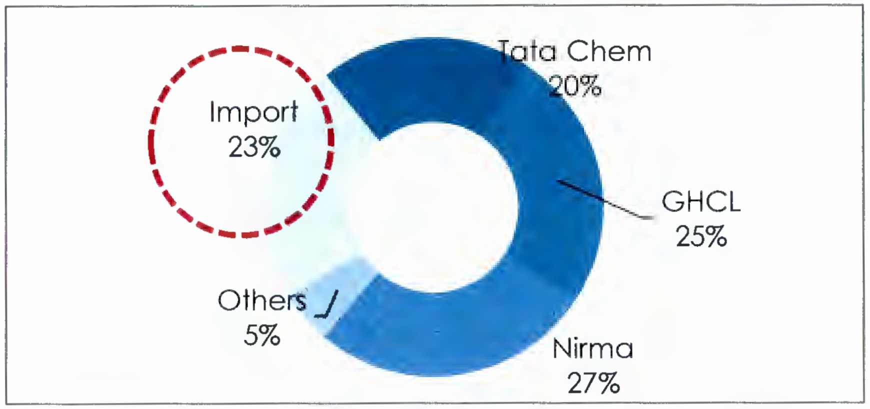
FENA

BETTER PRODUCTS, CLEANER WORLD

PATANJALI

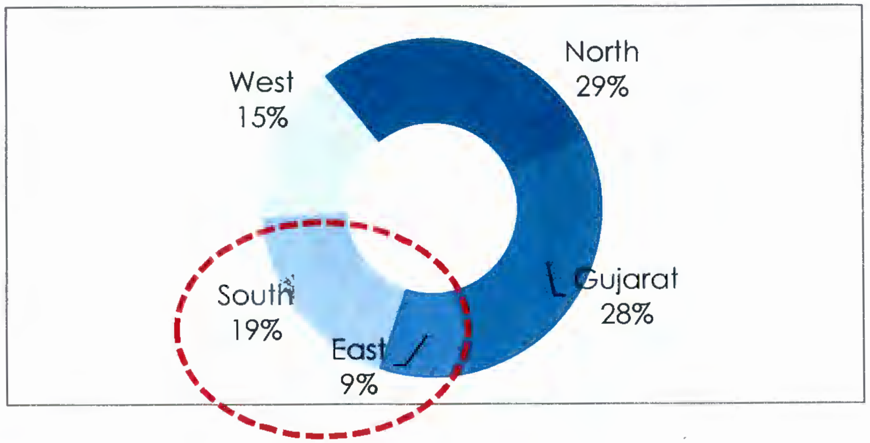
# Soda Ash Dynamics (Domestic Industry)

## Domestic market share.* (up by 1%)

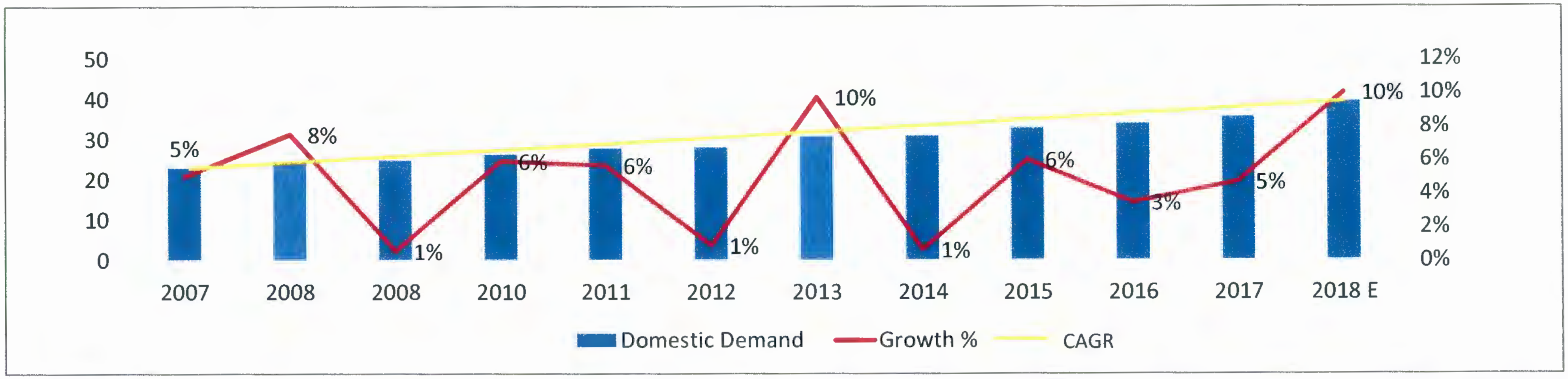



* Based on External demand (Source : IMA)

## Domestic Demand Concentration.




## Domestic Demand & growth trend.



# Inorganic Chemicals - Other products

## Sodium Bicarbonate

- Doubled capacity from 30,000 to 60,000 MT in December 2017, Our market share will accordingly go up from current market share of 13%
- Generally named as baking soda, bread soda, cooking soda and bicarbonate of soda
- Used in Cooking, Pharmaceuticals, Fire Extinguishers, pH balancer, and Cleaning agent
- Specialization and experience in manufacturing of around a decade

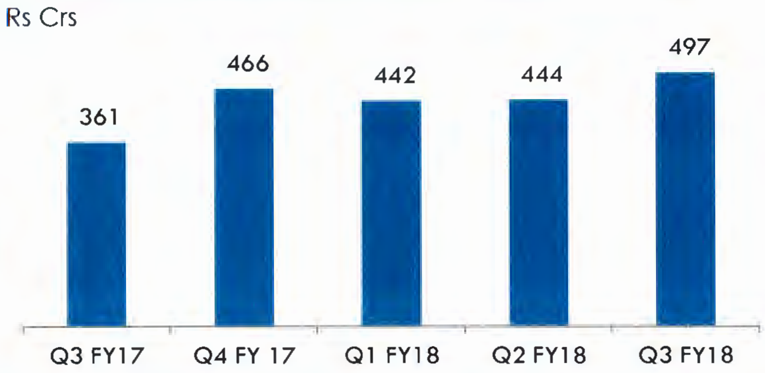
## FMCG

- Premium edible Salt Manufacturer in South India.
- Expanding product basket with inclusion of honey & spices.
- Entered into Maharashtra and Goa market.
- Brands: Sapan & i-FLO which are well accepted among Category A stores in Major Southern cities
- Only company to launch Herbal Salt.
- Pioneering Initiative in securing Halal Certification.

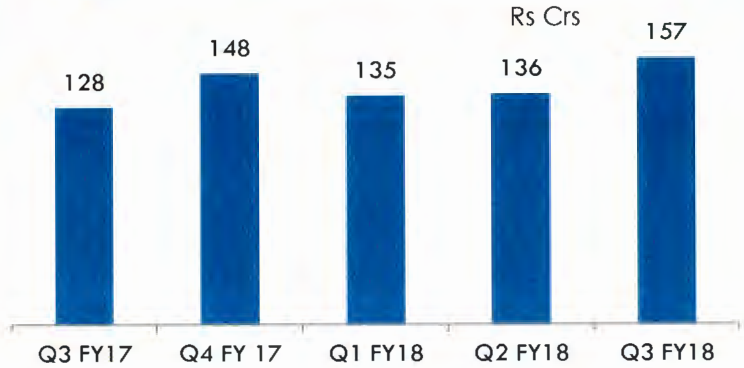


# Robust financial performance – Inorganic Chemicals

## Revenue*

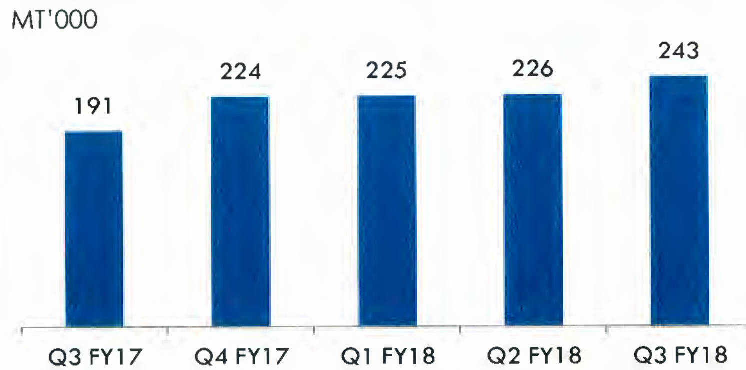



## EBITDA




## EBITDA Margin*

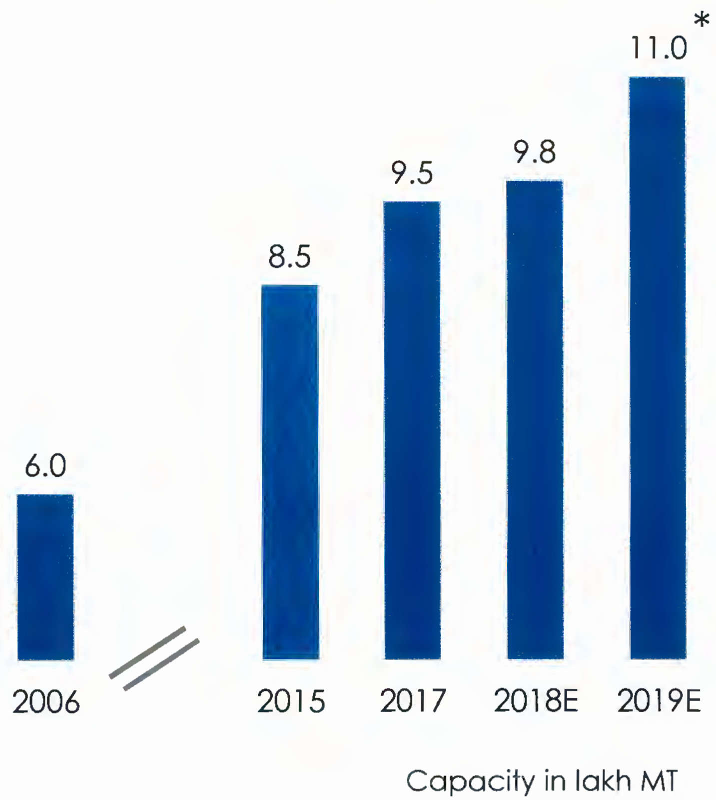

## Production in MT




*Note :- Revenue Figures are recasted to consider impact of Excise/GST accounting treatment based on Ind AS and SEBI regulations*

# Capacity additions to spur growth

## Steady capacity additions




* Will propel volume growth FY2020

## 1.25 Lacs Brownfield SA – By FY19

» Next phase of Capex expansion ( Phase-II ) to be completed by March 2019

- Brownfield expansion of 1.25 Lakh MT
- Estimated capex outlay Rs. 300 Crores (24K/MT)

## Greenfield Inorganic Complex

» Likely to come up by FY 2022.

- Moving ahead as per schedule.
- Will act as a major catalyst in growth Journey.

# Global outlook on the soda ash industry

**INDIA**

CAPACITY : 3.5 MMT

PRODUCTION : 3.2 MMT

**CHINA**

CAPACITY : 30.0 MMT

PRODUCTION : 26.0 MMT

**GLOBAL CAPACITY**

CAPACITY : 66 MMT

PRODUCTION : 59 MMT

**ROW**

CAPACITY : 7.3 MMT

PRODUCTION : 5.3 MMT

**EUROPE**

CAPACITY : 13.0 MMT

PRODUCTION : 12.0 MMT

**AMERICA**

CAPACITY : 12.7 MMT

PRODUCTION : 12.2 MMT

## GLOBAL

» Global markets remained tight majorly due to lower availability of Chinese product.

» EU market is showing positive trends.

» Turkey's additional 2.5 mn MT is now expected to arrive in phased manner. Only major capacity expansion in world

» Prices remained stabled during the quarter.

## INDIA

» Healthy demand growth absorbed the additional volumes from domestic manufactures.

» Prices remained firm with little inventory/pipeline stocks.

» Market demand is expected to remained buoyant over12-15months.

Globally market is growing @ 2.5% pa requiring around 1.5Mn MT additional supplies every year

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# Home Textile Segment

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# Integrated home textile player

## Integrated Home Textile Player

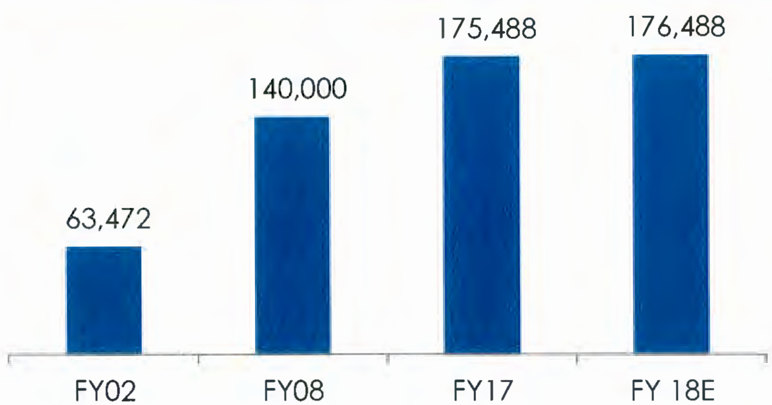
» Best in class spinning integration with close to double the requirement of home textile giving an opportunity to benefit from expansion of sheeting capacity

- Spinning unit is located near Madurai in Tamil Nadu
- Manufactures multiple varieties of yarn ranging from 16s to 32s in open end, 30s to 120s in ring spun compact counts in 100% cotton and 24s to 70s counts in blended yarns
- Compact spinning and valued added yarn capacity
- 27.2 MW windmill capacity

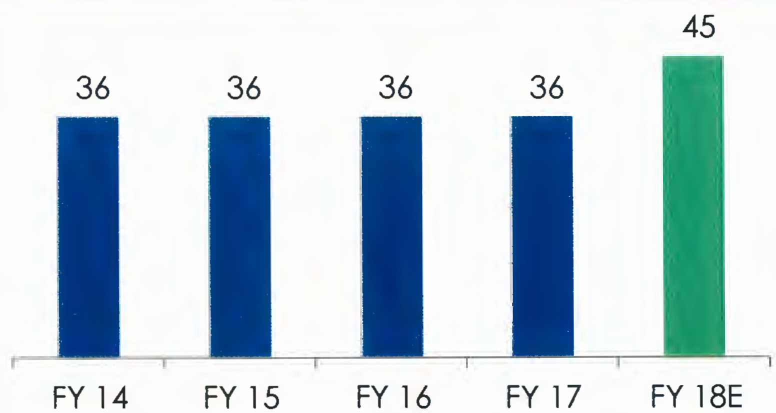
» State-of-the-art home textiles facility at Vapi with weaving, processing and made ups

- Best of plants and equipment sourced from Germany and Japan - Beninger, Kuster, Monforts
- Flexibility to process both cotton and blended fabrics

## Spindles Capacity




## Sheeting Capacity (mn metres)



# Diversified product portfolio with global clientele

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## Product Range

**» Sheeting**
- Sheets
- Duvet
- Bed Skirt

**» Filled Articles**
- Quilted Flat Sheets
- Comforter and
- Comforter Shells

**» Pillows**
- Pillows
- Shams
- Cushions

## Innovative Products

the PERFECTFIT
- » Perfect fit sheets fit perfectly to the size of the bed
- » Reduces Bed making Process

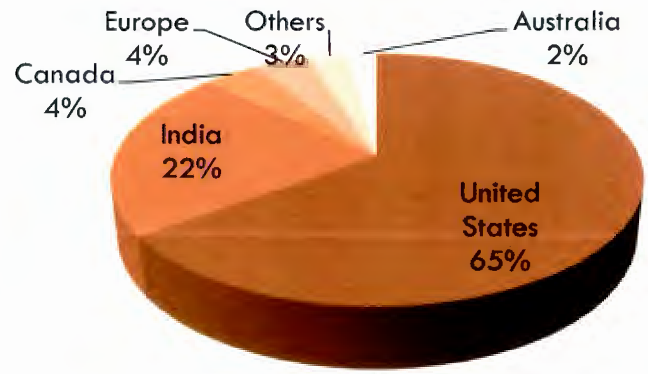
Modal
- » Softer than cotton
- » Better moisture absorption and ventilation

EASYSHEET featuring the patented fitted top sheet
- » 100% cotton
- » Fitted

## Marquee home textile clients across the globe

BED BATH & BEYOND · HOUSE OF FRASER SINCE 1849 · Revman International · THE WHITE COMPANY LONDON · JCPenney · Sears · canningvale · AUSTRALIAN WEAVING · Tuesday Morning · amazon.com · Walmart Canada · Gallery

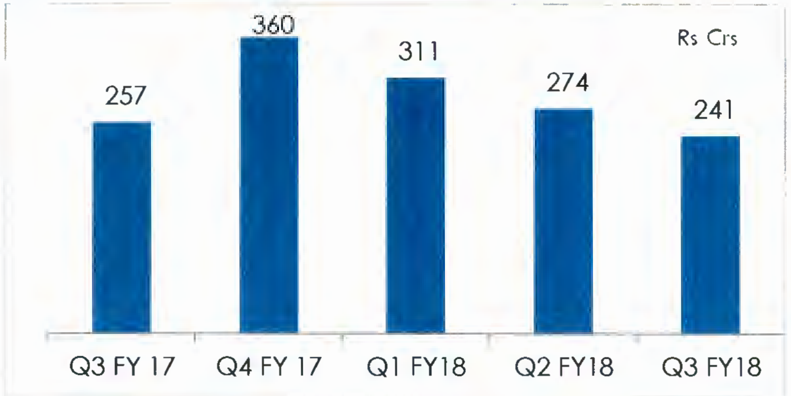
## Global presence in sheeting



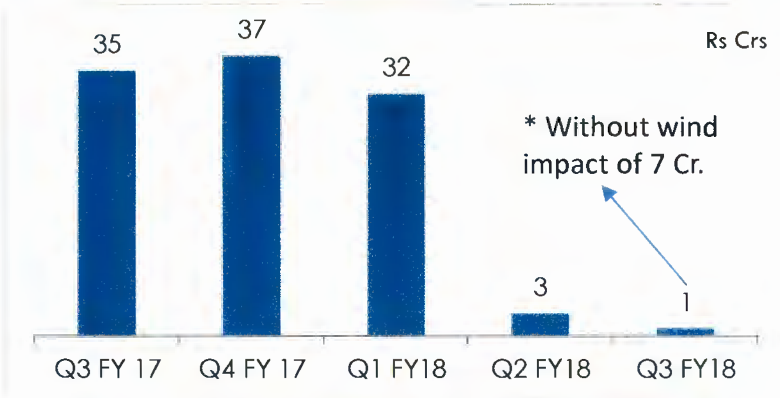

* Based on FY17 sales mix

# Quarterly Performance - Textile Segment

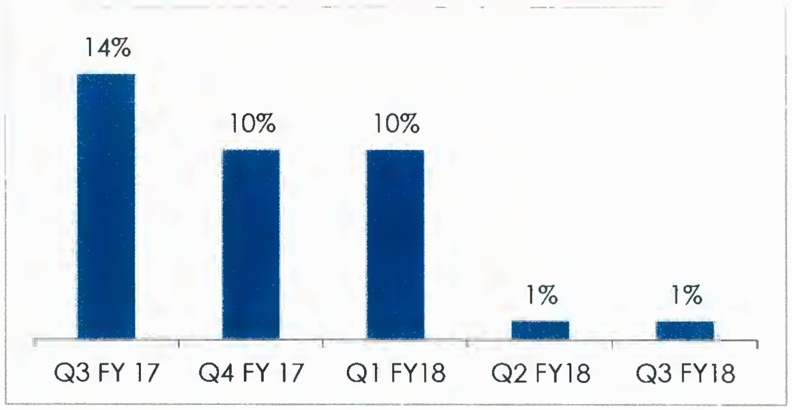
## Revenue



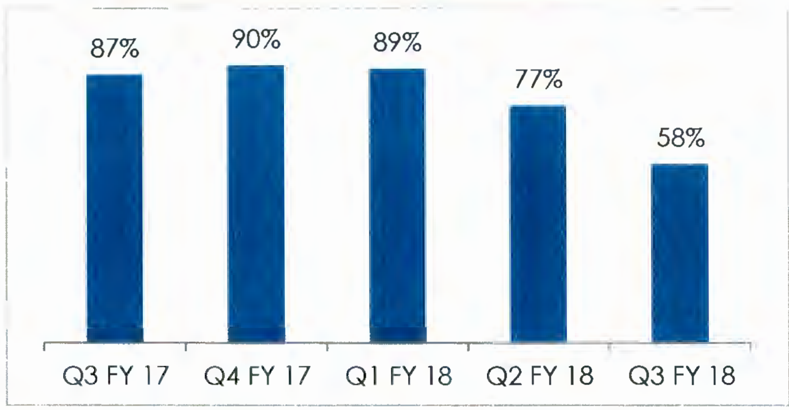

## EBITDA




## EBITDA Margin




## Capacity Utilization




* Revenue no. are recasted to exclude GST/Excise effect.

# Business Philosophy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# Professional management

## RS Jalan

**Managing Director**

- Unique leadership style with endeared managerial abilities drives all businesses alike
- Qualified Chartered Accountant, profess deep business understanding and excellent analytical skills.

## Raman Chopra

**CFO & Executive Director**

- Spearheading GHCL's Finance and IT functions
- Qualified Chartered Accountant with sharp financial acumen, negotiation skills and a great passion for technological advancements and specialization in Greenfield expansion

## Sunil Bhatnagar

**Marketing Head, Soda Ash**

- Associated with the Company for over 22 years
- Degree in law and diploma in management

## Manu Kapur

**President & CEO, Home Textiles**

- Industry veteran with more than 2 decades experience
- his vast experience in Home Textiles Sourcing in previous assignments with Ikea and J C Penny

## NN Radia

**COO, Soda Ash**

- Associated with the Company since 1986
- Bachelor in mechanical engineering

## M. Sivabalasubramanian

**SVP, Spinning**

- Vast experience in cotton procurement and manufacturing operations
- Bachelor in textile engineering

# Business philosophy going forward…

01

## Robust and Profitable Growth

To grow profits at CAGR 20%

02

## Focus on Value Systems

To create a value systems that defines our Culture


03

## Sustainable Inclusive Growth

Business Philosophy of "Sustainable Inclusive Growth" involving all the stakeholders

# Sustainable Inclusive Growth

## Education

- More than 4500 students being educated in 27 villages from pre-school to graduation
- Under Vidya Jyot Project, promoting education for village kids with LEP inputs

## Environment & Sustainability

- Reclaimed more than 350 Hectares of waste lands.
- Creating water reservoirs on mined lands through water harvesting
- Creating agricultural growth through land refill on waste/mined land

## Promoting Rural Health

- Impacted over 50000 lives through various heath initiatives like Eye Camps, Cataract, Spectacles consultation and medicines
- Creating awareness for Cancer detection along with Gujarat Cancer Research Institute.
- Free Medical checkups every Sunday for rural health awareness.


## Village Sanitation

- Promoting Tata Water Mission with "1 Day 1 Village Campaign".
- Constructed 5316 toilet units in 66 villages.
- Around 100 toilets under process in 30 villages.

## Women Empowerment

- 100+ women from 6 villages, taken to district level women empowerment seminar organized by WASMO
- Organizing Industrial Tailoring Training in Bhilad, for skill development and better livelihood

## Healthy Agricultural Practices

- 650+ farmers in 43 villages were provided organic manure at 50% of cost.
- We make sure more than 1,600 hectare of land is free from harmful chemical.
- Drip/Sprinkler Irrigation implemented in 44 villages benefiting 1120 families.

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# Financial Annexures

# Balance Sheet

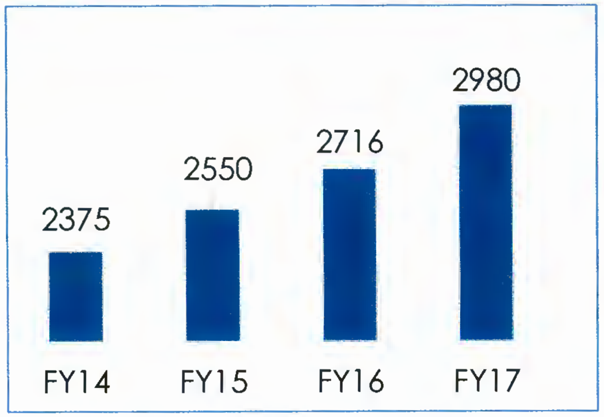
Rs. In Crores

| Particulars | Sept-17 | March-17 |
|---|---|---|
| **Net fixed & other non current assets (A)** | **2508** | **2472** |
| Current Assets | 924 | 995 |
| Less: Current Liabilities | 454 | 444 |
| **Working Capital (B)** | **470** | **552** |
| **Capital Employed (A+B)** | **2978** | **3024** |
| | | |
| Share Capital | 97 | 100 |
| Reserves & Surplus | 1362 | 1251 |
| **Net Worth (A)** | **1459** | **1351** |
| **Deferred Tax & ORS (B)** | **160** | **242** |
| Long Term Debt | 660 | 698 |
| Short Term Debt (Including Buyer Credit) | 542 | 514 |
| Due in 1 Yr | 158 | 219 |
| **Total Debt ( C )** | **1360** | **1431** |
| **Total (A + B + C)** | **2978** | **3024** |

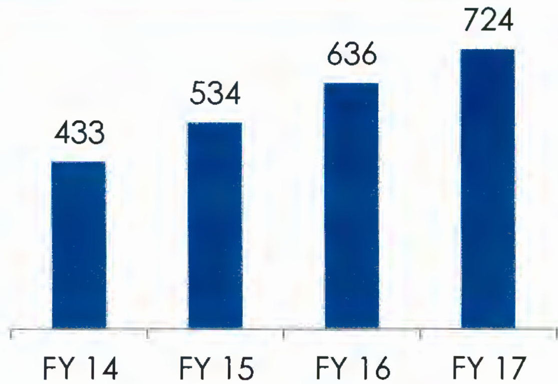
# Robust growth with improving profitability

Rs Crs

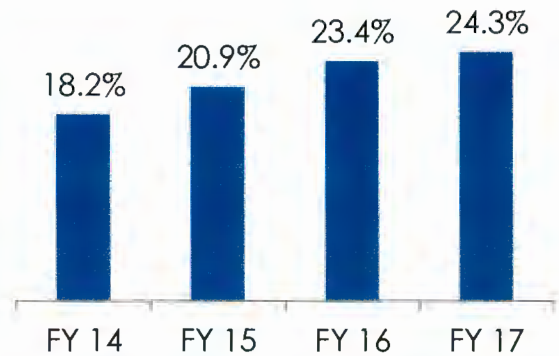
## Revenue (8% CAGR)



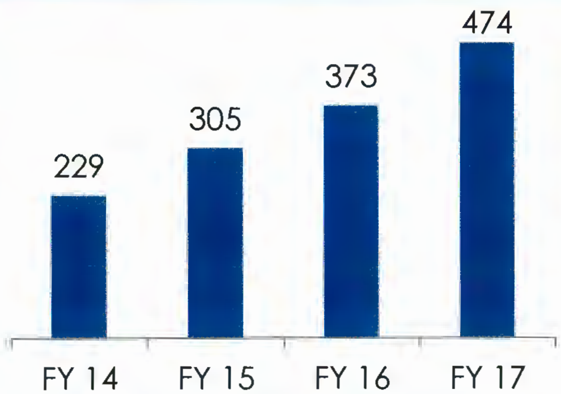

## EBITDA (19% CAGR)



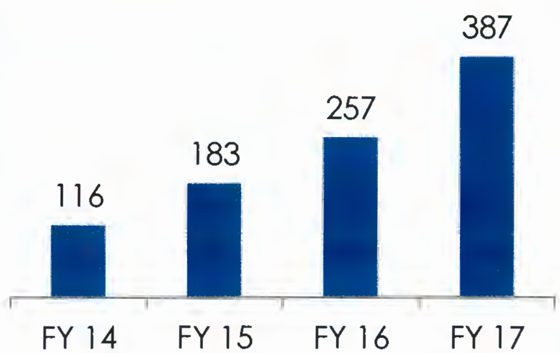

## EBITDA Margin



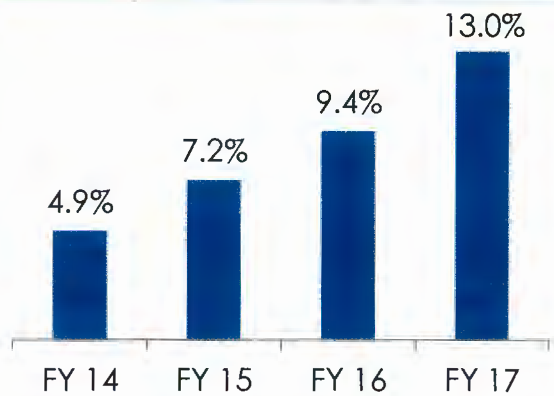

## Cash Profit (28% CAGR)




## PAT (49% CAGR)




## PAT Margin

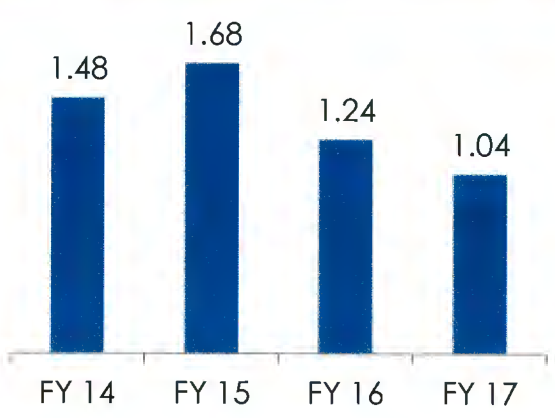



Standalone Financials not recasted for GST/Excise impact.

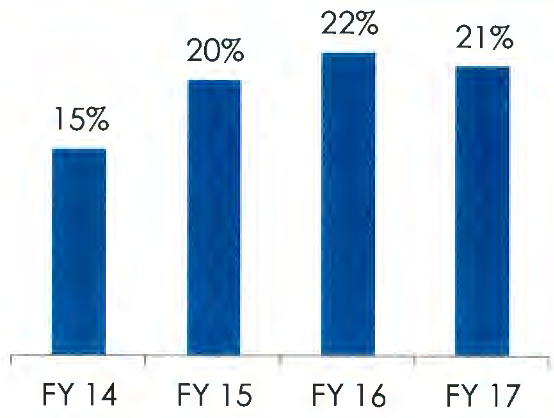
# And improving return ratios

Rs Crs

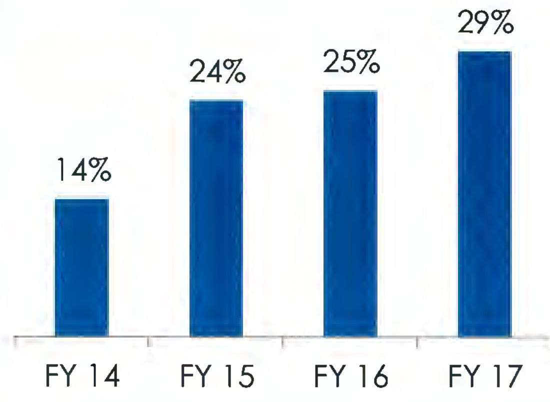
## Net Debt/Equity



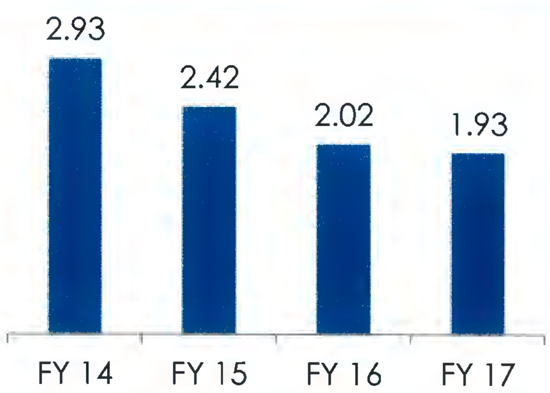

## ROCE




## ROE

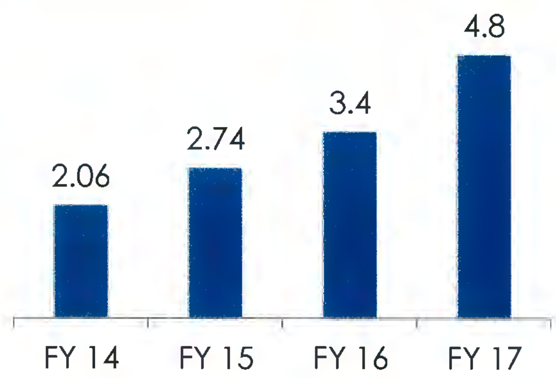



## Net Debt/EBITDA




## Current Ratio


## Interest Coverage Ratio




Standalone Financials

- ROCE calculated as - Trailing 12 Months (TTM) EBIT/ (Total Debt + Shareholders Equity); ROE calculated as - Trailing 12 Months (TTM) PAT/ Shareholders Equity;


# Let's Connect

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Sunil 1/2/18