



**“GHCL LIMITED
Q1 FY2019 Earnings Conference Call”**

July 18, 2018



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Moderator: Ladies and gentlemen, good day and welcome to the GHCL Limited Q1 FY2019 Earnings Conference Call. 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 “*” and then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sunil Gupta from GHCL Limited. Thank you, and over to you, Sir!

Sunil Gupta: Good evening everyone. On behalf of GHCL, I welcome you on today’s conference call of GHCL. I will hand over the call to our MD, Mr. Jalan for his opening remarks. Thank you and over to you Sir!

R.S. Jalan: Thank you Sunil. I along with Raman our CFO, Sunil and Abhishek from finance team. Welcome you all on today’s earnings call for Q1 FY2019. Global soda ash market has remained positive due to balancing between Turkey’s new supplies getting adjusted to the China’s lower volume. European market is reported to be growing and continues to show positive trend.

On the domestic front, soda ash markets remain stable in Q1 FY2019 driven by healthy downstream sectors registering a growth of around 5%. We believe that despite RSPL’s new capacity starting from Q3, demand supply is expected to remain balanced. Although there are pressures on the input cost, we however expect to remain around the last year’s margin owing to recent price increase and efficiency improvement.

On the antidumping duty, Gujarat High Court had granted extension to DA to conduct sunset review on our application for ADD on China, USA etc. In the interim, the duty has left on July 3, 2018. However antidumping duty on Turkey and Russia continues where the sunset review is in the process.

Our Brownfield capacity expansion is on track and expected to be completed within cost and time envisaged earlier. This expansion is completing at the right time and will help us to capture the demand growth in the domestic market.

In the textile segment industry headwinds continues to impact the business performance on the industry level. Industry is further watchful of the recent development due to increase in the MSP of the cotton and the dispute on export subsidy raised in the WTO by USA. On the other hand, a more stable rupee at current level will help industry to ease some margin pressure.

GHCL is now looking at creating a niche for itself in the market place and hence we are focusing around the philosophy of sustainability, traceability, innovation and giving back to the society. Taking the lead from Rekoop we are ready to launch another concept “FABFIT” along with a



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more innovative product around the concept of reduce, reuse, recycle in the coming market week in September.

Our efforts on developing alternate markets other than USA is moving in the right direction and that will help us in augmenting our utilization level in the coming quarters.

As the closing remarks, I would like to reiterate that where as business work under dynamic environment that may impact performance during a short period of time; however we believe in long-term value creation which is more sustainable and healthy for all our stake holders.

I request now Raman to take you through the financial results of this quarter.

Raman Chopra:

Thank you very much Mr. Jalan for this opportunity and I would like to extend a warm welcome to all of you to GHCL's Q1 FY2019 Earning Call.

The revenue for the quarter is Rs.757 Crores as compared to Rs. 748 Crores of Q1 FY2018. The EBITDA for the quarter is Rs. 152 Crores compared to Rs. 167 Crores in the corresponding quarter of last year. Our EBITDA margin during the quarter was 20.1% versus 22.3% in Q1 of FY2018.

The profit after tax is at Rs. 62 Crores as compared to Rs. 76 Crores in Q1 2018 excluding the onetime benefit of tax of Rs. 82 Crores which we got last year. The gap of this Rs. 14 Crores of this year first quarter profitability at Rs 62 Crores versus Rs. 76 Crores of last year is mainly due to the textile headwinds, which segment is now showing improvement on a sequential basis.

EPS for the quarter stood at Rs. 6.31 per share. I would now like to share business performance in both the business segments that is reflected in the above performance.

To talk about our inorganic chemical segment, our soda ash production during the quarter stood at 2.20 lakh tonnes as compared to 2.25 lakh tonnes of Q1 FY2018 and 2.43 lakh tonnes of Q4 FY2018. This is mainly due to the impact of annual shutdown which was taken during this quarter because we take annual shutdown every 18 months. So the annual shutdown was taken during this quarter, which has an impact of almost 15,000 tonnes; however due to our operational efficiency improvement, we were able to recover 9000 tonnes production volume in soda ash.

Hence we have been able to maintain a sales volume of 2.16 lakh tonnes in Q1 which is equivalent to Q1 FY2018. In comparison to Q4 2018, which is the best quarter sales were lower by 25,0000 tonnes which is mainly because of the annual shutdown as well as the seasonality impact.



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Revenue from this segment has increased by 12% from 437 Crores in Q1 FY2018 to 491 Crores during the quarter this is mainly due to increase in realization over the last one year. We have been able to maintain our EBITDA at Rs. 135 Crores which is equivalent to the Q1 of FY2018 in the current quarter despite annual shutdown and Forex impact both totaling around Rs.22 Crores. Despite this Rs.22 Crores impact our EBITDA from inorganic chemical segment and our profitability in the organic chemical segment has remained at the last year's level.

Our EBTIDA margin marginally is lower at 27.4% as compared to 30.9%. This drop is mainly on account of impact of ASD and Forex fluctuation and around 1.4% is attributable to the higher trading sales volume during the quarter.

So far as the textile business is concerned, it has shown positive signs with improvement with both topline growth of 21% and improvement in margin as compared to Q4 FY2018 with increase in EBITDA by 43% from Rs. 12.4 Crores to Rs. 17.7 Crores for the same period. EBITDA margin as compared to Q4 has also improved from 5.7% to 6.7% in Q1 FY2019.

As compared to Q1 FY2018, revenue is down as we had indicated earlier from Rs. 312 Crores to 265 Crores with EBTIDA down from Rs. 32 Crores to Rs. 17.7 Crores in this quarter. As Mr. Jalan has said we are confident for further improvement in both topline and margins in the coming quarters.

Our debt stood at 1381 Crores with the debt equity of 0.83:1 which is lower than our guidance remaining under level of 1:1. The ROCE for the quarter is around 16% and ROE is around 16%.

We now open the house for discussion and any questions that you may have. Thank you.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin with the question and answer session. We have our first question from the line of Amar Maurya from Emkay Global. Please go ahead.

Amar Maurya: Sir of this Rs. 22 Crores of this one off basically which we are talking about Forex as well as the shutdown, what is the split between the Forex as well as the shutdown impact?

Raman Chopra: Approximately Rs. 15 Crores is towards the shutdown and Rs. 7 Crores is the Forex.

Amar Maurya: Okay so 15 Crores is all because of the shutdown. And this is despite the 3% increase in the realization which we took right?

R.S. Jalan: See the shutdowns of this which I said, see whenever you are taking a shutdown which normally happens in 18 months, you have a production impact of approximately around 15,000 tonnes.



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This Rs. 15 Crores is the number which I am talking about is the production loss because of the annual shutdown.

Amar Maurya: Okay so this same period last year the plant was not shutdown right?

R.S. Jalan: Yes correct.

Amar Maurya: Okay perfect, thank you Sir.

Moderator: Thank you. We have our next question from the line of Dikshit Mittal from Shubhkam Ventures. Please go ahead.

Dikshit Mittal: Sir my question is on this Rs. 15 Crores impact that you mentioned because of shutdown, is it a loss of EBITDA or one-time maintenance expenditure as well in this figure?

R.S. Jalan: No like I said every 18 months you have to take the shutdown because this plant is 365 days running plant. So every 18 months you take a shutdown where you take care of all the maintenance, which are critical equipment which cannot be stopped during the year or during the 18 months. At that time, you stop the plant completely and you then restart the plant. So you loose your production which I said around 15,000 tonnes.

Dikshit Mittal: And Sir on the Rs. 7 Crores interim loss can you give how much of our debt is in foreign currency currently?

R.S. Jalan: See like I said overall what we do is in the rupee dollar, we do a very dynamic coverage of rupee-dollar depending upon the fluctuations in the market and then depending upon the import and export balance of the company. Now in this case whatever the import we had for the future number one for which we have to pay. The second is whatever the loan we have taken which was in the foreign currency loan, this fluctuation from Rs.65 approximately around 65 to the dollar gone to 68. So this rupees is a noncash booking as per the accounting standards which in ultimate sense in the next quarter you are going to gain out of this, but as per the accounting standard you have to book that cost.

Dikshit Mittal: So Sir wanted to know what is the foreign currency loan in terms of absolute amount?

Raman Chopra: Yes I will tell you. The foreign currency loan is around \$48 million of which already \$36 million has been fully covered, only \$12 million remaining exposure is there and then there is a buyer credit of around \$15 million.



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- Dikshit Mittal:** And Sir on the volume front last time you had motioned that for the full year you can grow by 4% to 5% till the new capacity comes in. So do you maintain that kind of volume guidance for this year?
- R.S. Jalan:** Yes.
- Dikshit Mittal:** And lastly on textile Sir though we have improved quarter-on-quarter, so are there any loss in the home textile for this quarter?
- R.S. Jalan:** Yes, if you look at, at the PBT level yes.
- Dikshit Mittal:** On EBITDA level?
- R.S. Jalan:** EBITDA is positive.
- Dikshit Mittal:** So can we expect the sequential improvement going into next two, three quarters taking the first quarter as a base overall in the sector.
- R.S. Jalan:** Yes we expect that.
- Dikshit Mittal:** So we can do around Rs. 80 Crores to Rs. 100 Crores EBITDA on annual basis if we can improve from that.
- R.S. Jalan:** See the number like I said if you see that this business is such a dynamic business in terms of the dollar-rupee, in terms of cotton like I just said about the MSP then the dispute which has been raised by the US into the WTO on the export incentives. At this point of the time, predicting any number on a definitive basis will be slightly difficult, but yes I can say that whatever the outlook we are seeing, we see definitely this year it should be much better than the last year.
- Dikshit Mittal:** And sir this improvement is in spinning or home textile that you are seeing sequential improvement.
- R.S. Jalan:** Both have improvement I mean in both the segments there is an improvement.
- Dikshit Mittal:** Okay thank you Sir.
- Moderator:** Thank you sir. We have next question from the line of Jatin Damania from Kotak Securities. Please go ahead.
- Jatin Damania:** Sir firstly to start with the previous questions on the textile front. Sir can you help us with the breakup in terms of the revenue from the spinning as well as the home textile.



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- R.S. Jalan:** Yes we can do that. Broadly we will give you the numbers.
- Raman Chopra:** In the spinning, the revenue for this quarter was Rs. 166 Crores and in the home textile, it was Rs. 137 Crores but then we do the net off the total number comes to because we use some of the own yarn for the internal purpose. So now that number total revenue from the textile comes to Rs. 265 Crores versus Rs. 219 Crores in the last quarter Q4.
- Jatin Damania:** And on the EBITDA front because we reported the EBITDA of Rs. 18 Crores and home textile was continue to be a drag on the overall performance in the last quarter. So the 18 Crores of the EBITDA that we reported in the Q1, can we assume blindly that it is more or less 80%, 85% comes from this spinning or it will be lower than that?
- R.S. Jalan:** In a way you can say yes.
- Jatin Damania:** And how do we see the home textile business going ahead because in the last quarter we just reported Rs. 3 Crores of the EBITDA on the home textile segment, so if we want to see the nine months down the line where do we see that the increase in cotton prices, the performance of the home textile segment.
- R.S. Jalan:** We are very positive on the home textile segment going forward as compared to the last year as a whole versus this year we are definitely seeing a much better improvement or significant improvement in to the home textile business going forward.
- Jatin Damania:** Coming to the soda ash business, I missed out the initial commentary. Sir, just wanted to know the status of the antidumping duty and probably you must have talked in the remarks, What is the status of the antidumping duty from the China, US and what is the status quo on the Turkey.
- R.S. Jalan:** On China, US the duty has expired on 3rd of July and so far as the sunset review is concerned, court has given a six month extension to the DA to conduct the sunset review. In that six months, if the sunset review investigations found to be positive in our favour, the duty can be reinforced and if found to be negative, then duty may continue to be not there. On Turkey, Russia the duty continues at this point of time, there is a one-year sunset review process has started and the duty continues in the meantime the DA has started the investigation on the sunset review and whatever the outcome of that sunset review will be applicable to us.
- Jatin Damania:** So if this sunset review goes through then what will be the impact on the overall realization?
- R.S. Jalan:** See at this point of a time whatever the scenario we see globally, we do not see any major impact the duty going away because overall the market is very balanced, globally all the new which had come has already been absorbed and then no new capacity is in the horizon except the one Indian production which is coming up and which may not be avail a significant amount of the



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production during the year. So we do not see next nine months we do not see any major. Going forward also let me give you my – of course the business is very dynamic and things changes very frequently, but we are not seeing any new capacity coming in soda ash which can give a kind of an excess supply next year of 2019-2020 where the demand continues. So probably that can help us overall demand supply balance.

Jatin Damania: Sir last question on the soda in revenue front. Of Rs. 491 Crores what was the trading sales in soda ash?

Raman Chopra: 49 Crores.

Jatin Damania: And what will be the incremental benefit that you have got in the last quarter in terms of the realization.

R.S. Jalan: Realization versus last quarter.

Jatin Damania: Yes Sir.

Raman Chopra: Q1 versus Q1 of this quarter or Q4?

Jatin Damania: Sir Q1 versus Q4 the incremental benefit that we will have got it.

Raman Chopra: Approximately Rs.500 per tonne.

Jatin Damania: Rs.380 per tonne is the incremental benefit that we have got and how is the realization currently.

R.S. Jalan: It is in the same line may be slightly it will be better than the last quarter because some price increase we have taken at the end of the May where you will not get the full benefit, we have not got the benefit in the last quarter means first quarter of the FY2019, the full benefit of that will come during this quarter means second quarter.

Jatin Damania: Okay sir that is all from my side thank you and all the best.

Moderator: Thank you sir. We have next question from the line of Kaushal Shah from Dhanki Securities. Please go ahead.

Kaushal Shah: Sir my question was on the textile segment so here in both our subsegments, the spinning and the home textile, what is the impact we are witnessing of the fairly high cotton prices, so that was one and the second is that in terms of the recent drop in the rupee vis-à-vis some of the major currencies, what benefit can we likely get in especially in the home textile segment because of that?



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R.S. Jalan: See in terms of the MSP, fortunately for us we are significantly covered on the cotton probably during this season up to maybe November, December does not have any major impact number one. Number two the prices during this season also was not very much lower and the next quarter after the MSP, we do not see a too much of increase in the cotton prices, of course some increase will be there because of the MSP, but my understanding is that, that definitely will be able to offset against the pricing of the yarn and the second even in the home textile like you rightly said the dollar-rupee definitely has positive impact. Keeping these two together, probably I would say that the margin should be intact on this business.

Kaushal Shah: So Sir especially in spinning, the deltas have improve because there was a time I think last year when the deltas had really contracted between cotton and yarn. So now the deltas have improved because now what one hears is that even China is coming to the market and it is likely to become a fairly major buyer of Indian cotton and possibly even yarn?

R.S. Jalan: Yes you are right in the first quarter we have seen this some kind of a buoyancy in the yarn prices and definitely that improves the margin on the spinning side.

Kaushal Shah: Okay. Thank you Sir.

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

Saket Kapoor: Sir first of all I would like to congratulate the presentation team your team given a very differentiated set of presentation this time that is giving a very much better clear picture about what has happened in the quarter and congratulations to the team. Sir, now coming to the point first of all as Raman Sir has told that this quarter we took the shutdown but the impact of shutdown was mitigated to only, only to 6000 tonnes let me see in a normal course this would have happened for we would have lost 15000 tonnes of production but this year we have lost only 6000?

R.S. Jalan: Yes absolutely right.

Saket Kapoor: So the impact is only about around 6000 tonnes that is there in the system, but Sir if we take the revenue numbers Q1 versus Q1 the revenue numbers for the soda ash is around I think 495 versus Rs. 437 Crores. So is there any trading component also here?

R.S. Jalan: Yes out of the total trading last year out of this 437 our trading was Rs. 32 Crores. This which we have against and the 491 there is a trading of Rs. 49 Crores.

Saket Kapoor: But still that is not very substantial that. I just wanted to understand on higher revenue base also the margins were depressed and what is the understanding on that number?



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- R.S. Jalan:** I will give you, see basically what has happened is the soda ash price has significantly improved over Q1 2018 it is almost more than around Rs.1500 whereas the cost has also gone up. So therefore the overall margin pattern remains the same.
- Saket Kapoor:** Overall the margin pattern remain the same?
- R.S. Jalan:** Pattern remain the same, but still the price had gone up you will realize that the EBTIDA margin or the percentage margin goes down because of your revenue has gone up.
- Saket Kapoor:** Sir you also found that the fuel cost, finance cost both has moved up if we compare whether quarter-on-quarter or whether last year quarter also so for a year, how well are we able to manage this two costs of fuel and finance?
- R.S. Jalan:** Yes two things. One before that I would say that still in spite of all this annual shutdown and everything being put together still we have been able to maintain an margin of 31% on soda ash. Except trading , so like we remember we have discussed in the past it is a very consistent margin on this business is visible from this quarter as well. Now coming back to your question on the fuel pricing and the interest cost. Interest cost is completely under control. This quarter the slightly increase which you are seeing is primarily because of the Forex fluctuation. All those interest saving you have done because of the foreign exchange coverage you have to charge of that interest account. So that has been charged interest account. Otherwise if the dollar would have been at the same level, the interest cost would have been much different than what has been reported here.
- Saket Kapoor:** Any take on the employee cost also Sir, why have they had moved upward from 42 to 49?
- R.S. Jalan:** That is primarily ESOP last board meeting we have got an approval for the ESOP and that is a provision which we have taken for that cost of ESOP which has to be booked over a period of two years of time, but that is noncash cost at this point of a time, but as per the accounting standard we have to take that cost.
- Saket Kapoor:** I beg your pardon again Sir, I missed you?
- R.S. Jalan:** This is a noncash cost which we have provided to take care of the ESOP which has to be given to the employees in the next three years' time.
- Saket Kapoor:** Sir now coming to this Rekoop branding part how is now the brand recognition the steps which we have taken now what are the results which we are seeing on ground on account of the Rekoop branding part what is the update on the same Sir?



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- R.S. Jalan:** See Rekoop branding definitely has given one very positive things to us. The company's perception about our home textile business in the minds of all the stakeholders has become very positive I think first time in this industry such a successful branding exercise has been done which has been recognized by the every stakeholder including the customers. Second like I said in my note or the speech, now we are trying to create differentiation from the commodity place to a place which is the demand of the consumer at this point of a time, every consumer talks about the sustainability, every consumer wants to have the kind of a traceability and every consumer wants to have an innovation. So the differentiation in the positioning has been captured and Rekoop our one of the initiatives on that direction, next market presentation which we are doing to the consumer in September 2018 again we are launching some of the products with the complete traceability and the innovation which we will make it slightly different in the competition., but honestly I am very happy the way the things are growing in this division.
- Saket Kapoor:** But I think it will still take some time for us to for materialize us to the revenue will start coming up only after few quarters down the line, when the product becomes more dominant.
- R.S. Jalan:** Yes because see in this business cycle itself any retailer it takes at least because he must have done his booking for the next 12 months so this kind of a business definitely takes as you rightly said few quarters will be required to really get a big advantage out of this positioning.
- Moderator:** Thank you very much. We have next question from the line of Riddhesh Gandhi from Discovery Capital. Please go ahead.
- Riddhesh Gandhi:** Just a few questions. Looking on the soda ash is hide of things after the antidumping on the US has gone over here has you experience any impact on the pricing at all.
- R.S. Jalan:** Not yet.
- Riddhesh Gandhi:** And are you expecting any impact because of the global balance you do not see any impact happening on prices.
- R.S. Jalan:** At least at this point of a time in the near-term horizon, we are not seeing that impact.
- Riddhesh Gandhi:** And just to understand last year it is in soda ash, you guys took a shutdown in Q2 is it?
- R.S. Jalan:** No there were no shutdown in the last year because of 18 months period is the period when we take the shutdown so last year there was no shutdown, we had the last shutdown last year means 2016-2017 October, November of 2016-2017, we had a shutdown.
- Riddhesh Gandhi:** And the incremental accelerated capacity is expected to come on by Q4 of this year?



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- R.S. Jalan:** Yes you can say this year but not in 2019 we will have this additional volume of 100,000 tonnes and the benefit of that will come next year.
- Riddhesh Gandhi:** And because it is Brownfield, the incremental EBITDA margin on that new capacity will be quite high?
- R.S. Jalan:** Surely yes.
- Riddhesh Gandhi:** And the incremental kind of like Capex that you will do actually again for FY2020 is again like Brownfield which is again extremely ROCE kind of an accretive, is that also accurate in terms of?
- R.S. Jalan:** Yes 100% you are right.
- Riddhesh Gandhi:** And so effectively just doing back of the head calculation to actually incrementally, about a 30% ROCE on your incremental capex is that accurate?
- Raman Chopra:** Yes on soda ash we are maintaining that 30% ROCE even today also.
- Riddhesh Gandhi:** But incrementally it would be even high up because you are even high up the bracket, the margins of that.
- R.S. Jalan:** Yes.
- Riddhesh Gandhi:** Got it. And the other question on the home textile piece of things just to understand are you seeing any kind of like green shoots at all with regards to there was all this inventory, the destocking which happened and a lot of pricing pressure because of competition and so is there anything that you are seeing on the demand side which give you an indication that things were stabilizing and the other question is on duty angle of things and stuff also has been clarified and now clear it is going ahead.
- R.S. Jalan:** See green shoots like I said on the one side as an industry we see two challenges going forward one challenge is that what happens with the WTO dispute raised by the US that is one. The second thing that MSP how that is this shape up next year cotton prices that can also to be watched. On the positive side, the dollar rupee definitely gives a benefit to the industry. However on the demand side, I would say that I am not seeing any big demand growth happening in the US market. Of course the geographical expansion is the way where we can grow the volume and excess capacity remains the same. Now how does the China play next year like some question has been asked and very rightly asked that the China policy that it is changed and probably they may be looking at some import of the cotton and the yarn from India and how their competitive advantage vis-à-vis India into the US market also to be watched. At this point of time, my



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understanding is the situation is I would say not very extraordinary positive. For us as an organization I said there two things, one our overall performance in the last quarter had gone significantly lower and the positioning which we have done in last I will say nine months definitely we see a kind of a positivity on the base number. Therefore maybe for us this year and the spinning probably is also adding to our overall better results. So these two put together definitely for us looks to be better than the last year on the base number, but will we be able to reach to the level of 18% margin in the next few quarters, no.

Moderator: Thank you. We have the next question from the line of Kushal Khandwala from Lucky Investments. Please go ahead.

Kushal Khandwala: Sir I just wanted to know where are we on the front of this Rekoop and what kind of sales are we envisioning?

R.S. Jalan: See Rekoop is a concept which has been launched on the basis of the sustainability as a pitch and which ultimately you know that not even in India the people has started using and that plastics should be reduced, plastics should be banned in Mumbai I think that has already been banned. So precisely this concept of the plastic being banned or plastic should be reused in a manner so that the environment gets protected. On that concept this has been launched, it has been well appreciated by the consuming or I would say that the retailers, but in terms of the revenue generation like I said it takes time in the kind of a new concept and any retailer has to except this because there is a cost element also to this so it is taking some time. So at this point of a time no revenue generation out of this, but overall we are excited about this concept and we are excited that we should see some results going forward.

Kushal Khandwala: And the other one is regarding the traceability technology that was implemented in the slot so where are we on that front.

R.S. Jalan: See Rekoop one of the uniqueness of the Rekoop is the traceability that this product can be traced on a DNA basis as this product is made out of the recycle polyester. We are the only company which has this what you call exclusive license on this. So from that perspective, we are already on the traceability path.

Kushal Khandwala: And lastly what kind of cost are we looking at that acts as an entry barrier to for the shoot off of the Rekoop technology.

R.S. Jalan: See that is an exclusive license to us so therefore no one else can enter in to this. Basic thing on the US market we have an exclusive right so therefore the cost does not matter, it is nobody can do this.

Kushal Khandwala: So why cannot we just exploit on this fortunate thing?



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- R.S. Jalan:** No we are trying to do that, we have to sell it to the consumers or we have to sell it to the retailers, we have to sell this concept to the retailers and you know that retailers in the US are the very big retailers, it takes time it plan well in advance.
- Kushal Khandwala:** So as of now there is no visibility on to what level can it be scaled up to and how will it be like in the future?
- R.S. Jalan:** Yes, at this point of a time no visibility but I can only tell you if this can be picked up as one big retailers the visibility will be huge.
- Kushal Khandwala:** Thanks. That is all from me.
- Moderator:** Thank you Sir. We have next question from the line of Darshan Mehta from Ventura Securities. Please go ahead.
- Darshan Mehta:** Sir my first question was regarding the realizations of sodium bicarbonate if you can give us the number for this quarter.
- R.S. Jalan:** What we can do is that you can take this number offline because we normally do not provide the sodium bicarbonate number but you are free to take this number offline.
- Darshan Mehta:** And Sir can you please repeat the quarterly timeline for Phase II expansion of soda ash business for phase I it is Q4 of this year right?
- R.S. Jalan:** We will complete the first expansion of 125000 tonnes by March 2019, the benefit of that will come next year. The second expansion of 125000 tonnes, we will complete in the next year and that the benefit of that will come through the year later.
- Darshan Mehta:** Okay so it would be basically both the expansion would end in Q4 right.
- R.S. Jalan:** One in this Q4 of FY2019, one in Q4 of 2020.
- Darshan Mehta:** Okay fine sir. This is only from my side. Thank you.
- Moderator:** Thank you Sir. We have next question from the line of Andrew P from Macquarie. Please go ahead.
- Aldrin P:** I have just quick question on the textile business. Can you just kind of help to explain what is actually driving your positive outlook going forward I mean you say there is no big shifts in demand and there is obviously multiple headwinds with WTO and cotton prices. Could you just give us a little bit more colour there. I think you touched up on already but if you could just help some?



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R.S. Jalan: Sure, I am very happy to answer this question. Like I said that in terms of our positioning we are creating a niche for ourselves on the understand at the mood of the market which is on sustainability, traceability, innovations and all the products which we are launching along with the branding like Rekoop is one the example in this industry that we have been very successfully been able to launch which has been recognized by the buying community on this brand. Similarly in going forward in the September market weak in the US we are again coming with some of the new innovative products. So our outlook for this business is positive only because of the positioning which we are doing at this point of time.

When you look at the millennium customers, the millennium customers today are looking at an environmental friendly product. Now environmental friendly product of the plastic recycle I would request you that you please look at the video which we have launched, which we is on our website also and also on the Rekoop website we can provide you all those details or I can send you the video.

See that the concept which we are talking about has been really being appreciated by the market. So the positioning will help us on a positive outlook, but otherwise as an industry definitely as you rightly said we are not seeing a big demand growth in the segment MSPs and issue and the overall exports incentive also is an issue, overall these are the challenges in this business.

Aldrin P: Thank you. And just one more question from my side was that you mentioned on the last conference call you consider demerging the two businesses when the time is right. Could you update maybe on the timeline for that?

R.S. Jalan: Honestly I still maintain that the time has not come right at this point of time and but this is the one area which is definitely on our radar and we will come back to our investors in appropriate time when this has to be done.

Andrew P: Thank you very much.

Moderator: Thank you Andrew. We have our next question from the line of Yash Agarwal from Crest Capital. Please go ahead.

Yash Agarwal: Sir sequentially I was seeing your gross margin is down about 200 basis and also soda ash EBITDA per tonne has gone down from 7000 to 6200 you got something. So what sort of price hikes have we taken to offset this?

R.S. Jalan: So two things like you very rightly said that the if you look at the soda per tonne contribution Q4 versus Q1 if you look at definitely the per tonne of contribution has gone down. That is primarily because of the production, see this business the production decides your margins because major of your cost are fixed cost in nature. So in this quarter vis-à-vis the last quarter of last year, there



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was almost around 25000 tonnes of the job in the production mainly because of the two things one annual shutdown which has the impact of 15000 tonnes and there is another which is your seasonal as we have said in the past also. First quarter and the second quarter of this business is because of that seasonality always it is going to go only 40% of the production and 60% of the production comes in the next two quarters. And the last quarter January March becomes the best quarter. So this job of this production because of the seasonality and annual shutdown this margin as you have seen lower.

Yash Agarwal: So you are not facing any significant RM pressure is it at the moment, input cost pressure?

R.S. Jalan: No, input cost pressure is there, which we have been successfully been able to pass on to the consumers like just I have given that in the end of May, we have taken a price increase if you look at Q1 versus this quarter, we have almost increase the price by around Rs.1500. And therefore the cost neutralization we have been able to successfully do.

Yash Agarwal: In May so how much price increase did you take?

R.S. Jalan: We have taken almost around 3%. Yes.

Yash Agarwal: After Q4 this was the first price hike in May?

R.S. Jalan: Yes these are the first price after the Q4.

Yash Agarwal: And Sir just to understand your phase I of Capex will add 1 lakh tonne by March 2019 and the phase II is by March 2020 and that will take you to 12 lakh tones?

R.S. Jalan: Yes that is what the target is.

Yash Agarwal: And Sir your Greenfield Capex, what is the update on that?

R.S. Jalan: See that process has been going as per the schedule, the land consolidation is underway and maybe by next quarter, we will be able to complete that process because a huge parcel of land which you have to acquire, that process is on and we are maintaining that 2022, we will be up and running on the new Greenfield project.

Yash Agarwal: And one last question Sir last whole year your contribution per tonne on soda ash, will you be the same for this year or will that be better?

R.S. Jalan: So it will be slightly better than the last year.

Yash Agarwal: Thank you so much Sir.



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- Moderator:** Thank you Sir. We have next question from the line of Karan Gandhi from KSA Securities. Please go ahead.
- Karan Gandhi:** My first question was regarding to actually you said that we had a Forex loss of Rs. 7 Crores. So actually we wanted to know actually that what exactly are we importing basically?
- R.S. Jalan:** See we are importing coal, we are importing limestone. Limestone and the coal, major portion and along with that we are also importing some of the anthracite.
- Karan Gandhi:** Okay because in your investor presentation it has written actually you have adequate limestone reserves. So the something like can you at least give a get how much is in value terms, how much are we importing actually and what is our hedging policy regarding to mitigate that.
- R.S. Jalan:** See we have been using the imported limestone from last three, four years. This definitely has helped us in terms of overall improving our productivity. Though domestically limestone is available but the quality of imported limestone is much better and that helps us to improve the production. So we are doing a fine balance between the domestic and the imported limestone to maintain our productivity at the highest level.
- In terms of hedging policy which you ask me the hedging policy is a very dynamic policy depending upon how do we see the market of the dollar-rupee, we do a kind of a very close interaction with experts and gradually we do. At this point of time, we have covered our Forex on all the imports till I would say November, December.
- Karan Gandhi:** November, December you have covered.
- R.S. Jalan:** We have already covered on the import side. On the export side we have covered we are doing 50/50 kind of a scenario 50%, 60% of the covered and balance 40% we keep open and the way that we are seeing that volatility at this point of time, we have slightly reduced our coverage on the export side. On import side, we have increased our coverage on the export side we have reduced our coverage. So that is the way we covering the rupee and the dollar
- Karan Gandhi:** But can you state at least a figure in value terms how much are we importing?
- R.S. Jalan:** Overall if you look at in a year approximately around... our import will be in the range of around \$50 to \$60 million that is our export is in the range of around \$80 to \$100 million. So that way if you look at in terms of the import and export balancing is very favorable to us.
- Karan Gandhi:** So you are net exporter basically?
- R.S. Jalan:** Yes we are a net exporter.



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- Moderator:** Thank you very much Sir. We have next question from the line of Rohan Gupta from Edelweiss. Please go ahead.
- Rohan Gupta:** Sir my question is on our realization so when was the last price increase we have taken soda ash in domestic market?
- R.S. Jalan:** We have taken at the end of May.
- Rohan Gupta:** And what is the quantum?
- R.S. Jalan:** Approximately around 3%.
- Rohan Gupta:** That is roughly from Rs.700 per tonne?
- R.S. Jalan:** Rs.600 to Rs.700 kind of a thing.
- Rohan Gupta:** Sir this currency depreciation so in when see in South a large part of the market is still set to import. So are not we seeing any positive impact of that coming in our realization and our ability to increase the prices should have been higher. So do you see that there will be more price increases happening in the later part of the year?
- R.S. Jalan:** I always like this to happen Rohan and you know that we will be working hard to achieve that, but a lot of things are now coming with and lot of global salt. How does the China work, how does this impact of the antidumping duty which has gone on 3rd of July, we will be slightly watchful on that but yes as an opportunity I can definitely see that there is an opportunity on that.
- Rohan Gupta:** No because Sir our cost is continuously going up also driven by the currency depreciation. So in our country that South Asians had import so what is I just want to understand that what is that which is limiting the pricing power in the industry because there has not be much capacity increase in the Indian market so is that import are happening at a much cheaper rate or some countries are dumping or something that is limiting our ability to increase the prices or what is the limiting factor in the country?
- R.S. Jalan:** Two things we are sensitive to our consumer as well, we have to be sensitive to our consumer as well to look at that the pressure of the price could be to the extent which can be managed by our consumers, that is number one. Second number you rightly said there is tightness in the market at this point of time globally, the products are not available in the global space but the Chinese scenario is changing quite rapidly we do not want to do something which ultimately have a slightly longer-term impact on that. so we are watchful on this whole process and at the right time, definitely we will take the price hike.



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- Rohan Gupta:** And Sir when you are referring to China that is my second question there on China plants that we have been having expectation that there are some capacities which are on old process may go off the production so if something on that front is happening we are seeing that the China pollution control norms are contrarily being increased and they have some caustic soda production has already been under pressure. So are we going to expect something in the soda ash in China as well?
- R.S. Jalan:** Surely Rohan that is what my expectation which I have said, I think a few quarters before also and things have started happening on that line. So I am clearly seeing a kind of a positive trajectory or the green shoots in which the soda ash market as going forward, but let us see because the business scenario changes go rapidly that it is very difficult nowadays to predict, In fact the coal prices will go from \$50, \$60 so I am very positive on this business honestly looking at the current scenario.
- Rohan Gupta:** All the best Jalan Ji, thank you sir.
- Moderator:** Thank you sir. We have next question from the line of Meet Jain from Prithvi Finmart. Please go ahead.
- Meet Jain:** My question is regarding the home textile part. As our major customer, I guess was Target that was lost in last year. So to compensate that are we planning any other customer or what is the current status of that?
- R.S. Jalan:** See like I said overall the market scenario in the US has been very tight and the pricing pressure and a lot of oversupply has definitely made the industry in a difficult territory at this point of time. So gaining the business and loosing the business on the pricing sometime happens. In terms of our efforts what we are doing to regain the volume and to come to the stage where we were in the past, the strategy of innovative product and bringing that your traceability is in the forefront and that the Rekoop is one of the example of that. So we are continuously coming with the product which are different than which is available in the market and that is the only way we can get of course we are approaching many of the customers, but it is slightly at the longer-term you do not get the success quickly on this large customers.
- Meet Jain:** So going forward we are going sequentially in the home textile business in the US market like through innovative products and through new customers?
- R.S. Jalan:** Yes.
- Meet Jain:** And my second question is regarding the Greenfield expansion in soda ash. Regarding the land acquisition means what is the approximately cash flow already incurred in this Greenfield?



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- R.S. Jalan:** See till now we have not spend a very significant amount of this, the consolidation process is on. It is being done through the third party and maybe by September October we will be in a position to have the land in our hand.
- Meet Jain:** Okay so by that time we can estimate how much Capex we have already incurred for that?
- R.S. Jalan:** Very small amount I think we are maybe around 80, 100 Crores kind of number.
- Meet Jain:** 80, 90 Crores.
- Moderator:** Thank you. We have our next question from the line of Ashish Kacholia from Lucky Investments. Please go ahead.
- Ashish Kacholia:** I just wanted to understand whether we can maintain our total net profit for this year in line with last year.
- R.S. Jalan:** Yes if you look at, at the PBT level definitely our number should be better than the last year for sure because the two things will definitely happen, one definitely we are seeing better results into the textile business and the second overall we are looking at slightly better number in terms of the production of soda ash and we are also looking at a slightly better margin also in that business. So overall what we look at is we will be positive; however as you know that last year there was a onetime tax benefit of Rs. 82 Crores that will not be available to us during this year. So probably at the net level probably the number could be different, but at the earning level or the EBITDA level definitely the number will be much better, PBT level the numbers should be much better.
- Ashish Kacholia:** Much better means what 10%, 15% will come through?
- R.S. Jalan:** 100% it should come.
- Ashish Kacholia:** Okay and my other question is the antidumping duty has gone now. So here what happens to the case you have filed some case and all that so what is the status on that Sir?
- R.S. Jalan:** In terms of the two antidumping duty process are on, one is the US and China where the duty had left, but the sunset review continues so therefore the government or the DA needs to do the sunset review investigation in next six months' time and they have to come out with the finding. If the finding is positive the duty will be reinforced. If the finding is negative then the process of litigation could continue.
- Ashish Kacholia:** So as of now the antidumping duty is there or not there?
- R.S. Jalan:** Turkey is on. China and US. no, it has expired on 3rd of July.



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- Ashish Kacholia:** So what has happened to the prices are they putting lower prices now or what?
- R.S. Jalan:** Globally the prices are firm and we do not see because of this duty going away, we do not see a pressure on the pricing.
- Ashish Kacholia:** And is this can get that there are no pressure on the pricing we may do how we had whether the pressure will come in one or two months down the line.
- R.S. Jalan:** See at this point of a time China is very firm on the pricing and our belief is that this year 2018-2019 China should be in a kind of a tight supply situation. So roughly this in nine months it should not have any impact on the pricing.
- Ashish Kacholia:** And you have any sense of now global capacity is coming up in the next one or two years?
- R.S. Jalan:** No really after the Turkey, we are not hearing any global capacity coming in, either we are seeing on China side, some of the old technology which is the whole process there are some challenges we see in that?
- Ashish Kacholia:** Are you putting any new capacities? Any idea on that , you must be talking to the equipment supplier know.
- R.S. Jalan:** Yes but we are not seeing any visible any major expansion happening in China as well. Let us China has understood the Chinese manufacturer has understood the tight supply this from a better margin.
- Ashish Kacholia:** Basically the profitability at the base level we should be able to sustain and do a little bit better for the current year.
- R.S. Jalan:** Correct.
- Ashish Kacholia:** Alright Sir all the very best. Thank you sir.
- Moderator:** Thank you Sir. We have our next question from the line of Saket Kapoor from Kapoor & Company. Please go ahead.
- Saket Kapoor:** Sir just a very small clarification as you told that the production loss due to the shutdown was mitigated from 15 to 6. So the Rs.15 Crores that is the notional, we have lost it on account of 6000 tonnes when?
- Raman Chopra:** No he is talking about Rs. 14 Crores Q1 versus Q1 this Rs. 14 Crores is only because of the textile segment otherwise on the soda ash side; our profitability is exactly as what we have achieved in the Q1 of last year. So this capacity this ASD impact and the Forex impact has been



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neutralized by better efficiency and the pricing increase. So those have been fully neutralized that gap is only because of the textile.

- Saket Kapoor:** The textile, you have said about 7 Crores and the 15 Crores was on account of soda ash only?
- R.S. Jalan:** No Saket Ji let me clarify this what is we are telling is if you look at the company as a whole our profitability at PAT level has gone down from you are talking at PAT level at Rs. 76 Crores to Rs. 62 Crores.
- Raman Chopra:** See our PAT level profitability during this quarter is Rs.62 Crores versus Rs. 76 Crores in the first quarter of last year. This entire 14 Crores gap is on account of the textile because our textile profitability vis-à-vis Q1 of last year is still lower by around Rs.18 to Rs.20 Crores whereas in soda ash our profitability is exactly what we have achieved in the last year for the first quarter. So the impact of Forex on the soda ash when we said Rs. 7 Crores is on the soda ash. So soda ash Forex impact and annual shutdown impact was neutralized by better efficiency which is 9000 tonne production increase and also in that our price increase was better vis-à-vis the cost increase so both these two factors we have been able to neutralize the impact of ASD and Forex impact in soda ash and whatever gap we were not able to cover that was on the textile but if you look at sequentially our textile has improved significantly vis-à-vis Q4 of last year.
- Saket Kapoor:** There are some provisioning in the duty structure today made by the government I think why does not the yarn or our home textile was in that basket, any take on that Sir, that import duty changes being made?
- R.S. Jalan:** See import duty has been doubled by the government on some of the textile products definitely that will have any impact on our spinning business however that will not have any impact on our home textile business primarily because we are on the export model.
- Saket Kapoor:** Then the spinning will be good for us if the imports?
- R.S. Jalan:** See ultimately if that happens and automatically the demand or the consumption of the domestic textile or the garment will increase and that definitely will increase the demand of the yarn and that is what definitely helps this spinning industry to capitalize on that benefit.
- Saket Kapoor:** And then lastly if I close now, Sir is that there was a point at the AGM in earlier con call also that you were telling that we are not in a situation to demerge out the two entities right now but something we may take a part forward September onwards. So are we on track to come up with some views at least on the first half looking at the performance for the textile sector and the way forward? Is anything on that roadmap or we will still take more time to add some more?



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R.S. Jalan: Yes at this point of time, it will be very difficult for us to define the timeline but if we are definitely on the siege to this matter and at an appropriate time we are definitely going to be informing to our investors that what timeframe we are going to do that but at this point of time, I do not think we can come with some timeline.

Saket Kapoor: Even on the divestment of it Sir we did a buyback last year that the period will get over I think by August, September going forward. The impact as an value creation has not been visible as of now. So contemplating the vision and the growth prospect which we are predicting for to at least two years down the line upon the two expansion that are going to come up. Can the board again envisage or dwell on the point of followup buyback continuing that the prices have maintained at the level which there were in the previous buyback also?

R.S. Jalan: See next board meeting definitely we will talk to the board and the board will take a decision on that. We will listen to the board about this.

Saket Kapoor: Okay Sir and lastly that today your present one interview was there telecasted in BTVI so which forum you were giving that interview I was unable to get track of that.

R.S. Jalan: See there was a mining conclave in Indore and I was present on that conclave where the Minister of Mines and the entire fraternity of the government mining bureaucracy including the CM of Madhya Pradesh and the policymakers like Amitabh Kant was present, it was primarily on the mining policy of the government. Government is rigorously working on how do we make the mining more meaningful for the captive consumers as well as how do we make sure that the availability of the raw material to the consumers. From that perspective that was very successful concrete I was present in that.

Saket Kapoor: Okay so there are any key takeaways because we are depending on the imported limestone only I think so we are not taking the captive part as you told earlier in the con call that has been more effective as you are getting more in imported, so do we have the dependence still in captive or do we do not mine at all?

R.S. Jalan: We do have dependence in captive and we are focusing in captive definitely there will be a good outcome with the conclave in the coming days because everybody are of clear view that government has to open up other things and make it more faster because it takes lot of time in environmental clearances and things like that. So minister was very positive your policymakers like in the Niti Aayog was very positive on that. Definitely that will help the people who are using the mines product like we.

Saket Kapoor: Thank you.



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- Moderator:** Thank you. We have next question from the line of Ashish Kacholia from Lucky Investments. Please go ahead.
- Ashish Kacholia:** Sir I need your annual shutdown what we had in this quarter this last year it was in the same quarter or in the some other quarter last year?
- R.S. Jalan:** No we do this annual shutdown in 18 months, so there was no shutdown in the last year. Last shutdown was in October in 2016.
- Ashish Kacholia:** So this year in that corresponding quarter you should have some benefit over the same quarter last year?
- R.S. Jalan:** Surely.
- Ashish Kacholia:** And this M2M Forex impact, are you going to expect it on a sustained basis in the next few quarters or this is done for now?
- R.S. Jalan:** I think it has been done now because actually this depends on how the dollars happens going forward but today we see the dollar has stability as around 68.5 kind of a thing. If it remains at the same level definitely there will be no M2M but let me also add here if the rupee depreciates for our business that is more advantageous maybe the M2M onetime cost could be there which is the noncash expenditure but overall for the business it is better that we look at the dollar at 70 or 72.
- Ashish Kacholia:** Yes because that straightaway raises the import cost right?
- R.S. Jalan:** Yes.
- Ashish Kacholia:** And this M2M Forex impact is because on account of the working capital or debt or something like that or what?
- R.S. Jalan:** All put together because see what happens whatever the dollar we have not covered and on that whatever that differentiation is there between last quarter versus this quarter, we have to provide for that. For now all our dollar which was not covered, till June all the cost has been converted into 68.9 or something.
- Raman Chopra:** And whatever dollar we have sold in future for our exports that also we will have to do an accounting at if we had sold those dollar. let us say we sell those next monthly basis so whatever we have sold we have to account for that if we had sold at the last day what would have been the value we would have got, so gap between those two also we have to provide. That again is a kind of accounting thing only.



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R.S. Jalan: In a way I would say obviously that this M2M loss is a onetime cost and the benefit of this onetime cost which we have booked in during this quarter we would have the benefit in the next following quarter so it is not a cost honestly it is an accounting entry.

Ashish Kacholia: Okay I got it Sir. Thank you very much.

Moderator: Thank you sir. Ladies and gentlemen that was the last question. I now hand the conference over to the management for closing comments. Over to you Sir!

R.S. Jalan: Thank you all for participating in this call, in case you still have anything you can get back to the company and we will be happy to assist you. Thank you very much.

Moderator: Thank you very much sir. Ladies and gentlemen, on behalf of GHCL Limited that concludes this conference. Thank you for joining with us and you may now disconnect your lines.