"GHCL Q1 FY18 Earnings Conference Call Hosted by Motilal Oswal Securities"

July 31, 2017

MANAGEMENT: **MR. R. S. JALAN - MANAGING DIRECTOR, GHCL**
MR. RAMAN CHOPRA - CFO AND DIRECTOR(FINANCE), GHCL

MODERATOR: **MR. AKSH VASHISHTH – MOTILAL OSWAL SECURITIES**

Moderator: Good day, ladies and gentlemen and a very warm welcome to the GHCL Q1 FY18 Earnings Conference Call hosted by Motilal Oswal Securities. As a reminder, for the duration of this conference call, all participant lines will be in the listen-only mode. 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 * followed by 0 on your touchtonnee phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Aksh Vashishth from Motilal Oswal Securities. Thank you, and over to you, Aksh.

Aksh Vashishth: Thank you and hello, everyone. We at Motilal Oswal are extremely pleased to host this call for Q1 FY18 results of GHCL. From the management, we have Mr. R. S. Jalan – Managing Director of the company; and Mr. Raman Chopra – CFO and Director (Finance). I will now hand it over to Mr. Jalan for his opening remarks, post which we can open the floor for Q&A. Over to you, Mr. Jalan.

R. S. Jalan: Good evening, ladies and gentlemen. I welcome you all on this call. I have with me Mr. Raman Chopra – our CFO and Director, Finance along with Mr. Sunil Gupta and Mr. Abhishek Chaturvedi from finance team

After completing a 3 years' journey of 49% CAGR growth, we have started this year with challenges that we have been communicating for a while now. The run of low commodity prices is over and last year we all witnessed a steep raise in the most of the commodities, including coal and coke. Since we had done proactive coverage here before, the situation did not affect the company in the first 3 quarters of FY17. However, in the Q4 numbers of last year had the reflection of impact that we had due to these cost pressures. During the last call, we had indicated that FY18 margins shall be around Q4 FY17 which had held good in Q1 FY18 results in both the segments that we operate in. In the inorganic segment domestic soda ash market has remained firm over the last two quarters, but the demand growth is expected to remain in the range of 5% to 6% for this year. This has resulted in a balanced demand supply situation with demand growth absorbing additional volume from domestic manufacturers and imports. Despite dollar devaluation of around 5%, the soda ash price has remained stable during the quarter. The global market has also remained stable with the major regions of China and US matching demand and supply. The Turkish 0.5 million has done some effect on the European market. As per the market estimates, world soda ash is expected to grow at 3%, which will require additional 1.7 million suppliers. These are a possibility that unviable plants and those not confirming to the environmental compliances may shutdown, thus absorbing the Turkey's new volumes. However, this may take some time and till then market may encounter temporary disturbance leading to some price softening.

With regard to the company compared to Q1 FY17, there appears to be a drop in the realization by 1.7% which translated over first 9 months of last year. Adding to this, the cost pressure have further impacted margin. We have however, successfully migrated these effects to a major extent with the benefit of expansion resulting in a higher sales volume of around 26,000 metric tonnes. Government has recently denotified an anti-dumping duty. The industry has major representation in the Gujarat High Court, we continue to believe that barring Turkish impact, soda ash prices will remain stable. The commodity prices are now stable and thus we expect that the cost to remain in the same level, having the margin of around 28% for the year as per our guidance in last call. The entire textile industry is currently witnessing headwinds, devaluation of dollar has directly impacted industry's margin; coupled with this, supply pressure from domestic players along with the stiff competition in the US market between e-commerce and conventional stores allowed no room for marginal strengthening. On raw material side, also there is a volatility impacting the market due to demonetization and now GST has left industry guessing about the export benefit will shape up. In this scenario, we have maintained our textile margin in this quarter at 10%, remaining at Q4 FY17 levels. I am very hopeful that this situation will gradually correct and the textile business will stabilize. Our soda ash brown field expansion of 1.25 lakh metric tonnes is on track and likely to be completed by March 2019. We believe that best winning strategy lies in breaking the barriers and setting new targets to achieve a directional change. We have recently taken on board a senior to drive various sustainability initiatives that will have a tangible and lasting influence on both company as well as the social environmental agendas for society at large.

I would now invite Mr. Raman Chopra to take you through the quarterly financial results. Thank you.

Raman Chopra: Good evening, everybody. Thank you, Mr. Jalan and welcome you all on today's earning call. I take this opportunity to take you through our performance for the quarter ended June 2017. The revenue for the quarter has increased by 10% from 734 crores to 804 crores in Q1 FY18. EBITDA for the quarter is 167 crores versus 196 crores last year and 184 crores for Q4 FY17. EBITDA margin was 21%, which is in line with our guidance given earlier and equivalent to Q4 FY17 margins. However, it is lower as compared to Q1 FY17 margin of 27%. Profit after tax is significantly higher at 158 crores versus 103 crores of Q1 FY17. There is a 54% increase. This is due to favorable income tax order resulting in a MAT credit of around 83 crores. Consequently, our EPS for the quarter is around Rs. 16 per share as compared to Rs. 10 per share of Q1 FY17.

In our inorganic chemical segment, we achieved a soda ash production of 2.25 lakh tonnes, during the quarter as compared to 1.93 lakh tonnes of Q1 FY17. This has been made possible due to full expansion benefit from 1 lakh tonne expansion commissioned last year. This has resulted in a higher sales volume of 27,000 tonnes from 1.191 lakh tonnes to 2.16 lakh tonnes, including bicarb sales. Despite the drop in realization by about 1.7% compared to Q1 FY17, revenue for the segment has increased 17% during the quarter, recording a top line of 492 crores as against 421 crores of Q1 of last year. We have maintained EBITDA margins at 27% closer to the level of Q4 FY17 as per our indication given during the last call. Drop in the margin compared to Q1 FY17 is mainly due to an increase in input prices by 5.7% and balance due to lower realization. As you all know that textile industry is currently experiencing challenging times. Our result for the segment also reflects the same. We have maintained our revenue at Rs. 312 crores which is at a level of Q1 FY17. EBITDA margins remained at Q at a level of Q4 FY17, that is 10%, which is due to a reason covered by Mr. Jalan in his opening remarks. However, as compared to Q1, our margins are down from 16% to 10%. Our initiatives on an effective interest rate management has resulted in interest cost by Rs. 4 crores for the quarter. The recent tax order aligned MAT credit has not only just protected our profitability, but also saved cash flow which can be used for growth of CAPEX or debt repayment. During the quarter, we have repaid Rs. 81 crores towards a debt obligation reducing our debt to Rs. 1,350 crores. Our debt equity ratio remains within our guidance of 1:1. The ROCE for the quarter is 20% with ROE of 30%.

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

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. We will take the first question from the line of S. Kapoor from Kapoor & Company. Please go ahead.

S. Kapoor: Sir, firstly, just a point about the margin, but if we take this quarter numbers for the soda ash margin, just if we take the segmental revenue, it is around 491 crores and the profit is 121 crores. So, that works out to be the margin in the vicinity of 24.64%. So, that thus we have hit the bottom for the margin part or can we see more margins to compare going forward because the second quarter is generally the weak quarter for the soda ash industry due to the monsoon impact?

Raman Chopra: Mr. Saket, in terms of soda ash number, as you rightly said, it is 492 crores revenue, our EBITDA is 135 crores, which translates to 27%.

S. Kapoor: Sir, I was just looking at the operating profit before finance cost and tax, that is 121 in the absolute numbers?

Raman Chopra: Okay. Now, if you look at that number, you compare this number with the last quarter of Q4 2017, you will find that the numbers are in line with the numbers of the Q4. And in the last call, we have very clearly said that these are the Q4 numbers we should be in a position to maintain. Now going forward, as you rightly said, seasonality can sometime make an impact on a quarter-to-quarter basis, but however our belief is that this number should be in a position to maintain for the year as a whole.

S. Kapoor: Okay. Just to put the thing more in perspective, we made a profit of 147 crores from a revenue of 521 crores. So, thereby the margins was around 28%. So on a quarter-on-quarter basis, the rate adjustment in the margins are in absolute terms are down by 4%, from 28% to 24.5%. If you take the March numbers, I am just referring to the segment results. For segment results, profits in the inorganic segment shows 147 for quarter four of March 2017, on a revenue base of 521. So, that comes for a margin of around 28.2 and for this quarter it is around 24.6. That was the point I was trying to make. So, we can work the math on the basis of our first quarter number for this year as a whole?

Raman Chopra: See, Mr. Kapoor, the thing is that, last quarter Q4 EBITDA number was 147 crores and PBT number were 118 crores. And this quarter, the EBITDA number as compared to 147 crores, the number is Rs. 135 crores. Not 24%, not 121, so EBITDA is 135 crores and PBT is 104 crores.

R. S. Jalan: And the margins and the numbers of the last year, small drop you see, that is primarily because of some trading volume. Overall in the business, the margin remains as it was in the Q4.

Raman Chopra: So, the margin, EBITDA margin remains at around 28% level and what Mr. Jalan has said that seasonal variation can happen; but for the year as a whole, we expect the margin to remain at around 28%.

S. Kapoor: Sir, now coming to the prices of soda ash. I think there was some decline in the quarter three of last year. How was the price trends being set for the quarter one compared to quarter four of last year?

R. S. Jalan: Price is in the same line.

S. Kapoor: And there is a continuity for the month of July also sir there or have you taken any revision in prices?

R. S. Jalan: In the end of July we have taken some upward revision, but that is a very marginal increase and therefore we believe that the prices should be in the same range amount of Q4 FY17. Barring, like I said in my opening remarks as well, the Turkey volume when it comes, which is likely to come in the third quarter, may have some short term impact which we do not know right now. Otherwise, barring that, I do not think there will be too much of variation in the pricing.

S. Kapoor: Right. Sir, my question to Raman sir is, sir this quarter highlight is the MAT credit part and it is really a big win. Congratulations for the entire team, sir, for getting this. If you could explain much more about it, sir, what was there for the MAT that went for such a long period, for 3-4 years, and if my understanding is correct, subsequently now our tax incidence would be, for the MAT, we have to pay at around 20% tax only, that 13% advantage will be there for this year?

Raman Chopra: Your point is absolutely valid. Although, from the accounting perspective, the full last quarter there was a 40 crores benefit and now this quarter is 82 crores benefit. And as you have rightly said, our obligation would be to pay tax as per the MAT level only. So, in terms of the cash flow, there will be significant saving and the benefit of this order will be, in terms of the cash flow perspective, will get absorbed over a period two years, around 40 crores to 42 crores current year and the balance in the next year.

S. Kapoor: Right, sir. And then, now coming to the point of this expenses part, we see that you have already guided that the commodity cycles have bottoming out and the price is moving up. So, for this year as a whole, margins being constant, the power costs are going to remain in the vicinity of this Rs. 94 crores to Rs. 95 crores spent for the quarter or can we receive something, some benefit on this front also due to some operational efficiencies that maybe expected along the lines?

Raman Chopra: See, in terms of the commodity prices, as we said, we estimate that the commodity prices are going to be stable. And therefore that definitely looks to be that the cost would be in the same range. However, in terms of efficiency, as you said, the team is working on that and let us hope what best we can do in that.

S. Kapoor: Right, sir. So, could you give soda ash realization for this quarter as well as for the last quarter, in rupee term, sir?

Raman Chopra: Mr. Kapoor, numbers are same. The numbers are same. There is no variations, small maybe Rs. 10, Rs. 20 difference. But otherwise the number remains the same.

S. Kapoor: And what is the selling price sir, for 50 kg bag for soda ash. I just wanted to understand?

R. S. Jalan: I think this number you can take offline.

S. Kapoor: No issues, sir. My last question, then I will come in the queue, sir. You told in the TV interview today that our debt will be down by 200 crores. In what timeframe and this will be on the absolute numbers of 1,350 crores which we have reported for this quarter or on as per the CAPEX getting involved, this will be lesser by 200 crores as a whole?

R. S. Jalan: See, as you know, that our overall cash generation is around 450 crores to 475 crores, okay, after the tax. If I take last year, as well as if I take after this tax benefit, our number looks to be in the same range of around 475 crores. And we have an estimated around 200 crores of investment into this year. And we believe that this 200 crores will be reduced in the next two years' time, including 80 crores we have already reduced this first quarter.

Moderator: Thank you. We'll take the next question from the line of Niket Shah from Motilal Oswal Securities. Please, go ahead.

Niket Shah: Sir, just wanted to get some sense on the home textile part of the market, how we are seeing growth? Are you seeing pressure in US or are you seeing pressure in the non-US market also on top line? And my second question was that, we have seen decline in margins in the home textile business after taking into consideration the ROSL scheme benefit also?

R. S. Jalan: Yes. See, at this point of a time, the ROSL scheme was there up to end of June. Still on the ROSL scheme is not clear, but we believe that this ROSL scheme benefit will revive. And therefore this number which we are talking about is after taking into account the ROSL benefit as well.

Niket Shah: How much will be the ROSL benefit?

R. S. Jalan: In terms of the percentage, that is around 3.9% of the total export which you do.

Niket Shah: Right. And on the demand side, are you seeing any change in the demand dynamics from when you interact with your clients in US or the non-US markets?

R. S. Jalan: Yes. First on the two sides, one is the demand side. Yes, we definitely see a pressure on the US market and we also see the pressure on the non-US market as well. And on the pricing side also there is a pressure because of two reasons. One, our customers based on the e-commerce, they are also looking at an opportunity of maintaining their margins. So, there is a pressure. And second is the demand supply, the supply is more than the demand. So, these put-together is putting a pressure on the pricing as well as because of the economic environment into the US, the demand is also down. You know that lot of major retailers, some stores are getting closed, their sales are down, the sales are shifting towards the e-commerce, those things are happening.

Niket Shah: Right. But the share of India as a market in terms of which is to be around 50%, is that staying or are the other markets growing or within India you are seeing more supply kind of coming up with newer players kind of setting up more capacity?

R. S. Jalan: Yes. At this point of a time, the percentage remains the same. And, as you rightly said, the more suppliers are in the market and that is creating a kind of some excess supply. And but of course China also, I would say not immediately, but the China is also being reckoned with some challenge on the business.

Moderator: Thank you. We will take the next question from the line of Chaitanya Jain from Shri Chaitanya Securities. Please go ahead.

Chaitanya Jain: The first question is regarding power costs, is there any scope to reduce the power costs, because last time we were discussing in the previous con-call, you stated that we are going to invest in the wind energy, so what is your view on it?

Raman Chopra: We have already done that investment into the wind energy. And if you look at 2 years' back versus now, we have significant positions into the wind energy. Now we have around 25 megawatts and last year that has given a good advantage, and this year also that similar advantage is there, which advantage is in the range of around 20 crores. This year, till now, the wind generation is also good. Overall, we see that the wind saving or wind cost has been reduced because of the wind**.**

Chaitanya Jain: And sir, the point which I want to drive home is that, we are seeing that from the past few con calls that profitability you have clearly indicated that profit there will be pressure. Now, the common sense lies that now we need to focus on the cost sheet part, so that since the volumes and the pressure if you can reduce something on the cost front, now the Government of India is coming with big announcement on the solar sector. If we can reduce our costs significantly going down and under your leadership this can happen, because when you have joined the company and in these seven years, it has been a turnaround story. That is why I have even requested you that what is your view on the solar sector, because various companies are reducing their cost drastically, like Neyveli Lignite and they are going to significantly invest in renewable, because they see a bright future. And if we reduce our power cost, at least, we can maintain our profitability, sir, this was my assumption. What is your view on it, if you can give?

R. S. Jalan: So, thank you very much for your compliment. Let me say that, we always do the continuous evaluation of the various opportunity in the powers like this windmill. Two years back we saw the opportunity, at the time we had both the opportunity in terms of the cost advantage and also we had the tax advantage also and we did that investment. And that is getting rewarded, okay. Now, in terms of the solar energy, let me give you my view, Jain, and probably that view may not be hold good when you have a view from the market. But my view is that, the way the solar project cost is getting down year-after-year or month-by-month, we should wait for the appropriate time when the first megawatt cost of the solar gets optimized, gets to the lowest level. The second thing, if you look at the power cost, and I can give you one example, in our spinning business, last year we were buying the power at Rs. 5.45 or Rs. 5.35. Now this year we are buying the same power at Rs. 5. Overall the power cost which we are buying from the open market also is going down. And today putting the money into the solar and getting a return or our benchmark return of 18% to 20% is not happening. And therefore we are waiting for the right opportunity. But I can only promise you the moment we see that opportunity on the solar, last year we have evaluated the solar energy and we realized no, and at this point of the time that does not give us our benchmark return and the moment we decide it is not a long term kind of a decision making process. It will take hardly about 6 to 7 months to install the solar power. We are just waiting for the right opportunity that in the wind we have waited for some years for the right opportunity. The moment we got the right opportunity, we have invested that money. And I can only promise you, we will keep on evaluating this opportunity. See, we have, in the many of the calls we have said that one of the differentiator for the GHCL is, we have a big competency on the cost leadership, and that cost leadership is not only on the one cost like interest cost, power cost, efficiencies, the raw material costs, we continuously do evaluation. So on the power also rest assured we will do, like just now I will give you one another example, we have increased the utilization of lignite which if you remember few calls before, we have said that lignite usage we have reduced. Why we are reducing? Because at the time the coal was becoming cheaper, now we have increased the lignite usage. So, those kind of an initiative of the cost reduction we do on a day-to-day basis. And rest assured we will continue to do that.

Chaitanya Jain: Sir, because of you and Mr. Chopraji**,** we investors are very confident that bright days are ahead for the company, and we have full faith on you. Now my second question is on FMCG sector part which the company has recently initiated. Sir, what development we have taken? In a nutshell if you can tell any significant development in this sector?

R. S. Jalan: Two developments. One, last time, I think, we have indicated that we have launched our 3 projects into the Maharashtra and Goa. The second development is, we are preparing ourselves for some of the other Northern State for a test marketing, okay? And we are also in the process of launching some of the new variant of the honey. So those are the initiatives which we are taking into. Even in the salt, we have recently launched Triple Refined Salt, and that is getting a good response from the market. The overall base for this division is very small at this point of a time, but as I said before we are doing lot of efforts on this division. And I'm sure that it will take some time, but we will do a good thing here.

Chaitanya Jain: Sir, on textile sector, do you have any plan to enter into retailing sector, because although you had a bad taste in UK, but still India is a growing market, and when we see like Bombay Dyeing, Raymonds, they are doing wonder for investors as well as for customers. So when you are exporting into high quality players in the US, do you have plans to enter Indian markets? Here, the purchasing power is also increasing year-on-year. So what is your view on it, in a nutshell if you can give?

R. S. Jalan: At this point of a time, if you ask me the straight answer, no. We are not going for the retailing. But we are definitely making our efforts on supplying to the all the retailers. We are currently supplying to Bombay Dyeing, we are supplying to Raymonds, we are supplying to Future Groups, we are the largest in the domestic market, at the private level we are supplying. Retail, as you rightly said, retail has a great future. But is it the right time to enter into the retail? You said Bombay Dyeing and all, yes they are doing good job. But what is the bottom line in that. So keeping that bottom line focus for us at this point of the time, our belief is, this is not the right time. Maybe as one product of the home textile opening a store or opening a brand, probably it is not the right time. We will look at this at an appropriate time, not at this point of time.

Chaitanya Jain: And just final question, sir, if you allow me. I will appreciate that you have taken our suggestions from various investors for a buyback. Sir, now, do you plan to bring any significant player, any foreign players in a form of QIP or something, why I am saying that, sir, you are on a mission to reduce your debt and that it is very nice, that you wanted the debt equity ratio to be on 1:1. So sir, if foreign funds comes into the company, balance sheet will look more robust. It's robust, but in the scope the sky is the limit as we say as far as progress concerned. So your take on it. This is the last question and no more question I will ask.

R. S. Jalan: We have a very clear focus on how to reduce our interest rate. And we have taken many initiatives in the last 6 months. Depending upon our view on the dollars, we have converted some of our loan with a proper hedging strategy into the foreign, what you call…So basically what I was trying to tell you, can you take for a second, because there is something.

Raman Chopra: Yes, definitely. What Mr. Jalan was saying is that, we have recently converted some of the loans into foreign currency loans with a proper hedging strategy and that has given us a significant reduction in interest. See, the endeavor is to bring our interest cost as low as possible and we keep on evaluating various options on this field on a daily basis. And that is why you will see last year our interest cost has come down from Rs. 163 crores to Rs. 133 crores. And even with an expansion and capitalization of more than 375 crores last year, our interest costs during this quarter has also not increased. So you will find there is an improvement in the rating, we are working on the rating. You will find some improvement in the rating taking place in the month of October and also the interest cost.

Moderator: Thank you. We will take the next question from the line of Jai Balaji from Jai Balaji Securities. Please go ahead.

Jai Balaji: I have a request that if you can give a small note in the presentation that where do you see the turnover of the company five years down the line so that we can give a guidance to the investor if you can express your thoughts on that.

Raman Chopra: Jalan Sir has given in his guidance that our objective is 20% CAGR and we have always given bottom-line growth guidance and our endeavor is still that we work on the guidance of 20% which we have given and that is our mantra of bottom-line. As far as the expansion and revenue is concern that depends on the various factors, industry has its own growth level and we are executing various projects in that like we have done an expansion of soda ash and now expansion of textile is going on and apart from that next phase of expansion of Brownfield will come. Basis that whatever revenue growth will that growth will add in our top-line. Apart from that our endeavor is to grow our bottom-line that we always talk about 20% CAGR growth.

Jai Balaji: You have said that you are going to do the Brownfield expansion can you please throw some light on that what expansion is it and how you are going to do it?

Raman Chopra: In our existing soda ash plant, we have done the expansion of 1 lakh ton apart from that in this year we are doing expansion of 25,000 ton in soda ash and sodium-bi-carbonate. Apart from that in our existing location of soda ash 1.25 lakh ton expansion scope was there for that we have started the work already and that expansion will be completed by March 31st, 2019 at the cost of around Rs. 300 crores and the benefit of that will accrue in year 2019-2020.

Jai Balaji: I was reading about your company that you did a buyback. So has the buyback completed?

Raman Chopra: As of 30th June Rs. 60 crores buyback was completed and Rs. 20 crore is remaining which will be done in coming few days. Total buyback was of Rs. 80 crore.

Jai Balaji: So promoter's holding increased by how because of this?

Raman Chopra: Promoter holding will increase less than 0.5%.

Jai Balaji: Earlier investor was talking about bringing in an outsider investor I also agree with the same. What is your view on that? When I studies your shareholding pattern in the market your company is such that don't take it in a wrong way promoter's confidence is not increasing and when I study our market pattern only 2300 crores and your turnover is 2100 around that so this is very unique so if the holding of promoter is less that is the reason the company's PE works less so please express your view how we can increase PE of the company? You are doing so much of hard work as I can see?

R. S. Jalan: I would like say in a one straight line that work of increasing the PE is of one stakeholder's which are the shareholders. As a management, our work is only one that we tell you about our performance very transparently and from our side do all the effort to improve our performance. You will agree that investors only rewarded this company whatever our market capitalization around 1.5-2 years back that was x today it is minimum 5x more compare to what it was. This things was the confidence you are talking about it takes time so I would like assure you that management do everything that will increase the confidence of our investors because our value system is such that we want that our five stakeholders that are our four value systems, trust, ownership, teamwork and respect. So our belief and aim that all our stakeholder trust us and we respect them and they respect us and one will respect you when you will give them a better performance and you will create the value for him. So that is our firm believe that in coming days that you will see that. As far as the investors are concern we will do our performance and we know that our investors who are not our investors today in coming days they will see the value and they will invest But there is a time which has to be given to any process. That much only I can tell you.

Moderator: Thank you. We will take the next question from the line of Giriraj Daga from K. M. Visaria Family Trust. Please go ahead.

Giriraj Daga: Couple of questions on home textile first. Sir what is the volume number in this quarter, and if you can give compared to year-on-year, quarter-on-quarter what was the volume number?

R. S. Jalan: See, if you look at the numbers in terms of the capacity utilization of the…

Giriraj Daga: Sir, but you had given in the presentation, I am looking into volume number, sales volume?

R. S. Jalan: Sales volume is in tonnage?

Giriraj Daga: Tonnage in million meters.

R. S. Jalan: Just one second. Normally, depending upon the product mix meterage, we generally track with the utilization. But I can give you broader numbers, the numbers are in the Q1 is around 80 lakhs meter production. And sales is also on the same level, okay? And if you look at Q1, the number was around 72 lakh meters, in terms of the sales, it was 76 lakhs meters. For the spinning, we have approximately around 66,000 tonnes of the production in this quarter, Q1 2018 and sales was 5,625 metric tonnes. As compared to last year, this number was also in the same range, 6,000 production and sales was 5,600.

Giriraj Daga: Sir, what was the volume in quarter four because there was a destocking happened?

R. S. Jalan: Quarter four, my volume was around 87 lakh meters in the sales and the production was around 92 lakh meters in Q4 2017. Whereas in the spinning, the production was 5,698 and the sales was 5,888. I have given you very specific numbers.

Giriraj Daga: My next question is, what was the export mix sales in this quarter in terms of export, how much in export if you have a breakup of the US and non US?

R. S. Jalan: This number I can give you offline, if you don't mind?

Giriraj Daga: Sure. I will collect that. My next question is related to, looking at PPT, you have highlighted about the competition and particularly from e-commerce, so just to understand is that the e-commerce segment is asking for the better price deal and that is why there is a negotiation going on between the suppliers or the other countries you did mention China also. So what is putting more pressure, like Indian companies are fighting among themselves for the e-commerce segment or Chinese companies or the Indian companies are creating competition there?

R. S. Jalan: See, in terms of volume, if you look at the e-commerce, growth is taking place. But in terms of the percentage of e-commerce is a very negligible percentage. But because of that e-commerce, the lot of pressure is being felt by the retailers in the US and because of that the price pressure is coming on the retailers. Again very important element is in the US, the discount stores, they are gaining the market share, which are the brick-and-mortar, but they create a value. And that, discount stores, they are gaining the volume, whereas the regular retailers, they are losing the volume.

Giriraj Daga: Okay. So customers who are coming to our stores are asking for a price cut, right?

R. S. Jalan: Yes. Price is is felt challenge.

Giriraj Daga: Okay. My next is related to the ROSL scheme is effective from 23rd March? Correct me if I am wrong.

R. S. Jalan: Yes, sir.

Giriraj Daga: Correct. In this quarter, we get additional benefit of 3.9%. I know there is some duty which had to leave, but despite that, our volume was quarter-on-quarter flat. So should we expect that the core business has further fell down?

R. S. Jalan: See, if you look at the dollars, the ROSL as you rightly said, it came in the last quarters and some benefit of that must have been crept in the first quarter one. On the other side, the dollar has depreciated. So dollar has depreciated by almost around, say, 5%, whereas the ROSL benefit is only 3.9%.

Giriraj Daga: But we must have had hedged some things, sir?

R. S. Jalan: No, that hedging is there and what you do is, you will go on in mark-to-market kind of a thing. So definitely you do that hedging and that hedging is approximately around, we do around 50% to 60% kind of hedging. What all I can say is that, in terms of the volume which we look at, the some drop in the volume is primarily because of, like I said, the pressure into the US market. Even in the other market, like Canada and other market also, there is a pressure on the volume. Overall, there is a pressure on the volume.

Raman Chopra: But compared to for our volumes, because in quarter four that after demonetization some shipment got delayed. So that shipment got also in the quarter four went. So therefore, compared to last quarter, some drop is only on that account also.

R. S. Jalan: So quarter four versus this quarter, you remember in our call, earlier in the last call we have said, that because of the demonetization some of the shipment which was supposed to go in the third quarter of last year got postponed to the last quarter of last year and that difference which you see is primarily because of that.

Giriraj Daga: Understood. Sir, and the GST you said that you are still awaiting the clarification of duty drawback. Any timeline you have in your mind? When can we expect that?

R. S. Jalan: See, our belief is that it should happen during maybe another 10 to 15 days' time, it should happen. And our belief is that, overall being such a large industry and lot of employment engaged in this whole process, probably nothing worse should come into this. That is what our belief is. But the clarity will come in another 10 to 15 days' time.

Giriraj Daga: Last question. What was the cotton cost in the quarter one and compared to, as you can give quarter four number also, average cotton cost?

R. S. Jalan: Cotton cost was almost flat. If you look at Q4 versus Q3, because I do indicated last time also that we generally cover the cotton up to the March and that cotton is being used in the next 6 to 7 months. So, cotton cost will be in the same range amount.

Moderator: Thank you. We will take the next question from the line of Sangeeta Purushottam from Cogito Advisors. Please go ahead.

Sangeeta Purushottam: My questions were twofold. See, firstly, if we look at the soda ash business, what we have seen is realizations which are kind of slightly down, right, and increase in cost pressures. Now, as far as the cost is concerned, again, a lot of it is external, whatever you can do to improve efficiencies etc., you're doing. So, I think, any improvement from here on, there would be a slight improvement. But beyond the point, I think you wouldn't have too many levers on that.

Now, in order to improve margins, then I'm talking actually beyond FY18 that brings us back to, say, the price of soda ash. Now, there what you're seeing is that there hasn't been too much of an increase, there has been, in fact, a slight dip in the price. And going forward you are expecting Turkey impact to coming in a couple of quarters. So, and at what point will things change, so that we can actually see an improvement in the margins. Is that going to be in FY19 once the demand/supply balances out and there could be some upward movement in the price of soda ash, that was question number one. And similarly, the similar question on the textile side also, what you are being talking about is actually pressures in the environment. And on the cost side, I guess in the second half if cotton prices come down, maybe that will give you some relief. But how do we look beyond FY18 and try to see what margins would look like and what could be triggers for margin improvement?

R. S. Jalan: If I go one-by-one like in the soda ash, if you look at. In terms of last 10 years of the data, margin was in the range of around 25% to around 29%. The last year of FY16-FY17 some of the quarters was favorable which was, I would call, more like an exceptional period where the soda ash prices remained in the range bound or it was on the same level, whereas the commodity prices was down. Because of that, the margin in the few quarters has gone up. If you look at in the year as a whole of 2016-2017, you will find that our margin was in the range of around 32%. Now, if I take 10 years of the data, I would say that that 32% was the number, which was mode of it, slightly higher than the number of the 10 years average. Actually, based on the past data I would say that, in this business 28% to 30% of the margin should be expected in this business, number one. 10 years data, again, indicates in this business that you are in a position to pass on all your cost to the customers, because the demand-supply situation are always balanced globally. Barring some exception which are probably like Turkey or sometime this and sometime that, 10 years data shows that very reasonably you can assume a margin of around 28% to 30%. We are maintaining this year also is a reasonable margin of 28%.

Sangeeta Purushottam: So what you really think is, this year you have move towards the lower end of your long-term range and which is where you will be for the rest of the year, and maybe next year you may or may not be, if you're able to pass on the cost then the margins could inch up higher towards about 30%. Otherwise, they will remain in this range?

R. S. Jalan: I would say that that two initiatives which we are taking and probably that will give us and that you rightly said it will be beyond 2018, one initiative which is the expansion. See, usually what happens is, the moment you take an expansion, your gross margin is more than 50%. Whereas your other costs remained almost flat, other than the inflation increase. That will help you to improve the overall margin, number one. See, I always believe that if you continue to do your good work on the cost, always you can have the kind of some improvement, in last 15 years, at least, I can tell you with my experience, we have been able to do a lot of cost optimization and that journey will continue, like supply chain. There is opportunity in that business. We are working on that. We have taken a project just recently a month before on the logistic. So those kind of initiatives are a continuous process, which we will continue to take and improve on the margin.

Sangeeta Purushottam: Right. And what about the textile side, what levers do you have there?

R. S. Jalan: See, textile side, one surely we have to work on a better customer mix, which we are working. Because there, I would say, that a lot of low-hanging fruits are there, I can only say that, there are low-hanging fruits are there in that business. And the moment you have a low-hanging fruits, sometimes it takes time. But you have the opportunity of capturing those low-hanging fruits. So, I personally believe that in the textile we have a lot of opportunity because we are not closer to the benchmark of the industry as well. So, if you don't have a benchmark or closer to the benchmark, like in soda ash we have a benchmark or we are the benchmark. On the textile side, we have an opportunity on both the sides in terms of better realization and in terms of the better cost. That is what we are working on that. And surely beyond 2018, we will have some capturing on those margin expansions.

Moderator: Thank you. We will take the next question from the line of Dikshit Mittal from Subhkam Ventures. Please go ahead.

Dikshit Mittal: Yes. Sir, in terms of cost pressures when you mentioned, so is it the coal prices that has been impacting or any other commodities also impacting?

R. S. Jalan: Almost all the commodities, like, take an example of coke, the coke prices have gone up by 70%. And the coal prices are also gone up, if I take March means, year before, almost that also has gone up in the similar range, okay. It is because of our various mix of lignite, we have been able to contain that. Similarly in the salt prices, limestone, I believe this on the earlier calls as well, limestone, we have to use more of the imported limestone. So that has also given a cost pressure on that. Overall, all put together, my raw material cost has gone up in all four components.

Dikshit Mittal: So coal, when you say, is it coking coal or thermal coal that we use.

R. S. Jalan: We use the steam coal in our boilers. And the coke which I said, which is more of a metallurgical coke.

Dikshit Mittal: Because we have seen sharp dip in coking coal prices recently. So I was thinking whether that will help going forward in terms of margins.

R. S. Jalan: I don't know which number you are talking about in terms of the reference point because we always look at the long-term kind of a thing. Last year same period the coal prices was or I'll say year back the prices were almost around $50. And today the prices are in the range of around $75 kind of a thing.

Raman Chopra: In between yes, you're right in between the prices has gone to even $85, $90 also and it has come down, but I'm looking at the reference point, which was $45, $50.

Dikshit Mittal: Okay. And sir, secondly, like as you mentioned that anti-dumping duty has been extended by one year, but that is subject to the court case that is going on in Gujarat High Court. So what is your expectations, like, when there will be full clarity in terms of that case?

R. S. Jalan: Good question. And let me tell you, there is lot of development which has happened in-between. On 30th of June, the anti-dumping duty was extended, sunset review of the soda ash was accepted by the government, and they have notified for a one-year extension of the anti-dumping duty. However, in between just few days back, I would say that maybe around 10 days back, since the mid-term review was under consideration, they withdrawn the anti-dumping duty. Against that order, we have gone to the Gujarat High Court and just when I was interrupted and in-between I have taken a call, our matter was there in the Gujarat High Court, and they have stated the government initiatives and they have put a status quo on that orders, which has been initiated by the dumping authority. And therefore, duty will continue till the final orders from the Honorable Gujarat High Court. Currently the duty will continue till the disposal of the judicial process.

Dikshit Mittal: Okay, otherwise its sunset is in '18 or it has already passed that deadline?

R. S. Jalan: There was two separate order was there. For some of the countries, it was supposed to be expired or already the date has gone. It was in July '17, it was supposed to be expired, and on some of the countries, it was for another one year.

Dikshit Mittal: Okay. So, you don't see major impact of anti-dumping, only your concern is the Turkish capacity that will come in. So that is the only concern you have for the pricing in terms of..

R. S. Jalan: At this point of a time, the demand/supply scenario in the globe is fairly balanced. And as I indicated, some small price increase we have taken in the last month. So this indicates that, there is a demand/supply fairly balanced. And going forward, the anti-dumping duty how it shapes up and how is the demand/supply situation from the Turkey gets, may change the scenario, otherwise we believe it should be in the range bound.

Moderator: Thank you. We will take the next question from the line of Amar Mourya from Emkay Global. Please go ahead.

Amar Mourya: Congratulation for a better set of number, at least, on the realization front. So, sir, my question is primarily on the realization, if I see in this particular quarter, is that your realization had broadly remained flat and you had lost the volume. So, wanted to know what are the clear reasons for why you had lost the volumes?

R. S. Jalan: In chemical business, we have not lost the volume.

Amar Mourya: Yes, because I think your volumes are down right, if I'm not wrong?

R. S. Jalan: No, in the quarter four, if you're comparing with the quarter four '17, there was some opening inventory of around 13,000 tonnes. Because demonetization in the end of December, that has not gone, that we have been able to ship in the January-March quarter. Otherwise the production numbers remains the same and the sales number remains the same.

Amar Mourya: So, what is the production number?

R. S. Jalan: The production number is 225,000 tonnes. And last in Q4, also the number was same 224. The sales in this quarter is 209 and last quarter it was 222. This 14,000 difference is primarily because of the opening inventory on 1st of January.

Amar Mourya: Okay. So you're saying that because of the inventory this is the adjustment, otherwise we have not lost any volume?

R. S. Jalan: No, we have not lost any volume.

Amar Mourya: Okay. And how much the realization has gone down this particular quarter?

R. S. Jalan: As compared to Q4 2017, no, the realization remains same.

Amar Mourya: On a year-over-year basis?

R. S. Jalan: On year-on basis, it has gone. If you look at Q1 2017 versus Q1 of this year, the price has gone down by 1.7%.

Amar Mourya: Okay. So this is what, do you find any impact because of this, you know, all this de-mon, as well as because of the other changes which are happening into the economy?

R. S. Jalan: No, in terms of price drop it's primarily because of, on one side if you look at the dollar had depreciated by 5% and out of the total market of India, 24% is being fed from the import. So, because of the dollar depreciation, the prices of the imported material has been becoming cheaper, though the prices in the overseas market has gone up, but because of the dollar/rupee comparison, it has gone down. Otherwise, 1.7% is the only happen in the nine months of the period of time.

Amar Mourya: Okay. So how do you see the realizations that want to move ahead, sir. Going forward, given that now new capacities, even you had increased capacity, few other players are going to increase them, then there is a global capacity increase, because in our business if the realizations are taking a toll then I think maintaining the margin, which we are talking about is looking difficult, right?

R. S. Jalan: I can only give you three reasons why do we think that there is not going to be a major impact of that, one, 10 years of the data. Is that how the prices has been there and the capacity in the early period also, China used to come with a 2 million every year capacity expansion. But in this business, the total global demand is around 60 million, a broad number I'm giving you, and 3% is the likely demand growth, which is going to happen. That is what, you need roughly around 1.8 million extra production every year, and the global demand, which is going to happen in next two years' time will be probably in the range of around 4.5 million tonnes if I take everyone, all globe put together. So basically what we are talking about is going to be balance again. This business in 10 years, demand has always been ahead of the supply, supply has always followed the demand. Temporary impact can happen, but in a long run, no.

Amar Mourya: Okay. And sir, then in that case, your raw material increase which has happened during this particular quarter. So how it is going to happen, is it that you were already passed on, or you're going to pass on those things over a period of time?

R. S. Jalan: See, like I was mentioning in the previous question. If you look at the 10 years data, you will find that the EBITDA margin on this business is in the range of around 28%. If I take the 10 years data, it's around 25% to 28%, okay. We are at this point of a time in the range of 28%. My belief is, in this business, you can fairly assume a margin on a long-term perspective, we can maintain a margin of 28% to 30%. Now, in terms of why this cost pressure has gone up, see, last two years the raw material prices has gone down whereas selling price remained at the same level, so therefore there was a margin expansion, that has been sink now. But it is more on a long-term territory, your margin is in the range bound of 10 years of data. So I would say, these margins are very fairly reasonable margin on this business.

Moderator: Thank you. We'll take the next question from the line Kirti Dalvi from ENAM Asset Management. Please go ahead.

Kirti Dalvi: Couple of questions. You have fairly elaborated on home textile segment, but just a question, if I see your volumes data in home textile business on a Y-o-Y basis, it has gone up, so probably the rupee devaluation would have impacted your sales. But how the margin being so drastically fallen from 16% to 10%?

R. S. Jalan: See, one is that, dollars, clearly that there is a drop of dollar in terms of dollar is depreciated by around, as I said, 5%. Second, the customer mix. And third is even the volatility in the raw material prices. And the fourth is, like I said, overall, there is a price pressure from the customers. All this put together is putting a pressure on the margins.

Kirti Dalvi: But if I mean just again, your sales topline has been the same, right, on a Y-o-Y basis when I compared the sales in your textile business, and you have given the volumes data itself, which is also very high, I mean, compared to on a Y-o-Y basis, there is growth, 76 lakh million meters versus 80 lakh what you did in this quarter. So just wondering exactly in terms of are you seeing this as structural margins or do you see the improvement in these margins?

R. S. Jalan: See, margin has gone done surely, like, you rightly said, Q1 2017 volume was in the range of around sales volume, if I can say, sales volume was around 76 lakhs meters against that this quarter it's around 81 lakh meters. So, the volume has gone up. However, the margin has dropped, and that is primarily because as I said, all the four reasons. In terms of your realization per meter has gone down, because the dollar is devalued. The pricing also there is a pressure, because you have sold say at $2 earlier, now you are selling at $1.9. So the volume has gone up, but the revenue has not gone up. If you look at the number, you'll find that the revenue has not gone up. In terms of the rupee, it has not gone up. So this extra volume which you have generated has not given you any in terms of significant revenue. Volume has been up by 6%, whereas your revenue remains the flat. And that is primarily because of the dollar depreciated.

Kirti Dalvi: So the primary reason of the 600 bps fall on a Y-o-Y basis, you would attribute to dollar devaluation?

R. S. Jalan: No, not only one. Like, the one is the dollar devaluates by 66%, but on the other side, you had the RoSL benefit of 3.9%, so some impact of that. Second impact is on the raw material volatility. The third impact, even the pricing, some renegotiation on the pricing when you sell, that's also one of the reasons. So these are the reasons which have dropped this margin.

Kirti Dalvi: So sir, given the cotton prices if I see a YTD data, I think the prices have corrected, almost say 5% to 6%. So how much timeline we have in terms of we area passing on the prices to the customers or customer giving us the price benefit as well.

R. S. Jalan: My understanding about this business is that, it is fairly a long time, and particularly in an environment where my customers are under pressure of their margin becomes more and more challenging for you to go and renegotiate the prices based on your cost pressures. So the demand/supply as I said, demand/supply is also not favorable to this industry. And on the other side, the customers are also facing a margin pressure because of the discount stores and the e-commerce pressure on them. And so all this put together, it is very hard to renegotiate the price at this point of a time with the customers.

Kirti Dalvi: So sir, is that on an industry front if I see since you have mentioned that, there is a competition between brick-and-mortar and e-commerce business. So the unbranded business, and say US kind of markets, it's giving a competition to the branded segment, because Bed Bath & Beyond will have the same product, I mean selling its own branded product at the same price as probably on e-commerce of the site, right. So the discounting can happen only on the unbranded side of the business, or any of the unorganized players over there.

R. S. Jalan: My understanding about is that, if you look at the overall business of home textile, you'll find that the branding business is a very insignificant proportion of the total business. It is primarily the non-branding business. I'd say, we call it as a private level business. And there, the competition is there, which is I would say is largely more than 80%, 85% of the volume is only on the private level. So the competition is in the private level business, where the competition is between the organized retailers, discount stores, e-commerce.

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

S. Kapoor: Sir, home textiles can be laggard for the overall basket for us. And at the AGM also you told that, there may be constraint or some **(Inaudible) 1:04:34** for the near term. But you are very excited over the longer term. So sir, just an assumption or idea, if you could throw some light, what do you mean by the term excited, and how things will change if these circumstances are going to continue over the period of coming time, how this excitement will be build up and what structural changes will be there that our margin will be better in this segment as well?

R. S. Jalan: See, as you rightly said, I have always maintaining that, though this business is a very difficult business and I always believed in the difficult business, you have the more and more opportunity. The more the difficult business is, the more the opportunity is. However, you take time also to stabilize the difficult business. And I think keeping that into mind, it is not possible for many players barring the existing players, even if you look at the people who has come into this business in recently, they're all experts in this business. So in this business, the moment the people gets stabilized, ultimately demand/supply situation is going to be stabilized. So, that will definitely bring a kind of a reasonable margin in this business. Second, in this business is, your turnover capital ratio is always favorable in that business. So, in this, the moment you get stabilized, and these what you call, headwind is over, you have an opportunity of a better return on capital employed or return on equity. So that's why I said that I'm excited about this business. Second reason in this business, expansion possibilities are also good. The volume growth possible, margin improvement possible, of course, we have to set right some of the things in our business as well, but I am sure that this business can give us a reasonable margin in terms of the return on capital employed as well as in the return on the equity as well.

S. Kapoor: Sir, last point and concluding. Just a point, what we have always observed in stock market for stock prices to be very particular, as you told that, the peer P is very lower for our side, we command 25% of the market share, domestic market in the soda ash segment, so when we compare it with our peer, also it is also having some other business, the P ratio, the gap is huge. And for investor communities, the P ratio on the expand on two ground, when the growth rate is on the higher side and it is on a continuous basis maintainable but in our case, now sir, the swift part of the lower commodity prices being over, do you think that for our re-rating for the P re-rating to be happening, there is no time left, but we will also command our peer P ratio than what today it is selling. Because of this, P ratio is always trending forward ratio, that what can be the earning projections going down the line. And down the line, we think now, the numbers to remain in this range only. So, P never expands when there is a contraction or there is linearity in the number, it always expands when the earnings are robust. That was my observation.

R. S. Jalan: Yes, Mr. Kapoor. If you look at last three years, you will find that we have done a kind of a CAGR growth of around 49%, okay. And our always endeavor will be to continue to have a robust growth in terms of expansion of the soda ash, in terms of expansion in the textile, and we'll continue to do our journey. In terms of the P, that's a call which you people have to take. Our role is only to give a performance and the growth.

Moderator: Thank you. We move to the next question from the line of Jai Balaji from Jai Balaji Securities. Please go ahead.

Jai Balaji: I want to ask one question about this demerger, demerger is possible? Like there was a company called Syntex Company they have done demerger, you have two businesses one is soda ash and second is textile and there is no link between the two so demerger is possible so if you separate them then it is easy to remove the value and conglomerate does not get that much of value so please express your view on that?

R. S. Jalan: We always have taken all the suggestions given by our valued investors very seriously, and we are debating. And I can only assure you that, at a right time, we will take the right decision. At this point of a time, we believe that, it's not the right time to make a demerger. But at a right time, we will surely do that.

Jai Balaji: One more suggestion we investors have a lot of interest in that so is it possible that wherever you have plant if one wants to see your plant in your South and Gujarat it would be difficult so can you upload a corporate video film for the investors is it possible?

R. S. Jalan: We have already have one corporate film, where we have tried to cover all the three businesses, but of course that's a slightly older video. We are in the process of evaluating this process of creating a new video. And the moment that gets ready, we will upload to the investor site. On your suggestion, we'll note it down.

Moderator: Thank you. We have the next question from the line of Riddhesh Gandhi from Discovery Capital. Please go ahead.

Riddhesh Gandhi: Sir, just a couple of quick questions, on your incremental 300 crores of estimated CAPEX that you're doing on soda ash, how much would be your incremental EBITDA margins you would expect to earn given it's actually a brownfield capacity and a lot of fixed cost would already be borne?

R. S. Jalan: Mr. Gandhi, like I said, next year we will have FY2018-2019 and we will expand our soda ash business by 1,25,000 tonnes, which will give us approximately if I take the topline of Rs. 20,000, approximately, the trigger will be coming to 250 crores. For this 250 crores, my total investment is going to be 300 crores. Now, whereas in the new greenfield project, the same investment will be in the range of something around 700 crores. Again 700 crores, my investment will be only 300 crores, number one. Second, in this business, our gross margin is in the range of around 50%. So, that 50% will get added.

Riddhesh Gandhi: Sir, on your incremental effectively like CAPEX that you do, you'd expect to make about 45 or actually 50% actually EBITDA margin?

R. S. Jalan: Yes.

Riddhesh Gandhi: Got it. And then effectively, you are talking about 120 to 125 crores of EBITDA on a 300 crore investment. So your return on capital on this incremental investment is close to 40%, 50%?

R. S. Jalan: Very rightly you said.

Riddhesh Gandhi: Got it, understood. And just to understand that with regards to effectively, what if you look at like replacement cost of this asset, you're talking about potentially 700 tonnes. So you're talking about kind of potential replacement cost of your existing capacity being close to can I just say actually kind of 7,000 crores approximately. Is that accurate? For just your soda ash, the 6,000 to 7,000 crores of replacement cost?

R. S. Jalan: Yes, you are right. If you want to set up a plant of a million tonne at this point of a time, your total investment will be in the range of around 6,000 crores.

Riddhesh Gandhi: Got it. And the other question was except for kind of Turkey coming up, which is a large lumpy capacity, the remaining incremental capacity which is obviously, you will have some 100,000 tonnes hoping added by a number of people, but is there any other large capacity expected, because there is a reasonably a long lead time from what I understand with regards to setting up of a plant?

R. S. Jalan: We don't see any new capacity which is coming in other than the Turkey. But China will be some new capacity can come and some old capacity can close down. Because there also some whole process, because of the ammonia, prices are not favorable, they are losing money. So probably that some change in the Chinese, some new capacity can come and some whole process can, but overall globally capacity will not increase barring this major capacity which is coming from Turkey and some capacity like you know that we have expanded in India and the new plant of Ghari which is coming in another year and a half, that will be roughly if I can say in terms of the production, it will be 400,000 tonnes will happen. So these are the two broader capacity which I see in the next few years.

Moderator: Thank you. We'll take the next question from the line of Ashish Agarwal from Navis Capital. Please go ahead.

Ashish Agarwal: My question pertains to the soda ash segment. Essentially this quarter with the capacity utilization already at 90% and the next major capacity coming online only in March '19, barring a smaller 2.5% increase in capacity in the interim, I wanted to get your thoughts on what could be the topline growth in the soda ash segment in an environment of steady prices?

R. S. Jalan: As you rightly said, in terms of the volume growth will not be seen till the new expansion comes, barring that new reason which we said in the sodium bicarbonate and as well as in the soda ash small capacity, which is you rightly said 2.5%. However, depending upon the price, how does they shape up the price going forward, the volume or the revenue growth can take place. Otherwise, I think the volume growth will be flat.

Raman Chopra: But the volume growth for this year will be there, because the full benefit of expansion will be there. So last year we achieved 800,000 tonnes, this year we'll be having a full benefit of expansion. So, this year, you'll see that full benefit of expansion coming in all the quarters.

R. S. Jalan: Very rightly you said because 17% is the growth in this year's revenue growth into the chemical business. And that probably you will see going forward, because of that extra capacity benefit which we will be going to get this year.

Moderator: Thank you. We will take the next question from the line of Srinath Sridhar from ICICI Securities. Please go ahead.

Srinath Sridhar: So, it's basically about the Turkey capacity which is coming in Q3. With this coming in, what will be the short-term margins that we can expect to clock, because since it's a very capital intensive nature, they would want to acquire market share fast.

R. S. Jalan: See, two things; one is that our understanding and the time will only tell what can happen. The first focus will be on the European countries, because of the two reasons, one, they have a duty advantage there, second is the supply chain is much better there. But their first focus will be on the European producers and the Indian producers have a cost pressure already, as you know. So there maybe a possibility then in the Europe some of the uneconomical plant may shutdown. Some impact of that can also happen to India, but to what extent, how much yet to be seen. It's anybody's guess on one side like you rightly said, very highly capital intensive industry. But on the other side, they have a two challenge as well. One is supply chain. In this business, supply chain also need to be established and which at this point of a time, is not very that you can ship a large quantity to any part of the world. So that's one supply chain, also has to be seen by them. They also have a huge capital cost. They have to service their cost as well, they are careful when they do some kind of aggressive pricing.

Srinath Sridhar: Right. And sir, see, your chemical division contributed 492 crores to sales.

R. S. Jalan: Yes.

Srinath Sridhar: And you said 2,25,000 metric tonnes is your sales.

R. S. Jalan: Yes.

Srinath Sridhar: So that gives me a realization of around 21,860 odd per tonne. So this is only for soda ash, because it will also include your sodium bicarbonate salt and FMCG, right?

R. S. Jalan: But as you rightly said, if I remove this, what you call, sodium bicarbonate, because sodium bicarbonate is also only a small value addition on the soda ash. First, you use the soda ash and then you produce the sodium bicarbonate, okay? And the FMCG business, overall, if you look at, it's a very small percentage. I can give you the exact number per tonne, which comes to Rs. 20,458 per tonne. This is only for the soda ash.

Moderator: Thank you. Due to time constraints, we will take the last question from the line of Sneha Talreja from Edelweiss. Please go ahead.

Sneha Talreja: Sir, just one thing on this, our cost pressure what we understand in Gujarat there has been heavy floods and that would have also affected the salt availability. Are we going to affect because of the same reason in the upcoming quarters?

R. S. Jalan: In terms of the flood, at this point of a time, we did not have any impact on our business. However, going forward, how this shape up in the salt procurement, there can be small impact on the salt prices, but I don't think that will be very significant.

Sneha Talreja: So as of now, there is not much impact?

R. S. Jalan: No.

Sneha Talreja: Because, Jalan what we understand that there has been huge availability issue of salt as of now.

R. S. Jalan: No, we have our captive also. We have almost around 700,000 tonnes of our captive…

Sneha Talreja: But that captive also would have been affected because of the water issues, right?

R. S. Jalan: I know, but we always all have a huge inventory also. And overall, Rohit, I can only say that salt in terms of our total overall cost also is not a very big component of the cost.

Sneha Talreja: But sir, cost may not be the big component, but availability becomes the challenge.

R. S. Jalan: I don't think somehow.

Sneha Talreja: Okay. Jalan second, I don't know if you have a touched upon this topic, this soda ash duty, that what is the current status now, I think it was under review and it has been extended for one year, or what is the status as of now?

R. S. Jalan: Yes, I was just brief, but I will again repeat that. The midterm review was under process and in-between there was some sunset review application has been filed by us. On end of June, the government accepted our sunset review and they have notified further extension of the duty for one year. However, recently 10 days back the government on that since the midterm review was under consideration, though the initial finding was in our favor. However, the final recommendation, which went to the Ministry of Finance was against us. And we notified the duty. Against this order, we have gone to the Gujarat High Court, and today was the hearing, and where the Gujarat High Court has been pleased to stay the recommendation of the DA, they have given a status quo and the next date of hearing is in the next month. So till that time duty will continue. Now this is a judicial process. We will see that how it shapes up.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, that was the last question. I now hand the conference over to Mr. Aksh Vashishth for closing comments.

Aksh Vashishth: Thank you. I would like to thank the management, as well as the participants for taking out the time for the call. And I now hand it over to Mr. Jalan for his closing remarks. Please go ahead, sir.

R. S. Jalan: I would like to thank all the participants on the call. And one thing I just wanted to say, that your company has been certified as one among the 100 companies of India as a great place to work. I think that's one of the validation of the efforts, which we are doing where our team, ultimately the organization is made out of the people and the people make the difference. And this certification of a great place to work clearly indicates that the entire team is excited what they're doing and they are motivated and they will continue to do a good job. And we will make sure that we always do our best. Maybe there are some headwinds or the tailwind will be there in the business, but as a management we will always try to make sure that we give the best results, whatever is possible within our hands and do the things where our investors are proud of being part of the company. Thank you very much to all of you for the participation.

Moderator: Thank you. Ladies and gentlemen, on behalf of Motilal Oswal Securities, that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.