"GHCL Limited
Q3&9M FY2021 Results Call"

January 28, 2021

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Moderator: Ladies and gentlemen, good day and welcome to the Q3 & 9-month FY2021 results call of GHCL hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Rohit Sinha from Emkay Global. Thank you and over to you Sir!

Rohit Sinha: Thank you. Good evening everyone. I would like to welcome the management and thank them for giving us this opportunity. We have with us today Mr. R.S. Jalan, Managing Director and Mr. Raman Chopra, CFO and Executive Director, Finance. I shall now hand over the call to the management for the opening remarks. Over to you Gentlemen!

R.S. Jalan: Thank you Rohit and good evening to all of you and a warm welcome on today's earnings call for Q3 FY2021. Raman, our CFO along with Manu and Abhishek from the Finance Team, accompany me for this call. The analyst presentation has been uploaded on the website of both the stock exchanges as well as on our company's website.

The economic contraction in H1 of this fiscal year is now changing and business activities are returning to normalcy very rapidly. We are witnessing recovery in the domestic demand back to pre-COVID level in most segments. It appears that pandemic is now entering into decisive stage as vaccine doses are being administered in a phased manner.

Update on global soda ash demand supply scenario is as follows. US is still facing lag in demand while EU has reported improved activity in the glass segment. Chinese manufacturers have moderated supply and are less aggressive in the export market. Turkey remains the most aggressive exporter and has gained some market share in South East Asia and Middle East at the expense of both China and US. In the domestic market soda ash demand is reviving and capacity utilization for the Indian manufacturer has improved to around 90% to 95% level. Among user segments, detergent is least impacted. There seems to be some lag in both rural and urban demand. Glass industry is witnessing revival with the flat glass segment gaining on account of recovery in automobile and construction segment has also ADD on flat glass import from Malaysia has boosted local manufacturing. Container glass is still lagging mainly due to subdued demand from the liquor segment due to slowdown in tourism and hospitality sector. Though food and pharma has been very strong, our production has now resumed normalcy and is up to compared to last year. Antidumping duty on US and Turkey has been rejected by DGTR in the final order. As a result the prices of soda ash could soften by around 2% to 3% in near future. Also we are witnessing uptrend in commodity and energy prices, which could have some adverse impact on margins. However we expect this scenario to change due to economic revival, increase in demand and uptrend in commodity prices globally.

Textile industry has been seen a V-shaped recovery on strong order inflow from the US and rest of the world, as a result domestic industry is currently operating at almost full capacity. Demand outlook for near future appears reasonably good due to continuation of work from home offices and new stimulus in the US.

In the spinning business yarn demand is quite strong mainly from the domestic home textile industry and also from low and medium value garments. Pricing uptrend in cotton and yarn is still strong due to this increased demand. We are well positioned to capture this buoyancy, which is also reflected in our performance for the quarter. However we are cautious as long-term sustainability of this increased demand would be known in next few months. The process of demerger is on track we have received the final clearances from both the stock exchange, NCLT Ahmedabad bench has announced the scheme on January 22, 2021 and directed to convene the required meeting on April 8, 2021 post which scheme proceedings is likely to be concluded latest by end of July or early August 2021. At GHCL we are focused, agile and committed for sustainable inclusive growth for all our stakeholders. I would now request Raman to share our financial performance to you.

Raman Chopra: Thank you. Good evening everyone and a very warm welcome to all of you in our Q3 earning call for FY2021. I will share the financial highlights for the quarter ended December 31, 2020 and also discuss the segmental performance. The revenue for Q3 FY2021 came in at Rs.809 Crores as compared to 834 Crores in the corresponding quarter of the last year. This is a marginal decline of around 3% of year-to-year basis largely due to softer pricing in the soda ash segment. On a sequential basis revenue has increased by 4% from 779 Crores in Q2 FY2021. EBITDA for the quarter stood at 204 Crores, which is a significant increase of 15% from 177 Crores in Q3 FY2020 and 26% from 162 Crores in Q2 FY2021 this represents an EBITDA margin of 25.3% for the current quarter as compared to 21.2% in Q3 FY2020 and 20.8% in Q2 FY2021. The profit after tax for the quarter stood at 111 Crores compared to 101 Crores in Q3 FY2020 and 78 Crores in Q2 FY2021. This is despite an increase in provision of tax as compared to the same quarter last year. Let me now share the segmental perspective, I am glad to share that both our business segments have achieved normalcy and our manufacturing units are operating at utilization level higher than the pre-pandemic level. In the inorganic chemical segment we have reported revenue of 528 Crores during the quarter which is down by 4% as compared to 549 Crores in the corresponding quarter of the last year. EBITDA for the quarter stood at 148 Crores as compared to 157 Crores in Q3 FY2020, which translates into EBITDA margin of 28% in Q3 FY2021 vis-à-vis 28.6% in Q3 of last year. The primary reason for this decline is a softening in soda ash realization, which has been partially offset by higher volumes and better efficiencies. We have registered strong performance on a sequential basis due to revival in demand of end user industry and accordingly our segment revenue on the soda ash is up by 10% from 482 Crores while our EBITDA is up by 25% from 119 Crores. The performance of our textile business has been robust and revenue for the quarter stood at 280 Crores as compared to 285 Crores in the corresponding quarter of last year and 297 Crores in Q2 of FY2021. EBITDA has come in at 56 Crores as compared to 20 Crores in Q3 of last year and 44 Crores as compared to Q2 of this year translating into a record EBITDA margin of 20.1% compared to 7% in last year and 14.7% in the previous quarter, this is due to strong performance across the home textile and spinning businesses. We generated a total of 306 Crores in cash profit after tax during the year and were efficiently able to reduce our working capital requirement by almost 175 Crores, this cash flow was utilized to lower our debt by 419 Crores and we have spent around 65 Crores in the capex. Our gross debt stood at 821 Crores at the end of the quarter and net debt at 783 Crores. With our strong focus we have been able to reduce our finance cost by 22% compared to Q3 of the last year. This has been achieved through a combination of high cost debt prepayment and also reduction in interest rates. That concludes my comments and I would now request the moderator to open the forum for any questions and answers. Thank you very much.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Sir first thing with regard to your opening comments on expected fall in the realization because of the removal of the duty as well as some increase in the commodity pricing so net-net if you can comment on how do you see margins going forward and also if you can comment on the higher margins for this quarter despite the YOY decrease in the pricing, which we have seen compared to the same quarter last year we are slightly above on the utilization rate from 92% to 95%, but still the EBITDA seems to be much more strong so if you can comment on that, so that is my first question?

R.S. Jalan: Let me clarify on this margin the first question, which you asked. Like I said overall next quarter January-March we see a price drop around 2% to 3% because the antidumping duty has not been accepted, further you know that the commodity prices of all energy had gone up and that will also have some impact. Overall what we believe is the margin could be dropped around 3% in the next quarter; however, as I said in a slightly medium term to longer term we see a robust demand and probably some improvement in the margin will happen going forward. I do not see beyond that there is a drop in the prices of soda ash. Now coming back to this quarter which you asked see there are two things, which has happened one this quarter the overall our cost per tonne has gone down because the commodity prices in the beginning of this quarter was lower and because of that and even our utilization was also better, overall I think we have increased our production by around 22000 around 9% increase. So our overall our production has gone up as compared to the same quarter last year and the cost was also on the lower side and prices there was no drop vis-à-vis last year off course as compared to the same quarter last year 7% drop was there in the price but we have been able to recover a major portion of that by reduction in the cost.

Sarvesh Gupta: Understood. Apart from this antidumping duty do you see any trend in the pricing if you can comment on that because I think last few quarters the price has been steadily falling, even before the COVID I think the prices were softening so ex of this COVID now how do you see the prices trending going forward?

R.S. Jalan: Like I said first of all you are right that overall in last four, five quarters or more than four, five quarters I would say the peak volume first quarter 2020 and the peak was there at the time and after that there is a continuous drop in the prices However current situation my view is the prices may further fall by 2% to 3% but I do not see beyond that the prices would go down. The second like I said antidumping duty has not been implemented; however, we are in the process of filing a fresh application of antidumping duty on some of the countries including US and probably this time we may succeed. So overall I do not see beyond the next quarter after that the prices should fall.

Sarvesh Gupta: Sir previously we also had this large opportunity that we were talking about due to the FGT in NTPC plants and all that which will potentially mean a lot of sodium bicarbonate utilization so any updates on what is happening on that front because if that market would have grown then at least there could have been some tightness in the supply of soda ash itself in the market?

R.S. Jalan: Your point is valid, basically because of the COVID the entire trial of this sodium bicarbonate in the few gas treatments has been postponed by the NTPC, now recently they have come back, and they are looking for some tender on the sodium bicarbonate. So hopefully now going forward the trial on this sodium bicarbonate will happen and that will definitely bring a good opportunity for the sodium bicarbonate.

Sarvesh Gupta: Understood Sir. All the best for the coming quarter Sir.

Moderator: Thank you. The next question is from the line of Rohit Nagaraj from Sunidhi Securities. Please go ahead.

Rohit Nagaraj: Congratulations on good set of numbers on both the segments. The first question is on the soda ash so you indicated about the rejection of ADD from US and Turkey, so if you could just give little more input on what was the reason and currently what is the status of ADD across different countries and what will be the next application timeline if we were to file a fresh application so if you could just give little more understanding about the ADD? My question is clear Sir?

R.S. Jalan: I am very clear on your question and should I answer now?

Rohit Nagaraj: Yes Sir, please. Thank you Sir.

R.S. Jalan: Good. Very rightly you asked about the ADD situation. You see basically in the ADD the application which we filed was primarily, primarily means there are two countries US and Turkey and what the authority has came out with a conclusion is though there is a dumping however the injury margin, which is called non-injurious price in a technical word is not sufficient to put antidumping duty and there are primarily two reasons because at the time the prices of import was better because always this investigation has been done on the previous period, so because of that they did not find the difference and they have not implemented. The second thing they have not taken into one of our competitions' data because they are using the entire production for their captive consumption, so these are the two reasons because of that they are not considered. Now based on our recent calculation we are hopeful that going forward this number will justify the NIP as well and we are hopeful this will happen. In terms of the timeline of course this takes time because after the filing of application then we will do the complete investigation, they will come with preliminary finding, preliminary finding as you know even in the past application also they had recommended, so my understanding is it will take from 6 months to come with a preliminary finding. Now second question which you ask for which are the countries we are including see after we file the fresh application after that there was a import surge from Russia and Iran, in the new application we are filing Russia and Iran along with US because the major export is coming from these three countries.

Rohit Nagaraj: Sure and concurrent question to this is there any ADD for any other countries as of now you need to effect?

R.S. Jalan: No, right now we do not have any ADD on any of the countries.

Rohit Nagaraj: Sir my second question is on the home textile segment so in third quarter we have seen that the revenues have come down, but the operating performances improved dramatically so a) what are the reasons and b) is there any yardstick with which we can understand how the performance can be on a quarterly basis may be in terms of volumes or any other number so for soda ash at least we have the capacity utilization and volume number, for home textile is there any such element with which you can calculate or maybe what would be the topline as well as EBITDA or EBIT margin?

R.S. Jalan: Your question is very valid let me tell you my thoughts on this. Number one this quarter-to-quarter variation in the topline will happen primarily depends on the shipment, sometime one shipment which is a slightly larger volume gets produced in one quarter and gets into the second quarter and since our base in the home textile is not very big so these kind of a shipment sometime impacts the overall revenue quarter-on-quarter basis that is number one. Number two why did this performance has been good because of the two reasons one or three reasons I would say that first we have really done a good amount of work on the cost. We have reduced lot of cost and that has really helped us to kind of become more competitive in our costing that is number one. Second our plants have been run fully so we did not have been able to export the entire quantity but we have done the third-party work and because of that our processing we have been able to run 100% so that has also helped though the revenue has not come out of that but that had added to the bottomline that is number two and number three is spinning. Overall spinning the cotton prices has gone up; however, yarn prices has gone up more than the cotton prices and as you know the GHCL has a largest share in terms of overall the spinning has a larger share so we have an advantage of that also into our numbers. So overall these three reasons have given you a better performance in the spinning. Now going forward how do you see that number, see my understanding is like I said few things I just want to highlight. The number or the margin pressure will be there on the home textile going forward number one. Government was giving some export incentives, which has been kind of a withdrawn one scheme has been withdrawn and the other scheme has been implemented where the final percentage has not come, but I am expecting around 4% reduction into the export benefit so that will directly hit the home textile industry in terms of their margin number one. Number two the cotton prices has gone up, the people has got an advantage in including us, we have got an advantage in the earlier quarters, but cotton prices has gone up and yarn prices had gone up so because of that yarn prices gone up overall home textile will also get an impact to what extent the customer gives a price increase is a question mark in my mind. So like I would say that I have been saying all along this 20% margin is a margin not sustainable for a longer period of time, in a longer period of time we should assume a margin of around 14%

to 15% into this business that is reasonable and acceptable margin, there is quarter-to-quarter difference may happen. I hope I have been able to answer your question.

Rohit Nagaraj: Yes Sir fair enough, thanks a lot and best of luck, if I have any questions I will come back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Andrey Puroshottam from Cogito Advisors. Please go ahead.

Andrey Puroshottam: Thank you. Mr Jalan and Mr Chopra. Congratulations for a decent set of numbers given tough circumstances. My question has actually been partially answered but in terms of an outlook going forward if we were to model of the two businesses would I be right in saying that over the medium-term one should expect a certainly reasonable revenue growth in the soda ash business and continued growth in the textile business, but at a profitability level which is closer to the 14%, 15% rather than the 20% would that be a right way to model the future outlook for the next one year?

R.S. Jalan: You are 100% right and I think you have very rightly summed up and let me try to give you some add on what your thoughts. Number one like someone very rightly said soda ash business is a very predictable business and where you can kind of visualize that has given you that the soda ash prices may drop down to 2% to 3% I have given you the raw material prices also how the scenario looks to be. The third I have already said that my understanding is that the downturn into the chemical business is at the peak at this point of the time that I presume that or I believe that beyond this there will be a recovery so I see better numbers for the chemical business going forward maybe in the next year 2021-2022 should be a better number and this is what my suggestion you know that the market is so volatile, so uncertain, very difficult to kind of projecting, but reasonably I am confident it seems to look better for the next year barring the commodity prices further goes up I am not very sure of what will happen because of that. In textile as you very rightly said we can definitely assume improvement into, see there are two things which we are showing and this will definitely bring a better margin for us, one is value added segment. In last two, three years we have been moving from a commodity space to the value added segment space and that journey is now showing at a result and therefore I personally believe going forward the spinning business will be giving a much better result because even in margin also stability will be achieved because those customer segments are completely different. The second in the home textile I personally believe that our number may not be the same percentage, but probably in the range of around 12% to 15% number should come in that number. Overall a growth of around 10% with a margin of 14%, 15%, so this reasonably we assume on a medium-term basis.

Andrey Puroshottam: You have mentioned a lot of cost cutting that you have done in your soda ash business is it possible for you to tell us and share as to what you have done and what the extent of this cost particularly?

R.S. Jalan: See cost cutting major focus was more on the textile side and particularly in the home textile side. In the home textile side we have kind of pruned down on our manpower cost. We have bring lot of efficiency into our fabric consumption, our utility cost, third party purchase of power, lot of things, power saving in terms of bringing some experts from outside, all those things we have done into the home textile and that has really definitely helped us in terms of overall bringing down the cost in the home textile. In spinning our cost structure is very good I do not see too much of opportunity in the spinning side and soda ash of course not in short-term major cost reduction barring efficiency some improvements and some rationalization in the cost which is very minor I would call it, but in long-term we are definitely doing lot of work into the chemical business. We are moving on a digitization platform which is an artificial intelligence in IOT and we have just started on the final stage of this discussion with lot of experts like Rockwell or the TCS and those people to bring a digitization of our entire plant in a manner so that they will predict that how do you operate that plant it will not be individual base it will be a process base. The journey of course it has gone to the long journey we are starting with one section of soda ash plant but that will definitely give us a lot of advances in terms of the cost efficiency.

Andrey Puroshottam: Thank you Sir. Thank you very much.

Moderator: Thank you. The next question is from the line of Resham Jain from DSP Investment Managers. Please go ahead.

Resham Jain: Congratulations on a good set of numbers. I have two questions in terms of business and more from a medium-term perceptive. So soda ash we have the land acquisition, which is taking place and I just wanted to understand where are we in that journey and what are the timelines for the new expansion plans beyond the debottlenecking, which we have planned for FY2022 that is first and similarly on the textile side also as highlighted last time as well because this business is getting demerged till now the capital allocation was not happening in this business to a great extent, but how are we going to look at this business and are we going to allocate capital in this business going forward so these are my two questions and also just a book keeping question on the gross debt breakup between the two business? Yes that is it. Thank you.

R.S. Jalan: Thank you Resham and I think both the questions are very, very valid from your side and first let me answer the last question, which you said the debt breakup. Total 820 Crores is the total debt gross debt out of 500 plus is of the chemicals and roughly around 300 Crores is textile that is number one. Second you said in terms of the capital allocation on the textile business yes you are right we have not been allocating a capital on the textile business primarily because the performance was not good and we wanted to kind of a first make the operation more sustainable, more kind of at least justify the investment, which we have made. Now like I said I am reasonably confident that probably the way the things are moving we will be in a position to get a kind of a reasonable return on textile, so now we can consider that capital allocation on the textile as well and more particularly will be more towards the spinning side because as I have been telling spinning has always been performed very well as compared to the benchmark industry and we have been consistently making a good margin on that. Our overall EBITDA percentage in that business will be roughly around 15% to 16% on an average. So keeping that into mind our capital allocation on the spinning side will be more robust going forward. In terms of your first question I am sorry can you repeat the first question?

Resham Jain: Greenfield.

R.S. Jalan: Greenfield, yes. So Resham on the Greenfield like I have been always saying our prime objective of the Greenfield was to first do the leg work, which was a long drawn less capital big time consuming, which is a land acquisition. Now almost two years we have been able to acquire only 60%, 65% of the land at this point of time because of the COVID there was a slowdown in that land acquisition, now there are few plots which are very critical, which is under discussion once that happens then probably we will start doing the second step, in the meantime we have prepared ourselves for all the environmental clearances and things like that, so probably I would say that maybe next six months to one year time will require to kind of get all the approvals and everything ready to go and at this point of a time my understanding Resham will be, we will be ready to launch the Greenfield project after a year of time. Now depending upon do we see the demand supply situation, after that it will take two years time two, two-and-a-half years time okay so we will decide with a time that to what extent we should go for go for a half a million ton plant or should we go lesser than that, that we will decide at the time. Now one more thing that Raman is just highlighting RBC we are expanding on the RBC we are in the process of identifying that expansion of the RBC and that probably will happen in next time and debottlenecking as you told

Resham already we are in the process so next two years we will have 100000 tonnes approximately extra Brownfield expansion, which will give us the kind of another 10% growth. Also we are looking at some backward integration also. As you know that raw material is very critical for us in terms of the salt, salt is a very, very important component of our cost so we are in the process of looking at some opportunity of backward integration of the salt and that may also happen next year so these are the some of the things which are in the pipeline for growth or cost optimization. I did want to highlight Resham one thing last 15 years of the data justified that the return on the soda ash business on EBITDA margin is in the range of around 28% to 30% probably 2022-2023 some improvement will happen in the margin, which has dropped in the last one year the things will be better going forward.

Resham Jain: Sir just one followup. So this debottlenecking and backward integration are the two capex which is going to happen in the next 18 months or so on the soda ash side?

R.S. Jalan: Yes.

Resham Jain: How much capex will this incur Sir?

R.S. Jalan: You see broadly my understanding is total investment for 100000 tonne was roughly around 350 Crores out of that I think we have already spent around..

Raman Chopra: Total all put together 170 Crores.

R.S. Jalan: So 170 Crores we have already put in so balance roughly you can say roughly around 200 Crores is yet to be spent on this 100000 tonne plus Greenfield whatever be that land acquisition cost or the environmental clearances from around 50 Crores of that roughly around 300 Crores, 250 Crores will be the future investment for the addition. In addition to that your RBC or backward integration fall could be another number, which number at this point of a time will be backward integration the possibility what we are looking at would be around in the range of around 100 to 130 Crores.

Resham Jain: Understood Sir. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Sir firstly for the import number for the nine months and the comparative figure in case of soda ash?

R.S. Jalan: See Saket in terms of the number if you look at first nine months of this year versus nine months of last year the number is approximately this nine months is roughly around 545000 against last year of 753000 a drop of around 28%; however, if you look at the quarter-on-quarter basis means the last quarter versus this quarter it is almost at the same level.

Saket Kapoor: As you have articulated clearly that the rejection has been there on the base of the technical ground, but then going forward for the next quarter we are going to see a dip in the overall growth margin in the soda ash business that is what you are hinting towards still there is a price correction and there is an inflationary trend also?

R.S. Jalan: That is what I said SaketJi that during the month of January-March there will be a margin drop will be there, whatever the best we are doing in terms of the utilization or in terms of the cost we are doing but still there will be a drop.

Saket Kapoor: Sir because in the utilization levels also we have hit the 95% mark and we were supposed to come up with the 50000 new capacity by March or April so looking forward how are we prepared are we preponing it sometimes in Feb-March or would it happen in the first quarter itself?

R.S. Jalan: No, if you look at in terms of the expansion which we have done if you look at the numbers broadly our number as compared to the same quarter last year we are significantly up in the volume so the benefit of export to some extent has already been achieved during this quarter as well our production is up in this quarter is approximately roughly around 9%, production when I compared to the same quarter last year the volume has gone up by around 9%.

Saket Kapoor: Sir I wanted to understand any additional capacity we have added during this period or it is the old capacity only that is getting utilized to the maximum?

R.S. Jalan: No, like I said that 50000 tonnes which we have been talking to be implemented some benefit of that has just started coming into this quarter.

Saket Kapoor: The full benefit will happen for the fourth quarter; fourth quarter is the largest quarter and the best quarter in terms of volume offtake?

R.S. Jalan: It should happen yes, it should happen.

Saket Kapoor: Right Sir. Sir you provided us with a split up of debt if you could give us the interest and the depreciation also Raman Sir that would be very helpful, for the nine months what have been the depreciation and the interest component if you split between the two verticals?

Raman Chopra: I will just tell you if I look at the two verticals the interest for nine months you want?

Saket Kapoor: Yes Sir you give whatever figure nine months will be better than we can calculate.

Raman Chopra: Interest in the chemical business is Rs.46 Crores and the deprecation is Rs.61 Crores and in the textile segment the interest is Rs.26 Crores and the depreciation is Rs.39 Crores, so all put together 100 Crores depreciation and 72 Crores interest for nine months.

Saket Kapoor: Sir we took this inventory loss also for the home textile in Q4 so that is entirely written down or valuation we have taken and what will happen to that 20 Crores I think so that write down which we have taken any benefit can come up with the improvement in the market conditions or is it totally written off?

R.S. Jalan: I do not think there will be any major improvement coming from that provision.

Saket Kapoor: On page #27 of our presentation there is one domestic demand share component wherein could you please explain this percentage terms domestic demand share I could not make understanding of the same, the 13, 21 and 45 figures domestic demand share page #27 of your investor presentation?

R.S. Jalan: Abhishek will answer this.

Abhishek: I think this is the domestic demand share of the bicarbonate business.

Saket Kapoor: Yes I got your point Sir. Thank you Sir I will be in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Aditya Lalpuria from B&K Securities. Please go ahead.

Aditya Lalpuria: Sir I have got two questions in the textiles business. So as we all know that the raw material prices have increased significantly and also there has been a sharp increase in the freight prices so how much of this burden is like passed on to the customer that would be the first question and second question would be on the demand scenario and your outlook on non-cotton bed sheets?

R.S. Jalan: On the first point which you said the raw material cost has gone up it is going to be not easy to get slight increase from the retailer in the US, of course everyone is trying we are also trying to what extent we will be successful has to be seen. Now question number two you said about outlook on the textiles going forward I have already said that my understanding is in a longer term basis you could assume a margin of around 14% to 15% in the textile business. Spinning next year should be a stable business going forward I am talking about 2021-2022 and in the home textile there will be some drop in the overall margin primarily because of the two reasons cotton prices going up or the yarn prices going up and second there is some export incentive, which was given by the government has been withdrawn from 1st of January. These two will have an impact on the drop in the margin of the industry.

Aditya Lalpuria: Actually I wanted to know the demand scenario for non-cotton bed sheets.

R.S. Jalan: Actually frankly speaking we are not in the non-cotton bed sheets because that is primarily being driven by the China, in India there is a very small presence if you are talking about synthetic bed sheet, so India is majorly present into the cotton bed sheet. There is some talk is going on because the demand growth I was talking to some customer yesterday and they were talking about there is a good yarn demand recovery into the synthetic bed sheet, but unfortunately in India there is no major capacity on that.

Aditya Lalpuria: Thank you Sir if I have any further questions I will come back in the queue.

Moderator: Thank you. The next question is from the line of Rohit Nagraj from Sunidhi Securities. Please go ahead.

Rohit Nagraj: Sir I just missed the point on the soda ash capacity so currently we have 11 lakh tonnes and 50000 tonnes is further added you said during this quarter?

R.S. Jalan: Not this quarter I said that some benefit of what expansion we have done has been achieved during this year and we are adding another 50000 some benefit of that will be coming because if it happens on a gradual basis some benefits will be coming which has come in this year 2021 and balance will be coming next year.

Rohit Nagraj: So currently we are at 11 lakh tonnes only?

R.S. Jalan: In terms of the production if I can say that at this point of time our production is in the range of around 11 lakh tonnes.

Rohit Nagraj: Right. And the current capacity utilization in the month of January last quarter it was about 95% so we are operating at the same level?

R.S. Jalan: Yes, you can say that yes we are operating at the same level.

Rohit Nagraj: Just one more clarification so in last quarter we have indicated that textile gross debt was about 410 Crores and you just indicated that it is currently at around 300 Crores so effectively we have repaid most of the textile debt is that understanding right?

R.S. Jalan: Yes, I think we have been able to pay the debt of textiles by 100 Crores. Basically what has happened is we have reduced the working capital also in the textile business and that has also helped us to kind of reduce the debt of the textile.

Rohit Nagraj: Right. Thank you so much.

Moderator: Thank you. The next question is from the line of Arpit Jain from Samriddhi Capital Management. Please go ahead.

Arpit Jain: Many congratulations for the results. I have two questions, the first one as you mentioned that right now there is no ADD for the soda ash, the only thing that circular mentioned about some duty on the Turkey so do you expect that there will be some ADD on the turkey and the second question is you mentioned that you are expecting a capex of around 250 Crores and 100 Crores on the backwards, but the cash generation is at the rate of around 200 Crores so what are the other things that the management is looking to deploy the cash is it the debt reduction that is on the radar or we have some other things in the lineup also?

R.S. Jalan: First question was a very valid question you have asked there was lot of confusion on the antidumping duty on Turkey. See what has happened is government has announced some antidumping duty on Turkey, but that is only on other manufacturers, there are two major manufacturers who are importing to India and they are the only two player let me put that way in Turkey there is no duty on that, but there is a third category, which they have said any other manufacturers and structurally there is no production is coming and no import is coming from any other so therefore practical purpose there is no duty, of course in a technical word you can say there is a duty on the Turkey, but in practical terms there is no duty that is number one. Second you said our cash generation our cash generation is not 200 Crores our cash generation is in the range of around 400 to 450 Crores kind of a thing. Our cash generation after tax will be roughly around 450 Crores so whatever the capex we are talking about is well within the our cash generation and you know that debt we have already completely deleveraged our debt equity ratio is only 0.3, 0.33 so that way we are very comfortable on the debt and our focus will be more on to slightly move towards the growth also.

Arpit Jain: Thank you Sir. Thank you very much.

Moderator: Thank you. The next question is from the line of S Kapoor from Jai Balaji Securities. Please go ahead.

S Kapoor: My question is regarding somewhat related to board level question, but since our company is fully professionally managed so this question is to our Honorable Chairman Sir, is that regarding our shareholder rewarding policy one thing I just heard you and I have also analyzed your annual report and your balance sheet that our cash generating ability operating profit is not less than 750 Crores for the past three years, but as far as rewarding shareholder is concerned and to create a sustained enterprise value I have one suggestion as well as I will ask your view that what steps are you taking one suggestion which I have is that India is changing and if we are open to the mind of tying up with the Tata's why I say so sir because our promoter shareholding is very less which is almost equivalent to a majority shareholder some of our shareholding is in various company you see whether it is Reliance or companies of your caliber Reliance is a very big company, but what my point is that the promoters are holding nowhere less than 41% to 42% or 50% is the shareholding but our promoters are for the last 15 or 16 years are holding in the range of 29, sorry it is 21% so this was one suggestion please share your view what is there view as far as creating a sustained enterprise value because our honorable Sir has a vision of Jalan sir I am listening has a vision of creating a enterprise value of 10000 Crores by say 2030 or 2025 how faster we can achieve so please if you can share your views then I will ask next question?

R.S. Jalan: SaketJi there are two questions out of that probably very difficult to answer the second question, but I will give you my view in terms of how are we thinking of creating a value for our all stakeholders, but the first question which you raised was rewarding the shareholders. I think you are a long-term investor and you have seen that the company has already done two buybacks in the past, it is not that we are not rewarding the shareholders two good buyback has been implemented and going forward also that policy of buyback will continue so we are very clear that we have to kind of reward our shareholders point number one. Now coming back to the point number two you said about the kind of see why are we doing this split of these two businesses, one of the reason of that split is primarily to look at certain opportunities in both the businesses separately sometime some marginal acquisitions, some joint venture, all these things they are looking at a specific company which is in one segment so one of the reasons of that also is how do we create a kind of a some joint venture some opportunity in the chemical space separately and for the textile space separately. Now in that process who should be our partner, what value we should be bringing in from there has to be seen, should we look at the product basket more or should we look at only the shareholding I think shareholding is a one small portion of the growth of the company, the most important thing for the growth of the company is look at how do you expand your product basket and for that I think some established tie-up with someone which has a larger basket of the product will be more meaningful and more rewarding to the shareholders and same thing applies for the home textile also, textiles also.

S Kapoor: Can I ask my second question sir with your due permission?

R.S. Jalan: Yes.

S Kapoor: It is regarding our view on research and development which in the past also I have asked that I see when I analyze your annual report with that of Tata Chemicals they have, if I am allowed to use the word they have a meek I will use to say or a desire to focus on research and development but we are not focusing much on research and development, so any specific reason and also if you can give your views on solar sector what is your view because I am seeing in West Bengal my state that manufacturers who are in Jute industry like textile is also jute is also a textile they are deploying huge capacity of solar energy, solar panels they are using on their factories on their factory land they are using and Gujarat is a state which is taking a large stride in it so that is why I am in the past also asked because soda ash is use to manufacture glass, glass is in the solar panel because somewhat if the product is related if you can share it if I am having a misconception of the entire thing then kindly if you can correct and shower your views on it Sir?

R.S. Jalan: No, very right Mr. Saket, you are very rightly raised both these questions and let me answer the last question the first. See solar definitely we are looking at a possibility and some projects are under discussion at this point of time, but however that project we are looking at into the textile, which is more in the spinning side. As you know that we have made a very good investment into the wind energy few years back and that is really rewarding us in to this spinning business so similarly we are looking at solar energy we have certain solar energy into the textile business both in Madurai as well as in home textile Vapi. We are looking at slightly bigger investment into the solar energy and that project is under discussion that is number one. Second you said about the research and development, we are definitely working on the research and development there are some projects which are already under pipeline although we must understand that our focus is more on our core competency, which is soda ash. At this point of a time we are not looking at unrelated activity which does not match with our focus on core competency, but on the soda ash definitely there are couple of projects, which are under research and development, we are not talking about those projects which all because of course there are very big concept projects if I can say so, but we will be talking when we come to some stage where we can be happy to announce not otherwise.

S Kapoor: Sir final question now I will not ask any question, final Sir. Regarding that suggestion which I gave about talking with IT if you have some joint corporate because your valuation is very attractive at 2000 Crores if I would have invested I do not have that much amount of money because I am getting a payback period of four years so I cannot understand that why other market investors are not seeing this big opportunity, which I am seeing maybe I am somewhere around that is why such players because in my Kolkata where I am getting ITC just purchased Sunrise company for 2000 Crores, which hardly has a turnover of what the turnover our company has so are we looking for any big shift?

R.S. Jalan: SaketJi it looks like that you do not want the management to work right because this is good that if someone is not coming forward then you are looking from your interest right, but look at the way the company is being operated the valuation get comes on time, you have to be have a patience on the overall, are you not happy with the way the management is…

S Kapoor: Sir even I mentioned it is on record Sir but from 2008 what you have done to the company because of your hard work I appreciate Sir.

R.S. Jalan: Please focus on our questions more on how do we run the plant and how do we grow the business..

S Kapoor: That I have full faith on you that you will do it very well and you and Raman Sir will do it very well that is not a matter of concern for me, but in the overall strategic invest where I was much more concerned because that will create huge value for us in the times to come.

R.S. Jalan: No, beyond this it will be difficult for us to kind of a comment on this.

S Kapoor: Yes I appreciate there are limitations I appreciate I know that. Okay sir, pleasure talking to you Sir, my good wishes are with you.

Moderator: Thank you. Ladies and gentlemen this was the last question for today. I would now like to hand the conference over to the management for closing comments.

R.S. Jalan: Thank you very much to all the participants. I have always been saying that we get lot of value, lot of thoughts, lot of ideas from you people and we are committed for this business and we will do our best to make sure that we continue to perform on your expected line. With this thank you very much for your confidence and your support.

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