



May 9, 2023

The General Manager
Corporate Relations Department
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 001
Scrip Code: 500770

The Manager
Listing Department
The National Stock Exchange of India Limited
Exchange Plaza
Bandra-Kurla Complex
Bandra (E)
Mumbai - 400 051
Symbol: TATACHEM

Dear Sir/ Madam,

Sub: Transcript of Analysts/Investors Call pertaining to the Financial Results for the quarter ended March 31, 2023

Further to our letter dated April 21, 2023, we enclose herewith a copy of the transcript of the Analysts/Investors Call on the Audited Standalone and Consolidated Financial Results of Tata Chemicals Limited for the quarter ended March 31, 2023 held on Thursday, May 4, 2023.

The same is also being made available on the Company's website at:
<https://www.tatachemicals.com/investors/financial-reports>.

You are requested to take the same on record.

Thanking you,

**Yours faithfully,
For Tata Chemicals Limited**

**Rajiv Chandan
General Counsel & Company Secretary**

Encl: as above

TATA CHEMICALS LIMITED

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Tata Chemicals Limited

Q4FY23 Earnings Conference Call Transcript May 04, 2023

Moderator Ladies and gentlemen, good day and welcome to Tata Chemicals Limited Q4FY23 Earnings Conference Call. Please note that this conference is being recorded. I now hand the conference over to Mr. Gavin Desa from CDR India.

Gavin Desa: Good day everyone and thank you for joining us on Tata Chemicals Q4 and FY23 Earnings Conference Call. We have with us today, Mr. R. Mukundan Managing Director and CEO, Mr. Zarir Langrana Executive Director, and Mr. Nandakumar Tirumalai Chief Financial Officer.

Before we discussions may be forward-looking in nature and may involve risks and uncertainties.

I now invite Mr. Mukundan to begin proceedings of the call. Over to you, Mr. Mukundan.

R. Mukundan: Good day and welcome everyone for our Q4FY23 earnings call. I am joined by my colleagues, Zarir and Nandu operational highlights across businesses and geographies following which Nandu will walk through the financial performance for the year.

We have ended the year on a strong note as can be seen from the results. Revenue and profitability have registered healthy growth. And more importantly this has been a healthy growth in all our geographies compared to previous year.

Performance was largely in line with what we had expected in the soda ash market. We expect in the medium term the balance to be continuing in the soda ash market especially because of the continued demand, and start of various plants and operations both in India, around the world. Our focus is on timely execution of our projects and efficient cost management.

Business Geography wise

Starting with China, we are very enthused by the strong reopening of China. And this has led to tightening of dense ash within China and inventories remain low in the dense ash sector because of high demand from the glass including container glass sector.

U.S. continues to register strong demand from all parts of the world. And as can be seen, the contracts which we had mentioned last time have started taking effect, and would continue to hold in terms of margin expansion in U.S.

UK, as we mentioned last time, will move to fixed margin from Q1 of 23-24 the effect of that fixed margin would be fully seen by Q2. And that will continue to hold good because that protects the Company from gyrations arising out of the risk of gas prices.

Kenya and India serve almost similar markets i.e., Indian market as well as the nearby markets. We expect a few trends to continue. As you know we have taken price corrections during the current quarter and also in November 2022. This was mainly to avoid discounting in the market and make sure our list price was aligned with the pricing levels prevalent in the market. But as we move through the year going forward, while the prices will remain more or less flat, our view is the costs will start to moderate within India. So, going forward beyond Q2, we do believe that the margin would go back to previous levels.

Just as a reminder, our contribution in this business used to be at the level of the percentage which we had gained in the margin structure We will be able to go back to the old margin gains which we had prior to the high increase in cost, which is trending to moderate now at a constant price.

So, the way we see the markets going forward, it will be that the U.S. would continue to lead in terms of both margins and volume for us. And that is expected to marginally improve and then in fact hold right through the year. UK would moderate to fixed margin. Kenya and India would hold flat at the current margin and start to improve from Q2 once our cost structures come down, because we contract for coal to build our coal stocks to run for about four to six months. And they need to be wound down with the new stocks when the prices are at a lower level.

Our view is that demand patterns are good. Prices are more or less stable, except where there is occasional inventory movement, especially in India where we did see some inventory coming in, because of which the discounting had increased, and we took a pricing correction. But overall, worldwide we continue to see strong demand right across sectors, especially driven by the new solar glass plants which are coming up, including three lines that are expected to come up in India. And additional lines are coming up around the world. Just as a benchmark, a 100 GW of solar capacity needs a million ton of soda ash, and every ton of lithium carbonate needs two tons of soda ash. So, that should give a broad benchmark on the demand growth.

Overall, in terms of demand supply on a global basis, while the demand growth will continue region to region, depending upon where the capacities come on stream, anywhere between 2% to 6% growth, the supply is not going to keep pace with it, even considering at some point, the 1.5 million tons of Inner Mongolian capacity which we have highlighted in the past. While this capacity will come in the interim, I think the key issue one should bear in mind is the fact that this will largely in our view, because of the high logistic cost to get it to port and beyond port, serve the domestic market. And we do believe that with the strong reopening of China, this is going to bode well for this capacity to get absorbed.

We have continued to maintain that the world needs close to about 1.5 to 2 million tons of capacity every year for remaining balanced. And till year FY'27 / FY'28 we capacities coming on stream, and hence the market is expected to

remain either balanced or tight depending on what the current contextual situation is, and it could vary geography to geography.

The structural elements of the business remain good, and we continue to invest in this business. Our capacity of 200,000 tons in India would come on stream in two steps : we expect 100,000 tons of soda ash to come on stream during the current year and an additional 100,000 tons to come a year later. In addition to that the salt capacity will also go up in India by about 200,000 tons, but that will be slowly absorbed in the market at the rate of 100,000 tons per year.

In U.S. we are in the final stages of finishing our debottlenecking details where we intend to add about 400,000 tons of capacity over a period of about 24 to 28 months.

Broadly that is the context of our growth.

In terms of our specialty portfolio, Rallis has had a difficult quarter in terms of cleaning up its balance sheet. With this clean up behind it, I think Rallis is poised for steady and strong year-on-year growth going forward.

In terms of our two other specialty forays, as the quantities continue to rise, the capacity utilization continue to rise. As far as Cuddalore is concerned, the Board has agreed to add additional capacity of another 10,000 tons in the short term in addition to the current capacity and also pivot our entire capacity to tyre grade, and we would be focusing on that grade going forward more and more.

With these words, I just wanted to highlight that our strategy continues to be in place. The structural characteristic of the market continues to be in place, and we remain watchful because of the high interest rate environment and the impact on the market conditions. We continue to focus on cost management to ensure that we continue to deliver on the margins and the return profiles to all stakeholders.

Thank You, with this I invite Nandu to give his comments.

N Tirumalai:

Good afternoon to all. I will broadly cover in four different sections --. 1) for the quarter for consolidated; 2) annual performance; 3) each geography and 4) cash and CAPEX.

On the first part for the quarter for the Company as a whole, we had good financials for the quarter. Our growth was broad-based with all businesses and geographies performing well. EBITDA grew by 47% and stood at Rs. 965 crore for the quarter. The margins expanded by 3% and it was 21.9% for the quarter aided by higher sales and improved cost management.

Coming on to the annual performance for last financial year:

Our revenue stood at Rs. 16,789 crore, almost 33% more than last year. The EBITDA was at Rs. 3,822 crore, 67% more than last year. The margins improved by 4.5% and stood at 23%. As far as the whole year PAT is concerned, the profits for the year was at Rs. 2,452 crore against Rs. 1,400 crore last year, a 75% increase. The PAT margin was at 14.6%. The financial year ended March '23 was perhaps the highest ever across all geographies and for the Company as a whole.

Moving on to individual businesses, starting with India, the revenue for the quarter grew by 17% year-on-year for the quarter. Growth was largely due to higher revenue on account of better selling price, amidst stable demand. Salt and bicarb business as well performed well. A higher operating leverage resulted in the better margins for the quarter. Further, last year in Q4 we had a one-off Rs. 65 crore tax relief which s Q4. And hence

In the U.S. we saw good performance for the business the newer contracts, as Mukundan mentioned, entered for the calendar year became effective in January, and those helped us in the quarterly profits that we had a healthy margin for the quarter.

Europe, especially UK, had a good performance on the back of high pricing and volumes. Salt and bicarb registered good growth which, in turn, helped the business to register a revenue growth over last year and PAT grew very well as against a loss last year. The benefit of gas hedging remained till March 2023, and we got the benefit of that during the quarter. And we also made a one-off deferred tax asset creation in the quarter, in the UK, which increased the PAT numbers for the UK for the quarter.

Kenya too had good growth over last year because of higher revenues and better profits. And the balance sheet and cash flows were strengthened during the year. And Kenya became debt free during the year '23.

Nutra and silica Mukundan just covered in depth, and Rallis, we had a one-off kind of a provision on inventory and impairment of intangible since its business of Rs. 63 crore during the quarter and that impacted the profits for Rallis for the quarter.

On a consolidated basis we had Rs. 2,398 crore of cash at the end of March 2023. Net debt was at Rs. 3,898 crore. The consolidated CAPEX for the year was about Rs. 1,600 crore. We are very much focused on cash generation and paying off debt

R Mukundan: Regarding the margin level of India business, India has always been leading in margins, but the next year will start seeing U.S. to lead the margins massively. The key lever for us in terms of performance going forward next year is going to be that as mentioned before, UK will go to fixed margin structure which means they will be profitable, but they will be on fixed margin; In Kenya and India, the margins would moderate to normal levels, but they are much higher than what it used to be pre-COVID and we are going to be in that structure, because that is the nature of the current demand supply environment. And U.S. would also improve and get to the margin levels, we have seen worldwide, but that means there is going to be an expansion in the U.S. margin.

So, the way we see next year panning out is fundamentally that numbers from U.S. will substantially change. Numbers from India more or less will hold around the same levels. And numbers in Kenya and UK would moderate and would stabilize to normal profitable levels, but this will be a higher level that what we used to see before COVID.

Moderator: The next question is from the line of Abhijit Akella from Kotak Securities.

Abhijit Akella: First on the Europe business, this Rs. 225 crore EBITDA for the quarter, is there some gas hedging benefits still within that and if so could you please quantify that? And when you are alluding to a fixed margin structure for the year ahead, would it be possible to share with us broadly what sort of EBITDA numbers we should be looking at for the year?

R. Mukundan: Yes, I understand your question. I think just wait for next quarter result that will show the constant margin numbers; we would not want to disclose that but in terms of deferred tax asset and one-offs I think Nandu can highlight.

N Tirumalai: We spoke about our hedges being in place up to March 2023, the benefit of our lower cost hedge of gas has played out in Q4FY23 also. And we also had the one-off tax benefit which came at around Rs. 50 crore in the UK, in Q4FY22. So, come back in the next quarter.

R. Mukundan: The Rs. 50 crore is at the PAT level, and terms of the NG they were in play, but for you to get a peek into the fixed margin we need to wait for Q1 result. And because of the fixed margin structure, firstly, we have an assured volume off take within the UK. So, volumes are not going to be under pressure at all. And, secondly, the Company will be consistently profitable.

Abhijit Akella: And the second question I just had was with regard to upcoming supply additions in the world market. So, regarding this Inner Mongolia project, apparently the news from China or at least the claims from China are that they are trying to ramp up this capacity to five million tons within this calendar year itself. So, is that something that you are seeing as well.

Also, if you could just help us with regard to other capacity expansions coming up across the globe. I believe there is something in the U.S., so if you could just help us with that over the next one or two years, that would be helpful?

R. Mukundan: Yes in terms of capacity addition I believe I have mentioned already that I think world needs about 1 million to 1.5 million tons of additional volume every year going forward, and if you add . And the world needs it to be balanced. The exact month and when it is going to come,

predict as of now, and the additions also, I think will be broadly in that range or slightly below that range.

As far as Mongolia is concerned, our information and our understanding is 1.5 million tons. Over a period of time, they will go to 5 million tons. , The last time the only natural capacity which came up was in Turkey and it came up in tranches of 1 or 1.5 million tons, spread over a long time. So, and if it does, we will keep you posted. Right now, our information is only about 1.5 million tons.

And also, the second element, which is unlike in Turkey where the plant is very close to port, just about 200 kilometers to port, Inner Mongolia has a long distance to travel to any port and get to any export market. So, our view remains that large amount of displacement it will do with the Chinese domestic market. And it is going to challenge the domestic, synthetic manufacturers more. And they will be under pressure, and some of the weaker units in China may actually close down. And, in fact, they have been pretty much, since the government has been, in China, very forceful in meeting environment targets and shutting down unviable capacity.

So, you are going to find some kind of a reordering there. I cannot predict how, but it is a natural process which will happen. And to give you an example of that natural process, in U.S. where we have 12 million tons of natural capacity prior to this natural capacity coming on stream in U.S., it was fully synthetic. All the synthetic capacity in U.S. got wiped out over a period of time, because natural capacities came on stream. So, any natural capacity coming in any geography, that immediate geography gets to challenge the synthetic capacity there.

And as I also mentioned, synthetic plants generally cannot export for long distance, cost. The competitive position of Chinese synthetic plants is as good as our synthetic plant so we do not see any issues at all on competing with them. The issue is going to be that how do they step up and compete internally within China, we need to watch.

So, this whole element of that Inner Mongolia capacity will play itself out but will very differently from the way, Turkey played out. Over time, the Turkish capacity had to be absorbed in other markets. The large amount of displacements they did was in Europe and it did find its way to multiple markets. So, we would leave it there and we should watch this very closely.

Our view is that it may not disturb the world markets as one would expect. Of course, there are always fears that one need to be prepared. We are focused on being cost competitive and being ready for them.

Abhijit Akella: Next question is from the line of Vivek Rajamani from Morgan Stanley.

Vivek Rajamani: Two small clarifications and one question from my side. Just to clarify there are no one-off on the India cost that the lag effect of it inventory which will normalize, is that fair?

R. Mukundan: Yes, that is fair. I think it would normalize over a period of the year. Costs will normalize over a period of time, but the market pricing has to be implemented immediately in line with the expected cost structures which we have.

- Vivek Rajamani:** And when you say normalize level of margins, would the first half of Financial '23 be a good benchmark or what should we consider to be a normalized margins for this India segment?
- R. Mukundan:** I think it will be closer to Q3 or maybe between Q3 and Q4; It would be better than Q4 over a period of time, but maybe a tad below Q3.
- Vivek Rajamani:** If you could just throw some more color with respect to the downstream demand trends that you are seeing. You obviously mentioned demand is healthy, but if you could just give a little bit more color in terms of the segment demand if you are seeing really good growth or if there is any slowness in any particular segment, some more color on that front would be really helpful.
- R. Mukundan:** Growth across segments and across categories is fairly good. And the growth drivers as I mentioned are all sustainability drivers, which has shifted to glass, more due to solar glass and container glass, where sustainability is playing a big role. And also for the lithium carbonate.
- Let me just say the small pocket of weakness which we do see in some markets is the light ash demand. And I think this is about the producers portfolio not keeping pace with the demand patterns, and some of us had to shift the product portfolio we see in pockets and in certain markets where synthetic plants exists mainly in China and tend to give approval for light ash unloading, because the material tends to disperse a lot in the air and very difficult to get it across to multiple ports except as bagged cargo.
- Moderator:** The next question is from the line of Arjun Khanna from Kotak Mahindra Asset Management.
- Arjun Khanna:** The first question is in terms of the CAPEX, so you did allude to or you did explicitly say you are looking at an expansion in the U.S. market debottlenecking, have we talked about what would be the CAPEX for the same, how much would that cost?
- R. Mukundan:** Yes, we will come with the exact numbers in the next quarter, because by next quarter we would be very clear about the contours of that. We are conducting detailed engineering and in the final leg. The India capacity also we will move from the current to one million tons which would be completed, and once the current expansion finishes, India capacity will move to 1.3 million tons, another 300,000 tons is being added in Mithapur. So, that adds up to about 700,000 tons and we are also looking at other geographies where we can add another 300,000 tons to take additional million tons overall.
- So, in India capacity addition of 200,000 tons will be coming on stream in the near term so that we go to a million tons, and then the capacity will increase to 1.3 million tons in the next phase, where detailed engineering work is going on, which should be completed by this quarter, and we will be able to give exact specific numbers. And as far as the U.S. is concerned, the 400,000 tons there also detailed engineering will get completed and we will be able to give exact numbers.
- Arjun Khanna:** Secondly in terms of the amount of debt so we are down to a 770 million gross debt and we also saw the interest cost are increasing globally. How do you anticipate this

debt position to play out going forward given that we have a heavy CAPEX, do you anticipate the net debt from around Rs. 4,000 odd crore to come down going ahead?

R. Mukundan: This year our plan was to, as we said last year, repay about \$100 million, and, in fact, we have done more than that across all geographies put together; about \$80 million in U.S. and about \$40 in Kenya and then about £20 million in UK. So, we have done more than we had planned. This year, our plan is to do anywhere between \$200 million to \$250 million of pay down of debt.

Arjun Khanna: And this would obviously be after the CAPEXs that we have envisaged for this year?

R. Mukundan: Yes this is including all this; we are not having any borrowing or equity plans to do the rest.

Moderator: The next question is from the line of S. Ramesh from Nirmal Bang Institutional Equities.

S Ramesh: If you look at the U.S. market the way the volumes and margins are performing is there an expansion in the U.S. domestic market. And secondly we were to understand that there is competitive pressure in exports to LATAM and Asia because most of the U.S. producers are out of ANSAC. So, is that concern abating based on the pricing power you see, so how do you rate the competitive landscape in the U.S. for both U.S. market as well as for exports from U.S.

R. Mukundan: I think U.S. tends to supply mainly into the North America and Central America and when we say U.S. market, we actually say, Canada, U.S. and Mexico as one market which is the domestic market. And the LATAM and the Far East are where the material goes and some to Southeast Asia. So, as far as our exit from ANSAC is concerned there are no pressures as we are fully sold out. Our exit also in terms of quantities would wind down over a period of time. This year, our own volumes will be about one-third of the total export volume out of the U.S. and it will go up in a phased manner over three years, and we were able to place all our volumes with customers through contracting with them all the way through. We do not see any issues in markets for the dense ash out of U.S.

S Ramesh: If you see the U.S. realizations based on the 4th Quarter results, that is going to be sustainable over the rest of the current year because last year you got accommodation from your customers when your cost were going up. So, given that there is deflation across the various cost items, would there be some request from customers asking you to reduce the price during the current contract period.

R. Mukundan: There is no such move. And you would see Quarter 1 results when they are announced, Quarter 2 when the numbers are announced; they are pretty much intact and we have no reason to state anything otherwise.

Moderator: The next question is from the line of Saurabh Jain from HSBC.

Saurabh Jain: I wanted to know whether the U.S. contracts, is it possible for you to highlight what is the percentage increase from last year or if you can give us the amount of the price that we negotiated to?

R. Mukundan: in the next quarter also it will reflect, so if you track that, you will know the increase.

- Saurabh Jain:** I know but the thing is that you know it is a mix of both exports and the domestic prices --
- R. Mukundan:** We only give blended rates and both have gone up. Last year also it was a blended number, but the overall blended number has gone up and it will continue to, this quarter is reflective of that, next quarter will be even more reflective of that.
- Saurabh Jain:** And additionally on the China capacity, what kind of reserves would be there in China, wanted to get a sense of what can be the scale of them being able to continue to supply the markets for the next few years?
- R. Mukundan:** Generally, when anybody opens up a natural mine, they look at around 20-year mine life up a mine with less than 15-year mine life.
- Saurabh Jain:** So, it will at least be a 20 years to 25 years kind of reserve. But can it reach to a scale of like what U.S. has, any info on that?
- R. Mukundan:** The biggest world deposit is in U.S. and there are multiple belts there, and U.S. reserves can last over thousand years.
- Saurabh Jain:** So, e not in a position to know that whether these reserves can last for next 50 odd years or anything of that sort?
- R. Mukundan:** Certainly, I can confirm that it is 20 to 25 years it will last. The Turkey is the one which probably will, has a lesser reserve life than that.
- Moderator:** The next question is from the line of Rohit Nagraj from Centrum Broking Limited.
- Rohit Nagraj:** First question is now since the European Energy issues are normalizing whether incremental capacities are coming, I mean people who are on sidelines are operating at lower rates, have they come back completely and will that have any impact on the short-term demand supply and pricing?
- R. Mukundan:** Actually, most of our supplies is within island of UK. And I think we have generally not seen major material land except from Turkey, and we do not see any major change in that position. And we have not seen anything to say that we will have any issues with the quantities we have there. And we are fully sold out through contracts. And the fixed contract also ensures that both of us the Company and our customers are well protected.
- Rohit Nagraj:** Second question is on natural soda ash capacity, so from an incremental capacity perspective what is the dynamics and timelines that are usually followed, maybe 0.5 million tons capacity of synthetic and natural, how much time does it take?
- And again, a similar question from Chinese perspective, so currently we have said that there is 1 to 1.5 million tons additional capacity, if they were to take it to five million tons, what would be the constraints or what will be the key drivers for the same. And within what period of time they can get to that?
- R. Mukundan:** See normally a synthetic plant would take anywhere between, I would say two and half years to three years to put up and stabilize; sometimes a little longer depending on what is the level of environment clearance needed, that usually varies from country to country, from one to two years. So, from the time one gets a go ahead,

usually it ends up almost being four to five years in terms of execution time. If it is a debottlenecking where one does not need major environment clearance, it can be done in about 24 months at best and most companies finish it in 36 months. Every incremental capacity needs a fresh environment process to be done by most players, are aware of. So, this broadly should give you the timeline of most of the projects.

Moderator: The next question is from the line of Riya Mehta from Aequitas Investments.

Riya Mehta: My first question is in regard to India demand, so I was just reading a couple of article where detergent demands on a YoY basis has not grown significantly and for India per se as a geography, the contribution from glass and lithium ion has been lesser. So, what incrementally you think that will drive demand in India?

R. Mukundan: So, detergent, you are right, which is why I mentioned that light ash is bit soft in some parts, especially India. And we do hope that it corrects over a period of time. But the real growth in India is going to come from increased glass lines which are getting investments; this year we see in the next two quarters three new glass lines coming, and annually there are multiple additions being planned. As India industrializes one would find that the key players move to container glass and flat glass and that would continue to be the case in India. And also, the solar glass capacities are coming and we mentioned through PLI schemes and other schemes that those capacities also will get established.

Riya Mehta: And glass as a percentage for India demand how much it would be and what would be the kind of growth that we are --?

R. Mukundan: About 45% would be the glass demand in India, and it is a faster growing sector close to about 6% to 8%.

Riya Mehta: So, last quarter basically we had seen that the imports from China had increased to India, and hence we had taken price cut. So, how is the imports from China in this current quarter and going forward in the month of April and May? And secondly would be, since China would be going towards natural mining will the synthetic player be more motivated to exports the soda ash to India?

R. Mukundan: Yes, we have seen normalization or some toning down of the imports coming in, overall basis, Consignments have landed from U.S., from Turkey as well as from

that this would normalize. As far as China is concerned the broad issue what synthetic play does, is that those who are competitive and large-scale plants will continue to export from synthetic plants. But it will put pressure on the domestic smaller plants and weaker players, domestically. So, of putting pressure on the domestic players. Some synthetic players who may have the margin and cost competitiveness to export, will export. But those who will face increasing pressure to run their operations with difficulty.

Moderator: Next question is from the line of Nitesh Dhoot from Prabhudas Lilladher.

Nitesh Dhoot: My question is Solvay results declared today, they highlighted lower flat glass demand, particularly in Europe. So, just wanted to know how much of our soda ash volumes go into flat glass, typically? And are we also experiencing any slowdown there and what sort of --?

- R. Mukundan:** In UK we do not have flat glass lines at all, where we sell. Our product sells only in the UK the UK. And it is mainly to container glass and we are fully sold out. And there is no slowdown in container glass demand. And we have no exposure to Continental Europe.
- Nitesh Dhoot:** So, I was asking for flat glass, so --
- R. Mukundan:** C Continental Europe. In UK mainly container glass plants and we sell only to them.
- Nitesh Dhoot:** My second question is recently South Africa rejected our applications to set aside this 40% anti-dumping duty, that is imposed on U.S. imports.
- R. Mukundan:** It has no impact on us, in the past we had a preferential duty of 7%, we were trying So, we would have gained little bit had they not struck it down.
- Moderator:** The next question is from the line of Saket Kapoor from Kapoor & Company.
- Saket Kapoor:** Firstly, about the employee cost, if you could explain the increase in the employee cost, QonQ, both on the standalone numbers as well as for the consolidated numbers. And as a percentage of sales also going ahead what would be the number?
- R. Mukundan:** So, in the standalone, actually the number is some actuarial adjustments we had done which usually happens in the Quarter 4 and in the international operations, there is no major change in headcount. The second one is, in terms of international operations there are some translation effect with respect to the exchange and some impact of rupee falling in addition to actuarial adjustments internationally.
- Saket Kapoor:** And they will remain in this vicinity only 10% of sales have generally been --?
- R. Mukundan:** We do not see any major change. In terms of increases also which we have, they are all in keeping with the local trend, and the increase has been because of high inflation, higher than what we would normally give. But we do make that up over a period of time through productivity increase and control on headcount.
- Saket Kapoor:** On the Bi-carb part, do we see any flattening of demand from the bi-carb front? And also flu gas as an , their requirement --?
- R. Mukundan:** No that is a steadily growing sector, it continues to grow at 5% to 7%, so we do not see any issue on that front. And it feeds into multiple sectors, including animal seed, poultry, human food applications and pharmaceutical application, and they continue to grow.
- Moderator:** The next question is from the line of Mithil Bhuvra from Unlisted India.
- Mithil Bhuvra:** I had a couple of questions relating to TCNA, so we have spent around \$1.2 billion to acquire TCNA over a period of time, like 2008 we spent \$1 billion and we have had a free cash flow of around like \$50 million to \$100 million, so getting a subpar return on equity of 5% to 10%. So, going ahead if we want some 15% kind of return it fair for a shareholder to expect that?

R. Mukundan: Sorry, I will not comment specifically, but you watch for the results in Q1, Q2, Q3, we will be able to add those numbers up.

Mithil Bhuva: But like over the period of last 15 years we have not made that kind of returns. So, Chemicals Europe, we make up for that period actually? Given that now we are going to fixed kind of profits, so.

R. Mukundan: No, Europe is a very different situation, as we are moving more and more to value-added, you will find by the year end pharmaceutical salt capac1 (s)-27 (s)-2118 €)6 (oC)-2

losses for some time. So,

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Moderator: The next question is from the line of S Ramesh from Nirmal Bang.

S Ramesh: So, in response to the question about the slowdown in flat glass you were saying, in because both of them are using dense soda ash, right so is there a difference in the grade of soda ash, to that extent your market for container glass is protected or is there some fungibility in terms of the soda ash between flat glass in Europe and in India. Is there any risk to some substitution of the competition from UK soda ash capacity release if there is a slowdown in flat glass?

R. Mukundan: See they are fungible; you can move the flat glass this dense soda ash to both flat glass as well as container glass. You are absolutely right on that. I had mentioned that we are contracted out fully for the full year. And we see no issues with respect to our customers and they continue to produce well and they continue to consume well. We have not seen any demand slowdown as far as our customer base is concerned in the UK.

Moderator: Next question is from the line of Sumant Kumar from Motilal Oswal.

Sumant Kumar: In U.S. business, you said, this quarter we had \$91 U.S. dollar EBITDA per ton, and you said it is going to further improve from here also. So, considering this and strong balance sheet why we are not aggressive for soda ash expansion in U.S?

R. Mukundan: No, U.S. we are expanding, I think we are in the final stages of, as I mentioned, detailed engineering to go ahead with the project. And the project is approximately 400,000 tons of capacity addition there.

Sumant Kumar: So, this 400,000 ton is I think a too conservative. And going by your strong balance sheet and the kind of margin we are making, can we not 40% to 50% kind of capacity expansion in U.S. for next three, four years?

R. Mukundan: See, as a vision, our vision is to lead in this market. We have already announced we will be aiming to be the leading player. And as a leading player, you know the capacity of where the leading players are, we will be ahead of that. But we can only announce what we have taken to the Board and what the Board is supporting us to do. We are in, including soda ash, bicarbonate, salt and silica. These are four products we have identified for the leadership position.

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

R. Mukundan: Thank you all for attending this conference call. While this quarter has been good, we continue to focus on executing our strategy. The market conditions while they remain robust there are also words of caution because the interest rate has risen sharply, while it may have peaked in this quarter, we anticipate interest rate to stabilize for some time before they come down. We are preparing for that interim period so that we remain focused on delivery with cost competitiveness, and our focus is to remain competitive and support our customers. At the same time, our growth plans are robust and they are moving in a phased, in a structured manner to execute and participate in the growth in this sector.



And lastly, we do believe that we need to continue to work our way through improving our balance sheet and move towards a reasonable level of debt and hopefully the current trend continues. We would continue to make sure that we go to net debt levels which are almost zero in a near term of three to five years. This year as we committed, we will be reducing our debt further. And that would also help us to weather any disturbances, if they do occur, by reducing interest burden on the Company. So, overall, we have a robust frame in terms of expansion, growth, also improving our fitness and continue to serve our customers in a competitive manner. Thank you all for this. And see you next quarter. And have a safe year ahead. Thank you.