



## Tata Chemicals Limited

### Q1 FY23 Earnings Conference Call Transcript

#### August 10, 2022

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**Moderator:** Ladies and gentlemen, good day and welcome to the Q1 FY '23 Earnings Conference Call of Tata Chemicals Limited. Please note that this conference is being recorded.

I now hand the conference over to Mr. Gavin Desa from CDR India. Thank you and over to you, sir.

**Gavin Desa:** Thank you, Margret. Good day, everyone and thank you for joining us on Tata Chemicals Q1 FY '23 Earnings Conference Call. We have with us today, Mr. R. Mukundan, Managing Director & CEO and Mr. Nandakumar Tirumalai, Chief Financial Officer. Before we begin, I would like to mention that some of the statements made in today's discussion 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, Mukund.

**R. Mukundan:** Thanks Gavin. Good morning and welcome everyone to our quarterly earnings call. I'm joined by my colleague, Mr. Nandakumar Tirumalai CFO for today's call. I will start with the discussion on key operational parameters across businesses and geographies, following which Nandu will walk you through the financial performance for this quarter.

As you would've noticed, we've started the year with a good all-round performance. Our businesses across geographies have done well. They've actually done good work in terms of combating the inflationary pressure on them coming from input costs. While last quarter's growth and profitability have been driven by core business of soda ash, bi-carbonate and salt, we do expect that this process will continue going forward in terms of momentum in the core business, even in the coming quarters. This is due to the continuing demand supply situation, which we spoke about.

We are keeping a close watch on market demand and continue to engage with customers, making sure that they are served well, right through this period. The Capex plan is progressing well, and we do expect commissioning of the capacities, by FY '24, where capacity in salt, and some capacity in soda ash should come on stream. And as you are aware, the Board has also cleared additional expansion of



capacity within India, for which needed approvals are in the process of being moved forward.

Now moving on to individual businesses, geography wise, the India soda ash business was strong for the quarter, which resulted in overall revenue worth of 24%. This reflects the market demand for soda ash, which was robust in terms of continued demand from detergent, glass and other sectors. Overall, I would say across geographies this trend has continued. New segments like solar and lithium carbonate are growing well. The US business has delivered strong volume with export demand. Export volume from US has moved in tandem with this same trend, which is playing out everywhere. We have done a bit of shift in our contracting. Most export contracts are on quarterly basis and this has set a new trend in terms of contracting approach and we will continue to leverage this approach. This was our contracting approach in India, and we've moved to the same contracting approach for exports out of US.

UK has performed well amongst the most challenging external environment. And they've also commissioned the carbon capture plant. The fundamental improvement in realization in conjunction with the cost increase, especially of the natural gas in UK, has enabled the unit to move to a profit position from loss in the corresponding quarter previous year.

Magadi has delivered a solid performance, the business continues to benefit on account of buoyancy, both in Indian and Asian markets. And all the contracts are now on quarterly basis and this would continue to see good performance going forward as well.

Salt business has been steady. The volumes grew by 2.5% over the same period last year, additional growth will come once the capacities are commissioned towards the end of this fiscal year. In Bicarb, business has been doing well both in India and UK. So overall I would say all businesses have done well.

The new businesses have seen revenue growth. A large part of the growth in silica is going to come when the new capacities are commissioned for which we have moved for to consent to establish to increase capacity – 5X times from where it is today.

On Rallis the business has delivered a strong top line growth. The crop care segment had a good growth in both domestic and international business. There was a stress due to dependency on China. We expect the margins to improve during the second half of this fiscal.

Going onto the Capex, this is going to be as per schedule. We expect most of the commissioning of phase one to be done by the end of this fiscal year and part of it would flow into FY '24. As for the phase two expansion it is another 30% expansion in soda ash, 40% expansion in bi-carb and 5x expansion in silica. We are moving for regulatory approvals and these would also start in terms of execution very shortly.

To conclude I'd like to state that core businesses are expected to perform well on the context of macro environment, where demand supply situation for the core product continues to be fairly good. And we should be able to combat the inflationary pressures we are facing, as we have done in the past current quarter. Rallis is expected to contribute, as we said, positively in terms of the moving into

performance in H2 of this current year when most of its Capex program should be beginning to fruition.

So overall I would just simply say that we have had a benefit of the continued demand supply market situation. Our teams have combatted the inflation pressure well. So our focus is going to be continuing on operational excellence and ensuring execution of growth Capex in time and within cost – so that we can start delivering to our customer. With these remarks I'd like to invite Mr. Nandu to take us through the financial performance.

**N Tirumalai:**

Thank you, Mukund and good morning, everyone. At the outset I'd like inform that we modified the investor's presentation to bring in more clarity, as you would have seen yesterday. The investor's page of the website has also been modified to make it more user friendly and now it's got a better interface for the investors. We hope you like it and we would like to have any feedback for the improvement.

I will talk about the headline numbers and then go into the, each business. Starting with financial for the quarter for the consolidated revenues was Rs. 3,995 crore with growth of 34% over last year's Q1. The growth was broad-based with all the businesses and geographies performing well. EBITDA for the quarter was at Rs. 1,015 crore, 69% more than last year's Q1, driven in part by operating leverage and price revisions undertaken during the quarter to offset the rising input prices. EBITDA margin was 25%, higher by 5% compared to last year's Q1.

Moving on to individual businesses starting with India, revenues for the quarter was 48% higher than last year. Soda ash volumes are now trending over pre-COVID levels, reflective of the strong demand from existing and new segments. Price as well have improved partly because of price hikes undertaken to offset the impact of rising input cost and reflecting the strong soda ash market. Salt volumes as well, remained elevated during the quarter.

Moving on to US, we have had a good quarter with the growth of revenue of 34%, domestic volumes remained stable, pricing environment was strong as well, in turn, resulting in EBITDA margin of 25% for the quarter as against 21% for the last year's Q1. As mentioned by Mukundan earlier, the pricing arrangements for export which are now shifting towards quarterly basis rather than annually as was the case earlier, which in turn should drive the growth going forward.

Coming to UK business operating performance remained steady despite the challenging external environment on account of input cost. Q1 also witnessed the full benefit of carbon capture unit which helped to negate some part of cost inflation. Overall volumes during the quarter remained relatively stable. The price actions taken to offset cost have led to a profit in the quarter of Rs. 49 crore as compared to Rs. 18 crore loss in last year's Q1 in UK.

As far as Kenya is concerned, Q1 witnessed yet another solid performance of our business with revenue growing 84% with volumes remaining flat. EBITDA margin has improved significantly and are at 49%.

As far as Rallis is concerned, Q1 saw a revenue growth primarily by the crop care business in both domestic and international businesses. Seed business though continues to remain soft amidst challenging external environment, growth in crop care business was both volume and value driven.

The company is working towards improving its product mix and is expected to deliver better performance with regards to margins and profitability during the second half of the fiscal. Capital spending in the quarter was as per plan in all geographies. The company has also prepaid a debt of \$ 30 million during the quarter in the US on account of its cash accruals.

With that I, close my comments and hand it over back to moderator to open up for Q&A. Thank you.

**Moderator:** Thank you very much. The first question is from the line of Rohit Nagraj from Centrum Broking.

**Rohit Nagraj:** Sir my question is in terms of demand related challenges, given that the soda ash prices have been increasing continuously, and we've been saying that there will be price environment likely to stay robust for the next 18 to 24 months, any segments which are vulnerable due to these continuously rising, soda ash prices and any indication that you are getting from any of the geographies.

**R. Mukundan:** Thank you. Actually, we are continuing to see robust demand environment. We are not seeing any major signs of any softening in any geography. And as we mentioned, this broad trend, (I'm not going to get into specific segment and issues), but the broad trend is likely to continue till about '25 / '26, because of the nature of the Capex and the growth and additional volumes coming in. We are keeping a close watch on that.

As far as customers are concerned, we are also keeping close watch on customers. And I think we are not seeing any signs in terms of stresses, there could be few segments here or there, which may be having stress because of some other reason, but not essentially because of issues related to soda ash situation. The most important place where I think the pricing and the stress maybe felt first will be actually in UK and Europe, because that is where the gas prices, not just for us, but also for our customers is very high. It almost touched five pounds per therm last week. So we haven't seen any sign, even in that geography of any change in terms of volume off-take from our unit.

Now the issue fundamentally is that as far as Tata Chemicals is concerned, our capacity of 4.3 million tons, only 0.3 approximately is in Europe. So, we are well protected because the balance 4 million tons approximately is actually in geographies which are fairly robust. In terms of our own energy part, India is mostly linked to coal (Indonesian coal), where we have index linked pricing. In US, 75% of our cost energy cost is in coal. 25% is natural gas, but US natural gas equivalent if you take (what I mentioned as 5 pound per therm in UK is about its \$7 per dekatherm in US), which translates to about \$0.70 per therm. So, it's about almost, one sixth of the European cost per therm. And Magadi uses the HFO, but their energy intensity is very low and they also have a hedging process.

So, all in all, we have ensured the company's contracting, (what I mentioned earlier about contracting) on the purchase and sales to customers, we've done a fairly robust work. Hence in terms of contracting on the input cost side also, we can manage this pathway well. So, all in all, I would say that we continue to remain very close to customers, listening to them and ensuring they are served well and at the same time, staying very close to our supply chain partners to ensure that all of us can gear up in a very positive way.

- Rohit Nagraj:** All right. My second question is in terms of the global demand supply dynamics. If you could just run us through in terms of where could be the incremental capacity or probably incremental volumes will come from, if the global growth rate comes to 2% to 3%, where in the soda ash usually tracks the global growth rate any geographies where the utilization levels can go up and that will throw us some volumes.
- R. Mukundan:** So obviously the two places where capacities have been announced, one is inner Mongolia in China, and second is where probably some capacities could come on stream would be in US, where we have some units which have spare flywheel capacity, which would come on. And all these capacities are slated to come on stream somewhere around '25, '26. So while you would hear early dates for some small part of the capacity can come on stream in US which is fundamentally capacities, which had been mothballed-- which were not brought on earlier but now being brought on stream. But overall, they are not going to move the needle in terms of the demand supply dynamics.
- Moderator:** The next question is from the line of Sumant Kumar from Motilal Oswal.
- Sumant Kumar:** So my question is regarding US business, and we have seen a significant improvement Y-o-Y and also Q-o-Q in EBITDA per ton. So can you talk about the demand scenario of the neighboring country, say when we are talking about the export of the US market to other geographies, so are we selling more to the LATAM market or nearing country where EBITDA per ton is higher for the US business? So can you talk about the changing dynamics of the US business?
- R. Mukundan:** As far as the US is concerned, on export, we moved to quarterly contracts. So, you would see the reflective number in US in terms of, improved numbers every quarter, quarter-on-quarter, as the current contracts unwind into new set of contracts. That's on the export side, which is about 40%, 45% of the turnover. The domestic volume is fully contracted out. So that will see a change only by January of next year. So, what you're going to see is a blended move in exports, going to continue to move up quarter-on-quarter and domestic will remain flat till December. And that's the broad trend.
- Sumant Kumar:** we do not have a plan to move domestic sales also on quarterly basis?
- R. Mukundan:** Really speaking of our flexibility it is limited, because we are fully contracted out, there are customer commitments, I think we will manage the best we can at the edges, but I think if you ask me, can you switch big numbers from one end to the other? We will not do that because we are very clearly committed to our customer and our contracts, and on fulfilling our contracts.
- Sumant Kumar:** Okay. So how we are going manage for the price increase in the US market when we have, higher volatility in the raw material prices in the margin front. I'm talking about when we have an annual contract prices for the US domestic market, when there is a higher volatility in the raw material prices, is there any price escalation with the customer?
- R. Mukundan:** See, at most places we already have, what is known as an energy surcharge, if there's an increase, which is beyond certain band, the energy surcharge kicks in as part of the contract. That is a separate piece and it is operating in UK as well as in US. So, I would just leave it at that it is one way we protect ourselves. As far as US is concerned, and UK is concerned, we also hedge and protect our energy on a

ladder basis. So, every quarter we sort of extend that coverage. And in US, especially as I mentioned to you, there's 75% of our energy from coal and really that is contracted out on a more or less on annual basis.

**Sumant Kumar:** Okay, and the last thing is talking about the price scenario, if there is correction in the energy cost and we have seen some softness in the cost, do you think that market is going to take some price cut in the soda ash in the current scenario?

**R. Mukundan:** I think as far as we are concerned, I think the current prices don't reflect even the reduced hedged energy cost. Current prices, which are there in the market -- let's say the energy prices remain at this level, the prices will have to move up further broadly.

**Sumant Kumar:** So, if there is the correction of 20%, 25% in the energy cost we are going decline. My question is we are going to reduce -- market is going to reduce soda ash cost assuming current demand supply scenario or not.

**R. Mukundan:** So, see broadly I would say the pricing in this market is determined by demand supply situation. While there can be some linkage to cost side, but it is fairly dependent on the demand supply situation. So, I would say that you cannot take a view that there is a linkage, except to the linkage of energy surcharge, I think there is no other major linkage. And this energy surcharge works on the contract, not on open list prices.

**Sumant Kumar:** Okay. So, in open space, if there been a correction, there is the higher chance the price is going to hold for the open market.

**R. Mukundan:** I won't make any statement except to say it depends on demand supply situation. And as of now we see that to be fairly tight.

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

**Abhijit Akella:** Just on the Kenya and the UK businesses, Kenya has reported, you know, almost 50% EBITDA margins this quarter, which is a very, very sharp increase in the last two quarters. So is this entirely driven only by higher realizations or have there been some cost efficiencies out there as well and how sustainable do you think such high margins are for that region and on the UK business side, just wondering if it's possible to share some color on how much in terms of cost savings, the new CCU unit might have contributed carbon capture unit.

**R. Mukundan:** Firstly, as far as Kenya is concerned you know, Kenya is probably our lowest cost unit in many ways. So, when the price -- market prices move up, I think they tend to benefit disproportionately in terms of margin. So, that benefit has come to them. And since the Asian markets where they serve mostly India and Southeast Asia, these markets have moved up in terms of the market realizations. So, it is entirely dependent only on that. I think efficiency if at all are fairly smaller proportion of the of the improvement, which you're seeing at the EBITDA level. So, I would put greater -- almost 90% of the benefit coming from the market dynamics. Second as far as UK is concerned, it's very difficult to say what carbon capture has really given us in terms of cost benefits. Certainly, we are not buying for bi-carbonate production, the Co2 from our gas supplier. It is now being internally produced. That certainly is a saving, but beyond that, I would not want to sort of give specific number at this point of time.



**Abhijit Akella:** Just wanted to get your thoughts on two aspects. So, one is any impact you see of the impending exit from ANSAC in the USA later this year you know, would that be positive for the business on a net basis or you see some disruption out there? And also, secondly the new carbon credits policy that's being floated in India is going to come up in the next few years, how do you see that impacting the local market in terms of supply or demand?

**R. Mukundan:** Yes, firstly, as far as ANSAC transition is concerned, it's a very structured transition while we will move out of ANSAC, there's a structured way the volume comes out of the ANSAC pool, over a period of two years, if I'm not mistaken. So, it is not going to be switching overnight from 40% of our output out of ANSAC. 'it'll be in a manner that will be two step changes. Secondly, we've already done our appointment of distributors and safe channel in key markets like Southeast Asia, as well as, where we already had sales of our own other products and in LATAM, which we have already opened up. So, the teams are pretty much in place to deliver. We see this is a big positive because one of the things this provide us is a direct connect with our customers, which we were lacking in the past in these two regions. So, to that extent, I think we will be able to serve our customers better and also engage with customers better for overall better quality, as well as robustness of revenues. Because really, being in closely connect with the customers, improves the quality of the earnings that's all I would say, as far as this transition out of ANSAC is concerned. I see it as a strategic move we wanted to make, and the timing is favoring us because any of this move we make when the market conditions are tight, it is much easier to shift. So, we have been fortunate that the timing came out to be correct, but leave the timing aside I think this is the right move in terms of customer engagement. As far as the carbon issue in India is concerned, we are awaiting the mechanism. Already, as you know, there's a carbon tax in terms of cess on coal, which all of us pay. It's a bit like a carbon tax. There's also renewable power commitment that all of us have already made. There's a transition pathway. Every company has got a certain percentage by wind and solar. If you don't -- part of your energy, is not part of that, you will have to buy the open market, the renewable certificates. So as and when the carbon trading policy or whatever the government wants to come out comes in, we will be in a position to sort of engage with that. Already, our unit in Mithapur has started to look at alternate fuels and look at alternate options. This is part of our sustainability commitment. As you know, Tata chemicals has signed for SBTi, and we do have a commitment to reduce 28% across the globe in terms of our carbon intensity and making sure that we move in that right direction.

**Moderator:** The next question is from the line of Dhavan Shah from ICICI Securities.

**Dhavan Shah:** So, I have question on the demand supply front. So, if I look at the current quarter, the volume growth, it is almost the same I think, marginally declined plus quarter on quarter also there is some decline. So, I think you highlighted that the demand environment is robust. So, if you can help us in terms of the demand supply situation, like the global capacity of 75 million odd ton, so how is the demand supply situation right now? It you can help on this stuff.

**R. Mukundan:** Yes. demand supply situation is fairly, as I said, tight, as of now, the issue this has happened this quarter is there was some planned shutdowns in some of our units, as well as there were some logistic challenges in getting the ships on time for export markets in some of the ports. I think that has led to this -- small marginal number, which is lower than before, but otherwise I think they are more or less we should

be tracking as our capacities come on stream, we are literally running our units flat out at 100% utilization.

**Dhavan Shah:** In numbers front, if you can help in terms of the global, you know, the demand supply situation of Soda ash, it can give us some insight how can be prices going forward in numbers you can help, like in the past con call, you mentioned that there is some closure in the Chinese capacity also, so maybe 4 million ton, some excess demand or something like that. You mentioned in terms of the number. So, if you can help on that front.

**R. Mukundan:** Yes. In terms of broad demand supply, we should continue to see, the demand to be slightly stronger than the supply side, because the market has bounced back to the original level of approximately about 60 million tons, and will continue to hold, continue to grow beyond this point, primarily driven by the demand coming from the solar glass, as well as from lithium carbonate and other new segments, which have started to also take soda ash in substantial quantities. And continuing steady demand off-take of other traditional segments which is chemicals, detergents, and flat glass. So, I would simply say that as of now, we continue to see --, and I said, there is major capacity additions to support the market are going to come on, and it's going to take two to three years' time to come on stream. They are of the announcements, which are being made in inner Mongolia, and certainly there have being closures are shutdowns around the world, but the most recent one, I would say has been in Europe where a French supplier has shut down and whether it's temporary or otherwise we don't know. So, we will have to await what the situation is. So, all I would is that our analysis shows that the demand supply is fairly tight, at least going towards next 18 to 24 months, even could be longer at 36 months.

**Dhavan Shah:** And my last one is only power and fuel and freight cost, you know, so we have seen some decline during this quarter, I mean, on QoQ basis, if you look at power and fuel was down by roughly 4% on QoQ basis and freight was roughly increased by just 2% as against, you know, the realization growth on QoQ basis is very robust. So, if you can help on this front also, I mean, we have seen some higher cost on these two things also. So how are we placed and what led to some savings on these two counters?

**R. Mukundan:** So, I think broadly we have a process of contracting and hedging, which has worked for us. And we continue to work on that and our effort will be to continue to maintain our margin structure. That's what I can highlight. So, it's a continuous process with the commercial team, both on supply side, as well as the demand side continue to work, both for input as well as output.

**Moderator:** The next question is from the line of Vignesh Iyer from Sequent Investments.

**Vignesh Iyer:** I just wanted to ask, since China is opening up post lockdown as in at least partially, is there any chance that some more supply could come from China into the market because in general, usually it does happen. And there was news that I guess 1 million or 2 million tons of Chinese capacity in Qinghai region was facing some logistic challenges. So that supply was not coming into the market. So if you could just give us some idea on it.

**R. Mukundan:** We have highlighted the last time also that China has -- Chinese exports have now more or less become very opportunistic. And at some point, they were also net importer. So, the issue with the world of soda ash faced for last few years, going back four - five years, was the sudden Turkish capacity coming on stream that has



now been fully absorbed. So, if you look at, in a big picture, I think the big picture is that every country exports a little bit, every country consumes mostly internally, and the big exporter has always been US because that has been the lowest cost producer. So, in terms of the Chinese supplies into the world market, these have more or less coming down or holding at a level, which is not disruptive. The big disruption, which happened has been the Turkish capacity, which has been fully absorbed. And which is why we are saying that at this point of time, the markets are going to remain tight till any fresh capacity comes on. The announcements, which have been made have been mostly in US and in Inner Mongolia and that that's about what we understand about dynamics. In terms of even within China, there has been a pressure with sort of shutdown, subscale capacities because they're more carbon intensive. And I think that process will continue.

**Vignesh Iyer:**

Another question is more on the line of pricing. I wanted to know, for example, if there is more increase in pricing just because of energy cost increasing or raw material cost increase, would there be any -- some worry that at a higher price per kg, the demand for the product might drop a bit because at some point of time, the buyers would also won't be able to pass on the pricing. So is there any worries that after this amount of price per kg, there would be some demand drop due to non-viability of operating business.

**R. Mukundan:**

In terms of the cost pressure and the price movement and the impact on the customers is an area which we are watching closely in the European market, but our company's exposure is very low there. We have only, 0.3 out of the 4.3 around, you know, less than 9% or 10% of overall units, 9% of overall units exposed in UK that too, not in Europe. So there the customers of soda ash are also facing high energy cost. And the soda also is facing high energy cost. I think the pressure point will be felt there first. So, as I mentioned in one of the previous questions, the early signs of any demand or any pressure from pricing will actually come from Europe, as of now, we are not seeing any -- as and when we see any, we will sort of adjust our process. But rest of the world, I think is able to sort of manage the process fairly. That is where we are as far as our understanding is concerned.

**Moderator:**

The next question is from the line of Karthikeyan VK from Suyash Advisors.

**Karthikeyan VK:**

Just one question what will your current supplies to the lithium carbonate segment be, and what is the outlook there?

**R. Mukundan:**

There's overall supply, which is there, which continues to be steady. And approximately one ton of lithium carbonate needs to two tons of soda ash and that is really what the demand from that sector is.

**Moderator:**

The next question is on the line of Trilok Agarwal from Dymon Asia.

**Trilok Agarwal:**

Firstly, in the US, what's the export domestic mix, you know for this quarter. And what should be the mix for the full year? And second is from a domestic pricing perspective you haven't sort of seen any volume of take, you know, kind of incremental demand pressure in the domestic market. Is that understanding correct?

**R. Mukundan:**

As I mentioned, we haven't seen any pressure on demand and in fact we expect that to hold fairly well even going forward. And also let me highlight one more thing that as many would've observed, the energy cost and inflation pressures are

actually reducing even on our customers. So I think that would be continued positive across the market.

**Trilok Agarwal:** Yes. So I was trying to understand the US split off know domestic and export in terms of either percentage of, volume?

**R. Mukundan:** It would vary slightly from quarter to quarter more or less, I think it'll be fluctuating between 45% to 50% where you can take an average of 48%. I mean, just as you know, when a ship leaves when a ship arrives and all that, but it's broadly I think it is 45% to 50% every quarter.

**Trilok Agarwal:** The next question is from the line of Saket Kapoor from Kapoor & Co.

**Saket Kapoor:** A small understanding, sir, you did mention that even if there is a correction in the input cost, the current prices of soda ash do not translate the effect of the entire energy cost. So that is the correct understanding that we are not expecting any reduction, even on a reduction of input cost. This would be a good understanding of what you were trying to convey.

**R. Mukundan:** Yes. So let me, because when that question was asked, I was not very clear what the question was. So, you have phrased the question well and I also answered when that previous question was rephrased again. The answer is that, certainly pricing of soda ash has some sort of input which comes in from cost structure. But the large portion of soda ash pricing comes from the demand supply situation of the product itself. So that drives the pricing. Since the demand supply situation continues to be tight, I was saying the movement in energy is not going to make a big shift in the movement in the of pricing side. I'm not saying it is not likely, I'm saying it's not, it should not in the normal circumstance. As far as energy is concerned in markets where we are contracted out, which means we are on a fixed price contract on products, to protect ourselves, we have actually put energy surcharge, which sort of moves in tandem between a collar and cap of energy. So, if energy goes above a certain point, we increase the price. If it goes below collar, we pass on the benefit to customer. This only meant for long term contract, not for quarterly contract,

**Saket Kapoor:** Correct. Now coming to your presentation, you mentioned about 10,000 production loss at US, so that's a permanent that has happened or over the period of time with debottlenecking we would be able to recoup the same.

**R. Mukundan:** No, it just this quarter, we will end, as far as we are concerned, we would more or less regain this going forward. Every once in a while, we will have to take some maintenance shut down, but this is only for this quarter next quarter should see in bounce back to levels.

**Saket Kapoor:** Okay. So for the full year, we will be making good for this 10,000 gap?

**R. Mukundan:** We should be at least doing the volume we did last year. If not more, we are, hopefully we'll do more.

**Saket Kapoor:** Okay, sir, coming to the last one clarification, once again, our chairman did mention that we are looking to double our capacity from 4.3 to 7 something during the AGMs. So how much of that factor from the US and what steps are we augmenting to increase the capacity at US, since our priorities are to first lower the debt, first to

repay the debt. And also this time, I think we have not mentioned the net debt number. If you could give some more color on these two aspects.

**R. Mukundan:** Yes. As far as -- see there are two different issues. One is the current debt on the books. As we had mentioned, we'll continue to pay down the debt. Both Kenya and US. Kenya should become debt free in another 12 to 18 months, as far as US is concerned, we will continue to pay down debt as the rate of about \$100 million per year, of which I think this quarter, we have paid down \$30 million. So, every quarter between \$20 million to \$30 million will keep paying down on a regular basis so that the hit of figure of \$100 million. So that the \$300 million debt in USA is down to zero in broadly three years' time, if we can accelerate, we will accelerate it. For expansion, if we need to take fresh raise of capital, form of debt, we will do that, but that will be a separate one linked to the expansion. And as we speak, all three sites are working for expansion to achieve that vision, which has been set out between India, Kenya and US. We'll come back with specific numbers on each, what each site is going to do. But I can only say that all three sites are working to grow the volume.

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

**Abhijit Akella:** Just on the US export realizations last quarter you had mentioned that you they're lagging a little bit behind pricing trends in the rest of the globe. So how has been the progress on that front? And Is there still somewhere distance to, for them to catch up on?

**R. Mukundan:** That is the way the accounting works because of the way our contracts are structured. You will see a quarter lag as it keeps coming, which is why I said in US we will continue to see increases coming even going forward. That's the way the mechanism is. So, between last quarter and this quarter, there was an improvement. We expect the improvement to continue.

**Abhijit Akella:** And also just wanted to confirm the overall capacity addition number that was just mentioned on the call. So it's basically 4.3 million tons at the console level, going to 7 million tons over a period of time. If you could specify?

**R. Mukundan:** That's the vision. We'll come back with a specific number where what and how, I think that is the work in progress. The teams are working. Our ambition is to grow across all three sites and all three sites have potential to at least do substantially better or increase volume. And the increase in capacity will be skewed more towards India. That's all I would say at this point.

**Moderator:** The next question is from the line of Yogesh Tiwari from Arihant Capital.

**Yogesh Tiwari:** I had a question regarding the demand - supply. So if I look -- if you look at the cost of production through the natural route vs the synthetic route. The natural route is like it has lesser cost of production. So just wanted to understand, is there any risk of more, more imports into India because most of the Indian capacities are based on synthetic route, because of lower cost of production?

**R. Mukundan:** Broadly the way I would explain it, the natural route is more cost competitive than synthetic route. That is correct, but the synthetic -- the India has a unique location, in the sense that the most competitive place with large volume for export is US, but the US is almost the other side of the world. So, the cost of shipping and the cost of logistics, you need to add, which is why the pricing in India is import parity pricing.

So, we do have our Indian prices are reflected what will be the cost of the closest competitor, shipping the material into India, including the logistics and freight, and that put together port charges, everything put together. So, India is competitive on its own, even though it is synthetic because most of the natural sites are I would say, have additional layer of logistic cost because they the material comes in from US.

**Yogesh Tiwari:** And are you seeing any slowdown in the domestic detergent industry with regards to demand for soda ash.

**R. Mukundan:** The domestic detergent industry has a bit of seasonality. So in monsoon, they do see a bit of lower offtake than post Monsoon, but all units are running flat out. All I can tell you is that there's no material change in the market. So, the industry itself has a bit of, I would see, slight softness during monsoon. And again, demand increases. It is not that people are not washing their clothes during monsoon, but that is the way that trend is. I just want to say that, that's what we've seen from the customers. Other segments are more or less steady. It is detergent which has slight lesser off-take during monsoon and more during rest of the year.

**Yogesh Tiwari:** So if I -- we look at the demand contribution. Globally glass industry is bigger than the detergent while in India, it is the detergent bigger than glass. So if you can share what would be the addressable opportunity in terms, if you can quantify the addressable opportunity of the glass industry towards the demand for soda ash in India?

**R. Mukundan:** We will come back to you, I think is a good question. Glass in India is under-penetrated and as a building material, as India builds more homes, India builds more office space, glass is going to grow. We have a line of sight, it is going to grow at rate, which maybe slightly higher than detergent, but also there's auto sector. So overall it's an opportunity for all of us. More importantly also, as packaging shifts to glass from plastic packaging for containers, that also is a growth opportunity going forward in line with sustainability. More importantly, I think India will also see investment in solar glass, which will see a major uptick going forward because of the renewable energy and commitment that Government of India has made in terms of shift to solar and wind and the renewables.

**Moderator:** The next question is from the line of Mithil Dhruva an individual investor.

**Mithil Dhruva:** So Tata Chemicals has been highlighting itself as a green chemistry company now. So in the old presentations, we have said that specialty chemicals will be around 50% going ahead. So any status on that? So what is the status currently on that?

**R. Mukundan:** So as far as the specialty piece is concerned, our big arm of specialty is Rallis. Rallis has growth plan and growth ambition, which you would've heard. And they will continue to grow at a rate which at least in crop care, I can say, grow faster than the market growth and that is what we intend to do. And when I say market growth, Indian market growth. In terms of the other two areas, which we entered the fermentation platform in terms of nutraceutical that, as I mentioned already, we have to ensure the capacity utilization of current unit is fully achieved. That is what the focus is by getting more customers and getting more customer approval. (That is 5,000 tons). Once it is done we will look at optionality of exports and which direction to take the fermentation platform. As far Silica is concerned, we are today running at about 100% utilization in our tyre grade line and almost close to a 100% in our food grade line, which is why we have cleared the approval for expansion of

that capacity, 5x. Once that comes on stream, it'll take a take our specialty segment forward. But also while we don't say this, bi- carb, it is a specialty product, so is our sale of edible salt because it just behaves specifically like specialty product with no fluctuation. It doesn't move in a commoditized manner. So, while these are not really reported separately, when we made that statement, it included these two products. Thank you.

- Moderator:** The next question is from the line of Hemal Saraiya an individual investor
- Hemal Saraiya:** I just have -- not clear because your slide did mention the net debt this time. What would be the net debt position as of the end of the quarter?
- N. Tirumalai:** The net debt number is the Rs. 4,979 crore for end of June.
- Hemal Saraiya:** Okay. And just is it good to assume, because you said Rs. 20 million to Rs.25 million, so Rs.75 million less plus Kenya debt. Is there a number that you are looking for by the end of the year, if you do the math around 4,000, is that a, is that a good number?
- N. Tirumalai:** We don't talk about forward looking numbers here. So broadly we will be looking at debt being repaid and you can assume a number based upon our normal cash projections and the debt repayment schedule, we don't generally give numbers in terms of going forward on what the numbers would be.
- Hemal Saraiya:** Okay. And absolutely fine. In India business and US business are there any customers with which you do like a forward contract, like three months, six months? Maybe if you mention it and I missed it, my apologies, but if you can throw some light on that would appreciate it.
- R. Mukundan:** Yes. Sorry. I think in US, the domestic customers, this is about 50% of our revenue is with annual contract with energy surcharge in place.
- Hemal Saraiya:** Okay. There's just in US, not in India at all. Right.
- R. Mukundan:** India is on mostly on quarterly. There are few on annual contract, but there's a reset. Some are on half yearly contract. And there are some resets and market adjustments, which are put in place in terms of those contracts, but mostly rest of the world is on quarterly.
- Moderator:** Thank you, ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comment.
- R. Mukundan:** Thank you. And what I wanted to end was to say that we continue to remain focused on our customer, serving them well. Our strategy continues to lead, to grow the core and adjacencies. So really it is going to be effort in terms of ensuring operational excellence to navigate this period of high inflation so that we can come out stronger on the other side, at the same time, put the growth Capex on schedule and deliver on that. Thank you all. And see you next quarter.