Tata Chemicals Limited

Q1FY24 Earnings Conference Call Transcript
August 08, 2023

Moderator: Ladies and gentlemen, good day and welcome to Tata Chemicals Limited Q1FY24 Earnings Conference Call.

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 Zico. Good day everyone and thank you for joining us on Tata Chemicals Q1FY24 Earnings Conference Call.

We have with us today, Mr. R. Mukundan – the Managing Director and CEO, Mr. Zarir Langrana – Executive Director, and Mr. Nandakumar Tirumalai – the Chief Financial Officer.

Before we begin, I would like to mention that some of the statements made in today's 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: Thanks, Gavin. Good morning and welcome everyone to our Quarter 1 FY24 Earnings Call. I am joined by my colleague Nandu and Zarir for today's call.

I will start the discussion with key operational highlights across business geographies, following which Nandu will walk you through our financial performance for the quarter.

Tata Chemicals at consolidated level has had a higher revenue on account of better realization partly impacted by lower volumes. I will come to that in a minute.

There has also been EBITDA growth driven by higher realization. There is an impact on PAT and PBT due to higher interest cost and higher tax outflow because many of our entities are net positive now and they don't have the tax shield which they had earlier, and hence impact in terms of tax calculation, especially Magadi and U.S., which are now on a higher tax rate.

I will now give an update on Soda Ash demand supply situation:

As you would all know, the China net supply increase in the market partly is driven by post-COVID slowdown and lower than expected demand in China. We expected a pretty strong recovery, which has not happened, and this slowdown has created a surplus in the market. Added to that, Inner Mongolia capacity, which came on stream maybe about five to six months sooner than expected. This was anticipated, but it came earlier, and that coupled with the lower demand created a demand supply ease in the market.

For the rest of the market, demand was as planned, and more or less stable, and India also remained stable in general, mainly driven by the sustainability demand coming off glass sector. The domestic supplies in India were largely impacted due to surging imports, which almost doubled, and accordingly Tata Chemicals had to take appropriate steps in the marketplace to ensure its supplies to customers were at the most competitive levels.

Coupled with this, in some parts of the world, there was some delay in purchase decisions which was on the expectation of management of inventory levels which had gone up due to supply chain constraints in the past, but now eased, and some postponement of purchase decisions with expectation of a lower pricing over a period of time. Our overall demand situation remains robust, which is mainly driven by the growth in the key markets, driven by energy transition, as highlighted before, and it will continue to be so.

I have talked about the near-term challenge, but in the medium and long-term, it remains still the same as per the commentary we had given last time.

Moving on to Tata Chemicals' market position:

We have our net sales in India of about 180,000 tons. This includes India production and Magadi imports into India as compared to 185,000 tons last year, which is almost 96% of last year.

This was despite the impact of 10 days on dispatches in Mithapur due to the Biparjoy Cyclone, because of which there was some slowdown in availability of rakes and trucks. For about three to four days the district administration had stopped all road and rail movements due to safety issues.

However, we did manage to get to 96% of combined Tata Chemicals sales in India as compared to last year.

Our focus continues to ensure our customers are serviced and we maintain our position with customers through engagement with them and continue to maintain steady margins with focus on cost.

In addition to Soda Ash business in India, the rest of the other parts of the world, especially UK and U.S. performed to our plan. Magadi was partly impacted by certain supply chain issues which impacted its sales into Southeast Asia, and also there was an increased pressure of Chinese material availability in that market. That position is getting corrected as we speak.

Moving on to Rallis, it overcame a challenging period and was able to restrict the impact on its EBITDA due to better product mix, OpEx control and pricing action, and that has been visible in the results declared. Relative to the marketplace, they have performed to plan.

To conclude:

We expect the market to remain in the range bound situation with the demand supply situation easing in the short-term and over a medium-term, our overall target in terms of positive changes happening on the demand side, will lead to balanced demand supply situation, hence medium to long-term remains our base case.

With this, I would like to add that we remain committed to our expansion plan, which have already been approved by the Board of approximately 300,000 tons in India, about 250,000 tons in Kenya, and about 400,000 tons in U.S., about a million ton all worldwide capacities put together.

In addition, we are scaling up our salt capacities in India and in the UK, by the end of this year, our pharmaceutical grade salt plant will be operational. We remain focused on managing our margins and cost structures, ensuring debt repayment continues and strengthening the cash flows. We continue to de-leverage and repay our debt. This quarter we repaid about $95 million. In U.S., we repaid about $45 million, and in Singapore about $50 million.

So, we remain committed to ensuring a very balanced approach to marketplace and a very conservative approach to our balance sheet and a very robust approach to our growth plans and we remain on track as we speak.

With this, I hand over the floor to Nandakumar who will walk you through our financial performance.

N. Tirumalai: Thank you, Mukundan, and good morning to everyone.

Let me take you through the performance after which we will go to the Q&A.

On the headline numbers first:

For the quarter, our revenues for the quarter was at Rs.4,218 crore as against Rs.3,995 crore last year's Q1 higher by 6%. Revenue increase was driven by price increase partly impacted by lower volumes across geographies and contributions being impacted mainly in India and UK.

EBITDA for the quarter was at Rs.1,043 crore as against Rs. 1,015 crore last year, and this, in fact, is the all-time high EBITDA ever. The EBITDA margins were lower by 0.7% owing to pricing drops in India and lower volumes. PAT for the quarter was at Rs.578 crore lower by 10% compared to last year's Q1.

Moving on to each business, starting with India:

Revenue for the quarter was Rs.1,135 crore. Soda Ash volumes were down by 8%. The prices were lower owing to the price drops taken during the quarter. Salt business continue to perform well and good volumes came there. Bicarb volumes were a bit down compared to last year's Q1.

Moving to U.S.:

It delivered yet another very good quarter with revenues and profitability registering healthy growth over last year's Q1. The business continues to benefit from better prices following the newer contracts entered during the beginning of the calendar year.

UK business performed well with revenues up by 22% as compared to last year's Q1. EBITDA was 17% for the quarter.

As far as Kenya is concerned, both volumes and prices saw softening, which in turn impacted margins and profits for the quarter.

As far as Silica and Nutra is concerned, both the businesses have growth map in front of them. With time and investment, we expect both the segments to clock in good numbers going forward.

Moving on to Rallis:

Q1 was one of the most challenging periods for the agrochemical industry. Crop care business has been affected by high market inventories, steep price drops and the late monsoon. Although revenues for Q1 were lower compared to Q1 of last year, margins were largely maintained, through better product mix and good pricing.

The company's long-term strategy remains unchanged, focused on increasing manufacturing capacities and product portfolio expansion and widening market reach.

Our cash at a consolidated level was Rs. 1,544 crore at the end of June '23. capex for the quarter was Rs.423 crore and net debt was Rs.4,329 crore.

With that, I close my comments and hand over back to Moderator to open for the Q&A session.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Saurabh Jain from HSBC.

Saurabh Jain: My question is that we have seen a decline in volumes on Soda Ash for all the geographies. While India you alluded to there was an impact of the cyclone, but the rest of the geographies, is the impact more because of softness in demand as such in industry or is it more because of any loss to market share to the new capacities that have been coming online? And then, what is your outlook on the volume recovery from here on?

R. Mukundan: So, let me address this broadly. In India, it is a combination of the cyclone and because of precautionary operational measures taken by us at the plant due to cyclone. Up to April and May, we were pretty much on track. It was towards the end of June where we saw a bigger dip in the numbers.

As far as Kenya is concerned, our biggest shift has come in two markets. One in Thailand, the other one in South Africa. In Thailand there is a pressure felt from the Chinese imports and large quantities landing up there. So, while we had to continue to serve our contracted customers, we also ensured that we got into fresh contracts, so that going forward we had volumes which we could push in that market and engage with customers.

In South Africa, there was a large amount of consignment which had landed in the market and hence delayed some of our customer orders. So, it is more a temporary phenomenon as far as Magadi is concerned, which should catch up over a period of time.

As far as the U.S. is concerned, there were no market issues. It was more related to some pressures we did feel at the beginning of the year, which was a spillover of the last quarter where there were supply chain issues with respect to the railroad movement and that has now more or less corrected.

In fact, there has been a change in the leadership and management, and they have assured they will fix the railroad issues, and we are seeing improvement in the situation. It is not fully resolved, but it is pretty much on way to getting resolved as far as the rail movement is concerned.

So, broadly, in Quarter 1, we would not attribute it largely to the market. Our commentary on the market is going forward, and when I said short term, I think that period could range between 9 to 12 months on one hand to stretching as much as 15 to 18 months. We have to see how China demand improves. The overhang of the real estate sector pressures which are being transmitted to the flat glass industry are creating undue pressure on the market, especially with respect to supplies coming on. So, there is a mismatch there, which, if we put in our demand supply model, continues for anywhere between a year to year-and-a-half, after which it sort of equates again. So, that's the broad market and our operation issues.

Saurabh Jain: That is helpful, my second question would be that we are seeing some softness that is pretty evident in the Soda Ash pricing. Are you seeing any pricing adjustments in the U.S. exports business? And also, you lock in the contracts for the domestic part of the U.S. business, but any sort of renegotiations that can happen in those contracts as well for the rest of the year? Any insight would be really helpful.

R. Mukundan: Where it is contracted, if the erosion is even more sharp than what we see, customers will have to get accommodated. I see no reason why we would not do so. At this point of time, the domestic contracts, especially in these markets, are still holding. There has been some impact because of some furnace closures because of the Bud Light controversy and that has led to some container glass impact wherein two or three furnaces had to be closed. This is one of the largest selling beer in the U.S. other than this, we haven't seen any major issue.

On the export market, certainly, we move pretty close to the marketplace, especially in Southeast Asia it is a quarterly adjustment. So, you would continue to see us reset on the price side, partly supported by the cost which is easing along the way.

In the UK, it is more or less contracted. The open positions for the UK is more about quarter four. So, we will have to wait and see how the situation moves, especially in the local context of Europe, which is a very different context where we do not see the commentary very similar to the rest of the place, and there it is more about the European market situation where our worry is not so much on the market side but more on the energy side which in the past had a very good gas storage.

So, the gas prices have been benign in the UK, but we are very watchful. We have gone ahead and done our hedging on energy more or less so that we don't get impacted during the year, but we will wait and watch and see how it unfolds in terms of energy supplies there.

Moderator: Our next question is from the line of Arjun Khanna from Kotak Mutual Fund.

Arjun Khanna: Sir, the first one in terms of the CAPEX, you have mentioned the next phase. Have we decided amount, what would be the CAPEX amount for this 1 million expansion?

R. Mukundan: Yes. in India it is already approved, and it is already underway. It is our last capex round finished at about Rs.2,900. Then this CAPEX round will finish at about Rs.2,000 crore [corrected post call] and of which Rs.1,300 crore is on soda ash and the balance for other products.

That will give us about 0.3 million tons of soda ash capacity in addition to what we already have.

As far as Kenya is concerned, it is not going to be a major capex – it is around $20 million to $25 million and pretty much it is de-bottlenecking. In U.S.it is closer to about $80 million to $100 million with the large amount of element being on process improvement and some de-bottlenecking.

Arjun Khanna: So, just to understand this, you are saying U.S. 100 million for 300,000 capacity?

R. Mukundan: Yes, it is still for 400,000, it is still being worked out. It could be up or down by 20%. Detailed engineering is in progress and largely depends on whether we choose to go ahead with the switch to gas fully or not. That decision is yet to be made, but otherwise, our other elements are more or less in place including the addition of 13th calciner and the Trona purification process, which are being undertaken.

Arjun Khanna: The second question is, sir, when I look at the standalone, I see we did an EBIT loss of almost Rs.22 crore on Rs.51 crore of revenue. Could you help us understand why such a large EBIT loss given your commentary, you all spoke of the specialty side of it improving?

R. Mukundan: On a standalone basis, it is more related to our Silica business. We have two businesses. Silica business is performed to our plan. It, in fact, had a positive EBITDA number, but I think the issue we faced was on the nutraceutical, the fructo-oligosaccharide fermentation platform where the unit had produced in anticipation of an export order last quarter.

Since that order got delayed, we decided to slow down production and keep running the unit. In fact, the unit restarted production only about 30 days back and has been running at 50% capacity because their stocks are still available. Until that order comes through, and the current stocks are shipped, we do not want to increase production. It's a management decision.

Moderator: Our next question is from the line of Rohit Nagraj from Centrum Broking.

Rohit Nagraj: Sir, first question is on China. So, China coming back, has it changed in terms of the movement of soda ash across different geographies? And will it likely to stay till this new capacity comes in phases over the next few years?

R. Mukundan: It is a model which we have to work out and the way it will work in the short-term will be different from the medium-term. In the short-term, certainly, the exporters who are manufacturers close to coast will begin to move the material out of China which is what is happening.

Our view is that the prices have hit bottom in terms of the cash break-even numbers, and we may see a reflection of logistics cost improvement being passed on to customers. However, we do not see a bigger shift out of China in terms of pricing, but volumes will certainly move out because the natural ash will tend to displace synthetic ash.

In the medium-term, what will likely happen is how it unfolded in U.S. In U.S., there was a combination of synthetic and natural plants, but as natural plants came on stream, it led to closure of synthetic plants domestically. So, we do believe that certain uncompetitive capacities which are there within China will be challenged, but that process will take time. It is not going to be immediate and will unfold over a period of time, and we will have to keep watching. It will also be in combination of when the demand supply situation balances out. At that point any further changes in capacity will be put on hold.

So, our view is that this balancing broadly happens in about 12 to 18 months. After that we will have a clearer picture of how much of natural capacity will remain, how much of synthetic capacity will remain and how it will balance out in the overall context.

Rohit Nagraj: Sir, second question is in terms of demand from user segments, is there any challenge in certain geographies from the downstream demand in particular users?

R. Mukundan: Different geographies have different issues. As far as China is concerned, as I mentioned already, it's the construction sector which has been the problematic one in terms of our previous model and what is coming through in the current model, and we have had to take some downward adjustments on those numbers.

In India, it has been primarily the export market. The dye and chemical sector has not been doing well, and that is reflected in some of the export numbers out of India for intermediate chemicals where soda ash is consumed. Also in India, there has been a sharp fall in caustic soda prices. So, silicate market has switched to caustic from soda ash. The end user can switch between caustic and soda ash and that has created an issue in Indian demand.

As far as Kenya is concerned, it is pretty much all markets are fine. I can't see anything related to the market. It was just extra shipments landing up from various markets that led to inventory issues.

In terms of U.S., the big driver in the U.S. up till now has been the one big event which happened in the market which is the Bud Light controversy which had impact on the container glass demand. As that demand shifts to other bottlers, we will see that aspect easing over a period of time. The big issue we need to watch out for is interest rates, if and when it begins to hurt the housing market. We remain watchful, but we don't see any big shifts up till now. If there are any, we will bring into the commentary by next quarter.

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

Abhijit Akella: Just a couple. One is on the Inner Mongolia soda ash expansion. You know, is it actually 1.5 million tons that has come on stream so far? And I believe the projection by the producer was to ramp up to 5 million tons by December of this year. So, do you see them on track for that sort of timeline? Or would you expect that to get significantly delayed?

R. Mukundan: So, as far as the Berun is concerned, we think by the next year, at least 3 million will be there. That is what our model states. We have not used any number. The 1.5 million ton has been slightly ahead by about three months versus what we expected to happen on the ground.

And so, by next year, we had modeled 3 million, and we are also watching the speed by which it come on stream. So, we will remain vigilant. As of now we know that 1.5 million will come on stream, which is about 50% of what we had modelled.

Abhijit Akella: Sorry, just to clarify this 3 million by next year is by end of CY24, like December, or sometime earlier in the year?

R. Mukundan: During next year it probably is going to average around three. So, that is what our numbers were modeled on, and we retain that model.

Abhijit Akella: And just the other thing I just wanted to check is I know you have alluded to this a few times in the past, but just to sort of maybe try to get an update, if any, with regard to the Tata Group's EV battery plans is there any sort of involvement that Tata Chemicals might have in any capacity over the, let's say, next two, three years or so?

R. Mukundan: So, as I had mentioned even during AGM, we continue to work on the chemical side of the battery requirement. If there are any opportunities which come up, we will certainly make the announcement as and when required. We continue to work with all Tata companies in terms of their chemical requirement in general and wherever there is capability match, we would engage. And so this also falls in the same bucket.

Moderator: Our next question is from the line of Vivek Rajamani from Morgan Stanley.

Vivek Rajamani: Just from a cost perspective, just wanted to understand what was the biggest driver of the higher cost that we saw in UK? And secondly, in relation, if you could just talk about how we should think about cost going forward and what kind of levers are available at your end to really optimize cost over the next few quarters?

R. Mukundan: So, Vivek, the costs have more or less stabilized now. We don't anticipate any big spikes in costs. As far as the UK is concerned we had the benefit of hedging, which we benefited during the last year, but now it is the current hedging rate. So, what you see this quarter we anticipate should continue, as we have also hedged it, but we remain watchful on the European energy cost side and really that's the outline.

We also have in the UK, for example, a surplus power capacity which will feed power into the grid and that really depends on the spread and that impacts the net cost in our calculation. So, whenever wind energy is very high, our spread reduces and that increases the net energy cost for us because we are not able to feed power into the grid. So, it is only these two combinations. It's going to remain range bound right across all our units and trending to go down in some geographies like India and U.S. because that softness remains. The counter to that, Vivek, is if the world demand increases, especially coming out of China, these prices will probably hold, will not fall any further.

Vivek Rajamani: Just to clarify, I think the last time you mentioned you do have some high-cost inventories that you are going to be unwinding progressively. Would it be fair to say that going forward, any cost benefit would just be a function of these energy prices? Or is there anything that you could do specifically to further optimize cost?

R. Mukundan: Yes, I think what you would see the reduction in costs, some of them would be the unwinding of the inventory level because at any given point of time, we have three to four months inventory. As that winds down, the cost at which it is fed into the plant will be lower, but market costs are not changing too much. I would just leave it at that. So, it is mostly driven off our inventory numbers.

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

Sumant Kumar: My question is regarding U.S. business. So, we have seen in domestic market of U.S. over the last two quarter, there is a volume decline and export is doing good. So, can you talk about the last two quarters, is there any slowdown of the demand of soda ash in particularly domestic U.S. market? The second is after easing out of the supply chain and we are sending into the neighboring country and exporting from U.S. to other markets. So, is there any pressure in the demand side also? And third is for U.S. also, what is the contract mix of six months and quarter and year for the U.S. business?

R. Mukundan: So, U.S. mostly domestic, Sumant, would be annual calendar contract. So, they would be contracted right up to December. On the export side, part of them are annual, part of them are quarterly. Those which are going to some parts of customers in South America would be annual and rest of them would be quarterly. So, that's the mix in this. And in terms of the specific domestic volumes, we ship to manage our margins and customer orders. Except for some railroad issues and container glass issues, we haven't seen any major shift, and also some part of the shift would be towards material going towards Mexico. So, I would not read anything beyond that.

Sumant Kumar: So, when you talk about the some mix is for the quarterly contract, so do you expect some softness in the realization in entire U.S. business?

R. Mukundan: On the domestic side, certainly we have to wait for the new year contracts to be signed where they settle. that's quarter four issue, which also is true for UK. On the export side, it is mostly getting reset every quarter. So, you would continue to see shifts as the market numbers shift.

Sumant Kumar: Because you are at the lifetime highest EBITDA per ton in Q1FY24. So, do you think there will be a normalization of EBITDA per ton from here onwards?

R. Mukundan: Yes. in the export side, as I said, there will be certain shifts which will be happening, but it will still be better than last year.

Moderator: Our next question is from the line of Tejas Sheth from Nippon Asset Management.

Tejas Sheth: Just on the 1-million-ton addition in the capacity of soda ash, what would be the timeline of these?

R. Mukundan: So, these are under execution. So, normally they would come on stream over next 36 months. Our current plan which is to take the soda ash capacity in India to 1 million ton, that part should be finishing by that 2.3 lakh tons, which is in the presentation sent to you as well as most of it should come on stream by September when we expect our boilers to come on stream and partly, it may spill over into some months of October or so.

The 1 million in addition to that which is 400 in U.S., and 250 odd in Kenya, that is underway, should come in about 36 months.

Tejas Sheth: And the balance Rs.1300 crore which we are spending, which will be towards which products? And what will be the timeline completion of those?

R. Mukundan: So, I said that approximately Rs. 2,000 in India (corrected post call), of which Rs.1,300 is in soda ash, which is broadly towards the soda ash, and salt, and some bicarbonate. So, it is in the core products only, and all these numbers which I said, they are all part of 1 million ton.

Tejas Sheth: And on the EV battery comment which you made, where we are working with the Group companies on the chemical side of it, it’s only on the sodium -ion battery side or we are even working on the lithium-ion side?

R. Mukundan: Yes, there are chemicals which all companies use. So, we continue to engage with them wherever our chemicals can go or we have an opportunity to produce them because they would be manufacturing at scale capacities to be created for them. We will engage with them and to the extent that we can have a profitable and viable pathway to implement, we will Implement them. It is not related to sodium or those chemistries.

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

S. Ramesh: So, can we have some numbers in terms of what was the global consumption in first quarter and the available production in the world and how you see this demand supply balance moving in terms of numbers say in the next one year?

R. Mukundan: So, I won't give you a quarter, but I will give you the annual number. I think our net, addition in the model of the new capacity coming on stream was about 2 to 2.2 million tons or so that we think we underestimated that by a million ton and the demand fall which is really driven off by what has happened in China which is close to about 1 million ton. So, the overall overhang is about 2 million to 2.5 million ton as we speak. So, I would speak in terms of net numbers in the model rather than take specific numbers.

S. Ramesh: So, the next thought is then, when do you see this overhang of supply getting absorbed by new demand, especially the solar glass? And you said it's about one to one-and-a-half years for the construction market in China to improve. So, if that remains soft, do we see the solar panel addition and lithium carbonate growth absorbing?

R. Mukundan: It includes everything. It is not just that element alone. It is all of them.

S. Ramesh: So, that means we need to see underlying fundamental demand across all the sectors improve before this supply overhang can be absorbed. Is that a correct way to understand this?

R. Mukundan: So, the issue drivers are very different across markets. So, as I mentioned, in China, it mainly seems to be driven by construction, the real estate and the whole element around it and the slowdown. The other segments are not seeing that kind of slowdown. In India, for example, it is mostly led by the export softening which our exporters are seeing especially into Europe for dyes and dye stuff and other chemicals, and also the switching of the demand from soda ash to caustic in the silicates sector. Both the caustic switch as well as the export demand, we have to watch the market as we go.

And the other one on the construction site, we had to really keep focusing on the Chinese government policies with respect to interest rates, funding, etc. And rest of the world, again, I just want to say, Europe and U.S. and in other parts of the world, certainly the heightened interest rates, if they continue to harden more, I think that will put pressure again on the housing and housing sector, which again flows back into the flat glass. So, we need to watch this whether we are at the end of interest rate cycle or it is going to continue to be hardening even more.

S. Ramesh: So, coming to the UK business, so in terms of the growth from the Pharma grade bicarbonate and the other initiatives with regards to energy, do you think that will improve the EBITDA performance of UK say in FY25 and going forward?

R. Mukundan: Yes, I think that that remains on track and that will continue to be the positive driver, and it will continue the baseline EBITDA which we used to sort of track in UK for about £25 million, that would move up by around £10 million on account of pharma salt (corrected post call). That is the broad change it should happen.

Moderator: Our next question is from the line of Saket Kapoor from Kapoor and Co.

Saket Kapoor: Sir, firstly, if you could allude again, what would be the normalized margin for our UK business? I think the per ton margin was guided to us from this quarter onwards, this quarter itself. So, these numbers are the ones which we should pencil in for the year as a whole analyze them or what should be the margin profile for the UK business?

R. Mukundan: Yes. So, if you just look at the per ton margin structure in the contracts, which most of it is contracted in soda ash, that will track the Quarter 1 broadly, and quarter four we will have to still go through the per ton margin structure because that contract is for first three quarters.

Saket Kapoor: So, these will be the normal reported margins, this Q1 numbers are the one which we can annualize because these are very lower set of numbers for the UK segment?

R. Mukundan: It was the same, but this should probably track the numbers as we move forward because this is the contracted number. This reflects the contracted number.

Saket Kapoor: Sir, on the import part of the story for the Indian market, sir, what have been the imports in the country for the last quarter? And sir, also you mentioned that generally we have seen that when there is a natural capacity coming up in the region, the chemical process, one of the other capacity generally went down. So, what is the current split between the same in China? And, on what is the incremental demand from solar. I think, so annual, the per day capacity or the per day production of solar panels is 1 lakh per ton that was reported somewhere from China. So, if you could sum up these three points, sir?

R. Mukundan: The point about synthetic versus natural in the region or in the country will play out, and that is largely a function of overall domestic demand and domestic supply and how much surplus needs to travel out because exports are generally less remunerative than domestic sales. And that will play out specific to China. Today, it remains the largest producer and largest consumer accounting for almost 30 million tons of demand and 30 million tons of supply. On that 30 million ton, overall while by next year end, at least 3 million tons will be on stream. We expect as per the market estimation will go up to about 5 million tons of natural ash coming out of Mongolia. That effectively is close to 17% to 18% of the domestic demand.

So, that's a large overhang, and we do anticipate some kind of rebalancing to happen there internally, and a timeline for which we can't estimate. And if the demand bounces back in China and it moves in a robust manner, the impact on the synthetic will be less. I think that is the difficult part why we are not giving any specific guidance on that piece. At least in our model, we are not able to model that.

The second piece in terms of soda ash demand into solar glass, broadly can take 20%. If someone opens a 1,000 ton per day plant, he will need 200 tons per day of soda ash. That's a broad thumb rule which one can use.

Moderator: We have a follow-up question from the line of S. Ramesh from Nirmal Bang Equities.

S. Ramesh: Sir, in the nutraceutical segment, has production resumed normally and they are able to operate a normal run rate? Do we expect that to show profits over the rest of FY24 and do you see the India Specialties business contributing to our earnings in this India business over FY25?

R. Mukundan: So, I won't go that far. I will just remain in the current situation wherein our utilization is below what we had last year. It is running at about 50% because we are holding inventory and which we need to address by getting a contract in export orders which our teams are working.

In terms of silica, I think it is not so much related to the market. We are running the plant at about 85% or 90% capacity and is nearly full because if you account for switches in product grade and all, that is the rate at which it needs to run. Where we need more additional volumes, what we are doing is to take up the capacity. By October, I think we will be fully aligned to the tire and rubber business, and we would take the capacities to 13,000 ton, and we are in the planning phase of adding another 10,000 tons of capacity there. It's more a capacity issue and silica is certainly a profitable and a steadier business today for us. So, that's where we are.

Moderator: Thank you. Ladies and gentlemen, that brings us to the end of our question-and-answer session. I would now like to hand the conference over to the management for closing comments.

R. Mukundan: Thank you everyone for participating in the conference call. As we mentioned that the Quarter 1 has been delivered well considering the market conditions. We remain watchful for the rest of the year. And the only thing we continue to do is to engage with our customers and ensure we have an agile response to the marketplace and ensure our costs and margins are held tightly.

At the same time, our medium-term and long-term strategy in terms of bringing on stream additional capacity remains on track, and we will navigate this period with agility to ensure that we have a more robust balance sheet, higher level of customer engagement in the relevant markets and ensure that our profitability and contribution continue to improve. Thank you.

Moderator: Thank you. On behalf of Tata Chemicals Limited, that concludes the conference call. Thank you for joining us and you may now disconnect your lines.