



Tata Chemicals Limited

Q3 & 9M Earnings Conference Call Transcript

February 05, 2024

Moderator: Ladies and gentlemen, good day and welcome to Tata Chemicals Limited Q3 & Nine Months FY24 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.

Gavin Desa: Thank you. Good day, everyone and thank you for joining us for Tata Chemicals Q3 & Nine Months FY24 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 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.

R. Mukundan: Thanks, Gavin. Good evening and welcome everyone to our Q3 & 9M FY24 Earnings Call. I'm joined by my colleagues, Zarir and Nandu for today's call.

I'll start with the discussion with the key -operational highlights across geographies, following which Nandu will walk you through the financial performance of the quarter.

Firstly, an update on the overall Soda Ash industry:

The market conditions remain challenging across all key regions and segments, especially flat glass, which has been impacted in Europe. LATAM also is experiencing a bit of slowdown, especially in the lithium sector, which is more recent. Consequently, there's been a surge in Turkish exports to Asian markets, which has pivoted from Europe to Asian markets, especially in India, China and Southeast Asia.

While China grew overall, demand was impacted in the construction / real estate and the demand grew for solar glass. Solar glass also had a strong demand in Southeast Asia. Other sectors were flat.



India demand saw a marginal growth of 1%. The softness was mainly felt in export-facing sectors in dyes and organic chemicals.

South African demand saw a bit of a decline in mining sector. Overall, in our view, the customer sentiment is bearish with approximately 12 to 18 months recovery period, as we explained in the last call.

The Company's performance was lower as compared to the previous year due to pricing pressure in all regions and low volume. Especially in US, volumes were lower due to plant maintenance shutdown and rail car shortage, which led to lower contribution, lower absorption of fixed costs and increase in fixed costs during the quarter. The shortfall was about 80,000 tons (as compared to the previous quarter). Input costs continue to be stable.

We prepaid a debt of US\$ 25 million in USA. Our endeavor is to continue to maintain our share through customer engagement and have steady contribution margin with focus on costs and higher value-added products. Our focus will also be to deliver capital investment projects on time, conserve cash and continue to deleverage.

We have seen good performance in Rallis amidst challenging external environment. Domestic business has registered growth. International business is facing challenges. But we do believe it should revive in coming quarters. Management has undertaken steps in recent years to improve profitability of business. We expect that to translate in the coming years.

We anticipate in the short-term, current demand-supply situation is likely to persist but should stabilize and improve over long-term driven by sectors which we continue to engage with which are sustainability sectors of solar, lithium and other related sectors.

As we strategically expand the core business capability through cost-effective debottlenecking, we are equally committed to rigorous cost management, debt reduction and bolstering of cash flows. Our aim is to sustain market share through customer engagement and maintain stable margins with a keen eye on controlling costs.

Going forward, we do expect the next few months to be challenging due to subdued pricing of soda ash. This is more so for the US export markets while the domestic market seems to be stable.

That concludes my opening remarks. I now hand over the floor to Nandu who will walk you through the Financial Performance.

N. Tirumalai:

Thanks, Mukundan and good evening, everyone.

Let me walk you through the Performance, after which we go to the Q&A Session.

Starting with the headline numbers for the quarter:

Our revenue for the quarter was Rs. 3,730 crores against Rs. 4,148 crore last year's Q3, down by 10%. Decrease in revenue was driven mainly by lower soda ash volumes and pricing pressure in all regions. EBITDA for the quarter was Rs. 542

crore as against Rs. 922 crore in the last year Q3, lower by 41%. PAT for the quarter was Rs. 194 crore, lower by 55% compared to last year's Q3.

Coming to India:

Revenues for the quarter were Rs. 1,093 crore. Soda ash volumes were actually up compared last year's Q3. The pricing pressure has been there because of which we had lower realizations which was on account of higher import and drop in pricing. Salt and Bicarb saw steady volume during the quarter.

Moving to US business:

Pricing saw a sharp decrease versus the previous year. However, both domestic prices and market share have been stable while absolute volumes have fallen. EBITDA margins were at 12% for the current quarter.

Moving to UK business:

Revenue was impacted as compared to last year's Q3 because of lower volume of soda ash, which led to the revenue being lower by 20% in the current quarter. EBITDA was 10% for the current quarter.

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

As far as HDS and Nutra are concerned, both the businesses had a stable performance in this quarter.

Rallis:

Revenues were at 598 crore, a 5% drop compared to last year's Q3. EBITDA was Rs. 61 crore in the quarter, higher by 14% compared to last year's Q3 and PAT was Rs. 24 crore.

Our cash at a gross level was at Rs. 1,535 crore in December ending. CAPEX was at Rs. 492 crore, net debt was at Rs. 4,377 crore.

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

Moderator: We have our first question from the line of Saurabh Jain from HSBC.

Saurabh Jain: I have two questions. Firstly, can you throw some light on what kind of contracts you must have entered starting of this year in both US and Europe?

R. Mukundan: Let me just highlight broadly. On the US domestic front, contractually, we are more or less stable both in volume and pricing. On US exports, what we do see is, because of reset in prices sometimes quarterly sometimes semi-annually, we see a sharp erosion next year. Some of the material is going to China and we expect the blended erosion of approximately \$100 on the export contribution and realization.

- Saurabh Jain:** So, on domestic realizations, are they still closer to what realization we have delivered in the previous quarter?
- R. Mukundan:** Yes, they will continue to be almost same, not a big shift and the contribution will remain almost same, whereas exports are where the erosion of contribution could be by approximately \$100 per ton.
- Saurabh Jain:** So, it is still kind of a fixed pricing contract for the domestic business for the 2024 in US?
- R. Mukundan:** Basically, for the full year, which means for the last quarter of this year and three quarters of the next year.
- Saurabh Jain:** What is the situation in Europe, how are the contracts structured over there for this year?
- R. Mukundan:** Europe is a bit of a different story. Broadly, while some customers are on the energy price adjustment and a longer-term duration, many customers have moved to what we call as a fixed pricing contract where the risk is with us and hence we have been very cautious about it. Our bigger issue there is the erosion in pricing is close to about £100 per ton.
- Saurabh Jain:** Versus 2023?
- R. Mukundan:** Yes, compared to previous year same period.
- Saurabh Jain:** Average of previous year, right?
- R. Mukundan:** Yes.
- Saurabh Jain:** So, what kind of margins do you think are more likely to come through in US and Europe for FY'25, any sort of guidance on that will be helpful?
- R. Mukundan:** I would say that broadly the domestic should be stable in the US. The contribution number to be down by approximately about \$100 for US exports; unless the pricing environment around the world improves, but this is the current situation. And in UK, I would say £100 compression in soda ash margin right across.
- Moderator:** We have a next question from the line of Abhijit Akella from Kotak Securities.
- Abhijit Akella:** One is on the US business, would it be possible to quantify maybe the profit lost during this quarter because of the 80,000 tons approximately of volumes that we lost? And also just to check, US domestic volumes seem to have fallen a lot more than the export volume this quarter. Any specific reason for that?
- R. Mukundan:** While you are seeing the domestic as compared to the previous year, more or less if you look at a trailing quarter, it has almost been flat. So, we haven't seen any major shift there. There is an overall reduction in the market volumes, which is reflected in our volume. In terms of pricing, it is stable. Your first question was on the 80,000 tons (as compared to Q3 FY23). Approximately, if you take about \$130 or \$150 of contribution, we are seeing an erosion of close to about \$10 million on that account.

- Abhijit Akella:** And also one question on how much of China's demand for soda ash comes out of the lithium and solar segments, if it might be possible to shed some light on that, and also whether you would have some projections for what it might be for India in the coming years?
- R. Mukundan:** Can we come back to that a little later? We'll just get the data and we'll flash it to you during this call itself. [Answered later: ~2.75 million tons]
- Abhijit Akella:** Okay, sure.
- Moderator:** We have our next question from the line of Vivek Rajamani from Morgan Stanley.
- Vivek Rajamani:** Sir, apologies if this was asked, but just in India it appears that the implied pricing and margins appear to have improved sequentially. Could you just talk about what has been different this quarter because all the literature seems to point that it's been a tough backdrop for this part of the world?
- R. Mukundan:** In terms of overall situation, it is absolutely fine. Because of our contract structuring, we have benefited as compared to the rest of the pack. So, that's where it is. If you strictly go by the market position, we should be, as our own analysis shows the domestic industry is into contracting structures. Through that we've been able to protect and annualize number. I would say had we priced it at import parity versus where our contractual pricing was, there's a benefit of approximately Rs.100-odd crore, that's an internal working, but I don't want you to go by that. Broadly, it is all the result of the contracting structures.
- Vivek Rajamani:** So, if I were to just get a clarification, going forward, should we kind of look at it from a sequential perspective or maybe just look at it from an annual perspective that at the end of the full year, you'll probably be more stable irrespective of what happens on a sequential basis depending on imports, exports, would that be a fair statement?
- R. Mukundan:** Yes, sequentially, I think we should be there. I think that is a fair statement.
- Vivek Rajamani:** And the second question was obviously I think you've spoken about the new contracts on the pricing and we've obviously seen meaningful erosion over there. I'm just wondering, given that we are in an environment of falling energy and all the other costs. Would you be able to offset some of this ASP declines by way of lower cost over the course of the year?
- R. Mukundan:** On export, I did mention that the erosion for US exports is our understanding of where energy will land and so the pricing in the market, \$100 erosion which I spoke about. So, it includes that. It's slightly lower than \$100, but I'm saying for ease of discussion, we should just round it off to \$100 and keep it there.
- Moderator:** The next question is from the line of S Ramesh from Nirmal Bang Equities.
- S Ramesh:** Sir, if we were to get some update on the Mongolia capacity addition, is there any update on that in terms of how much they've added and what is the progress likely on that 5 mt expansion there?
- R. Mukundan:** The situation seems to be more or less static in the sense that the capacities which were supposed to come in, have come onstream and there have been some challenges for them in terms of reaching that capacity to market and quality as we



mentioned. And overall, we think the China market remains either balanced or slightly short, which is why I also mentioned, this includes a blended sale to the Chinese market. US exports are headed to China only. But we think it will get balanced over a period of time. The real challenge for us has been coming from again, as I mentioned in the last call, from the Western Europe where we've lost about a million ton of demand and that million ton needs to find a home somewhere else, especially coming out of Turkey and which is depressing prices. So, we need to work our way through that.

- S Ramesh:** Second thing is, if I look at your average inventory cost of coal, you would have got some benefit from the decline in coal from April. But what is the impact of the current increase in freight because of the Red Sea related crisis and do you see your input cost particularly for coal going up say over the next three, six months and would that squeeze your margins further in India?
- R. Mukundan:** As I mentioned to the previous question, the margin in India sequentially is going to be stable. We have all the numbers. They're not impacting it overall.
- S Ramesh:** What about the other markets like US and Europe, would the freight cost has any additional strain compared to what you have mentioned in terms of the erosion in margins?
- R. Mukundan:** So, the erosion in margin includes part freight, part benefit in energy and also includes the reduction in prices. Put everything together is what creates the contribution number which I spoke about. So, it's all embedded inside there.
- Moderator:** We have our next question from the line of Riya Mehta from Aequitas Investments.
- Riya Mehta:** My first question is in the India business, how much percentage would be in the contractual basis, short or long?
- Zarir Langrana:** Quarterly contracts in India would be approximately 50% of our volume.
- Riya Mehta:** And these are annual contracts or what would be their account?
- Zarir Langrana:** Quarterly.
- Riya Mehta:** In India, how are we seeing the demand side scenario? So, like you mentioned, this quarter we saw a 1% increase in demand. Going forward in the month of January, how are things getting?
- R. Mukundan:** The demand challenge is deep in Western Europe and now because of the lithium prices, in the Latin American markets, but otherwise in Asian market it's not a demand problem, it is either growing or it is flat, but it's more a pricing problem here because of the excess supply coming in out of the lost demand in Western Europe.
- Riya Mehta:** What would typically be the consumption in Europe and what has it reduced to, if we can get some numbers, loss of demand in Europe?
- R. Mukundan:** It's about 6.5 mt or so. It's down to about 5.5 mt or so.

Riya Mehta: What will be the current level of imports which are happening in India on that account like incremental? I think earlier it was around 60,000 to 70,000 tons were imported from outside.

R. Mukundan: The incremental what would have been a normal run rate versus where we've entered the calendar year, I'm speaking is about the 600,000 tons addition.

Riya Mehta: 600,000 tons per annum incremental in India?

R. Mukundan: It used to be between 200,000 to 250,000. I think we ended the calendar year with around 8,00,000 or 850,000 somewhere in between.

Moderator: We have our next question from the line of Saket Kapoor from Kapoor & Company.

Saket Kapoor: Just a data point firstly, sir. You mentioned about \$10 million hit on the bottom line on account of the lower sales from the US facility?

R. Mukundan: Yes, approximately. I think that's what it comes to. Our contribution broadly is about, let's say \$125 - \$130 per ton, for 80,000 tons it is about \$10 million.

Saket Kapoor: And about the European part, what has exactly led to this contraction in demand in terms of the Western Europe which you are articulating to earlier reply and how are things going to shape up, this demand is permanently lost, or what is the nature of this contraction in demand if you could explain?

R. Mukundan: In Western Europe most of the consumption industries are in stress. And this, in our view, if the current energy environment, if the current European environment continues, you could say in the medium term it is lost. So, effectively I don't want to use the word, but European supply has to rationalize itself.

Saket Kapoor: Just like the Solvay part, we will be seeing further rationalization of capacity going ahead to balance the market?

R. Mukundan: I see many of the capacities not being able to survive with the current pricing and demand environment. So, it is going to be challenging for them. There will be certain rationalization, but I can't speak for the industry, I can only see the numbers headed there.

Saket Kapoor: Then next question is pertaining to the solar demand that is expected domestically for our country India. So, what are we currently anticipating and what are the fillers in terms of the solar lines that are envisaged to be set up in say two or three years down the line and the incremental demand in terms of million metric tons, that is expected out of this solar initiative taken by the Government of India?

R. Mukundan: If you don't project too long, you just say what the incremental demand is going to come on stream on the announced lines which are currently being built and will be operational in about 18 months or 24 months, it's about 250,000 tons. And in China, the lithium plus solar demand is about, somebody had asked it before, it's about 2.75 million tons.

Saket Kapoor: So, here it is 250,000 tons you have mentioned?

- R. Mukundan:** In India, solar demand on the basis of announced projects, which are under implementation which should get commissioned in the next 24 months, in our estimation about 200,000 mt to 250,000 mt.
- Saket Kapoor:** So, this unabated import which is routing from Turkey will create more price distortion, I mean the prices will remain lower for a longer period of time, this should be a better understanding going ahead?
- R. Mukundan:** I won't comment about the pricing, but all I can say is that on an overall basis, if the European rationalization of capacity gathers pace, it could be shorter. It'll depend fundamentally arising out of that because that's where the material will get absorbed. So, we have to just wait for those processes to continue during the year.
- Moderator:** The next question is from the line of Sumant Kumar from Motilal Oswal.
- Sumant Kumar:** Sir, you talked about the slowdown in lithium demand and we have seen a slowdown of EV sales in the developed countries. So, the way we are talking about lithium is going to have a more contribution in the battery side usage of soda ash. So, do you think the near-term or maybe mid-term challenges of slowdown in EV because of current scenario or there is a structural changes?
- R. Mukundan:** The projects which are already commissioned will continue to run at whatever capacity they need to run because they're fully onstream. So, we don't see a reduction in demand because these are continuous process plans. And the current pricing of lithium, we see new capacity coming onstream getting impacted. They will find it challenging because the return on investment will be subdued for some time. So, they may just postpone. But we think this is not a long-term trend. We really don't believe it is a permanent situation.
- Sumant Kumar:** Any alternate commodity which is going to replace lithium or some changes happening in the market?
- R. Mukundan:** For mobility application today for passenger vehicles or light commercial vehicles and light vehicles, lithium is the best solution. For commercial segments, heavy truck segments hydrogen is the solution. And for stationary, there are many solutions including sodium and China has started to see some sodium chemistry come onstream. But these are in the early stages.
- Sumant Kumar:** What is the sustainable EBITDA per ton for the US business we can see going forward?
- R. Mukundan:** EBITDA usually should be delivering anywhere around \$35 or \$40, and in good times it could be higher, if times are bad, trends are down. I mean we've always maintained that the US business deliver EBITDA of about \$100 million with the current capacity. So, either would be a little lower or a little higher depending on market. If the market environment is very positive it will deliver very high but the range around which we tend to observe the US operation is around that range.
- Moderator:** We have our next question from the line of Ankur Periwal from Axis Capital.
- Ankur Periwal:** Just a clarification. For the US business, especially domestic, you did mention that there are quarterly contracts there while the export business is largely on spot as I understand. Typically, we take a repricing of these contracts in December or in the

month of January. A clarification here is whether the repricing has already happened or probably we'll see another repricing happening in this quarter which is January onwards.

R. Mukundan: So, US domestic runs for the calendar year, which is starting January to December and the pricing has already happened. And as I mentioned, the average rate within the US is almost stable. Minor changes here or there may be there. If you adjust for energy and all other changes the unit is going to have, we will have stable margin. It is in exports that the coming quarter is likely to see \$100 erosion. But going forward it depends on quarterly movements, which we have to wait and watch in the market.

Ankur Periwal: We had lined up our capacity expansion in the US as well. Any change in the timeline there? I think we have mentioned earlier around 1, 1.5-year for those capacity to come up. But given the macro, any changes there?

R. Mukundan: No, let me just explain the overall capacity expansion. In India the power plant is already commissioned, and it is already delivering steam and power to the system. So, the soda ash expansion should be finished by May of this year. So, those additional volumes will come. And salt also, we expect additional volume. Overall, we expect these capacities during the year would yield incremental numbers for the next fiscal year. And in India, we have started the detailed engineering and examining of another 300,000-odd tons, the work will commence shortly. In India, the basic engineering is complete for the next stage. We're going to go through detailed engineering. In US, the basic engineering work has commenced for the 400,000 tons. And then, Kenya, the detailed engineering will also commence for their 200,000 tons. So, for the two sites, the detailed engineering we will be commencing, now that we have the support of the Board, and the US has just moved forward with the basic engineering.

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

Rohit Nagraj: You mentioned that there have been demand side challenges. How has been the capacity utilization across different geographies? And is there any issue in terms of excess inventories in the global system for soda ash?

R. Mukundan: So, there is inventory in pockets. So, I'm not going to say where exactly it is, but I think if you see the capacity utilization of the industry as a whole, it is somewhere close to 90% utilization.

Rohit Nagraj: That aggregates all across the geographies you're considering, right?

R. Mukundan: Correct.

Rohit Nagraj: And the second question is in terms of different region wise demand challenges. So, are there any specific challenges in certain regions that the user segment demand is getting hampered, any cue?

R. Mukundan: I mentioned in terms of demand side, the challenge is mainly in Western Europe, what we refer to as Europe, I think that's where the demand challenge is the highest. In the rest of the world, demand is either flat or the sentiment is flat. I mean we are probably at the bottom end of the curve everywhere. It's in Europe we need to be more watchful.

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

Abhijit Akella: Two questions from me. One is just to clarify the US export price erosion of about \$100. The reference point for that or the base is basically the third quarter which has just gone by or we are referring to last financial year as a whole or something?

R. Mukundan: No, this is referencing what you have seen in the previous year fourth quarter.

Abhijit Akella: Given the fact that US domestic contract prices seem to have corrected far less than export prices are, is that because basically the year ago period exports are at a significant premium versus the domestic market and now that gap is normalizing, is that how we should read?

R. Mukundan: Yes, you could say that. Last year the export numbers were at a premium, but this year they are at a discount going forward.

Moderator: We have our next question from the line of Vivek Rajamani from Morgan Stanley.

Vivek Rajamani: Just two small clarifications. Just in Europe when you mentioned Europe is also seeing £100 per ton erosion compared to last year. This would be across the board or does Europe also have a concept of contracted and spot?

R. Mukundan: I did mention that in the UK our business will see erosion of £100 broadly.

Vivek Rajamani: So, would be across all the volumes, would that be fair?

R. Mukundan: Across the UK business and the US export will be under GBP 100 and USD 100 respectively.

Vivek Rajamani: Just a second clarification was, in the presentation, you've given a figure of Rs.2,000 crore of CAPEX from FY24 to FY'27. I just wanted to double check if this also includes the expansions that are coming up in India, US and Kenya?

R. Mukundan: This is mainly India, which has been cleared. The US is going through basic engineering. We will come back to you with those numbers shortly. And Kenya, we have mentioned it is a CAPEX of about 20 or 25 million, but we will come back again because the detailed engineering is underway. This number is reflective of India.

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

S Ramesh: In terms of follow up, if I look at your future expansion, once the detailed engineering is complete, when do you expect to incur the CAPEX -- will it be from FY'26 or will you start from FY'25 second-half, any timeline you can give on how you will approach this?

R. Mukundan: I would say given the experience of the team, once it is finished, we expect execution time of 24 to 30 months.

S Ramesh: And the second thing is you have booked some savings in the power and fuel cost in India business. So, is that run rate which you see in third quarter likely to sustain in the fourth quarter and can sustain for FY'25 given the current cost structure?

R. Mukundan: This is you're referring to consolidated?

S Ramesh: No, India power and fuel.

R. Mukundan: Yes, in India, more or less, we would be having the same run rate because our contracts are more or less stable.

S Ramesh: On the UK specialty salt, this pharma salt and other specialty salt, any indication you can give in terms of the volumes and the kind of pricing or delta in margins you can expect and when you can expect to see that in the UK P&L?

R. Mukundan: The pharma salt project is under commissioning or close to getting commissioned fully. We expect the UK salt volumes which used to be around 75,000-odd tons probably will creep up to 80,000 to 85,000 tons.

S Ramesh: This is per annum?

R. Mukundan: No, I'm talking per quarter.

S Ramesh: There is a 10,000 tons per quarter.

R. Mukundan: Part of it will be pharma, part of it will get sold as technical because we have to develop the market. So, the pricing we will come back to maybe in the next call.

Moderator: The next question is from the line of Ramana Murthy Malla from Ramana Murthy & Company.

Ramana M Malla: Just couple of questions, One is this consumer related business for Tata Chemicals has been moved to Tata Consumer. Now, what is left is the subsidiary sectors are there, are there any plans to consolidate the domestic operations meaning the subsidiaries merging with the Tata Chemicals also as a part of cost rationalization? Second question is Rallis India remained small compared to competition. So, are there any plans to expand Rallis as an individual Company or are any plans to merge with Tata Chemicals to make a slightly bigger Company because part of business has already moved to Tata Consumer, so therefore, are there any plans to further consolidation in the Tata Chemicals? This will help the Company to grow and reduce the cost.

R. Mukundan: Any listed or unlisted subsidiary, the Board takes a call from time-to-time. As far as Rallis is concerned, our intention is to support the management to grow that business and we will continue to support Rallis to achieve its true potential. That's all I can comment sitting on the Board of the Company.

Moderator: We have our next question from the line of Bhavin Soni from Anand Rathi.

Bhavin Soni: Just needed a clarification on the capacity utilization figure that you had mentioned above. If you can just repeat it?

R. Mukundan: Broadly they tend to be closer to 90%, I think whether it was 89% or 88%, we expect by the year finishes we will be close to that, and next year also, we expect a similar sort of a number.

Bhavin Soni: And this is an each and every geo combined basis, right?

R. Mukundan: This is on a global basis.

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

Riya Mehta: My first question is in regards to the current expansion. We are doing around 1.85 lakh MT in India for soda ash by H2 FY24, and over and above that, we are planning for another 300,000 tons. Is my understanding right?

R. Mukundan: No, in terms of the expansion, what we are doing is close to 230,000 tons to 250,000 tons, and additional stream of about 300,000-odd tons which is under execution.

Riya Mehta: So, by H2 FY24, we will be around that, we are currently at 12 and that only took 15.5?

R. Mukundan: We'll be slightly upward of 1 MT.

Riya Mehta: We get 11 lakh tons right now?

R. Mukundan: We are about 0.85 is effective utilization capacity. I think we'll go to 1.1 MT.

Riya Mehta: By H2 FY24?

R. Mukundan: That's correct.

Riya Mehta: Are we planning any further price erosion in India business since the demand is like in low single digits and we are planning for expansion as well?

R. Mukundan: No, I told already that the margin is expected to be maintained.

Moderator: We have our next question from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: When we look at the power and fuel line item on a QoQ basis, that has gone up from Rs.650 to Rs.700 crore. Is this factoring in the US shut down, what explains this increase?

R. Mukundan: This is in terms of the gas pricing, oil consumption in Magadi and energy costs in UK all put together, which is where the hedging of these commodities have come off and now they're paying the full market price.

Saket Kapoor: So, this will be the run rate going ahead also keeping the capacity utilization levels at the current level?

R. Mukundan: Broadly we should track in that range between Rs.650 and Rs.700 Crs for the utilization levels.

Moderator: We have a next question from the line of Saurabh Jain from HSBC.

Saurabh Jain: One clarification is that there was a disruption that you mentioned in the US business for Q3. Are all the disruptions sorted in the fourth quarter and would it be a more normalized quarter from volumes point of view?

- R. Mukundan:** Our shutdown got extended by about three or four days more than what we planned, which was accounting for 50% of the loss for us. The balance 50% has been because of the rail car shortages. As I mentioned, we are working with Union Pacific and other logistics service providers. That's always a challenge because it is not fully within our control, but we are hopeful it will not continue. They've also done the needful to sort of support the industry.
- Saurabh Jain:** Also, can you give some comments around how the headwinds in bicarb business if at all in terms of demand absorption and also how is the profitability, how does it look like in the bicarb business, some comments on that side will be helpful?
- R. Mukundan:** In bicarb and in salt we are not seeing any such challenges. It is mainly in the soda ash business.
- Moderator:** We have our next question from the line of Rohit Nagraj from Centrum Broking.
- Rohit Nagraj:** Sir, we have seen last year China was coming out with capacity in Inner Mongolia and they have further plans to expand the capacity next year as well. So, will that reflect in terms of benign price environment in 2024 and '25, so any color on the same?
- R. Mukundan:** As I mentioned even in the last quarter, I think we are actually focused on what's going to unfold in Europe and we remain focused on that because the challenging part of the world is actually in Western Europe and hopefully the issues are addressed, the rest of the world probably should rationalize.
- Rohit Nagraj:** Second question is in terms of the lithium battery space. I think earlier a couple of years ago we had indicated that we will be putting up a lithium battery recycling plant. Any progress on that front? And beyond that or do we have any other area which we are looking at from a battery space except for supplying say soda ash from the lithium carbonate manufacturing perspective?
- R. Mukundan:** Yes, we are engaged with our Group Company, Agratas. And as I said, as and when we have any finalized plan, we'll come back.
- Moderator:** Ladies and gentlemen, we'll take that as the last question for today. I now hand the conference over to the management for closing comments. Over to you.
- R. Mukundan:** Thank you. So, I just wanted to say that we did face a fairly challenging quarter and most of the challenges have been met positively by the management team, but we remain focused on our long-term strategy. We think while the short term challenges remain, the long term future of all the parts of our businesses is positive. So, our growth plans are continuing at pace as planned before. And fairly, I just want to say that even though we know that the next few quarters will be challenging, we will continue to focus on what we can control, which is our customer engagement, fixed cost and cost competitiveness and paydown of debt and at the same time remain focused on long term. Thank you.