May 7, 2024

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

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

Dear Sir/ Madam,

Sub: Transcript of Analysts/Investors Call pertaining to the Financial Results for the quarter and financial year ended March 31, 2024

Further to our letters dated April 19, 2024 and April 23, 2024, we enclose herewith a copy of the transcript of the Analysts/Investors Call on the Audited Consolidated and Standalone Financial Results of Tata Chemicals Limited for the quarter and financial year ended March 31, 2024 held on Monday, April 29, 2024.

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

You are requested to take the same on record.

Thanking you,

Yours faithfully,
For Tata Chemicals Limited

RAJIV M CHANDAN
Digitally signed by RAJIV M CHANDAN
Date: 2024.05.07 17:26:37 +05'30'

Rajiv Chandan
Chief General Counsel
& Company Secretary

Encl: as above

Tata Chemicals Limited

Q4 FY24 Earnings Conference Call
April 29, 2024

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY24 Earnings Conference Call of Tata Chemicals Limited.

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

Gavin Desa: Thank you, Rayen. Good day, everyone, and thank you for joining us on Tata Chemicals' Q4 and FY24 Earnings Conference Call. We have with us today Mr. R. Mukundan, the Managing Director and CEO; 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 would also add that this call would need to conclude by 7:45 p.m. IST. I now invite Mr. Mukundan to begin proceeding with the call.

R Mukundan: Thank you, Gavin, and good evening, and welcome, everyone, for the Q4 and FY24 Earnings Call. I have Nandu along with me for today's call, I will highlight with a brief overview of our market conditions and our operational highlights. Within India, demand for our main products, soda ash, while it was muted, it was showing signs of recovery, mainly boosted by detergent and chemical sector. The container glass demand remains steady, and demand in Europe continued to be muted.

US mainly, I think the demand while being stable, there are signs of some bit of fall in the container glass which we are watching very closely. As far as Africa and Middle East, there continues to be pockets of strength and pockets of stable demand. In South America, while despite weaker imports, the optimism is growing. And this is despite the fact that, some of the lithium markets were challenged. The view is that in the long term and in the medium term, these markets would continue to be fine.

As far as China, soda ash demand is concerned, it started on a strong note, and the apparent demand on January and February broadly grew by about 15 odd percent compared to last year. The supply side, the key challenge continues to be the European market where because of the loss of market, the Turkish capacity is moving to the rest of the world. But the Red Sea conflict has put some higher freight rates and has meant a challenge for the material to move into the Asian markets and that has given a bit of cover.

The Mainland China did experience a higher soda ash supply also because of the imports, and they remained a net importer in Q4FY24. We will continue to focus to monitor the European soda ash market, which continues to be the main cause for our worry.

In terms of Tata Chemicals, overall sales volume grew sequentially despite adverse price movement on account of market factor. In India, we saw the highest salt production and sales, and we had to moderate a bit of the soda ash volumes mainly to make sure to maximize salt production, but with the incoming hooking up of the boiler, we expect both soda ash and salt to continue to grow. As far as US domestic market is concerned, while the absolute volumes in the domestic may have fallen, the future trend is expected to be positive, and we continue to track very good production numbers as well as we would be having very good shipment numbers going forward.

In UK, the soda ash did move to fixed price margin, our demand and volume have fallen sharply, and we continue to sort of maintain our production very close to the market demand conditions. Rallis had a soft quarter, while domestic market is fine, the international market continues to have challenge. They are well positioned to continue to improve their performance and they have a new leadership, which is rethinking the strategy and approach to market.

In conclusion, despite difficult operating environment, company has continued to maintain stable performance. Global demand is showing signs of stability and a bit of recovery. But we need to be cautious because of the geopolitical instability and high interest rate environment still continuing. We expect sustainability to be a long-term trend and hence the market segments, which we have stated that solar glass and lithium will continue to be the growth engine.

Our focus is on timely execution of the expansion projects. Most of them are getting commissioned in the month of May 2024. So, towards the quarter two, you would start seeing additional volumes being coming in the market. We also are continuing to focus on customer engagement and cost management. And this will be aided by our digitization effort. So despite the challenging condition, we continue to remain positive. We had to take a non-cash charge, which I'm sure Mr. Nandakumar will highlight during the Q&A session. And also, we would also address the issue of the NCD, the fund raise, which has been highlighted in the results meeting during the Q&A.

So, we would be happy to get into the Q&A session directly and address your queries as we move forward.

Moderator: Thank you very much. Th**e** first question is from the line Saurabh Jain from HSBC.

Saurabh Jain: Obvious first two questions are, can you provide more details around what is the purpose of these NCDs? And also explain more on the non-cash charge, please?

Nandakumar Tirumalai: So, on the NCD being issued going forward, that is basically to look at where we can use the money for deleveraging other geographies. – The arbitrage opportunity is available in terms of interest rates; the purpose is that. On the impairment, we do an annual impairment test every year ending in March. And in UK, there are three plants, one is in Salt, one is bicarb, one is soda ash in Lostock, all are nearby.

So, this plant in Lostock has been impaired as per IND-AS 36 as required, because these future cash flows at this point of time are lower than what we are holding value of the assets are. It's a non-cash one-time charge in the books of accounts. So, it's one particular plant mainly in the UK.

Saurabh Jain: So, when you say the write-down of this asset, is it the inventory or we need more clarity on that side?

Nandakumar Tirumalai: It's fixed asset basically. So, you see we check for all the balance sheet assets in terms of what's actually worth. So, inventory checks for the NRV, so like that. So fixed assets are checked against what is the future discounted cash flow of the assets, which is going to perform over a point of time. And every March, as per the part of account position we need to look at each asset we have across the globe, which is in the US, India and Kenya. And this particular asset in Lostock had an impairment based upon the projections of cash flow which we have done based upon the view of the market in soda ash as of now.

Saurabh Jain: So, this is essentially -- all of it is relating to plant and machinery, no inventory, right?

Nandakumar Tirumalai: Point number 5B explains the exact impairment in the SEBI notes.

R Mukundan: This is not inventory. This is mainly plant and machinery, you're absolutely right.

Saurabh Jain: Okay. And can we expect more of such adjustments in future? Though you have said once in a year, but do we expect any surprises from any other geographies or UKs on this side?

R Mukundan: Nothing, in fact, our view has been that Europe has been challenged. And I think this is a reflection of the challenge, which we have been sort of highlighting to all the analysts and it is tested in terms of future cash flow, pricing and the contribution, the charge this quarter. We do not anticipate any other major asset or anything under pressure, including our operations in India, Kenya or in U.S. or all our operations.

Saurabh, even within U.K., our operations in Salt, Middlewich, which are absolutely fine. The charge is mainly related to the soda ash plant in Lostock. Our pharmaceutical salt plant, our bicarb plant, they're all absolutely in fine condition. We continue to operate these plants.

Saurabh Jain: Understood. And on the NCD, it is just a kind of refinancing, right? There are no fresh investments that you are going to deploy with this money?

Nandakumar Tirumalai: The purpose right now is to look at opportunity for refinancing debt overseas by borrowing in India for arbitrage.

Saurabh Jain: And any timelines on this side, have you decided yet?

Nandakumar Tirumalai: I think in the next few months.

Moderator: The next question is from Abhijit Akella from Kotak Institutional Equities.

Abhijit Akella: On the world demand and supply environment, if you could help us with your estimates of what the demand situation. Demand decline which we seen in CY '23 and your outlook for '24? And also you have mentioned that the market is oversupplied. So, is it possible to quantify how much the extent of oversupply is right now in the market? Thank you.

R Mukundan: Abhijit, the broad oversupply, demand supply mismatch is about 1 million to 1.2 million tons in the European market because that's the demand destruction has happened and the supplies have remained and unless the capacities go out and we have not had any announcements of any capacity go out, I think this environment will continue and this material will tend to flow out.

The other big demand supply area has been China, where we had 5 million tons come in. But effectively, that material is still finding its home only in China. It's not finding it's home outside. And that is mainly because it fulfils some local requirements and local logistic requirements. We anticipate that if at all there's any pressure which can come, it will be from Chinese market in case the real demand there falls. As of now, what we can only say is that the Chinese prices have more or less seemed to have bottomed out. They were close to about CNY1,900 or CNY1950. And they have moved to about CNY2,000. They have range bound in that number. Last year, same, I think this number was close to about CNY 2,400. So, there is a dip, there is a fall. But what we are seeing on the ground is that this is probably hit the bottom.

And the same as the pricing commentary as far as India is concerned, the prices, including the import prices are more or less holding and the demand environment continues to be fine. So really, as I mentioned in all the calls, the trigger for demand supply balancing has to start from Europe and hopefully, what we get a addressed over a period of time.

Abhijit Akella: And just one other thing on our capacity expansion plans. In the context of the oversupply, any sort of second thoughts you might have about some of the expansion in the U.S. or Africa?

R Mukundan: So, Abhijit, the point is that we will continue to expand where it is competitive, in terms of serving the market. I think we've got very good markets in India and U.S. These economies are doing very well. And these are also in terms of cost to serve local as well as international markets very competitive. So, our work on this in this direction continues. Kenya, as you also know, is a low-cost asset, which is able to serve Indian and South-east Asian market very competitively. And ours is a dispersed expansion. It is not concentrated on one site.

So, the expansion of 250,000 ton in India is almost done, actually, it's getting commissioned as we speak with the hook-up happening in the month of May. And in terms of the next phase of another 300,000 ton, that work is at pace in India. Kenya also would increase the capacity by 300,000 ton and 400,000 ton in U.S. This we are continuing to pursue. These are all in design phase now and implementation will start shortly, and we will start highlighting the capex and the other numbers to all of you. And since all these are brownfield, they are very value creating.

Moderator: The next question is from Vivek Rajamani from Morgan Stanley.

Vivek Rajamani: So, in your comments, you mentioned that you're expecting the U.S. domestic volumes and volumes in general to be positive going forward, and expecting good shipment numbers. Just wanted to clarify where you're seeing these demand trends that support this assumption of yours? That's the first question.

R Mukundan: The issue is about our own capability in terms of operation and delivery. I think the plant has had record numbers, actually in the month of February and March, and the operations continue to post record production numbers. And as you know, the U.S. operation because of the cost structure is able to move the material in most parts of the world, so it will continue to serve the domestic demand as it continues to grow in all along in North America, which is in U.S. and Mexico and Canada put together.

In addition to that, we will also be able to ship this material to our customers overseas, mainly in LATAM, Asia Pacific region. And some part of it would certainly go to Europe. We've already shipped one shipment to Europe and also one shipment to China in the last quarter and this quarter.

Vivek Rajamani: Sure, sir. And just one clarification here. You did not mention that container glass is still a bit of a struggle in the U.S., correct?

R Mukundan: Yes. This continues with respect to, to be a bit of a challenge in the beer demand, is continuing. And we do hope it will stabilize because the market conditions from the broad economic point of view, does remain positive. We do know that we will have even greater positive bias once interest rates start to trend down, which has been long coming, which is why I was a bit cautious in my commentary saying that one is on the geopolitical conflict, depending on what happens in which region could provide us opportunity. For example, the Red Sea conflict in some markets has given us a better opportunity. But if interest rate remains higher for longer, I think we will have to continue to watch our consuming markets. But as of now, what we are seeing is that there is no more increase in interest rate. We seem to have peaked. The prices of the soda ash have almost bottomed out. So from all perspectives, this is, where we are at a point where it can only trend a little bit up.

Moderator: Next question is from the line of Ankur Periwal from Axis Capital.

Ankur Periwal: Just continuing with U.S., given that last part of the sales volume that we do have long-term in nature contracted, will it be fair to sort of working EBITDA run rate will be similar as what we see in this quarter?

R Mukundan: Yes. Broadly, if you look at the domestic, for the first three quarters, the numbers are more or less contracted. There is some open quantity in this Q4, which we will close during the course of the year. And exports also, in Q1, it is fully contracted. Q2, it's close to about 80% contracted. So we would continue to see similar trends here.

Ankur Periwal: Sure. And the same breakup in terms of, short-term and long-term contracts, how do we stack up in the U.K., given the profitability has been slightly under pressure here and the demand outlook has not been available here?

R Mukundan: The customers are now, understand that the prices are more as bottomed out, they are beginning to engage on a longer-term contract. Because you see, normally the customer behaviours when the prices have not yet bottomed out, they would want to test whether it's a bottom. Since the prices have more or less hit the bottom, most customers are willing to engage on a longer term. Our team always wants to have a mix, but really, we would continue to sort of work on a combination of the two. But I want to give the flexibility to our sales and marketing team in the way they want to sort of build this whole piece. But usually, we tend to keep at least 50% to 60% under contract which are longer term in nature so as to provide stability to our sales outcomes.

Ankur Periwal: Thank you.

Moderator: The next question is from Riya Mehta from Aequitas Investment Consultancy.

Riya Mehta: So my first question is when we see soda ash volumes for India they have declined on a quarter-on-quarter basis. With us ramping up the new Brownfield capacity of 250,000 tons in May how do you see the volumes turning out to be and capacity utilization?

R Mukundan: So this quarter, as I mentioned, we did ramp down a bit of the production. It was actually constrained by production, not by market. And largely because we had a certain amount of utility shortage because hook-up of the boiler had not happened. It's happening in the month of May fully and the expanded capacity is also coming on stream. So we did increase the production of salt to ensure the shipment and the market needs are fully met.

Having said that, I think these constraints will not be with us post May when the boiler capacity that would be hooked-up. So really, the number which you're seeing in Q4 is a constrained number because of our utility constraint which we had faced during the quarter.

Riya Mehta: Okay. And how do you see the ramping-up of the Brownfield capacity of 250,000 tons in India – if you can give the full capacity utilization?

R Mukundan: Once the capacity is hooked up, I think we would probably tend to sort of see full capacity reaching in about 90-odd days or so, not more than that.

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

S Ramesh: Sir if you look at the Chinese capacity addition of 5 million tons. Wouldn't that be driven is it operate at full capacity? Wouldn't that actually add to the excess supply given whatever consumption if you take 60 million, 65 million consumption, it's about 10%. So how do you see that full production in China and Mongolia are coming in to the extent that although it's consumed in China or the overall Asian in consumption it kind of replaced whatever is being imported by the production. So wouldn't that need to excess supply in Asia?

R Mukundan: So you would normally tend to state that, but I think if you really look at what has happened in the marketplace, the Chinese material has tended to continue to be in the same proportion as they been exporting in the past. The reason for that is, some of the units are beginning to operate at a lower operating rate moderating at the level. And I mentioned this also in the last call, the natural capacity tends to put pressure on the synthetic capacity most synthetic capacity are near the coast. Further, when they export, they come under even more pressure because they get lesser net realization. So the incremental volume they move from domestic to export because of the pressure they face from natural capacity tends to be at a lower pricing.

So this is a phenomenon we have seen in every market. So this will play out and is playing out exactly in the manner which we had highlighted. Now the issue which we need to worry about is not so much on the supply side. I would rather be focused on the demand side. If the Chinese real estate and other elements in the marketplace play very negatively for them and the real demand starts to compress that's when we should be worrying. As of now, China has been positive in demand growth and more or less I think from our perspective. So I would fundamentally say that, we are watching the situation closely. The Chinese demand in terms of the real estate cost initially balanced out by the increase in solar glass demand. Also, the demand for lithium carbonate they're booming EV sales, but we need to watch all these sectors.

So I'm for not once saying that there may not be any impact from the Chinese market. All I'm saying is as we are observing the market trends now the continued pressure seems to be coming out of Europe and not out of China.

S. Ramesh: So the next thought is around if you look at UK before this impairment you were bringing cost down Y-o-Y. So in the UK and US what are the kind of reduction in the contract prices and how do you see the margins play out in UK and US from the current margin which are obviously in that low range of around USD 40, USD 50?

R Mukundan: So, I think there has been a compression in terms of the contribution margin in UK. And I think Nandu can correct me. It has broadly been in the range of about USD 30 to USD 40-odd per ton and that's created a pressure on the financial numbers to do the impairment charge. We, as of now, do not anticipate any major change in that number, it will continue to be under pressure, and which is why we've taken the call to impair (take the financial charge).

Moderator: The next question is from Arjun Khanna from Kotak Mahindra Asset Management.

Arjun Khanna: Sir, given where the market is right now, how would we envisage our debt structure? We are raising NCDs, but if you look at the debt it's roughly up Rs.265 crore year-on-year. So what is our thought process in terms of the net debt situation?

R Mukundan: So broadly, this is also another issue which you've highlighted, Arjun. See, because our debt is denominated in dollars, I think there is also a value increase which happens due to depreciation of Indian rupee. So, once we sort of substitute this with Indian debt, at least that increment will stop happening. And the idea is to as Nandu has highlighted there is certainly a benefit to having Indian rupee-denominated debt and pay down the dollar-denominated debt. I think that's the opportunity we are looking at. This is not to fund any expansion. Expansion will continue to be funded through internal accruals. This is to replace some of our existing dollar debt with Rupee debt. Nandu, if you want to correct me if I am wrong.

Nandakumar Tirumalai: I think it's correct, Mukund. So Arjun, the reason is that, it has to refinance some debt. And if you look at it, going forward as of now in India the major capex is over. Mithapur is getting capitalized now. So, we will be having a bit lesser capex going forward that will help us in the overall FCF being better. So therefore, that's where we are in terms of the overall debt number. As rightly mentioned, if the price improves, we can start repaying more debt. As of now, we are looking at the free cash flow which would be slightly better than past because of lower capex.

Arjun Khanna: Sir, what does that mean, sir, slightly better than past?

Nandakumar Tirumalai: See, if you look at the capex, we had in the last 2 years' time we had the expansion happening in India at Mithapur. That has been more or less done. And we have just capitalized some part of it in March and some part in May or June. So the next stage of capex will start happening now over a point in time. So the major bulk of the capex in India has got down now.

Arjun Khanna: Because we have mentioned in the slide that we are doing INR2,000 crore of capex FY25 to FY28...

Nandakumar Tirumalai: Yes, that's over next 4 years. But as we had the last expansion, over the last 3-4 years' time, so the pace of capex was much, much higher last 2 years' time. So the next phase will happen over 3 or 4 years' time, Arjun.

Arjun Khanna: And the expansion in U.S. and Kenya, which we had announced?

Nandakumar Tirumalai: That also happen over the next couple of years' time.

R Mukundan: Yes. So Arjun, let me just highlight that, what Nandu is saying is that the debt between India and Singapore is not likely to move up. In fact, it probably is likely to trend down as we start to have positive cash earnings because the bulk of the capex cycle, (large capex growth cycle) is almost over, and we will capitalize all of this in the month of May-June in the period.

In terms of the U.S. and the next phase of expansion, as I said, it's in design phase. So there will be a lull in between. The capex expenditure follows the S curve, which starts slow, peaks up very rapidly and then start to slow down towards the end. And the S curve normally runs for about 18 to 24 months. So we expect the lean period to continue at least during the course of this year and maybe part of the next year before it ramps up again, by which time, we would probably have enough visibility and also positive earnings across the board.

Kenya is already having no debt. Rallis has do debt, India has no debt. And Singapore debt will be partly addressed through the NCD, and we will pay that down in India. In terms of the U.S. debt, I think we had committed 3 years to pay down that debt and the first year of that cycle is over. We had committed \$100 million. We paid down \$110 million as against \$100 million.

And we will continue to look at opportunities during the next 2 years. The maximum we see it increasing instead of being 3-year pay down, it may have become 4-year pay down. Our calculations are landing somewhere there. So there is a change, but I think we will work our way to make sure that -- to keep the commitment we have made to pay down in 3 years' time. First year has run well. The next 2 years may get extended by another year, that's the maximum we see.

Moderator: The next question is from Sumant Kumar from Motilal Oswal.

Sumant Kumar: Sir, my question regarding U.S. We have seen a Q-o-Q improvement in U.S. soda ash volume. But still, EBITDA per ton, per kg, are still subdued. And in Q3, we have an exceptional loss also, one-time expense or one-time loss for the U.S. business - so what is the going ahead in next couple of years, EBITDA per ton we are expecting? And what are the key reasons for that when you subdued the EBITDA per ton in this quarter?

R Mukundan: So on the volume, let me address that broadly. If you look at the last quarter, Q3, our export volumes were broadly 298,000 tons. This quarter, the number is 370,000. So there is an increase. There's also increase in the domestic, which was 231,000 tons to 256,000 tons. Sequentially, there is increase in those numbers.

And as I said, our unit is doing well, and they are trending well. Lastly, last quarter, certainly there was an issue of broadly about 50,000-60,000 tons getting impacted because of various shipments as well as the Union Pacific as well as internal maintenance extended shutdown, which we had, but that is now behind us, which is why you see the numbers trending up.

As far as EBITDA is concerned, largely, I think the domestic EBITDA is stable. We have not seen anything more than $4 or $5 change in the EBITDA number compared to last year. The biggest fall has been on the export side, where the EBITDA number is almost dipped by about, $90 to $100 odd, in terms of what it was previous year to this year. So overall, I think it's a blend.

Sumant Kumar: So you are saying that quarter-on-quarter export margin has deteriorated. When we talk about what we are getting at China is doing good in demand side of solar glasses, okay? And then you are talking about Europe is a problem. So what are other factors impacting export business for us?

R Mukundan: So fundamentally, if you look at it, the export realization overall has dropped. International prices overall have dropped in all markets. While in some markets, it may be less, more other markets may be more. But I think it has overall dropped by anywhere between $100 per ton to $120 per ton, and that continues to reflect in the export pricing and in the contribution and it's sort of straightaway pours into your EBITDA margin.

More accurately, if you look at it, the current quarter, the NSR is down from the previous quarter in export to almost $60-odd. And the fall between the same quarter last year, because last year, this quarter was a peak because the prices were reset down by $150 broadly on the export side.

But on the domestic side, it is hardly a movement of $2 from last year, and it's hardly a movement of $8 from the previous quarter. So really, the change is not in the domestic pricing. our domestic realization. It is mainly on the export. And this is likely to sort of continue in the near term. And we do expect at least some positive changes happening only towards the Q4 of this current financial year. The next 2, 3 quarters will trend to the similar number.

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

Rohit Nagraj: Sir, my first question is you mentioned in your opening remarks that China demand improved by about 15% during the first 2 months. So could you just help us to explain which in all segments are doing well in China in terms of user industry, given that real estate has not picked up plus -- on EV side also, there has been some slowdown. So just your perspective on the same.

R Mukundan: So I think it is across all sectors. And this is why the numbers from China are not matching the commentary we hear on real estate. They do seem to be doing well on solar glass. They do seem to be doing still on the lithium carbonate processing, even though the prices have fallen.

So most of these sectors seem to be doing well, but we need to sort of watch out which could ultimately lead to some bit of erosion in the demand.

But more importantly, it's going to be very important to watch real estate how the unbuilt, let's say, units there in residential are dealt with by government. Do they take it through a mechanism for completion or they do not take it through a mechanism for completion, like it was done in India, especially if you look at some of the projects in and around Delhi and Noida. So we still have to watch that resolution. It remains an issue of pressure. So we will watch that space.

Rohit Nagraj: Sure. Sir, second question, you mentioned generally, the European demand remains the key driver. And if that demand does not improve, probably given the market is oversupplied, will the pricing environment generally remain benign throughout 2024?

R Mukundan: See, the basic issue for that has been the supplies out of Turkey, which normally would have gone into Europe are now moving into other parts of the world. And that number is fairly high and that is causing a bit of dissonance in all parts of the world. For that to correct itself, it is not a demand question because we are not even questioning whether demand will go up. Our view is that the supply within Europe has to come down, which means some of the units have to slow down or may have to take a very difficult view of what they do with the capacities there. And we have to watch that space. That is a process which will happen or maybe most likely to happen.

Moderator: The next question is from Nitesh Dhoot from Dolat Capital.

Nitesh Dhoot: Just a quick one from my side. Typically, how many days of shutdown is taken in Q1? And will it be sufficient for integration capacity with the existing plant?

R Mukundan: So this quarter in Mithapur where the recovery is happening with broadly a 10-day plant shutdown. We are building out the inventory to make sure our customers are fully serviced. And it should normally be around that period, not more than that.

Nitesh Dhoot: Thank you, sir.

Moderator: We take the last question from the line of Saket Kapoor from Kapoor Company.

Saket Kapoor: Sir, you did mention about lots of material moving from Turkey to other parts of the world as there is a demand destruction in Europe. So my question is particularly what has led to the demand destruction in Europe? And how will this situation improve going ahead? And what has been the import into India for the last quarter and for the full year as a whole?

R Mukundan: In terms of the demand in Europe, the main issue is that, because of the unfortunate conflict there, , they've lost access to the cheap Russian gas and energy, has an important role in most industries, including our consuming industries and that creates its own set of stress and the high inflation environment, and that creates a cycle of demand for all sectors. So it is driven off the consequence of what is happening in that space. And we have seen that there's been no resolution for almost 2 years now. And while the gas prices in Europe have come down, they are still 3x the peak level. So really, that is the key driver why the European situation is really difficult. And the reason I said that it may lead to some kind of a permanent way of shift of, active capacity is mainly because many of the units will find it challenging, including the consuming industry of the soda ash itself. So let me leave it there because I think we've got to watch it sector by sector and space by space. And that is something which will play out.

This has not been the situation in other markets, which are supplied by a very different level of energy source. U.S. is very competitive, and it's a gas energy source. China continues to have a mix of coal and renewable and gas now increasingly coming from the Russian side. And also, India was not exposed to this. So, these markets were not exposed to so they are coping better than the European market.

In terms of the consequence of that, what has happened in India, broadly, we've seen about 0.5 million ton of additional imports. And in a market which used to be in the range of broadly 600,000 tons import, has crossed 1 million to 1.1 million tons, and the market demand in India has been fairly stable last year, compared to the year ended '23, where the demand was 4 million tons, the demand this year has been 4.056 tons. So, there's been a 20,000 tons, 30,000 tons increase in the demand condition in India. It has not fallen. It has remained stable. But the domestic player sales to the market has been depressed because it was almost to the tune of 500,000 tons increase in the imports, which have primarily come from this source.

Saket Kapoor: Sir, if we look at the freight and forwarding the charges it has gone up by 100 crs QoQ, can you explain reason for the same? And on the carbon capture program, we have done some work for the U.K. government, and we have spent some money on the carbon capture. Now when we have taken impairment, does that value also goes down? Does it have any correlation with the carbon capture program also?

R Mukundan: There is no impact of that. In fact, even the units which have been impaired are continuing to produce, it is not related to operations. So we will continue to serve our customers as long as it is profitable. But the soda ash plant, which is in Lostock is not making adequate margin to cover its asset base, which is why it has been written down. Operation of CCU has no bearing on this. That continues at pace as well as our bicarbonate and salt production continue as planned before.

And in fact, I think to clarify your point, Saket, U.K. will continue to focus on the more value-added space of bi-carbonate, salt and pharmaceutical salt. They will continue to run them very efficiently, and they are profitable. Out of GBP 25 million EBITDA, which we normally telegraph as a sustainable number there, GBP 15 million usually should come from the other 2, which is bi-carb and salt. And we think that could continue to climb further, as the pharma plant goes on stream.

Moderator: Thank you very much. We will have to take that as the last question. I would now like to hand the conference back to the management team for closing comments.

R Mukundan: Thank you everyone, on the call. I think there's been several queries on the NCD as well as on the impairment. Let me again reiterate that the NCD is primarily for deleveraging or financing the external debt with Indian debt. And I think we would want to make sure that in rupee denominated remains constantly paid down with the cash earning capability out of India.

In terms of the non-cash write-down, it is primarily on soda ash, as Nandu has explained, the underlying asset versus the cash earning capability, I think we have to match it and we took the write-down. Our strategy in U.K. continues to be the focus on the value-added products to grow further, and we continue to engage on that piece.

The rest of the parts of the world and our operations, salt will continue to get adequate support and continue to grow. Our focus bringing onstream the current project within Mithapur, will show fruition during this quarter. And the next phase of expansion, the design work is at pace, and we will come back to you with specifics. But broadly, these will be highly value creating because of the brownfield nature of these expansions.

We continue to remain focused on our customers. We continue to watch them very closely. As of now, the market is in a very stable bias. And while there are certain headwinds, we need to watch out high interest rates and the element of some sectors in some of the markets are coming under pressure. The overall demand situation continues to stable. There is a continued focus on making sure that our cost structure is most competitive. At the same time, we are continuing to focus on our sustainability effort in terms of decarbonization and digitization. Thank you all, and we look forward to meeting once again at Quarter 1.