

Result Update

Q2 FY24

GHCL Ltd.

Institutional
Research

Weak operational performance continues

GHCL reported a revenue decline of 31.5% YoY / down 20.8% QoQ to Rs. 8,054 mn, mainly due to a drop in Soda Ash realization and some softness in sales. EBITDA for the quarter declined 47.6% YoY / down 28.4% QoQ to Rs.2,131 mn, and EBITDA margin contracted by 810bps YoY to 26.5%, impacted by lower realization and volume, though partially offset by receding input costs. Net profit for the quarter declined 50.7% YoY / down 66.5% QoQ to Rs.1,428 mn, while the PAT margin came at 17.7% versus 41.9% in the previous quarter. While the global markets remain soft, GHCL is beginning to observe early signs of demand recovery in the domestic market, especially in the conventional end-user sectors. This is in addition to the emerging demand from environment-related sectors such as solar glass, lithium carbonate, and sodium bicarbonate for flue gas treatment.

Valuation and Outlook

GHCL reported a weak operational performance during the quarter, led by pricing pressures and weaker demand. We expect Soda Ash prices to remain subdued for the next 1-2 quarters as demand growth remains sluggish and new supplies are getting absorbed in the market. However, this is expected to improve going forward due to anticipated growth in demand from environment-related sectors such as solar glass, lithium carbonate, and sodium bicarbonate for flue gas treatment. GHCL expects some pain in the short term on both volumes and realizations fronts due to cheap imports from Russia and Turkey. While margins may get support from a reduction in input costs, the impact of lower realizations would likely be higher than that of the lower input cost benefit. Further, to meet the growing domestic demand, the company is commissioning a capacity of five lakh tons in the first phase through a greenfield project. Once commissioned, GHCL will be the largest Soda Ash producer in the country. Overall, the management indicated that the soda ash industry might see a dip in the short term, but long-term demand remains intact.

Key Highlights

Particulars (Rs. mn)	Q2FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)
Net Sales	11,764	10,169	8,054	-31.5%	-20.8%
Gross Profit	7,778	6,332	5,336	-31.4%	-15.7%
Gross Margin (%)	66.1%	62.3%	66.3%	13bps	398bps
EBITDA	4066	2978	2131	-47.6%	-28.4%
OPM (%)	34.6%	29.3%	26.5%	-810bps	-283bps
Net Profit	2895	4263	1428	-50.7%	-66.5%
EPS (Rs.)	24.6%	41.9%	17.7%	-687bps	-2,419bps

Source: Company, BP Equities Research

Sector Outlook

Neutral

Stock

CMP (Rs.)	527
BSE code	500171
NSE Symbol	GHCL
Bloomberg	GHCL IN
Reuters	GHCH : BO

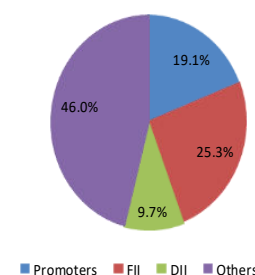
Key Data

Nifty	19,675
52 Week H/L (Rs.)	660/464
O/s Shares (Mn)	95
Market Cap (Rs. bn)	50
Face Value (Rs.)	10

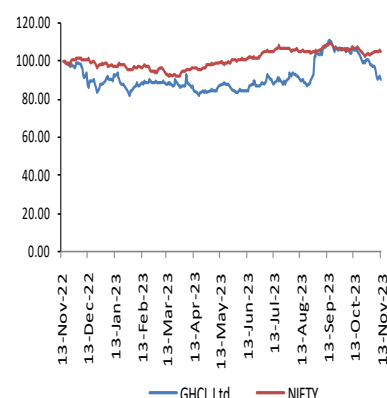
Average Volume

3 months	483,060
6 months	380,070
1 year	332,040

Share Holding Pattern (%)



Relative Price Chart



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Key Concall Highlights

Soda Ash Market Outlook:

Soda Ash demand remained tepid, and the market remained oversupplied in most parts of the world during the quarter. We expect a downward trend in FY24 in the domestic market, as the company took its annual shutdown in October this year, along with a weak global outlook on Soda Ash.

Volume Guidance:

Volume during the quarter declined ~13% YoY and is expected to remain subdued for several more quarters. We expect a downward trend in FY24 in the domestic market, as the company took an annual shutdown in October this year, and the global outlook on Soda Ash is weak.

Price Cut:

The Soda Ash market is oversupplied in specific regions, which has put downward pressure on prices. The prices in India have decreased, and the company has taken the price correction in the month of August; it may take a further cut, too.

Demand Outlook:

As per management, Soda Ash demand is expected to remain strong in the long run, driven by higher demand from solar glass, lithium and sodium bicarbonate. The lithium segment demand will increase by 3-4x in the next five to six years, currently around 10-13 lakh tonnes.

"GHCL expects near-term challenges to persist in terms of realization and volume."

Key Growth Areas:

The management expects key growth areas from vacuum salt produced using waste energy, salt yield improvement, and the benefits of doubling the sodium bicarbonate capacity from 60k to 120k MT. The greenfield project is also progressing with the basic engineering activities.

Other Highlights:

- As per the management, China's presence in international trade will reduce going forward, as it is likely to focus more on expanding its domestic market.
- Soft demand trends in most parts of the world, including the Americas, China and Europe, will impact the performance.
- Turkish Soda Ash manufacturers need better demand in Europe. They have extra volumes available and are aggressively exporting to Asian markets.



GHCL Ltd.

Result Update Q2FY24

Key Financials

YE March (Rs. mn)	FY22	FY23	FY24E	FY25E
Net Sales	30,521	45,454	43,270	45,770
Growth %	-	48.9%	-4.8%	5.8%
EBIDTA	7,288	14,814	12,580	12,970
Growth%	-	103.3%	-15.1%	3.1%
Net Profit	6,373	11,167	8,500	9,120
Growth %	-	75.2%	-23.9%	7.3%
Diluted EPS	44.4	115.0	88.9	95.4

Profitability & Valuation

EBIDTA (%)	23.9%	32.6%	29.1%	28.3%
NPM (%)	20.9%	24.6%	19.6%	19.9%
ROE (%)	21.6%	28.4%	19.1%	18.3%
ROCE (%)	17.5%	33.3%	23.4%	20.9%
P/E (x)	7.9	4.5	5.9	5.5
EV/EBITDA (x)	7.1	3.5	3.9	4.3
Net Debt/ EBITDA (x)	0.7	0.1	0.2	0.0

Source: Company, Bloomberg Estimates



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