

Transcript of Q1 FY 2010 Conference call held on July 31, 2009

Moderator:

Good morning ladies and gentlemen. I am Shirley, moderator for this conference. Welcome to the Q1 FY10 result conference call of Tata Chemicals hosted by Emkay Global Financial Services. At this moment, all participants are in listen only mode. Later, we will conduct a question and answer session. At that time, if you have a question, please press * and 1 on your telephone keypad. Please note this conference is recorded. I would now like to hand over the conference to Anish Damania, Head of Equity of Emkay Global Financial Services.

Anish Damania:

Good morning ladies and gentlemen. We at Emkay welcome Mr. R. Mukundan, Managing Director, Mr. P.K. Ghose, Executive Director & CFO and Mr. Kapil Mehan, Executive Director for the Q1 FY10 conference call on Tata Chemicals to discuss the quarterly results. I would like to hand over the floor to Mr. R. Mukundan and he will give you details on the results.

R. Mukundan:

Thank you very much. I will start with sharing some perspectives on the operating performance during the quarter under review following which Mr. Ghose will share some financial results. After this we will be happy to respond to your queries.

Broadly, Tata Chemicals operating performance has been encouraging and when you look at the domestic operations, it has been on the back of continued strong growth in soda ash demand mainly from the detergent sector in addition to container glass - a couple of float lines were fired in India which led to 8.5% growth rate in demand growth in soda ash. Margins have improved mainly on the back of cost management and the fall in input prices. Imposition of safeguard duty has also helped increase the competitiveness of domestic players which resulted in managing the economic downturn well. Sodium bicarbonate, the other related product which we make, continues to show interesting trends and continues to show as in the past. In terms of our consumer product business, we are the No. 1 food brand and this was recognized in the Economic Times survey as the most trusted food brand. This year Tata salt completes 25 years. Overall I would say our company has a substantial exposure in the agri and in the consumer products business. In terms of the agri sector, expanded urea operations continue smoothly and we are running at a record production number of 105,000 tn per month which is post de-bottlenecking. This has run consistently almost month on month for the last three months. With respect to phosphates which was a challenge in this quarter, we are beginning to see the end of the downward spiral and we see the plateau beginning to happen. Haldia operations have commenced and have continued. However, we expect the margins to correct themselves sometime in the current quarter. The last quarter still had certain margin pressures in the phosphate business and this is the biggest challenge which we are facing in all our businesses which is getting corrected this quarter.

As far as our international business is concerned, we have seen a strong showing by Brunner Mond which has been mainly on the back of continued margin improvements with very marginal volume decline. This is a broad trend amongst all our entities. The domestic market performance has been substantially better than expected and where we have faced pressure on the export front. If we look at Brunner Mond, bulks of its sales are in the domestic market which has helped the company to maintain a good momentum. The new bicarbonate plant in UK is under commissioning trial. This bicarbonate plant was implemented to focus on producing bicarbonate which goes into flue gas treatment. With the new emission control norms being implemented

provides a new demand area for all of us. This whole issue of climate change and the emission control is highly beneficial for the Alkali industry. This plant will go on stream from August. At Magadi, the pure ash plant is fully stabilized. The margins in the pure ash plants had turned positive due to the fall in the HFO prices, In the Standard Ash plant, the margins have shown a slight compression because of the pricing challenges which we have faced in the markets in South East Asia and there is certainly a sales challenge which we are facing because Magadi's main markets are competing head on with the Chinese producers. As far as General Chemicals is concerned it does not face a direct competition with the Chinese producers except in the Asian markets. Concerning the export markets in Asia, we are now putting in place programmes to regain our market share. So overall we are seeing a pattern of demand picking up. The demand has been fine in India in the first quarter and we are seeing a stabilizing macroeconomic environment all around the world in all our major markets. So this gives us a positive confidence that we will continue to see improvement in performance overall. While this sounds like a positive view from us for the first time in the last two or three calls, I would also emphasize that there could be margin pressures going forward. It maybe on account of the fact that cost improvement and cost reduction will probably begin to plateau out. However, the pricing pressures may continue for a couple of more quarters. So the challenge before us is to manage the pricing pressure. One quarter has been managed well but we have three more quarters to do the same. Thank you and now Mr. Ghose will take you through financials.

P.K. Ghose:

I will share with you some details of our financial performance for the quarter under review. Stand-alone revenues were at Rs1, 441 crore up 19.4% from the last quarter. Stand-alone PAT is up 60.8% to Rs 94.4 crore. Consolidated revenues were at Rs 2, 285 crore up 4.2% from the last quarter of last year. You may bear in mind that revenues were high last year due to the mark to market valuation of our high cost inventories. Consolidated PAT after minority interest was at Rs106 crore. This amount is after adding back a one time provision of Rs 63 crore, net of tax, made towards restructuring of overseas operation in line with the local GAAP. This amount is apportioned over a longer timeframe but in line with accounting requirements needed to be provided for in this quarter. Total secured loans amounted to Rs 2, 154 crore where in loans from banks stood at Rs 601 crore, loans from FI's stood at Rs 1, 313 crore and debentures stood at Rs 240 crore. Total unsecured loans amounted to Rs 3, 685 crore where short-term loans and advances stood at Rs 503 crore and other loans and advances stood at Rs 3, 182 crore. Total cash on the balance sheet as on June 30, 2009 inclusive of investments and value of fertilizer bonds amounted to Rs 1, 253 crore. On July 2, 2009, the company raised Rs 250 crore via 10-year unsecured 10% yearly coupon NCD's. We propose to utilize the proceeds towards our various cooperative initiatives. Total fertilizer subsidy received in Q1 of 2010 was Rs 667 crore. All subsidies were in cash. The outstanding subsidy remains at Rs 760 crore as on June 30, but after the receipts in the last few days, it is currently at Rs 521 crore. I must highlight the significant contribution that our cost saving and cash conservation program ADAPT is making. Total savings on fixed and variable cost in the quarter amounted to Rs 50 crore. As you know, ADAPT initiative runs across all Tata Chemicals Offices and plants both in India and overseas. In conclusion, I will say that our performance has been encouraging. I look forward to improved performance going forward. We will now be open to questions. Thank You.

Question and Answer Session

Moderator:

Ladies and gentleman we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If your question has been answered before your turn, and you wish to withdraw your request, you may do so by pressing # key.

First question comes from Abhishek Kothari of SPA Securities Ltd.

Abhishek Kothari:

You said there is a sodium bicarbonate plant to be commissioned from August. Is there any agreement for off take that is taken place on the production?

R. Mukundan:

No there isn't. We actually sell to power companies and municipal incinerator operations and there is a pretty strong demand. We are already in that market. But this is a specific plant which we have put up to address that specific market and we see no issues with respect to demand in terms of output of that plant.

Abhishek Kothari:

And on the IMACID front, what is the latest price for phosphoric acid?

R. Mukundan:

The current phosphoric acid price is USD 490. That is the monthly pricing. So this is the price which is applicable for the month of July. We are in discussions for finalizing.

Moderator:

Next question comes from Amit Dalal of Amit Nalin Securities Pvt. Ltd.

Amit Dalal:

What are the capacity utilizations of BMGL and GCIP? What is the interest cost debited for the quarter that is coming on GCIP because of the acquisition? For the incremental capacity of fertilizers in India, what will be the approximate price realization that you expect to get from the government?

P.K. Ghose:

The average capacity utilization across geographies is about 80%

Amit Dalal:

That is in Europe and America?

R. Mukundan:

Our highest capacity utilization is in Europe and the most pressured capacity utilization is in the U.S. where it is anywhere between 75% and 78%. In other areas it is over 80%. So the average is about 80%.

Amit Dalal:

And because of the acquisition, what is the interest debit that is coming on GCIP balance sheet?

R. Mukundan:

It is about Rs 30 crore for the quarter.

Amit Dalal:

And total on consolidated basis for the company?

R. Mukundan:

On GCIP, it will be another Rs 59 crore.

Amit Dalal:

My last question was with regard to the fertilizer policy. What would be the average realization that you would get from the government on per tn of urea?

Kapil Mehan:

First we have to achieve our normal capacity which is 864,000 tonnes and once we do that then we have to cross the 10% hurdle. Then we are eligible for the pricing for the enhanced production. That will happen sometime towards the later part of this year.

Amit Dalal:

You mean October or December?

Kapil Mehan:

Maybe even later than that. And once that happens then the pricing will be based on the average extra production throughout the year, month on month. The current price which is running for that additional production is about USD 250 per tn equivalent.

Amit Dalal:

So for the current capacity of 864, I would imagine that your selling price to the farmer plus subsidy must be about Rs 7, 000?

Kapil Mehan:

It is more than that.

Moderator:

Next question comes from Falguni Thacker of Jet Age Securities.

Falguni Thacker:

In your fertilizer segment despite a higher turnover, the profits have declined. Is it just because of the phosphorus fertilizer as you explained or is it due to something else?

R. Mukundan:

It is only phosphatics. If you take the first quarter of the last year vs. the first quarter of this year, which is what we are comparing, the first quarter of last year did see positive stock gains boosting the margin there. It is an area of challenge which will correct itself in the second quarter.

Falguni Thacker:

So have the volumes in fertiliser grown or have they been flat Y-o-Y?

R. Mukundan:

They have grown.

Falguni Thacker:

If we consider urea and phosphorus separately, have they grown in each or on an average?

R. Mukundan:

Both have grown.

Moderator:

Next question comes from Umesh Gupta of Dalal and Broacha.

Umesh Gupta:

I have three questions. One, if you could give the volume of IMACID in this quarter. Second, if you could give some details of this restructuring cost for US operations and the third, on urea you are producing 105,000 per month which is about 12 lakhs for the year. You also mentioned that 864,000 is a normal capacity and 10% is another hurdle. So would you get almost 3 lakhs tn on the IPP?

Kapil Mehan:

As far as urea is concerned, IPP works at two levels. Hurdle rate quantity which is 10% or cut off quantity, which ever is higher in quantity is eligible for contribution sharing formula. Beyond that the cut off quantity is where your IPP within the floor and ceiling is notified.

Umesh Gupta:

I just wanted to know if our cut-off quantity would be 950,000

Kapil Mehan:

We will get paid IPP beyond 957,000.

Umesh Gupta:

Is the incremental 10% on that that earlier arrangement of 65:35 still there?

Kapil Mehan:

Yes that continues.

Moderator:

Next question comes from Hetal Bachkaniwala of IDBI Capital Market Services Ltd.

Hetal Bachkaniwala:

What is the reason for losses on IMACID at operating level? Is it because of the rock phosphate prices or have we shutdown any plant?

R. Mukundan:

This is just a sequential catch up which is happening in terms of input cost mismatched with output pricing which will correct itself from the second quarter.

Hetal Bachkaniwala:

So it is because of the rock phosphate prices?

R. Mukundan:

Yes it is a sequential process. So as the prices are coming down, there is a plateauing which happens so that the mismatch gets adjusted over a period of time. We are still in the process of

mismatch adjustment but the sharpness of the adjustment was seen in Q4 of last year. This quarter has been very minimal.

Hetal Bachkaniwala:

What level are we operating IMACID?

Kapil Mehan:

We are currently operating at 100% of our capacity.

Hetal Bachkaniwala:

Recently there was news that the Indian government was able to negotiate potash prices in the international market with the cartel and they were saying that Indian companies will also be able to benefit from the lower prices. So are you seeing any such scenario for MOP?

Kapil Mehan:

For MOP, the price has been negotiated and this is lower than what was last year's price. The benefit of that reduction goes in reducing the subsidy out go of the government. Our benefit remains the same. Whatever we were earning at higher prices, we will continue to earn at lower prices.

Hetal Bachkaniwala:

What would be the approximate current price for importing?

Kapil Mehan:

Currently the new price negotiated is USD 460

Moderator:

Next question comes from Bharath Subramanian of Sundaram BNP Paribas.

Bharath Subramanian:

What are the terms of the fertilizer policy changes that have happened? We have seen a concept of group averaging introduced for NPKs or complex fertilizers. How does that impact us?

Kapil Mehan:

That does not have much of impact because we were already into that imported ammonia group. So it does not really impact us in any significant way. In any case earlier also it was the ammonia imported price which was being worked on, on a month on month basis, so it does not make any difference.

Bharath Subramanian:

And in terms of urea operations, what would be the landed cost of Reliance gas setup plant?

Kapil Mehan:

It is very close to USD 7 per MMBtu.

Bharath Subramanian:

Lastly in terms of the coal prices, are we seeing any upward pressure coming back again?

R. Mukundan:

We are on contract so we really have no shift in our position.

Bharath Subramanian:

And how would that be compared to current prices?

R. Mukundan:

Our contracts are in fact better than the current prices.

Moderator:

Next question comes from Prasad Deshmukh of DSP Merrill Lynch.

Prasad Deshmukh:

I have two questions. Corresponding to last year is there any subsidy in the revenue that has been booked and is there any adjustment to that?

R. Mukundan:

Yes. If you look at the prior period subsidy which was booked in Q1 last year versus what you have booked this year, there is a difference of about Rs 25 crore. This year we have got less prior period subsidy than last year.

Prasad Deshmukh:

So roughly Rs 25 crore is something which was corresponding to last year versus this quarter?

R. Mukundan:

Yes. The amount was Rs 30 crore and this year's amount is Rs 5 crore. The net number is about Rs 25 crore. So this year we have got less prior period subsidies within the standalone.

Prasad Deshmukh:

And is this the final number or is there going to be some revision in the cost of restructuring that we have provided?

R. Mukundan:

This is an estimated number and this is the best estimate from the management side on what would it cost for restructuring the overseas operation which has been caused by the petitioning of the work council for closure of Netherlands plant.

Moderator:

Next question comes from Vishal Biraia of B&K Securities.

Vishal Biraia:

On the coal contracts that are just referred to, are these contracts for Indian plants or for overseas plants?

R. Mukundan:

Coal is contracted for Indian as well as the US. In Europe we do not buy coal. We buy steam and power directly from our supplier's utility company.

Vishal Biraia:

The coal contract for India would continue for the full year of FY10 or is it a calendar year contract?

R. Mukundan:

We have a 15-year arrangement of which two years are over; there are thirteen more years to go.

Vishal Biraia:

Would the price for the contract for the particular year be linked to an index?

R. Mukundan:

There is a linkage to index. There is a linkage to discount to index ; there is a detailed formula which works out. It is a long-term commitment of quantity from our side and in return we get pricing advantage.

Vishal Biraia:

Are these linkages from Indonesia?

R. Mukundan:

The fifteen-year linkage is with the Indonesian supplier.

Vishal Biraia:

My second question is on the GCIP margins. Any specific reasons for the margins to turn down in this quarter?

R. Mukundan:

Yes, primarily on account of volume shortfall which we have had.

Vishal Biraia:

Do you foresee a pick up in the volumes in the subsequent quarters?

R. Mukundan:

The strategy for GCIP is to regain market share that we have lost in Asia. They would be undertaking that process and the impact of that will be seen in the coming months. Certainly the actions have already been initiated to regain the market shares which we sort of ceded to competition, mainly in Asian markets.

Vishal Biraia:

How did you determine that the pressure was mainly in Asia and Latin America?

R. Mukundan:

The pressure in terms of market shares ceding was in Asia. In Latin America there was no major market shares ceded. The market share was maintained but the overall market volumes

themselves had slightly shrunk - there so there was no issue of market share. In Europe we have actually maintained market shares.

Vishal Biraia:

The final question is for the DAP NPK volume for full year guidance; would you give a figure as to what should be the full year volumes for FY10?

Kapil Mehan:

Compared to the first quarter there may be only small changes. We had a production volume of 149 for the first quarter. Going forward once the potash comes in, we will see this volumes going up.

Moderator:

Next question comes from Paresh Khandelwal of Birla Sun Life Mutual Fund.

Paresh Khandelwal:

I have two questions. The first one relates to BMGL. Does this restructuring cost involve closure of the plant in Netherlands?

P K. Ghose:

Yes

Paresh Khandelwal:

So has the plant already closed or is it still working; because the production volume numbers have gone up

R. Mukundan:

The plant is working.

Paresh Khandelwal:

So the volumes can be continued as long as this plant works

P K. Ghose:

Let me just put it this way. The matter is under discussion with the work council and whenever the agreement is concluded, the plant will close. We cannot say definitely whether it be in the third or fourth quarter. So don't factor in volumes for the full year on that assumption.

R. Mukundan:

Our own best estimate of this would be that may be in another 60 to 90 days, the discussions should reach the fruitful conclusion.

Paresh Khandelwal:

Because of the contractual obligation itself, will we have to work this plant out for at least one year?

P K. Ghose:

The customers are being protected fully. We have already switched many customers.

Paresh Khandelwal:

The second thing was with regards to GCIP. You say that major reasons for decline in margin have been due to the volume loss but sequentially if you look at it, the volumes have gone up. So is it because of the pricing due to which we were facing the problems right now because the volumes seem to be stabilizing at 430 to 440 levels. But at least Q-o-Q versus March, the volumes for production as well as sales have gone up. So the major decline in the operating margin has come down because of the pricing pressure?

The operating margins compared to Q4 FY09 have gone down by about 700 BPS. So this operating margin loss has happened because of pricing?

R. Mukundan:

If you look at sequential quarter, I don't think prices have gone down. They are more or less pretty close to what they were. If you look quarter on quarter, the pricing is up and the impact is because of the volume shift

Paresh Khandelwal:

We were anyway 90% contracted, so then it would mean that we have exported more and not sold more to the domestic customers. Otherwise on the pricing front, if the prices were stable, we should not have seen a decline in the margins as well in sales if the volumes have remained the same and it is just the shift that has happened

P K. Ghose:

While the pricing is more or less is similar, there is a slight dip in the contribution margins.

Paresh Khandelwal:

As far as the costs are concerned, they would have remained more or less the same and they would not have gone up because the natural gas prices have anyway gone down over the last three months?

R. Mukundan:

There is a shift in contribution that must be led by a marginal movement in the pricing and that may be an impact of export to domestic mix. It is not because of specific pricing itself. It is because of the market mix that we may have exported.

Paresh Khandelwal:

As regards to the way the power expenses have come down over the last one year especially for the standalone segment, if the pricing pressures do not come up, do you hope the margins can be sustained at these levels?

R. Mukundan:

If you realistically look at it we may be able to protect the margins for a couple of more months, but logically the margins will start tapering. They will not fall. They will taper down at a very slow pace and that will be because of the velocity of cost erosion that has almost plateaued now. There will be pricing pressure which will continue for at least next six to eight months even though the demand is picking up.

Moderator:

Next question comes for Parikshit Shah of Enam Securities.

Parikshit Shah:

On the soda ash business, you mentioned that the lowest utilization was in the US. So are things in Kenya improving because Kenya is exporting most of its products to Asian markets?

P K. Ghose:

If you look at Kenya, the margins in the first quarter of this year have improved substantially particularly on the back of two reasons; one is that energy costs have come down very substantially compared to last year and two because of our ADAPT program, we have managed to taken out substantial amount of fixed costs from their entire operation. Both of them are very major factors which have helped in Kenya maintaining and actually improving margins in the first quarter to the previous year as well as the last quarter of last year.

Parikshit Shah:

In terms of utilization, is it running close to about 80%?

P K. Ghose:

The new plant is running at about 70% to 80% but the old plant is more or less to its full capacity.

Parikshit Shah:

Would you share the realization on DAP for the quarter?

Kapil Mehan:

It is about USD 385.

Moderator:

Next question comes from Sageraj Bariya of Angel Broking

Sageraj Bariya:

This was with regard to the subsidy issue. The government has been talking that subsidy needs to be given straight to the farmer and they also need to bring it down due to budget deficit. So how serious do you think the government is because they have been talking about it since a long time. And what do you think is the way out because it is not really feasible to hand over the money to the farmers. So have you thought of any way out because a substantial amount of money is being paid by the country for just importing fertilizer and foreigners are making much more money than the Indian companies?

R. Mukundan:

We need to differentiate between the money which industry makes. The money which the industry in India is making is pegged in price form in Urea. The subsidy is primarily meant for the farmers. So if the government can figure out a way to directly give subsidy to the farmer, it will be welcomed by the industry because then the industry is free to operate as a free open market. We would continue to work with the government to find ways to achieve its social objective while it continues to be our joint economic objective. So both objectives have to be met and we want to continue to work with them and if this process which they have undertaken comes to fruition, we would welcome it.

Kapil Mehan:

As far as the issue of directly giving subsidy to farmers is concerned, it is a good concept and in today's technology environment, government has a lot of schemes like Kisan Credit Card and

National Scheme where payouts are happening directly to the beneficiaries. We are working with the government to find ways and means to do fiscal considerations that are important from the overall economic point of view but also the only support that the Indian farmers have is largely through support of these cheaper prices or credit being available to them at a slightly cheaper rate. Other than that, farmers around the world are supported by the government more directly and the supports are very large. It is a global phenomenon. All governments around the world support their farmers, so what the government of India is doing is nothing wrong. A higher price paid by India is a bit of a misconception and that foreign companies have made money at the cost of Indian subsidy is a bit far fetched suggestion to make.

Sageraj Bariya:

Internationally also as you said it rightly that the US government and every possible government supports subsidy. So how is it done internationally and is that model replicable in India?

Kapil Mehan:

It depends on the number of beneficiaries involved. We have a very large number of beneficiary base which runs into 115 million farm holdings that need to be reached out and that is a stupendous number. In developed countries you have around 2% or 3% of the population which are dependent on exports. They are talking very different numbers but some solution would become more and more feasible. There are 2 estimates available; one estimate which says there are 40 million Kisan Credit Cards which have been issued from time-to-time. There is another estimate which says 81 million credit cards have been issued. This means that 75% of the Indian farm holdings are already into the financial system.

Sageraj Bariya:

How is international subsidy given to the farmer?

Kapil Mehan:

They mostly give output-based subsidy.

Moderator:

Next question comes from Hiral Kotak of NVS Brokerage.

Hiral Kotak:

I just went through the financials and saw that there was a substantial increase in the other operating income if we compare Q-o-Q standalone basis and if we compare with 12 months, March 2009. Could you throw some light on what was it actually?

P K. Ghose:

This was because of the dividend from IMACID that we received

Moderator:

Next question comes from Sumant Kumar of Karvy Stock Broking.

Sumant Kumar:

From which subsidy is minority interest coming?

P K. Ghose:

General Chemicals.

Sumant Kumar:

What percentage?

R. Mukundan:

We own 100% of General Chemical Industrial Products. That company has 75% holding in General Chemical Soda Ash Partners which is the operating company and 25% is held by a company named Owens Illinois, a container glass manufacturer. That deduction is to account for Owens Illinois share holding in that company of 25%.

Sumant Kumar:

Do you think the nutrition based fertilizer policy has benefited Tata Chemicals?

Kapil Mehan:

On the face of it, conceptually it should benefit us but more than the benefit it is really the freedom that the industry will have. That's the way that we have to look at it - so it will be a very transformational move for the Indian fertilizer industry to become globally competitive and to face the global competition head on. Companies which have efficient manufacturing facilities will benefit.

Sumant Kumar:

Is it product differentiation?

Kapil Mehan:

The companies which have good brands, superior market access and good networks will all benefit.

Moderator:

Next question comes from Gauri Anand of MF Global.

Gauri Anand:

I just wanted to understand more on GCIP. Did we at all benefit from the fall in gas prices this quarter?

R. Mukundan:

While we did benefit from the fall in gas prices, we are substantially in coal. About 70% of our power needs are met by coal and only 25% is met by gas. Hence we are not negatively impacted when gas prices go up and we don't get the benefit when gas price comes down to that extent. There is a minor impact but not a major one.

Gauri Anand:

And on this pension fund liability, is it done annually or is done quarterly because last quarter we took a debit of about 115 crore and again in this quarter, though it is not shown in P&L, we have taken about 152 crore. So is our absolute liability going up or is it because of the change in the pension assets which is why we are taking this mark to mark?

P K. Ghose:

In the first quarter of 08-09 we started with a debit of Rs 26 crore to P&L. At the end of 07-08, General Chemicals was not in the loop at that point because General Chemicals was acquired in

the last week of March and there pension liabilities had not been accounted for. So what we accounted for in 08-09 was pertaining to General Chemicals. We had already informed all investors that going forward, we will adopt similar practices as UK GAAP or under the US GAAP where they do not route it through P&L. Therefore, in this year, we have shifted to reserve accounting under Accounting Standard 21 which tells you that if there are very volatile circumstances, the Indian GAAP should be modified to that extent in line with the International standards. Between the liability and assets in these times, the asset values, particularly equity and debt, have taken a beating but that is a mark to market. It does not affect cash flows. It keeps on changing every quarter when the valuation is done and therefore it is better routed through reserves than through P&L which was creating a lot of quarterly volatility. So going forward we will see only a note on the update on valuations through reserves without routing it through P&L. To answer your last query, in the last year we had about Rs 115 crore on account of General Chemicals which was not there in the previous year and this year we have taken it for Brunner Mond which is through reserves.

Moderator:

Next question comes from Rohan Gupta of Emkay Global Financial Services.

Rohan Gupta:

When I see segmental results, where is the IMACID dividend included?

P K. Ghose:

It has been adjusted in net unallocated income

Rohan Gupta:

Second question I have on the stand-alone business. As you mentioned that you have saved on account of lower power and fuel cost and lower raw material prices in soda ash this quarter. If I see our power and fuel cost, it has jumped further. When I was looking at last years numbers, it was highest in Q2 because at that time the coal prices and coke prices had gone up. Now, do you think we can see that kind of margin expansion in Q2 also before tapping the EBIT margins?

R. Mukundan:

All I will continue to say is that the plateauing of cost has more or less happened and the prices would be on a slightly downward slope

Rohan Gupta:

I was just going through FMC conference call and FMC results. They have given a very challenging environment for the soda ash business and have mentioned that earnings can decline by 50% to 60% in the soda ash business. So I was just wondering whether the same kind of expectation is from our global business.

P K. Ghose:

We have given you a picture of how we have seen the business last year and going forward. We have said very clearly that cost compression will subside..

R. Mukundan:

Yes and we actually forecast a much more challenging environment ahead of most of our competition and we are also maintaining our views which may be slightly different because we do see the world slightly differently.

Moderator:

There are no further questions. Now, I hand over the floor to Anish Damania for closing comments.

Anish Damania:

Thank you very much for your time. This is Anish Damania here and thank you very much for being on the call with us.

R. Mukundan:

Thank you.

Moderator:

Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's Conference Call Service. You may disconnect your lines now. Thank you and have a pleasant day.