



## **TATA CHEMICALS LIMITED**

---

### **Subha - Moderator**

Good afternoon ladies and gentlemen, I am Subha, the moderator for this conference. Welcome to the conference call of Tata Chemicals hosted by Emkay Shares and Stockbrokers Limited. Mr. Rohan Gupta will be your call leader today. For the duration of the presentation all participants' lines will be in the listen-only mode. After the presentation the question and answer session will be conducted for the participants in the conference. During the question and answer session we would request the participants to ask one question at a time and join the queue again for the next question. Now I hand over the floor to Mr. Rohan Gupta. Thank you and over to you, Mr. Gupta

---

### **Rohan Gupta - Emkay Shares and Stockbrokers– Mumbai**

Thank you Subha. Good afternoon ladies and gentlemen. On behalf of Emkay Shares and Stockbrokers, I welcome all of you for the conference call of Tata Chemicals. We have Mr. Homi Khusrokhhan and Mr. P.K Ghose with us from the company's side. As we have a huge participation today I request all the participants to please limit their questions to two to three minutes. Now I would like to transfer the floor to Mr. Homi Khusrokhhan. Over to you sir.

---

### **Homi Khusrokhhan – Tata Chemicals - Mumbai**

Thanks Rohan. Let me first welcome you all on Mr. Ghose's and my behalf on this call. I would like to start by briefly sharing with you some perspectives of our overall operating performance. Following this Mr. Ghose will share some financial details and then we will be happy to answer your questions.

Tata Chemicals' performance over the period under review has certainly been encouraging. It has been a difficult quarter for us. I feel we could have done better, but I think overall looking at the circumstances and situations we have done quite well. Market conditions have been excellent in almost every business we are in. The market has been booming and certainly the demand on our chemicals products, especially soda ash has been extremely healthy. International soda ash prices are going up and are currently in the unheard-of range of \$250-\$300 per tonne since there is a worldwide shortage of soda ash. The periodic price increases taken in the domestic market this year have contributed in combating inflationary input prices. Several of our major input prices, including ocean freight have been going up quite dramatically. Exceptionally, heavy rains in Gujarat have affected operations for all Gujarat manufacturers this year in soda ash and salt businesses. We have had a temporary shortage of power also in Mithapur because of some breakdowns in our turbines and therefore production has been affected in this quarter. However, we are expecting improved performance as we go ahead.

In the food additives business there has been good news. Tata salt now has a 50% market share in the national branded salt segment. In fact in modern retail stores we now have a 58% market share. I-Shakti is doing extremely well in the south.

Moving to our fertiliser business; our urea operations have been perfectly on stream. The debottlenecking project is on course as well and it should be complete by September-October next year. Our cost-cutting program in Babrala is also focusing on driving down the energy cost. The energy utilisation has been excellent and the government policy has been encouraging in the sense that at least some of the subsidies from the previous years are being re-looked at. We have had some receipt of subsidies over the past period, claims are getting cleared a little quicker now - on a monthly basis and so we are able to address some of our subsidy outstanding.

New businesses are progressing well. We have placed an order for a 30 kiloliters a day bioethanol plant with Praj Industries. The plant will come up at Nanded in Maharashtra. This plant will use sweet sorghum as the raw material for making bioethanol. We are doing agro-climatic trials in five different regions of the country, four of these projects have already commenced. These are mostly in Maharashtra and Gujarat and the crop being tested is Jatropha for bio-diesel.

Our new business for fresh produce is progressing, we have a site for the first distribution center, in Malerkotla in Ludhiana and we will be looking for a second center very shortly. We are looking at areas in Punjab and probably in Maharashtra as well. Brunner Mond has shown very good results particularly in Europe. Magadi is still struggling in the sense that the expanded capacity is not fully on stream yet, but there has been some progress during this quarter and during the talk we can address some of your questions on this.

IMACID has shown a very good performance, as DAP prices and phosphoric acid prices around the world are high. Overall, I think we have had a good performance and we are hoping to see even better results in the remainder of the year. I would now like to request Mr. Ghose to give you some insights on the financial performance and after that we will address your question.

---

**PK Ghose– Tata Chemicals - Mumbai**

Thank you Homi. I will share with you some key details of our financial performance for the half year under review. Our consolidated revenues were 2,863 crore while our profit from operations was higher by 8% at Rs. 539 crore. On a consolidated basis PAT for the half-year under review amounted to Rs.346 crore, a 26% increase. On a standalone basis profit from operations have improved 6% and 9% over the corresponding half-year and quarter respectively. PBT for the quarter is lower than the corresponding quarter last year mainly because of higher dividend income and a foreign exchange gain in Q2 of financial year 2007. Consolidated debt as on September 30, 2007 stood at 2,039 crore. This largely comprises debt of the Brunner Mond Group Limited, low cost short term buyer's credit for the phosphatics business, the foreign currency commercial borrowing rate in January 2005 and the US private placement debt rate last month. I look forward to improved performance going forward. Thank you for your time. We will now be happy to address any questions that you may have.

---

**Subha - Moderator**

Thank you sir. We will now begin the question and answer interactive session for the conference participants. Participants who wish to ask questions may please press “\*” “1” on their touchtone enabled telephone keypad. On pressing “\*” “1” participants will get a chance to present their question on a first-in line basis. To ask a question please press “\*” “1” now. The first question comes from Mr. Sachin Kasera from Principal Asset Management Pvt. Ltd., Mumbai. Mr. Kasera you may ask your question now.

---

**Sachin Kasera - PINC Research - Mumbai**

Good afternoon sir and congratulations on the good set of numbers. I have a couple of queries related to the chemicals business. Can you comment on the reasons for the shutdowns we've faced in the previous two quarters? Is it related to any technical or operational issues relating to the Mithapur plant or is it just normal shutdown?

---

**Homi Khusrokhana – Tata Chemicals – Mumbai**

In the previous quarter we had some problems with one of our turbines and after that we had another problem with another turbine, so chiefly it was power. These problems have now been sorted and the turbines are running again. Also, during this quarter we had exceptionally heavy rains in Mithapur, the heaviest rains since 1994. The waterlogging in some places was over four feet deep and the entire ground level of the plant was flooded and this does affect production not only at that point in time but even afterwards. We had diluted brine supplies, which does affect the productivity over a period of time. So it has been a difficult quarter but I think we have come out of it pretty well.

---

**Sachin Kasera - PINC Research - Mumbai**

Is it that the facility has become old and probably not able to withstand any major external difficult situation, like rain or anything else?

---

**Homi Khusrokhana – Tata Chemicals – Mumbai**

About a year-and-half ago, we started installing a huge high-pressure boiler which will come on stream in the January-March quarter. It is a major project, now nearing completion. After this begins operation our steam supplies will be much greater and immediately after that we will be installing another large turbine to go with that high pressure boiler for co-generation of power and that will actually make us power surplus so in these kind of old plants although you take preventive action there is a time lag and the plant will be ready by March next year and the whole of the next year we will have the benefit of much better utility consumption as well as power. So, I guess we have to wait till that process is complete.

---

**Sachin Kasera - PINC Research - Mumbai**

Can we expect any of these projects to lead to any further disruption?

---

**Homi Khusrokhana – Tata Chemicals – Mumbai**

No, but for the daily rate of production to come back to normal takes a little time in these old plants.

---

**Sachin Kasera - PINC Research - Mumbai**

I believe there are other plants in the vicinity and we did not hear anything much the from the other chemicals plants being shutdown?

---

**Homi Khusrokhana – Tata Chemicals – Mumbai**

This week I saw a major press report saying every plant in Gujarat has complained about heavy rain, latest report just two or three days ago, I think it is in the papers.

---

**Sachin Kasera - PINC Research - Mumbai**

Fine. Secondly sir could you tell us how we are placed in terms of the long-term and the short-term contracts and what is the type of increase that we could see as and when the long-term contract are re-negotiated?

---

**Homi Khusrokhana – Tata Chemicals – Mumbai**

The general prices have been moving up in the domestic market and I think that about three increases have been taken since the start of this year. Long-term contracts can be of varying time periods with different parties and while some may end, others drag on a bit longer. So whenever there is a chance to raise prices we raise prices. Obviously input costs are also going up and over a period of time as there is seen an inflationary climate, prices will be raised.

---

**Sachin Kasera - PINC Research - Mumbai**

What would be the approximate spot prices right now for Mithapur?

---

**Homi Khusrokhana – Tata Chemicals – Mumbai**

I think it is around \$250.

---

**Sachin Kasera - PINC Research - Mumbai**

Roughly what percentage of our sales volumes are in the long-term contract category and around what time of the year does the long-term contract normally come up for renewal?

---

**PK Ghose– Tata Chemicals - Mumbai**

UK is mostly January to December. For Kenya also, barring a few, contracts are January to December and for India it is from April to March.

---

**Sachin Kasera - PINC Research - Mumbai**

Approximately what percentage in India and outside India is short and long-term?

---

**PK Ghose– Tata Chemicals - Mumbai**

In UK, 95% and in Kenya too around 90% is on a long term contract basis. In India it is around 40%.

---

**Sachin Kasera - PINC Research - Mumbai**

Secondly, going back to Magadi is there some technical problem with the existing 3.5 lakh tonne facility?

---

**PK Ghose – Tata Chemicals – Mumbai**

As we mentioned we are running the plant at about 1000 degrees. As you are aware, the refractory had collapsed two or three times earlier when you reach temperatures of 1500-1600 degrees. Now as a result of this, the production from the new plant is coming at about 30%-40% now and that is going to continue for some more time till the entire operations are stabilized. We also had talked about there being an alternative of bringing in another furnace of a smaller size, which has a long lead time. But the present furnace is going to be rectified and stabilized.

---

**Homi Khusrokhhan – Tata Chemicals - Mumbai**

We are modifying the old plant first, seeing what capacities will work and then we will take any decisions going forward. There is a plan to shut down the old plant, which has been running for two to three years and needs repair work on the old calcines.

**Sachin Kasera - PINC Research - Mumbai**

What was the approximate loss because of that shutdown in the production?

---

**Homi Khusrokhhan – Tata Chemicals – Mumbai**

For Kenya the production for the first half was 170,000 tonnes as against 190,000 last year the old plant produced.

---

**Sachin Kasera - PINC Research - Mumbai**

So approximately 20,000 tonnes loss?

---

**Homi Khusrokhana – Tata Chemicals – Mumbai**

Yes but then the new plant produced 10,000 against nil the last year.

---

**Subha - Moderator**

Thank you sir. The next question comes from Mr. Dhawal Doshi from Aviva Life Insurance, Mumbai. Mr. Doshi you may ask your question now.

---

**Dhawal Doshi - Aviva Life Insurance – Mumbai**

Sir there were some talks with regard to the fertiliser bond, can you give me the current status on the same?

---

**Homi Khusrokhana – Tata Chemicals – Mumbai**

It is only a proposal at this point. The industry is putting forward various representations but nothing is clear yet. Out of around 15,000 crore, I think they are planning 7500 crore to be issued as bond and the rest as cash.

---

**PK Ghose– Tata Chemicals - Mumbai**

I will just add that the proposal actually has gone to the finance ministry and they are actually looking at the tenure of the bond. If you see the oil sector bonds, from tenure of five to seven years earlier they have been increased to about twenty years. We certainly do not want twenty year bonds because they will trade at a much larger discount so the industry has represented that we should keep the tenure lower. This proposal is pending with the finance ministry and we are not clear as to what the coupon rate or the tenure will be as yet.

---

**Dhawal Doshi - Aviva Life Insurance - Mumbai**

Apart from the bond, are we receiving the usual payment?

---

**Homi Khusrokhana – Tata Chemicals – Mumbai**

No. This is being called a food security bond, so whatever is outstanding post September, which will be approximately 15,000 crore, 50% of it is proposed to be issued in bonds and 50% will be refunded as subsidy at the usual cost.

---

**Dhawal Doshi - Aviva Life Insurance - Mumbai**

Sir, we have raised \$100 million recently through our subsidiary. What are the plans for that and how do you plan to utilize it?

---

**PK Ghose – Tata Chemicals – Mumbai**

See the \$100 million have been raised abroad through a special purpose vehicle. It can be used as and when capital expenditure is incurred in India or it can be used abroad.

---

**Dhawal Doshi - Aviva Life Insurance - Mumbai**

Sir, I am sorry, I did not get your point. You said \$100 million, which you have raised right now to be utilized for the acquisition of Brunner Mond?

---

**PK Ghose – Tata Chemicals – Mumbai**

No, what I said is when we acquired Brunner Mond we acquired it partly through internal accruals of our own funds and partly through FCCB debt. Now when we raised this fund abroad the amount that we used our own fund can be brought back into India without any RBI restriction. So, out of 100 million, 45 million has been brought back into India. The balance is still kept abroad, which will be brought in as per Reserve Bank guidelines as and when we incur specific capital expenditure. What we intend to spend it on is: firstly the Babrala de-bottlenecking, the Mithapur expansion, and any other capital expenditure, which we incur in India and if required we can put it in any of our international operations.

---

**Dhawal Doshi - Aviva Life Insurance - Mumbai**

Sir we were also planning an acquisition and I guess Tata Chemicals was at various stages of discussions may be a couple of things were at advanced stages. Is there any news on this?

---

**PK Ghose – Tata Chemicals – Mumbai**

This is news to me.

---

**Dhawal Doshi - Aviva Life Insurance - Mumbai**

Okay sir. Thank you very much. I will call back with further questions.

---

**Subha - Moderator**

Thank you sir. The next question comes from Mr. Pramod Gupta of Principal Asset Management, Mumbai. Mr. Gupta, you may ask your questions now.

---

**Pramod Gupta - Principal Asset Management - Mumbai**

Sir, just wanted to ask what is the outlook for the second half for the Gujarat plant? Are we likely to see it at its fullest capacity or will we probably see some shutdowns again?

---

**Homi Khusrokhhan – Tata Chemicals – Mumbai**

There are no shutdowns let me first clarify this, there has not been a single shutdown except during the period of the rain where we had the interruption, but as I said in some of these fresh cases you also have some spillover affect for the next time period. When the brine gets diluted severely like this monsoon certain salt pans get washed away completely, you do get a loss of productivity over the next few months. One has to be realistic and understand that it cannot be solved overnight. There will some spillover effect on the productivity of the plant for the next one or two quarters, but it is not a disastrous thing, it is not as though we are stopping the plant at any stage, no stoppage at all. Yes, during the rain everyone was interrupted, but productivity will be affected by this heavy rainfall over a length of time.

---

**Pramod Gupta - Principal Asset Management - Mumbai**

Thanks a lot and all the best sir.

---

**Subha - Moderator**

Thank you sir. The next question comes from Mr. Sumant Kumar of Karvy, Hyderabad. Mr. Kumar you may ask your question now.

---

**Sumant Kumar - Karvy - Hyderabad**

What is the guidance for consolidated revenue and net profit and EBITDA margin for FY'08 and FY'09?

---

**Homi Khusrokhhan – Tata Chemicals – Mumbai**

We do not give quantitative guidance.

---

**Sumant Kumar - Karvy - Hyderabad**

Okay sir. Post Magadi's expansion what is the capacity utilisation of Brunner Mond in Kenya?

---

**PK Ghose– Tata Chemicals - Mumbai**

The new plant is running at about 30%-40% capacity.

---

**Sumant Kumar - Karvy - Hyderabad**

So, for FY'08, can it be an average 60% capacity utilisation?

---

**Homi Khusrokhana – Tata Chemicals – Mumbai**

Hopefully we will be back up to our normal full capacity utilisation.

---

**Sumant Kumar - Karvy - Hyderabad**

Overall for FY'08, we can expect 60%-70% capacity utilisation?

---

**Homi Khusrokhana – Tata Chemicals – Mumbai**

With the old and new together it should be higher than that hopefully.

---

**PK Ghose– Tata Chemicals - Mumbai**

The capacity of the old plant is 365,000 tonnes and last year we had produced 371 against that, which was beyond capacity. This year we have lost out in Q2 because of the reasons, which Mr. Khusrokhana mentioned, but overall, I think, we should be close to 100% capacity in new and old plant. The new plant will produce at about 30%-40%, I think, for the next four to five months also.

---

**Homi Khusrokhana – Tata Chemicals – Mumbai**

I would imagine from Q2 of next year i.e., 2008-09 Q2 onwards the plant should be working at 100% capacity.

---

**Sumant Kumar - Karvy - Hyderabad**

Q2 FY'09?

---

**PK Ghose– Tata Chemicals - Mumbai**

Overall should be 60% as you said for FY08.

---

**Sumant Kumar - Karvy - Hyderabad**

60%-70% overall?

---

**PK Ghose– Tata Chemicals - Mumbai**

Yes overall will be 60% if you take both plants.

---

**Sumant Kumar - Karvy - Hyderabad**

What is the pricing of soda ash, at what price you are selling there?

---

**PK Ghose– Tata Chemicals - Mumbai**

Magadi sales are roughly about 70% in long-term contracts. Some price increases have been taken during the period July to September and others will be in the current quarter. But, I would say that the prices on an average should be about \$200 per tonne, although the spot prices are running as high as \$250-\$300 per tonne.

---

**Sumant Kumar - Karvy - Hyderabad**

Thank you sir.

---

**Subha - Moderator**

Thank you sir. The next question comes from Mr. Ravi Deshpande from Enam Securities, Mumbai. Mr. Deshpande, you may ask your question now.

---

**Ravi Deshpande - Enam Securities - Mumbai**

Good afternoon sir. I wanted to ask two questions on your fertiliser business. After de-bottlenecking what would be the urea capacity of your company? I wanted to understand the policy initiatives and whether we are moving towards import parity prices in India?

---

**Homi Khusrokhan – Tata Chemicals – Mumbai**

As far as de-bottlenecking is concerned we are taking the plant up to about 1.2 million and that would be ready around September-October next year. As far as the policy is concerned there is some talk about import parity pricing. The concept is gaining acceptance for totally new capacities to be set up.

---

**Ravi Deshpande - Enam Securities - Mumbai**

Thanks a lot.

---

**PK Ghose– Tata Chemicals - Mumbai**

Just to add: of the policy changes that have taken place recently there are two issues in the phosphatic area particularly. First, there has been a change from the quarterly to the monthly system of subsidy calculation and so that is beneficial to us and second, there has been an ad hoc increase given in the distribution costs. These two have impacted positively.

---

**Ravi Deshpande - Enam Securities - Mumbai**

Thanks a lot.

---

**Subha - Moderator**

Thank you sir. The next question comes from Mr. Shekhar Singh of Goldman Sachs, Mumbai. Mr. Singh you may ask your question now.

---

**Shekhar Singh - Goldman Sachs - Mumbai**

Hi sir. This is regarding the soda ash price increases, which have been taken in the spot market and which we expect to seep into in your long-term contracts also. Are these on the back of the raw material price increases or is demand the driver?

---

**Homi Khusrokhhan – Tata Chemicals - Mumbai**

Clearly input costs are going up, so increases have to be taken to neutralize some of the costs. Even to preserve the margin, is difficult in this sort of a situation but at the same time what's favourable is that is that worldwide there is a shortage of soda ash and everywhere manufactures are increasing prices. China has been very quiet. They have not been exporting and are shifting some of their capacities. They are under pressure because of pollution and some of their plants are in crowded areas so they have to move to more remote locations. Some of their new capacities will come on stream by the end of this year, but significant quantities of exports are not expected out of China for another year or so. So, I think it is going to be a question of trying to compensate or pass on some of the rising input costs on to the consumer through price increases. Margins will be under pressure.

---

**Shekhar Singh - Goldman Sachs - Mumbai**

Will margins be under pressure?

---

**Homi Khusrokhhan – Tata Chemicals - Mumbai**

To some extent yes, as producers of detergents are also suffering.

---

**Shekhar Singh - Goldman Sachs - Mumbai**

Will the price hike lead to margin expansion or will the margins be flat or possibly even go down, because the raw material price is increasing at a faster pace?

---

**Homi Khusrokhana – Tata Chemicals – Mumbai**

Our intention would be to at least keep our margins intact and actually grow them if we can but there is a limit to it.

---

**Shekhar Singh - Goldman Sachs - Mumbai**

Sir, secondly as for IMACID the margins have remained flat though what we are hearing is that phosphoric acid prices have gone extremely high. But when we compare Q2 versus Q1 FY08, the margins are slightly down. What is the reason?

---

**Homi Khusrokhana – Tata Chemicals - Mumbai**

IMACID, is a joint venture for supplies of phosphoric acid to Indian producers. Phosphoric acid prices are set in India through a bilateral agreement reached between suppliers of phosphoric acids and Indian manufacturers. The price is fixed for the whole year at a stretch and there is no further increase given during the year. What happened is that last year we got a huge increase when the prices were re-fixed at \$566.25, Next year again in April fresh prices will have to be fixed and at that stage if this is at import parity price you can gain even \$100-\$150. So, you would not see continuous escalation in our prices, because the Indian government insists on the formula system where you fix it for one year at a time. So the company has to live with that price, but you will see a huge increase between last year and this year.

---

**Shekhar Singh - Goldman Sachs - Mumbai**

Can you tell us the Capex plans for the year?

---

**PK Ghose– Tata Chemicals - Mumbai**

Roughly we have a plan of spending about 150 crore for the de-bottlenecking of the Babrala facility, and this will be over a period of two years. Second is we expect to spend about 300 crore in Mithapur for the entire expansion. This is again over a period of two years. Our normal capital expenditure for all units taken together, which is without maintenance capital we call it could be about 40-50 crore per annum.

---

**Shekhar Singh - Goldman Sachs - Mumbai**

There was some plan to increase urea capacity from 1.2 million tonnes to around 2.4 million tonnes incase if there is a supportive government policy. So, have you formed up any plans on that?

---

**PK Ghose– Tata Chemicals - Mumbai**

Right now we are in the process of going for the de-bottlenecking of the existing capacity, which is the first priority because the capital outlay is low when you are de-bottlenecking from 0.865 million tonne to 1.2 million tonnes. On the other hand if we are to increase the capacity to 1.6 million tonnes and want to bring in another 0.8 million tones it will require Capex, of about 3500 crore. So, we will actually look at, post the de-bottlenecking and not simultaneously.

---

**Shekhar Singh - Goldman Sachs - Mumbai**

Thanks a lot.

---

**Subha - Moderator**

Thank you sir. The next question comes from Mr. Mayank Maheshwar of JM Morgan Stanley Mumbai. Mr. Maheshwar you may ask your question now.

---

**Mayank Maheshwar - JM Morgan Stanley – Mumbai**

Hello sir. Sir I have a question regarding your fertiliser business. I wanted to understand how much would be the production through gases as raw material and naphtha as raw material and what is your take going forward on gas pricing considering government has recently approved it at \$4.2 at MMBTU?

---

**Homi Khusrokhhan - Tata Chemicals – Mumbai**

Although our plant is multi-feed stock, most of the time we use gas. Naphtha is very rarely used - only when there is a break in the gas pipeline or some interruption in supply. So naphtha is like an emergency backup and there is no plan to use naphtha. It is a 100% gas facility and generally we get 99% of our production from gas. As far as prices are concerned at this point of time yes, \$4.2 is claimed to be the price agreed on. The gas is imported through two pipelines through Kakinada, one the 1400 km Reliance pipeline connecting the east of the country to the west and the other is the Hazira pipeline. There will be two sets of transportation costs, which could be about 60-70 cent each. So I would imagine the final delivered price of gas would be something like \$5 or even higher than \$5, may be close to \$6. The gas is today a pass-through cost, so it does not really affect the manufacturer. Finally, it will come out of the subsidy bill. So that is where we are today on gas availabilities.

---

**Mayank Maheshwar - JM Morgan Stanley – Mumbai**

Thanks a lot for that.

---

**Subha - Moderator**

Thank you sir. The next question comes from Mr. Pradeep Himani from Upstart Advisory. Mr. Himani you may ask your questions now.

---

**Pradeep Himani - Upstart Advisory – Mumbai**

Sir my question is on bioethanol plant. Can you elaborate on what stage that project is at and what are the economics of that plant?

---

**Homi Khusrokhhan - Tata Chemicals – Mumbai**

This is a prototype we are investing in, which if works well, will see more such plants rolled out to other parts of the country; 30 kilo liters a day is probably the smallest size commercial plant. Ideally it should be about 100 kilo liters per day. So it is a prototype they we are investing in. The crop is doing exceedingly well in that part of the country. Therefore it looks like a fairly good proposition. If it works well it will be rolled out to other parts of the country.

---

**Pradeep Himani - Upstart Advisory – Mumbai**

When will we get to know further on that?

---

**Homi Khusrokhhan - Tata Chemicals – Mumbai**

The plant installation time is about 18 months.

---

**Pradeep Himani - Upstart Advisory – Mumbai**

Okay. With regard to Khet-se Agri Produce where you invested 50 million, what is the plan going forward on that?

---

**Homi Khusrokhhan - Tata Chemicals – Mumbai**

As I said earlier the first centre is coming up in Malerkotla in Ludhiana and for second center we are considering various alternatives. As you know there have been some issues associated with corporates in retail. Of course we are not in retail - we do procurements and have distribution centers so we are in the wholesale part - but at the same time there are certain sensitivities and we are being careful. Punjab has lots of options and so does Maharashtra. These and other locations are under considerations at the moment.

---

**Pradeep Himani - Upstart Advisory – Mumbai**

Thank you very much sir.

---

**Subha - Moderator**

Thank you sir. The next question comes from Mr. Sachin Kasera of PINC Research, Mumbai. Mr. Kasera you may ask your questions now.

---

**Sachin Kasera - PINC Research - Mumbai**

Sir just a couple of follow-up questions what is the status regarding the tie-up for salt as well as coke? When will the coke contracts be renewed?

---

**Homi Khusrokhhan - Tata Chemicals – Mumbai**

The salt we buy is only for some brands like I-Shakti. All the salt used for soda ash is our own salt. That is the idea of having the plant in Mithapur. Coke prices, of course are negotiated from time to time. For this year we are covered fully. So from April next year we will be re-negotiating prices.

---

**Sachin Kasera - PINC Research - Mumbai**

What is current amount of debt on the books of Brunner Mond?

---

**PK Ghose– Tata Chemicals - Mumbai**

66 million pounds is the approved facility by UK against which utilisation at the moment is only 49 million pounds. Magadi has a debt figure of about \$85 million out of which \$55 million is for the new plant, about \$23 million is for the rail facilities and the balance is working capital.

---

**Sachin Kasera - PINC Research - Mumbai**

What would be the approximate average cost of debt of this company?

---

**PK Ghose– Tata Chemicals**

The cost of debt for UK facilities is LIBOR plus 1.6. At Magadi, the plant debt with rates of LIBOR plus 4.25 and some subordinate debt at about 13%-15% makes it quite expensive. The issue at Magadi is that unlike UK where we had refinanced it immediately, at Magadi we cannot refinance it immediately because it comes with a huge prepayment penalty. So we are trying to work out some other measures to try and bring it down.

---

**Sachin Kasera - PINC Research - Mumbai**

This loan that you mentioned includes even the working capital?

---

**PK Ghose– Tata Chemicals - Mumbai**

Yes.

---

**Sachin Kasera - PINC Research - Mumbai**

I believe, you are trying to reduce the power cost at Haldia and putting up by-product facility over there. What is the status on that?

---

**PK Ghose– Tata Chemicals - Mumbai**

We have now got a line with West Bengal State Electricity Board that reduces the power cost substantially. I think this move has been able to cut the power cost down by over Rs.3 a unit. Secondly, Tata Power is coming up with a plant there, which will supply power for Tata Steel's met coke projects, when that comes in we will see whether we can get a line from Tata Power, which will reduce the cost further.

---

**Sachin Kasera - PINC Research - Mumbai**

And regarding the by-products?

---

**PK Ghose– Tata Chemicals - Mumbai**

Yes, there is a process known as the Central Prayon Process, which we are setting up there. It will be at a capital cost of about Rs.30 crore. That has also got an 18 months period before it comes on and that work is also progressing.

---

**Sachin Kasera - PINC Research - Mumbai**

Thank you sir.

---

**Subha - Moderator**

Thank you sir. The next question comes from Mr. Atul Rastogi from UBS. Mr. Rastogi you may ask your questions now.

---

**Atul Rastogi - UBS Securities – Mumbai**

Good afternoon Sir I just had two questions on fertilisers. You mentioned that there was some receipts relating to previous years, is that correct this quarter?

---

**Homi Khusrokhhan - Tata Chemicals – Mumbai**

It is a recurring phenomenon every year we get some adjustment for the prior period.

---

**Atul Rastogi - UBS Securities – Mumbai**

If you look at segmental results, the EBIT figure from fertilisers jumped quite sharply - almost 50%. How much of that can be attributed to this quarter?

---

**Homi Khusrokhani - Tata Chemicals – Mumbai**

Yes it has risen quite sharply. As I mentioned there were two good policy changes relating to phosphatic fertilisers, one was changing from quarterly to monthly system of subsidy calculation and the second was an increase in distribution cost. This added to the bottom line.

---

**Atul Rastogi - UBS Securities – Mumbai**

So, if I look at it correctly then 84 crore EBIT last year would be comparable to 128 crore?

---

**Homi Khusrokhani – Tata Chemicals – Mumbai**

If you could take out the current year's subsidies it would be more appropriate because in the corresponding quarter last year we did not receive any subsidies.

---

**Atul Rastogi - UBS Securities – Mumbai**

So, almost 20% margin is sustainable?

---

**Homi Khusrokhani – Tata Chemicals – Mumbai**

The way the fertiliser policy is moving I think that range looks to be possible.

---

**Atul Rastogi - UBS Securities – Mumbai**

And sir, there was also talk about a nutrient based subsidies kind of base within this. How will that impact your phosphatic business?

---

**Homi Khusrokhani – Tata Chemicals – Mumbai**

It is very early days. There is no policy on that yet.

---

**Atul Rastogi - UBS Securities – Mumbai**

So you do not think that is possibility in the near term?

---

**Homi Khusrokhani – Tata Chemicals – Mumbai**

Well, we will be pushing for it, but the government takes its time. However, the industry is agitating because in the long-term soil quality has to be addressed as agricultural productivity is coming down in the country.

---

**Atul Rastogi - UBS Securities – Mumbai**

But, you think that would be a positive for the phosphatics?

---

**Homi Khusrokhan – Tata Chemicals – Mumbai**

It would be positive for all fertilisers.

---

**Atul Rastogi - UBS Securities – Mumbai**

Thanks a lot.

---

**Shuba – Moderator**

Thank you sir, the next question comes from Mr. Sumant Kumar of Karvy, Hyderabad. Mr. Kumar, you may ask your question now

---

**Sumant Kumar – Karvy - Hyderabad**

Sir, regarding the urea capacity you said it was being expanded to 1.2 million tones. When can we expect the expansion to be complete?

---

**Homi Khusrokhan – Tata Chemicals - Mumbai**

I have already said the project is on stream and it will be completed by September 2008. September the project will be complete, October the plants will start operating that is what I said earlier.

---

**Sumant Kumar – Karvy - Hyderabad**

Thank you.

---

**Shuba – Moderator**

Thank you sir. The next question comes from Mr. Sujit Jain of PINC Research. Mr. Jain, you may ask your question now.

---

**Sujit Jain - PINC Research - Mumbai**

Good afternoon sir. Any update on the proposed Tanzania venture?

---

**Homi Khusrokhana – Tata Chemicals – Mumbai**

There is a lot of opposition to the projects from environmentalists who feel that it could damage the survival of the lesser flamingo species next to the lake. We are working under the advice of top ornithologists, experts on birds and particularly the lesser flamingo. We are also working with what is called the species survival commission of the IUCM. They have recommended certain safeguards, which we have without any hesitation agreed to. Some of these include keeping the plant away from the lake side and not using fresh water from the lake. We are in almost daily contact and dialogue with these experts. So, the project will have to be shaped in this way.

---

**Sujit Jain - PINC Research - Mumbai**

Sir, if approved what kind of timeline you are looking and Capex and what time of plant size were looking at?

---

**Homi Khusrokhana – Tata Chemicals – Mumbai**

Too early to say anything but the plant size is decided at 500,000 tonnes. But, it all depends on a techno-economic feasibility and a decision will finally be taken on the basis of these environmental considerations. There is no timeline we can set for this as it will follow a process where we have to make sure that all stake holders are satisfied before we proceed.

---

**Sujit Jain - PINC Research - Mumbai**

Coming to the fertiliser business we talked about ad hoc distribution cost. How much does that work out to be on a per tonne basis?

---

**Homi Khusrokhana – Tata Chemicals – Mumbai**

The approximate freight adjustment that we received in this quarter was about 6 crore.

---

**Sujit Jain - PINC Research - Mumbai**

And what was the annual consumption level in the Babrala plant in urea?

---

**Homi Khusrokhana – Tata Chemicals – Mumbai**

It will be in the region of 5.217 I think.

---

**Sujit Jain - PINC Research - Mumbai**

And what is the normal energy conversion allowed to us in our policy under the group subsidy system?

---

**Homi Khusrokhana – Tata Chemicals – Mumbai**

That is about 5.4 or something. I do not remember the exact figure, but is much higher.

---

**Sujit Jain - PINC Research - Mumbai**

One last question sir, tax rates appear quite low. What are the tax rates there?

---

**PK Ghose – Tata Chemicals – Mumbai**

The tax rate in UK is 30%. UK does not currently pay tax, because it has accumulated losses. Also, it is not expected to pay taxes for next 3 or 4 years.

---

**Sujit Jain - PINC Research - Mumbai**

How about IMACID?

---

**Homi Khusrokhana – Tata Chemicals - Mumbai**

IMACID has around a 35% tax rate, but we have certain tax exemptions but the effective rate is not very high.

---

**Sujit Jain - PINC Research - Mumbai**

Sure sir thanks.

---

**Shuba – Moderator**

Thank you sir. The next question comes from Ms. Anita Gandhi of Arihant Capital Market. Ms. Gandhi, you may ask your question now.

---

**Anita Gandhi – Arihant Capital Markets**

In an earlier answer you mentioned about subsidy calculations: that there is a change in the method of subsidy calculation from quarterly to monthly and it has benefited the company. Can you just brief that in terms of numbers?

---

**Homi Khusrokhana – Tata Chemicals – Mumbai**

Yes, that is the impact for the current quarter.

---

**PK Ghose – Tata Chemicals – Mumbai**

It depends on the cost increases on account of freight and raw materials.

---

**Anita Gandhi – Arihant Capital Markets**

Thank you.

---

**Shuba – Moderator**

Thank you, Ma'am. The next question comes from Mr. Ashwani Agarwalla of PINC Research, Mumbai. Mr. Agarwal, you may ask your question now.

---

**Ashwani Agarwalla - PINC Research - Mumbai**

Good afternoon sir, I would like to know what is the capacity of sodium bicarbonate in UK and Magadi?

---

**Homi Khusrokhana – Tata Chemicals – Mumbai**

In India it is about 55,000 tonnes and in Netherlands it is about 75,000 tonnes. We are also putting up a new Briscarb plant in the UK, which will come up in 2008 with a capacity of 50,000 tonnes. Magadi doesn't produce sodium bicarbonate.

---

**Ashwani Agarwalla - PINC Research - Mumbai**

And sir, what is the realization for sodium bicarbonate?

---

**Homi Khusrokhana – Tata Chemicals – Mumbai**

The sodium bicarbonate plant, which we have put up in Netherlands has just started operations only recently. Its final goal is to focus on application of sodium bicarbonate in very high end areas. But currently it has started with producing bicarb for lower end uses such as which animal feed etc. They will later move into other areas particularly ones like haemodialysis, or flu vaccine. But that will take a little time.

---

**Ashwani Agarwalla - PINC Research - Mumbai**

Sir, can we expect a realization of round about \$300 because is comparatively costlier than soda ash?

---

**Homi Khusrokhhan – Tata Chemicals – Mumbai**

\$300 per tonne is a possibility. It can be actually be even higher for higher grade applications. But for animal feed it will be much lower.

---

**Ashwani Agarwalla - PINC Research - Mumbai**

What is the cost differential in between the different processes for manufacturing of soda ash?

---

**Homi Khusrokhhan – Tata Chemicals – Mumbai**

In soda ash manufacturing there are actually two processes. One is the Solvay process that has been around for many years and the other one is Chinese Hou's process. Your production obviously depends on the type of plant you put up and I do not think there is a huge difference in cost between one process or the other. It is just that when you design your plant a particular way, you have to work with that process. I don't think there is a significant difference in costs.

---

**Ashwani Agarwalla - PINC Research - Mumbai**

Sir, when can we expect the Mithapur modernization to be completed and what could be the capacity for the expanded facilities of soda ash, salt and cement?

---

**PK Ghose – Tata Chemicals – Mumbai**

Soda ash will be 1.2 million tonnes, cement will be about 0.6 million tonnes from the current 0.5 and salt will move up from about 450,000 to between 475,000 and 600,000 tonnes.

---

**Ashwani Agarwalla - PINC Research - Mumbai**

Sir, we have investments of around 1250 crore in our books including the investment in our sister concerns. Do we have any plans of liquidating those investments?

---

**Homi Khusrokhhan – Tata Chemicals – Mumbai**

Not straight away because right now we have adequate funds on our balance sheet. As you can see we have still a good leverage ratio, which does not require liquidation. We will think about it when needed.

---

**Ashwani Agarwalla - PINC Research - Mumbai**

What could be the market value of your quoted investments?

---

**PK Ghose – Tata Chemicals – Mumbai**

About 1600 to 1700 crore.

---

**Ashwani Agarwalla - PINC Research - Mumbai**

And unquoted investments?

---

**Homi Khusrokhana – Tata Chemicals – Mumbai**

Unquoted one is difficult to say. I think these values are estimated more in the media.

---

**Ashwani Agarwalla - PINC Research - Mumbai**

Thank you, sir.

---

**Subha - Moderator**

Thank you, sir. The next question comes from Mr. Saurabh Das of Sundaram BNP Mutual Fund, Chennai. Mr. Das, you may ask your question now.

---

**Saurabh Das - Sundaram BNP Mutual Fund - Chennai**

What are IMACID's sales volumes for the quarter?

---

**Homi Khusrokhana – Tata Chemicals – Mumbai**

We have a one-third stake in the IMACID joint venture, so the total volume is not related to us. So is the information that you are asking for, the total sales of IMACID or our share?

---

**Saurabh Das - Sundaram BNP Mutual Fund - Chennai**

You can give me your own share of that?

---

**Homi Khusrokhana – Tata Chemicals – Mumbai**

I don't know if I have that figure readily, if not, I will have it passed on to you.

---

**Saurabh Das - Sundaram BNP Mutual Fund - Chennai**

Sure, sir. What is the capacity utilisation at IMACID?

---

**Homi Khusrokhana – Tata Chemicals – Mumbai**

IMACID is running at almost full capacity utilization.

---

**Saurabh Das - Sundaram BNP Mutual Fund - Chennai**

Also, how much of IMACID's growth would be due to realization increases and how much is the volume growth contributing?

---

**Homi Khusrokhana – Tata Chemicals – Mumbai**

A combination of both. Prices are fixed on a yearly basis. They were \$461 per tonne last year and this has increased to \$565.25 since April and will continue for the whole year. As prices of rock go up, Phosphoric acid prices would also rise.

---

**Saurabh Das - Sundaram BNP Mutual Fund - Chennai**

This is a quick question on present urea and DAP prices, what is the differential in the imported and domestic prices?

---

**Homi Khusrokhana – Tata Chemicals – Mumbai**

Around Rs. 5000 per tonne for Urea and Rs. 4000 for DAP.

---

**Saurabh Das - Sundaram BNP Mutual Fund - Chennai**

What percent of the total consumption of urea do imports comprise?

---

**Homi Khusrokhana – Tata Chemicals – Mumbai**

Imports are around 5 million tonnes. Urea capacity in India is 20 million tonnes.

---

**Saurabh Das - Sundaram BNP Mutual Fund - Chennai**

Thanks a lot.

---

**Homi Khusrokhana – Tata Chemicals – Mumbai**

Shubha, can we have the last question please?

---

**Subha – Moderator**

Sure. The last question comes from Ms. Gauri Anand of HDFC Securities, Mumbai. Ms. Anand you may ask your questions now.

---

**Gauri Anand – HDFC Securities – Mumbai**

Just a quick question. Can I have the subsidy provided for the quarter in rupees million for Q2FY08 and for the same quarter last year?

---

**PK Ghose – Tata Chemicals – Mumbai**

See, what happens is we are paid some amount, and then there is certain amount outstanding. So, I can tell you what was the outstanding at the end for the quarter as compared to outstanding of the previous year. On March 31, we had outstanding of Rs. 565 crore, as on September 30 the outstanding was Rs. 470 crore out of which another Rs. 171 crore has since been received in the month of October. So, that means the outstanding today is about Rs. 300 crore.

---

**Gauri Anand – HDFC Securities – Mumbai**

Can I have the revenue mix for Brunner Mond?

---

**Homi Khusrokhhan – Tata Chemicals – Mumbai**

Brunner Mond produces mostly soda ash. The only other product is sodium bi-carbonate, which is produced in the Netherlands plant.

---

**Gauri Anand – HDFC Securities – Mumbai**

You are saying about 95% of your revenue for Brunner Mond is soda ash?

---

**Homi Khusrokhhan – Tata Chemicals – Mumbai**

As of now it is soda ash.

---

**Gauri Anand – HDFC Securities – Mumbai**

Thanks, I am answered.

---

**Subha – Moderator**

Thank you, ma'am, at this moment I would like to hand over the floor back to Mr. Rohan Gupta, for the final remarks. Over to you sir.

---

**Rohan Gupta - Emkay Shares and Stockbrokers– Mumbai**

Thank you, Subha. Sir; I have a quick question, would it be possible to answer that?

---

**Homi Khusrokhan – Tata Chemicals – Mumbai**

Sure, go ahead.

---

**Rohan Gupta - Emkay Shares and Stockbrokers– Mumbai**

Sir, why is the PBT of BMGL only 20 crore for H1FY08?

---

**Homi Khusrokhan – Tata Chemicals – Mumbai**

That is mainly because the expanded facility at Magadi hasn't begun production completely and also because of the income tax issues that Magadi is facing. Once you commission the plant the interest and depreciation charges will start seeping in but it cannot be capitalized any more. So what is happening is that there is a distortion in the sense that there is limited or no production but there are interest and depreciation charges which have depressed BMGL's accounts. Even though the European operations have performed beyond their plan, Magadi's problems have brought down the overall figures.

---

**Rohan Gupta - Emkay Shares and Stockbrokers– Mumbai**

What is the outlook for the December quarter, will the production at the Magadi plant will be the same or is it going to improve?

---

**Homi Khusrokhan – Tata Chemicals – Mumbai**

We mentioned this that the old plant will produce to capacity while the new plant will continue to produce at about 30% to 40% for some more time.

---

**Rohan Gupta - Emkay Shares and Stockbrokers– Mumbai**

That is all from my side. I would like to thank you for giving us your precious time. I would also like to thank all the participants. It was a very interesting session and we had a lot of insights from the company. Thank you everyone.

---

**Homi Khusrokhan – Tata Chemicals – Mumbai**

Thank you.

---

**PK Ghose– Tata Chemicals - Mumbai**

Thank you.

---

**Subha - Moderator**

Thank you, sir. Ladies and gentlemen, this concludes the conference call. You may now disconnect your lines. Have a pleasant day.