



TATA CHEMICALS LIMITED

Moderator: Good afternoon ladies and gentlemen, this is Pallavi, the moderator for your call today. We welcome you to the conference call of Tata Chemicals, hosted by Stratcap Securities. We have with us today Mr. Dhawal Doshi, from Stratcap Securities. At this moment all participants are in a listen-only mode. Later we will conduct a question-and-answer session. I would now like to turn the conference over to Mr. Dhawal Doshi. Mr. Doshi please go ahead.

Dhawal Doshi: I welcome you all to the Q3 & 9 months FY-07 earnings call of Tata Chemicals. We have with us Mr. Homi Khusrokhhan, the Managing Director, and Mr. P.K. Ghose, the CFO, of Tata Chemicals. Mr. Khusrokhhan, I would request you to give a brief about the results.

Homi Khusrokhhan: Thank you Dhawal. Mr. Ghose and I welcome you to this call. First I will share with you some perspectives on our overall operating performance during the third quarter, following which Mr. Ghose will share with you some of the financial aspects. After this of course we would be happy to respond to your questions. The company's performance in the quarter and 9 months period under review has been highly encouraging. Demand and prices for the all of the company's key products, Soda Ash, Urea, DAP and NPK have been positive and has remained firm for most of the quarter resulting in good growth over the last year. Sales volumes across all our products have been strong resulting in higher realizations. Internationally Soda Ash prices have remained fairly firm across all Asian markets, Europe and US, particularly China which was a bit of a concern a few months ago has been very quiet, there is a shortage of Soda Ash developing in China and prices are extremely firm. The glass industry is continuing its swift expansion in most developing countries particularly in Asian markets. We are seeing significant expansion in the glass sector in this part of the world. We expect this to continue and therefore there will be substantial increases in volumes in Soda Ash as the year progresses. There also been growth in the fertilizer business because of the generally favorable economic climate and the higher investment which we are seeing today in the rural economy as we modernize our agricultural moves going forward. Growing demand will allow us to leverage our strength and position in this market. As you know we have a huge presence in the north and east of the country through our Tata Kisan Sansar network. We have over 500 outlets there and therefore we will increase supplies and realizations in our core command areas.

During the quarter our agri business division launched some home brands which have been well received by the market. And we have also introduced in the south of the country a new brand of salt. This is a challenger brand called 'I-Shakti' which is based on locally sourced refined salt. It is iodized that's why the 'I' is there and it's priced about Rs.2 per kilo less than our flagship brand Tata Salt. It's expected to be a vehicle for our packaged salt market growth in semi-urban and rural markets in the South where traditionally we were a bit weaker than the North where we are extremely strong.

Brunner Mond and IMACID performance has been in line with our plans. We have captured a lot of the synergies which we talked about last time through the integration process. There are lots of plans in place now to drive this synergy even further and perhaps we will talk about this later during the call. We are now actually seeing some of the benefits of putting some of our systems and processes into Brunner Mond. The soda ash plant at Mithapur achieved record production, is now broken the 2600 tons per day barrier. We actually had production at over 2600 tonnes per day for 4 days at a stretch which shows that a lot of the profit the operating efficiency improvements which we started a few months ago. They are now coming through and we are well ahead of our original average of 2400 tons per day. And this is being done without spending a rupee of capital investment; but entirely through plant operating efficiencies. It's been a good quarter with significant growth levels across all segments and all products and I think we are positioned well for this year. I would now request Mr. Ghose to give you some financial perspectives.

PK Ghose: Thank you Mr. Khusrokhani. I will share with you some key elements of our financial performance for the quarter and the 9 months period being reviewed. Our consolidated revenues on a 9-month basis improved 65% to 4566 crore thus crossing the \$1 billion mark. While our profit from operations was higher by 52% at Rs.761 crore, on a consolidated basis, PAT for the period under review amounted to Rs.428 crore, a 48% increase translating to a basic and diluted EPS of Rs.20.06 and 17.93 respectively for the period. Let me also give you a brief of our performance on a standalone basis. Tata Chemicals 9 months FY-07 standalone sales have increased 15% to stand at Rs.3187 crore while PAT has increased 21% to Rs.350 crore. This translates to a basic EPS of Rs.16.26 and a diluted EPS of Rs.14.58 for the 9 months period. Operating profits for the third quarter were lower because of higher fixed cost mainly consequent to salary increases just completed, increased use of Naptha resulting in higher price escalations and increased trading volumes. Debt as on 31st of December 2006 stood at Rs.1327 crore. This largely comprises low-cost short-term buyer's credit for the phosphatics business and the foreign currency commercial borrowings based in January 2005. I look forward to a continued strong financial and operating performance, thank you. We will now take the questions.

Moderator: Ladies and gentlemen, we will now begin the live question-and-answer session. If you have a question please press '*1' on your push-button phone and await your turn to ask the question when guided by the facilitator. If your question has been answered before your turn and you wish to withdraw your question. You may do so by pressing the '#' key. Our first question comes from Mr. Sharad Ramnarayan from Birla Sunlife Mutual Fund. Please go ahead Sir.

Sharad Ramnarayan: Good afternoon Sir, congratulations on a great set of numbers. I just wanted to draw your attention to couple of media reports. The first one says that you are planning some soda ash plant in Tanzania and the second one says that there are some problems you are facing on the Magadi expansion because of some issues with a Kenyan senator or something like that?

Homi Khusrokhani: I will explain. First of all in the Rift Valley there are traces of natural soda ash. And across the border in Tanzania there is similar lake called Lake Natron that is totally unexploited - it hasn't been developed at all. It's just wild country at the moment. The Tanzanian Government is looking for somebody to come and make a

Magadi out of Natron. We have signed a MOU with them and we have undertaken certain studies at the moment that are on going to see whether operations similar to the Magadi operations have been done at Lake Natron. The quality of the brine is fairly similar, and the same sort of soda ash is collecting on the surface of the lake. It's not as thick as Magadi but the lake is about 5 times the size of Magadi. So we are at the stage of doing an investigation seeing geological surveys etc., looking at the impact of the ecology and the environment because that's also very sensitive with natural game reserves, so all those studies are in progress. But if they come through favorably and we can build an infrastructure, freight, transportation, roads, railway line etc. working with the government then we have a another major source of natural soda ash coming from Tanzania, just a few kilometers away from Magadi. You can actually drive to the lake in about an hour and hour and half, across the border into Tanzania. So that is the Tanzanian press report.

Sharad Ramnarayan: But if it is correct then how long will do you think the entire, if correct in the sense if you are going to go ahead?

Homi Khusrokhani: This is a 2-3 years thing, it is not going to happen today or tomorrow.

Sharad Ramnarayan: Okay.

Homi Khusrokhani: The second one on Magadi - There has been a press report that there is a cartel of soda ash producers in the US called ANSAC. A US senator has objected to one of the Exim banks of US funding what they call the Rift Valley railways or funding a project where we wanted to buy some railway engines and locomotives from a US based supplier. It's just a political statement made by the senator, I wouldn't take it seriously. We had already tied up the funds and finances in another way, so it doesn't make any difference to the project, since the locomotives are on the way on the high-seas. Now they are going to be delivered very shortly.

PK Ghose: And parts of them have been paid for.

Sharad Ramnarayan: So can we definitely expect the expanded Magadi to start contributing from Q1 2008?

Homi Khusrokhani: Yes, you will see some contribution.

Sharad Ramnarayan: Okay, thank you Sir.

Moderator: Thank you Mr. Sharad Ramnarayan. We have our next participant Mr. Rahul Thakur from NVS brokerage. Mr. Thakur please proceed Sir.

Rahul Thakur: Good afternoon Sir. I would just like to know if you could give us some pricing outlook for soda ash?

Homi Khusrokhani: Soda ash prices which are relevant to us really which threaten the Indian situation is China and at this point of time Chinese prices are pretty firm. They would be in the region of anywhere between \$190-205 between light and dense soda ash. There is a shortage of soda ash in China because of a lot of plans to relocate. So

at this point of time there is not much Chinese material coming out as Chinese exports have really grown by less than 2% in this last quarter. So I don't think that we have any concerns on soda ash price. In India prices seem fairly stable, the only developments in the last quarter is that Sauchem is now back on stream, GHCL has completed its capacity expansion. So there will be a little more material available in the market but most of our major customers are tied up through long-term contracts. And we don't see any worries related to price.

Moderator: We have our next participant Mr. Sudhir Sharma from Pioneer. Mr. Sharma.

Sudhir Sharma: Good afternoon Sir, can we have the breakup between IMACID and Brunner Mond for the quarter, in terms of revenues, EBITDA and PAT.

PK Ghose: Brunner Mond growth for the 9-month period: the sales are 1247 crore, EBITDA of 186 and profit before tax was 79.

Sudhir Sharma: Can we have the breakup for the quarter also Q3?

PK Ghose: We have not published the quarter information here yet because they are not on a quarterly audit system.

Sudhir Sharma: The difference between the consolidated figures and these would be IMACID numbers right?

PK Ghose: 9M FY07 IMACID is 208 crore sales, EBITDA - 46, PBT - 20.

Sudhir Sharma: Just to give us a perspective we said that we are number three in soda ash capacity globally. Who are the top 2 players and their capacities, if you can just give us an idea?

Homi Khusrokhhan: Solvay at 7 million ton (Solvay is an European player with plants all over the world) and FMC of USA at 5 million ton.

Sudhir Sharma: I'm talking about the quarterly numbers now: The interest cost has gone up 44% y-o-y. Is it because of the subsidy delays only or some other reasons?

Homi Khusrokhhan: That is because of the higher working capital requirement, subsidy delays and the imports that we do for our Haldia unit.

PK Ghose: Actually you see in the 9 month period it is 8.11 crore, so interest is well under control it's only in the last quarter there has been a slight increase.

Sudhir Sharma: I am talking about standalone numbers again for the inorganic chemicals sales. Soda ash volumes have jumped 2% and if we see the segmental numbers the sales are increased 14%. So we presume that realizations have been better y-o-y?

Homi Khusrokhhan: We have had better realizations.

Sudhir Sharma: Could you give us a perspective on comparative numbers Q3 of last year and Q3 of this year, in terms of realizations for soda ash?

Homi Khusrokhhan: In terms of realizations per ton? I will just inform you in a minute. Do you have any other questions?

Sudhir Sharma: My last question is on the herbicide segment that we are entering, how big is this opportunity or is it too early to talk about it?

Homi Khusrokhhan: This is basically a new product added in the Tata Kisan Sansar one of several products which we offer through that network. So it is not a greatly significant new product from the company's point of view. In our farm operations, we are now offering an in-house brand of herbicides, that's all.

Homi Khusrokhhan: Soda ash realizations that you talked about, last year was at about 8750, this year it is close to 9075.

Sudhir Sharma: Okay, thanks Sir.

Moderator: Thank you Mr. Sharma. Our next question comes from Mr. Sageraj from B&K securities. Please go ahead Sir.

Ghanshyamdas Agarwal: Good afternoon Sir. This is Ghanshyam along with Sageraj from B&K Securities. Could you just throw some light on the highly impressive performance from your subsidiaries? We have done more in this quarter itself than we did in the 2 quarters cumulatively, what caused this increase in profits?

PK Ghose: Actually it is a huge increase in the sales with prices being firm. In UK the prices have been very firm. Volumes which had been lost in Q1 and Q2 have made up in this quarter. And in the case of European prices which only consist of about 14% of the sales, there has been a marginal drop in the price. But otherwise prices have been very firm and volumes have been much greater. So all shortfalls in the previous quarters have been made up.

Ghanshyamdas Agarwal: For your soda ash domestically I guess realizations are up. What is the difference in realizations Q-on-Q compared to Q2, 2007 and Q3, 2007?

Homi Khusrokhhan: I gave you an average of this quarter versus, but as I mentioned Q3 of this year versus Q3 of last year, goes like this: Last year it was at 8750 per ton, this year it is 9075 per ton.

Ghanshyamdas Agarwal: This quarter we exported a huge amount of 40,000 tons and we did 44,000 in the last 2 quarters. Is this because of weak domestic demand? Aren't exports quite un-remunerative as compared to domestic markets?

Homi Khusrokhhan: That's not true if you look at history. If you look at last year and the year before that, I think exports have been much higher on an overall basis. I think it could touch a little less than 20,000 tons.

Ghanshyamdas Agarwal: I completely agree on that and if we see at the end exports have been falling in Tata Chemicals. So this quarter again we see this reversal of trend and that's the reason and what is the differential in realizations, will it be about \$100?

Homi Khusrokhani: The differential in the export price in the domestic price would be, not \$100 about \$50.

Ghanshyamdas Agarwal: Basically the question is does one sees much higher realization in the domestic market?

Homi Khusrokhani: There is a difference in realization of about \$50 - 55. But actually if you look at the prices which are prevailing in India today \$185-200 which we expect to remain firm. .

Ghanshyamdas Agarwal: Only that we incur a freight cost?

Homi Khusrokhani: Exactly. The only thing is the freight element.

Ghanshyamdas Agarwal: Also, we see some decline in the phosphatic fertilizer front. So is that because of weak demand or is it because of seasonality?

Homi Khusrokhani: Demand has been fairly good. We had some stock out recently because of supply availability problems, shipment delays of materials coming in. So it's a temporary thing.

Ghanshyamdas Agarwal: On the nitrogenous fertilizer we have a cap on what we can produce. So since we have already done a huge chunk in the 9 months, do you see a huge decline in the last month or you feel that new policy will be in place and we can produce as much?

Homi Khusrokhani: If the new policy comes out one of the big benefits will be that de-bottlenecking of Babrala gets cleared but that will be a 12-18 months project, it is not going to happen overnight. But at-least it will be a step in the right direction. Today the country is importing urea this is a crazy situation where capacities exist in the country and the country still spending foreign exchange wasting money on imports. So it's high time that got addressed in the policy, hopefully once it comes out we can get on with our de-bottlenecking.

Ghanshyamdas Agarwal: If the policy doesn't come in this quarter, do we see a decline in the next quarter for urea or...?

Homi Khusrokhani: There won't be a decline, through our efficiencies we are marginally growing and we also import some quantities once in a while.

Ghanshyamdas Agarwal: When do we expect Kenya expansion to start production?

Homi Khusrokhani: Next year we will have a full-year of production from the financial year starting April.

Ghanshyamdas Agarwal: Okay, thanks a lot Sir.

Moderator: Thank you Mr. Sageraj. Our next question comes from Mr. Chetan Gupta from Tricolor Advisory. Mr. Chetan Gupta please proceed Sir.

Chetan Gupta: Good afternoon Sir. A couple of questions, you spoke about Tanzania you said there would be a 2-3 year timeframe ahead in terms of implementation. I am guessing that this is not the time that you would take to study the feasibility of the project?

Homi Khusrokhani: Feasibility has to be done by next year, this is where total new infrastructure has to be created. So it's going to be a long-term project.

Chetan Gupta: But you are saying that feasibility would probably take you further...?

Homi Khusrokhani: We have our case studies done; we are looking at the funding and financing needs whether it is viable or not viable. All that work will be done by within the next year I would say.

Chetan Gupta: The second question is on the government notification on stage-3 of the pricing policy, is there any movement on that Sir?

Homi Khusrokhani: They have recommended some changes to the way they bracket companies. Mostly it will impact companies who are now not on GAP, they are compelling companies to move from other sources coal, naphtha to gas. So those guys will now feel the pinch unless they change over within a certain period of time. But for us I don't think it is a significant change.

Chetan Gupta: Alright, thank you.

Moderator: Thank you Mr. Chetan Gupta. Our next question comes from Mr. Amit Dalal Dalal from Amit Nalin Securities. Please go ahead Mr. Dalal.

Amit Dalal: Good afternoon Sir, congratulations on the numbers. Just wanted to know once the Magadi plant starts, what tonnage do we expect to do from next year and where exactly will we be selling and will the incremental capacity have any impact on the global markets because I think it's quite balanced in terms of demand and supply?

Homi Khusrokhani: Basically our capacity in Magadi doubles after the expansion is over. So from 350 it will go to 700 or so. The additional 350 will be actually, the main markets would be Asia Pacific corridor that is the South-East Asian countries, India to some extent, Gulf Middle-East and South Africa. So those are the markets where we are looking to sell additional quantities.

Amit Dalal: You don't expect any difference in the prices?

Homi Khusrokhani: No.

Amit Dalal: Okay, thank you.

Moderator: Thank you Sir. We have our next question from Mr. Rohan Gupta from Emkay Shares. Please go ahead Mr. Gupta.

Rohan Gupta: Good afternoon Sir, I will definitely say it's a good set of numbers. I have a question on our IMACID JV, have we started getting the phosphoric acid from IMACID?

Homi Khusrokhani: Yes, for about a year and a half we have been getting phosphoric acid and should they not be able to supply the parent does

Rohan Gupta: Can you give us some idea that how much phosphoric acid can we get from these both the parent company and IMACID?

Homi Khusrokhani: 100% of our requirement whatever we need. They would give us the full requirement.

Rohan Gupta: Is there any scope for capacity expansion at our DAP plant?

Homi Khusrokhani: At this point of time it would only be balancing, so there will be some operating efficiencies which we can improve and do some balancing but not a major expansion. We have to literally build a new plant for further quantity.

Rohan Gupta: And Sir, coming on to the soda ash, as from last year to this year on quarter-on-quarter if we compare, that the difference in soda ash prices in domestic market of somewhere Rs.325, right? Is there any further increase in prices that you are planning?

Homi Khusrokhani: I don't think so, at this point of time doesn't look likely.

Rohan Gupta: Not in domestic, but what about in the global market Sir?

Homi Khusrokhani: We will see. As I said, because of the shortage developing in China, we might get a better realization in South East Asian countries. But as of now no significant movement in prices is expected.

Rohan Gupta: Now as we have become the world's third largest soda ash maker and now command some around 6-7% of the global market share in soda ash, have we got some kind of pricing power?

Homi Khusrokhani: We certainly have more voice than we used to have in the past. I wouldn't say pricing power but we would be taken much more seriously and people will be watching our moves rather than we having to watch other people's moves.

Rohan Gupta: So among the three largest players, is there some kind of arrangement regarding prices or something like that?

Homi Khusrokhani: No, there is no cartel and this part of the world, only in the US they have a very strong cartel called ANSAC.

Rohan Gupta: So that enhances the strong pricing power but especially in US market.

Homi Khusrokhani: But they are insulated from us because of the huge freight, they don't really supply too much into our market. So it will not affect our markets, they mostly supply within America and to Latin America, and some quantities go to Europe.

Rohan Gupta: Okay, thanks a lot.

Moderator: Thank you Mr. Gupta. Mr. Doshi, you would like to ask any questions?

Dhawal Doshi: Yes. Sir, I would have a couple of questions. I suppose we have entered into a contract for the procurement of limestone. When would that contract be getting over?

Homi Khusrokhani: We get limestone from various sources. Some come from our own mines, we have leases of our own, some we buy from other sources in that particular region. Because of certain problems we had with the mining sector recently in Gujarat area there has been sort of tightening up on licenses make sure that those people who are mining actually doing it legally. There has been some interruption of production actually and we have had to change our sources and start trying out some limestone in Rajasthan and we also imported some quantities from Oman. It has turned out to be a blessing in disguise, since that limestone in-fact is of a better quality, it's purer and we are getting slight improvement in yields also because of this.

Dhawal Doshi: I suppose we have seen a price escalation in the same?

Homi Khusrokhani: Yeah, the cost is much more and we have to incur the additional freight because as I said net-net the yields are better from the imported material – these are about 98-99% pure as against the limestone which we are getting today, which is about 93% pure.

Dhawal Doshi: What would be the price differential roughly if you can give me some idea?

Homi Khusrokhani: Rs.700-800 in that region.

Dhawal Doshi: If I am not mistaken there was also a shutdown in the Mithapur operations for the boiler maintenance?

Homi Khusrokhani: We had a small shutdown during the last month.

Dhawal Doshi: So roughly a week or so?

Homi Khusrokhani: It was off and on, there was some repair jobs going on there was some interruption.

Dhawal Doshi: If you look at our Brunner Mond profits this year, in the current quarter I suppose the profitability is increased quite significantly. Would you be able to give specific reasons or what has led to the jump in the profitability?

Homi Khusrokhani: As Mr. Ghose explained that they have caught up on a lot of the sales deficit they had in the first 2 quarters, picked up in the third quarter, so that's the main reason. The sales have been very healthy and cost also they have been cutting back. So they have some savings there, we have also refinanced because some interest benefits, I think whole collection of things.

Dhawal Doshi: So do we maintain these profit levels from here on? The question that I am trying to ask is, is there a one-off item in this quarter?

Homi Khusrokhani: It's not one off, but I would say that the whole question about Europe now is the pricing situation. We have to watch the prices very carefully at this point of time there still fairly firm. But that becomes the question mark going forward. So whole of next year we will have to take a guess on what the price levels are going to be.

Dhawal Doshi: Okay, thank you very much, this is from my side.

Moderator: Thank you Mr. Dhawal Doshi. Our next question comes from Mr. Sageraj Bariya from B&K securities. Please go ahead Sir.

Sageraj Bariya : I just wanted the PAT figures for IMACID and Brunner Mond, possible for you to share those figures Sir?

PK Ghose: IMACID and Brunner Mond we have done that already, just now gave those figures. I will just read it out again, for 9 months period PBT is 20 and 79.

Sageraj Bariya: How much Capex have we done Y-T-D?

PK Ghose: The Capex for the three quarters would be about 80-90 crore.

Sageraj Bariya: How much do we plan for 2008, can you share some details on that?

PK Ghose: We are planning about 200-250 crore over the next 2-3 years. Our original capacity expansion plans for Mithapur continue and therefore it will be about 200-250 crore.

Sageraj Bariya: This is just for Mithapur I believe?

PK Ghose: This is Mithapur, in addition you will have Babrala if the de-bottlenecking capacity comes through, that's another close to about another 150 crore.

Sageraj Bariya: I believe the Tanzania lake thing if things work out properly, there we might see another plant coming in?

PK Ghose: That will be slightly longer term as Mr. Khusrokhani explained because the principal thing there is the environmental impact studies. These are likely to come out in the next few months. But infrastructure for that has to be provided by the Government of Tanzania in the form of rail connectivity as well as some road connectivity. It involves considerable amount of money which Tanzanian government has to invest. So it will be only after they have done this that we will go in for the financing of the project.

Sageraj Bariya: Okay, thanks a lot Sir.

Moderator: Thank you Mr. Sageraj. Our next question comes from Mr. Sudhir Sharma from Pioneer. Please go ahead Sir.

Sudhir Sharma: Sir, why there has been a decrease in the PBIT margins from the fertilizer sector and a decline from 8.6% to 6.1% for this quarter?

Homi Khusrokhan: I think there is a larger proportion of trading in this quarter and that could have depressed the margins because we have been importing some materials. As I mentioned earlier there has been a demand surge in the country for fertilizers and a lot of fertilizer has to be imported. We have also had some cost escalation because of naphtha usage at Babrala. Gas was not available since during the monsoon period, there is an interruption in the gas pipelines. So these 2-3 things could have caused the higher cost during this quarter.

Sudhir Sharma: The staff-cost it has increased from 32 crore to 38 crore. Is it due to the wage revision or increase in staff?

Homi Khusrokhan: There was a once in three year settlement at Mithapur. We also had a management staff consequential increase taken, so the combination of both has impacted staff cost.

Sudhir Sharma: Okay, thank you Sir.

Moderator: Thank you Mr. Sharma. We have our next participant Mr. Rohan Gupta Gupta from Emkay shares. Please go ahead Sir.

Rohan Gupta: Could you please elaborate just a little more on the Forex income of 20 crore this quarter?

PK Ghose: If you've noticed during the last 2 quarters, we had incurred about 20 crore of Forex loss which was mainly on the foreign currency convertible bonds. Now this has been hedged through options. But in the last 2 quarters because of the depreciating rupee we incurred losses. Now the rupee has appreciated to around 44.6 as of 31st of December. And therefore this entire loss which was incurred in the first 2 quarters has been wiped off. Now I'd like to mention that this is not a real loss, it is an accounting standard which demands you to see the movement of the rupee and take it in the P/L account every quarter.

Rohan Gupta: Could you please elaborate a little more because, I'm a bit confused because as far as the FCCB is concerned we've already spent the money on our acquisition of foreign company, right?

PK Ghose: Yes, it has been spent but the loan is on our books, it still has to get converted. If not converted it has to be repaid after 5 years which is in 2010. There is a new accounting standard which requires that at every quarter based on the rupee/dollar movement you have to either take a forex loss or gain. When the rupee depreciated we took that hit in the last 2 quarters. This quarter the rupee appreciated. Now this apparent

loss of profit is because of an accounting requirement. Also, the entire FCCB has been hedged with a combination of forwards and options. So when the final payment is due in 2010, and if then the FCCB does not get converted and if we have to repay the amount, it is adequately protected by these forward and options.

Rohan Gupta: So in 2010, at the end, whatever the difference will be, do we need to incur or even that is not...?

PK Ghose: That will not be incurred because every quarter you will be showing profit or loss but ultimately since you are protected when you really pay off you are totally protected.

Rohan Gupta: So every quarter there will be either some plus or some minus will be there.

PK Ghose: Exactly.

Rohan Gupta: What will be the base we should take for the rupee and dollar?

PK Ghose: Right now it is at 44.23, going forward we expect that the rupee will depreciate but not too much. Our anticipation is that it should go up to 44.5-44.6 and may be close up to 45 levels a little later on.

Rohan Gupta: What is the rupee/dollar rate we used for calculating this for the accounting entry?

PK Ghose: At the time when we went for the FCCB loan, the rupee was at 44.62.

Rohan Gupta: So that was the base. And depending on that escalation and reduction?

PK Ghose: After that in Q2 it was 45.92 and then in Q3 it is 44.26.

Rohan Gupta: That's why we are having losses and income at this quarter?

PK Ghose: That's right.

Rohan Gupta: Okay Sir, thanks a lot.

Moderator: Thank you Mr. Gupta. We now have Mr. Sharad Ramnarayan from Birla Sunlife. Mr. Ramnarayan, please proceed Sir.

Sharad Ramnarayan: Just one last question. Considering the kind of cash flows you are having, do you have any option to just repay the FCCB as a loan itself and prevent any equity dilution. Do you have any provision in the way the FCCB is structured?

PK Ghose: No, we cannot repay this. It's a one-time payment in 2010.

Sharad Ramnarayan: Okay, thanks.

Moderator: Thank you Mr. Sharad Ramnarayan. We have Mr. Sageraj from B&K Securities. Please proceed with your question Sir.

Sageraj: Just wanted to know how much was your urea subsidy outstanding for 9 months and for the quarter?

Homi Khusrokhani: Urea subsidy outstanding as of 31st of December was 112 crore.

Sageraj: This would be for the 9 months?

Homi Khusrokhani: It's usually about 6-8 weeks behind; it rolls over in about 8 weeks time. 50-60 days is the average realization time for urea though that has increased a little in the last few months.

Sageraj: What would be the phosphatic fertilizer subsidy?

Homi Khusrokhani: Phosphatic is much higher. Actually there has been some movements recently as at the end of December it is almost gone up to about 500 crore. But we have got about 150 crore back in January. So there has been some movement but it is still very slow. The industry is very upset about the delays and fertilizer subsidy and you must have seen some fresh reports recently, where the RCF chairman also commented on it. IFFCO is also quite upset. So this is an issue which we have been taking up with the government quite strongly.

Sageraj: What is the due after 150 crore that you have received?

Homi Khusrokhani: We have closed the year at about in that region, let's see. We are pushing hard with the government but it's always been an uphill task in the 3rd and 4th quarters. The government just runs out of funds, total subsidy bill is mounting, next year estimate is something like 40,000 crore of subsidy. And unless they now think in terms of changing the policy and deregulating, the government is also realizing they can't carry on like this. So may be there will be some silver lining at the end of this. Let's hope for some deregulation.

Sageraj: After the Corus deal, looking back, we bid for Egyptian fertilizer at a point of time. So do you think in hindsight it was a good decision not to overbid that point of time or you missed on a good opportunity?

Homi Khusrokhani: It's quite different situation, here there was a question of huge it completely changes the whole complexion of the company. It is not just one small addition to the business this is something like 4 times the size of the acquiring company. The second thing is with competitive bidding situation, you cannot afford to give up and walk away when you are not going to get a similar opportunity like this. So I think the stakes were quite different the scenario is quite different, you can't really compare.

Sageraj: I am done, thanks a lot.

Moderator: Thank you. As there are no more questions I would now like to hand it over to Mr. Dhawal Doshi. Please go ahead Sir.

Dhawal Doshi: Sir, would you give some final concluding remarks?

Homi Khusrokhani: It's been a good quarter; we are seeing a good trend at this point of time. Hopefully we will see better results even in the next quarter, looking upbeat. Thank you.

Dhawal Doshi: Thank you very much Sir.

Moderator: Thank you. Ladies and gentlemen, that does conclude your conference for today. We thank you for your participation and for using TATA Indicom conferencing services. You may please disconnect your lines now. Thank you and have a great day.