Transcript of Conference call held on June 8, 2004, post announcement of FY2004 Financial Results

Moderator: Good afternoon ladies and gentlemen. Thank you for standing by. Welcome to the conference call of Tata Chemicals Ltd, hosted by Motilal Oswal Securities Ltd. We have with us today Mr. Prasad Menon CEO; and Mr. P K. Ghose, Chief Financial Officer of Tata Chemicals Ltd. At this moment all participants are in a listen-only mode. Later, we will conduct a question and answer session. At that time if you have a question please press *1. I would now like to turn the conference over to Mr. Atul Rastogi of Motilal Oswal Securities. Please go ahead, sir.

Atul Rastogi: Good afternoon ladies and gentlemen and welcome to the conference call of Tata Chemicals for 4th quarter results. My apologies for the delay. Without wasting any more time I will hand over to Mr. Menon who will take it from here to give an overview of the results. Over to you, Mr. Menon.

Prasad Menon: Thank you, Atul. Good afternoon everyone. I am delighted to be with you on this conference call. Let me share with you some of the key developments at Tata Chemicals during the financial year ended March 31, 2004 and our prospects going forward.

I trust you have a copy of our financial results for the year ended March 31, 2004. Tata Chemicals' operating and financial growth has been achieved in the backdrop of an extremely testing environment.

Let me begin with the Chemicals business.

Tata Chemicals continues to be the market leader in soda ash but we are seized of the need to strengthen our competitive position by on one hand optimising operations and on the other, expanding our presence in both, the domestic and international markets. The prices of coke and coking coal, which are key ingredients in the manufacture of soda ash, appreciated approximately 80% on a YOY basis as a result of significant Chinese demand. Ocean freight rates as you are aware also spiralled, further expanding procurement costs. Input prices have since declined marginally. We however expect them to continue to rule strong in the ongoing fiscal and are exploring various alternatives both in terms of procurement and sourcing as well as alterations in the input mix in an effort to mitigate this challenge.

During the year under review, Tata Chemicals has enhanced its product portfolio in the Food Additives Business, with the introduction of Samundar Crystal Salt and Samundar Cooking Soda. We believe the Indian market is evolving rapidly and the Indian consumer is becoming increasingly quality and hygiene conscious. In the medium to long term there is visible potential of other food additive categories growing at a pace similar to what we see in edible salt, where the National Branded segment is growing at approximately 9% per annum. Our early entry gives us first mover advantage, which we have learnt is key in this business. Tata Salt continues to dominate the edible salt market with its marketshare remaining over 40% over the last four months.

Moving on to the Fertiliser business. Our performance in this segment has been mixed.
Realisations in the urea business have been strong on the back of a healthy monsoon and market discipline. The Group Pricing Policy has now entered its second stage. As we have discussed earlier, we view the Policy to be another step towards decontrol wherein cost efficient players will enjoy a distinct advantage. Recognizing this potential, Tata Chemicals has, after a comprehensive third party appraisal of its manufacturing facility, forwarded to the Ministry of Fertiliser, an application to debottleneck its capacity.

The acquisition of the Farm Management Services Business of Rallis India has also given us an added dimension with Tata Chemicals now also purchasing agricultural produce from farmers. With the TKK network and the FMS business the Company now enjoys an even more deeply entrenched relationship with the Indian farmer.

Our phosphatics business which we have acquired post the integration of Hind Lever Chemicals, has been under pressure as a result of abnormally high ammonia, phosphoric acid and sulphur prices especially during the second and third financial quarters.

Our STPP business has performed healthily during the year under review.

However, with the Pricing Policy for DAP manufacturing units, not taking into consideration the anomaly in input prices, operations became increasingly challenging for the entire domestic industry. With international prices firm, imports too were not a viable option. Raw material prices have since receded a little. The industry is in continuous dialogue with the Government, to correct the anomaly in the current pricing situation. We are also exploring options towards securitising our raw materials in an effort to desensitise ourselves from abnormal price movements.

Tata Chemicals is today a larger Company with a more enhanced and synergistic product profile, a larger customer base and an even better developed distribution infrastructure. The merger of Hind Lever Chemicals offers the Company numerous synergies that can be leveraged to deliver progressive business performance.

I will now hand over the floor to Mr Ghose who will share with you key financial highlights of the just completed financial year.

P.K. Ghose: Thank you Mr Menon. Good evening ladies and gentlemen and thank you for joining us on this call. As you are aware, the FY2004 financials pertain to the merged entity while the FY2003 numbers relate to the standalone entity. The results are hence not strictly comparable. However, let me briefly share with you some financials of the renewed entity.

As you would see, Tata Chemicals is now a Rs 2,650 + crore Company with operational profit of Rs 460 crore delivering an 18% EBITDA margin. The reduced operating margins, as we have earlier discussed, are mainly a consequence of higher input prices. The Company's net profit amounted to Rs 221 crore translating to an EPS of Rs 10.25.

Some key ratios: Tata Chemicals' Return on Equity for the Financial Year ended March 31, 2004 was 10.18%. Cash EPS amounted to Rs 15.8. The Company's Asset Turnover Ratio stood at 0.85 while Return on Assets was 11.2%.

Our debt equity ratio for the financial year ended March 31, 2004 stands at 0.38. The total debt on the Company's Balance sheet as on March 31, 2004 amounted to Rs 766 crore. I may add here that this comprises Rs 295 crore debt of the erstwhile Hind Lever Chemicals, of which Rs 269 crore is short-term buyer's credit, which is procured at much lower interest rates. Excluding this Buyers credit, Tata Chemicals' debt equity ratio stands at 0.24. The Company's operating cashflow after working capital charges amounts to a healthy Rs 571 crore. Interest outgo during the year under review amounted to Rs 51 crore - close to half that of the preceding financial year. This amount also includes interest payment of Rs 11 crore made by Hind Lever Chemicals.

For the financial year ended March 31, 2004, the Board of Directors of the Company have declared a dividend of Rs 5.50 per share, which translates to a dividend payout ratio of 60.5%.

As Mr Menon indicated during his discussion we expect the environment to continue to be challenging and competitive. In the face of this we look forward to steady growth in the current fiscal.

Thank you for your time. Mr. Menon and I would now be happy to discuss any subjects you have in mind.

Moderator: Certainly sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press *1 on your pushbutton 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 request, you may do so by pressing the # key. Our first question comes from Mr. Amit Dalal from Amit Nalin Securities, please go ahead, sir.

Amit Dalal: Yes Good afternoon Mr. Menon and Mr. Ghose.

Prasad Menon: Good afternoon.

Amit Dalal: Yes, sir two questions. One is regarding, as you mentioned, costs have gone up but what were the exports of soda ash in this quarter and what are the prospects of the exports of soda ash? The second question regards fertilizers. It was mentioned in the Indo Gulf Analysts Meet that because there is a urea shortage due to the increased requirement from the agricultural sector, there could be a possibility that urea manufacturers may be allowed to manufacture at maximum capacity not the capped capacity, any movement from the Government on that respect?

Prasad Menon: Okay, let me take both the questions. As far as exports of soda ash go, rather than the Q4, let me deal with the year.

Prasad Menon: We have exported 128,000 tons of soda ash last year, which is a big jump from the previous year. We believe that we should sustain, if not slightly better, this figure, but it will depend as you know very, very heavily on freight costs and the availability of ships, which was quite a concern last year. We do see some trends now where rates seem to be levelling off, but we need to keep a close watch on that, but soda ash exports have been healthy, and we want to continue to be in that healthy zone. As far as fertilizers are concerned, yes, the opening stocks of urea have been lower this year, after a good monsoon, particularly in the northern states, and with another good monsoon expected this year, there is a possibility that the demand will move up. There has been some talk, and we do believe that it may be possible to produce maybe 30,000 to 40,000 tons more, we are still awaiting for the Government's nod on that.

Amit Dalal: One more question sir, regarding Hind Lever Chemicals, there were some write backs expected last year by some court judgments, I can't remember the details, but is there any possibility of any write back or subsidy benefits in the next year, which we did not get last year.

Prasad Menon: No I don't think so.

Amit Dalal: Okay thank you.

Moderator: Thank you Mr. Dalal for your questions. Our next question comes from Mr. Nishant from Arihant Markets Limited. Please go ahead, sir.

Nishant Satpute: Good afternoon Mr. Ghose and Mr. Menon.

Prasad Menon: Good afternoon.

Nishant Satpute: Sir, my question is regarding the amalgamation of Hind Lever Chemicals and TCL, sir approximately how much market share is TCL expected to gain with this amalgamation?

Prasad Menon: See more than the market share improvement, it is actually the geography that has increased. As you know, our urea fertilizer market has been largely centered around UP, Punjab and Haryana with a little spill over into Bihar and Bengal. What this transaction does is that it gives us increased coverage, right into Bihar, Bengal, and Jharkhand, and therefore there will be some spill over of urea from the UP market, , and there will be some amount of DNP and NPKs going up from the Bihar and Bengal market into eastern UP. So it is a combination of material moving into each other's territories as well as is significant enhancement of marketing geography.

Nishant Satpute: Right sir, my second question is on the front of feedstock used, with the ministry planning to increase the gas prices, how much increase in the cost of manufacturing do you expect it to be?

Prasad Menon: We are still awaiting what the new prices will be. On natural gas pricing, there has been talk of taking it up by about 10%. But as far as LNG pricing is concerned, as you know it is a stand off at the moment and the fertilizer industry has not concluded negotiations. But certainly with the Group Pricing Model, any increase in prices of both natural gas or LNG will be covered by the Government.

Nishant Satpute: Right sir, that is all.

Moderator: Thank you Mr. Nishant for your questions. We have our next participant, Mr. Ashwin Agarwal from Akash Ganga Investment. Please go ahead, Mr. Agarwal.

Ashwin Agarwal: Yes hi, my query is related to the proposal you have submitted to the ministry on de-bottlenecking, can you give the details of that proposal and what enhancement to the existing capacity would there be post de-bottlenecking exercise and what would the capex be on that?

Prasad Menon: Okay, what we have submitted to the Government is a proposal for a capex of about 150 crore and an enhanced capacity from our current 865,000 tons to 1.2 million tons

Ashwin Agarwal: Okay and by when are you likely to get a nod for that, the approval from the ministry?

Prasad Menon: Good question, I hope it will be tomorrow. But I think it will take probably another month or so.

Ashwin Agarwal: Okay. Secondly, I had a question from the newspaper article.

Prasad Menon: Yes.

Ashwin Agarwal: That there is a proposal to decontrol of marketing, which was at 50%, you know….

Prasad Menon: Yes.

Ashwin Agarwal: So how would that affect us, because then we will not be able to brand our products, you know, getting ready for the complete decontrol environment?

Prasad Menon: I don't think it will really affect us, because even though last year they had removed 50% from the EC allocation….

Ashwin Agarwal: Correct.

Prasad Menon: We were still able to make sure that our 50% was marketed in the surrounding area.

Ashwin Agarwal: Correct.

Prasad Menon: But strategically we do not want to constrict our marketing area. It still makes sense for us to go to Punjab and Haryana and go down to Bihar….

Ashwin Agarwal: Correct.

Prasad Menon: But this 100% ECA really it does not have any negative impact on us.

Ashwin Agarwal: Okay. Lastly, once you receive approval from the ministry, how long will the de-bottlenecking exercise take?

Prasad Menon: From zero date, it will take about 16 months.

Ashwin Agarwal: Okay, thanks a lot.

Moderator: Thank you Mr. Agarwal for your questions. For any further questions, participants are requested to press * & 1. The next question comes from Mr. Nishant from Arihant Markets Limited, please go-ahead sir.

Nishant Satpute: Two questions, again sir.

Prasad Menon: Yes

Nishant Satpute: Sir, I wanted to know exactly how much holding is there in IDEA and TCS…. how much holding is there?

P.K.Ghose: IDEA, we don't have any holdings.

Nishant Satpute: Okay.

P.K. Ghose: TCS also, we don't have any holding in TCS.

Nishant Satpute: Okay right sir. Sir my second question is with the WTO reducing the tariffs on export of soda ash….

P.K. Ghose: Yes

Nishant Satpute: How well is TCL actually positioned to cope up with such a problem?

Prasad Menon: Yes well, as you probably know, for the last two years we have put into effect this exercise called 'Manthan', which is really a cost optimisation exercise, we have been able to over the last 2 years significantly improve our cost position and we will continue to use this particular technique.

Nishant Satpute: Right.

Prasad Menon: We are confident about doing this to be able to meet even further reductions in duty. that.

Nishant Satpute: Sir, can you please elaborate on Manthan, a little bit?

Prasad Menon: See, Manthan looks at various costs across the Company, starting from sourcing of raw materials through the actual plant and the operating efficiencies, through and right across the supply chain to delivery of the material to the customers. And thereafter looks at customer profitability as well, so it is an end-to-end exercise where we look at all our costs and work out measures to optimise those.

Nishant Satpute: Right, thanks a lot sir.

Moderator: Thank you Mr. Nishant for your question. We have our next participant, Mr. Ashi from Prudential ICICI. Please go ahead, sir.

Ashi: Sir, my question is on the 4th quarter results….

P.K. Ghose: Yes

Ashi: We are seeing quite a sharp drop in the EBITA margin…..

P.K. Ghose: Yes.

Ashi: What is the main reason for this sir.

P.K. Ghose: Yes actually in Q4 of this year, we did not have about 17 crore of tax refunds, which were there in the previous year.

Ashi: Okay.

P.K. Ghose: That was one of the main reasons for the decline in profit.

Ashi: This is seventeen, one seven.

P.K. Ghose: One seven, 17 crore, actually for the entire year, we had tax refunds at around 38 crore.

Ashi: Okay

P.K. Ghose: For the particular quarter, there was a decline, and that affected the profit.

Ashi: Sir, but even if you look at the quarter size, we are showing a cost about something 480 crore

P.K. Ghose: Yes

Ashi: Okay and if we compare to the second quarter where they had revenue say roughly say about 350 crore, remove 120 crore increase in cost, this is needed in raw material front because of coke prices etc. or…..where is this increase in cost coming from?

P.K. Ghose: You are talking of, from the schedules of the report?

Ashi: Yes sir.

Prasad Menon: This is because these are not comparable.

P.K. Ghose: Here you are looking at two figures, the number 2 figure that is the quarter ended 31st March 2004 is the consolidated figure.

P.K. Ghose: And what it is compared with is the stand-alone.

Ashi: Sir, if that so basically what has been putting down the margin would be the phosphatics division

Prasad Menon: Yes essentially, it is DAP.

Ashi: Okay, okay, fine, okay. What is the outlook on the DAP? Are they likely to continue depressing margins like this, going forward for the coming year, or what is the outlook?

Prasad Menon: See, it is improving this year.

Ashi: Okay.

Prasad Menon: Because of two reasons, one is that the fluctuation in ammonia prices that we saw last year, which was extremely wide, ranging from over a $140 to $350, has now started coming down and it is in a band of about $ 200 to $ 220 dollars this year.

Ashi: Okay.

Prasad Menon: So, that is one improvement. The second one is that the phosphoric acid price also has been negotiated and is awaiting the approval of the Government, and we believe that that also will be something, which will be factored into the policy, so we see definite improvements this year over last year.

Ashi: Okay.

Prasad Menon: And the third thing is of course that industry is in dialogue with the Government in terms of the pricing policy and as you know whether DAP or urea, this is under a regulatory regime and depending on the Government's particular outlook, we do believe that this is something they see as very important as a part of the agricultural push and therefore we do foresee an improved situation.

Ashi: Thank you.

Moderator: Thank you Mr. Ashi for your question. We have our next participant, Mr. Vinit Sambre from IL&FS. Please go ahead, Mr. Sambre.

Vinit Sambre: Good afternoon sir.

P.K. Ghose: Good afternoon.

Vinit Sambre: Sir my question is regarding 4^{th} quarter numbers, just relating to the questions before.

Prasad Menon: Yes

Vinit Sambre: You mentioned that the numbers are consolidated and the performance of HLCL was not particularly good in terms of the rise in the cost of raw material.

Prasad Menon: Yes

Vinit Sambre: Sir so bring the whole quarter into comparable, make it into more comparable manner, can you just give me the operating margins of Tata Chemicals stand-alone without considering your HLCL numbers. What have been the operational margins, which Tata Chemicals has earned in Q4 excluding the HLCL numbers?

Prasad Menon: Okay. Yes. Can you give us 2 minutes while we do that and get back to you?

Vinit Sambre: Sure.

Vinit Sambre: Sir, in the meantime....

Prasad Menon: Yes.

Vinit Sambre: If you can also, you know, just give the broad picture as to how the soda ash prices have moved in this quarter internationally and domestically?

Prasad Menon: Okay. As you know, of course, the domestic prices really follow the import parity, global prices have been firm. They have been ranging between about $130 to $140 in spring, in fact, a firming up which has taken place in the United States. So the global prices, we believe, will continue to be firm for the foreseeable future.

Vinit Sambre: Do you feel that this Chinese slowdown, which is taking place, will have any bearing on the soda ash utilization, going forward.

Prasad Menon: Not immediately, because I think the Chinese slowdown that they are talking about is only just a slight cooling off. In fact, their exports to the Southeast Asia regions of soda ash has continued to be of the same fairly strong level as the previous. They have strategic policy of keeping exports growing at a particular level. So I don't think you will see anything more dramatic than that.

Vinit Sambre: Sir, in that case, you know, for the last 4 quarters sequentially we have seen that our exports, as far as t soda ash is concerned, come down gradually, I mean from 45,000 to 36,000, 20,000, and now this quarter 21,000. What is the reason for this when we have soda ash prices remaining firm, so that suggesting that, you know, there is no oversupply kind of a situation. So what is the precise reason why our exports are actually coming down?

Prasad Menon: Okay, there are two reasons which we really use for our exports, one is the freight, not just the freight costs which, you know, as and when they increase sharply like they have done last year, it brings down our net figures. The second one is availability of ships. In the last two quarters, we actually found it very difficult to get ships to come to Gujarat port. So that is one problem.

The second problem is the strengthening of the rupee to the dollar. Now the situation on both those counts has improved somewhat, and I am using the word "improved" broadly, for our purposes. There is a slight improvement now in the freight costs and the availability of ships, and the rupee is now more or less steady at about 45 to 45.50.

Vinit Sambre: So you feel that exports will start gradually moving up now?

Prasad Menon: Yes. But at the same time, we would not want to do it at the cost of domestic sales.

Vinit Sambre: And sir one more question regarding this change in the Government. Now this new Government, they have mentioned that as far as profitable companies are concerned, there will be no privatization.

Prasad Menon: Right.

Vinit Sambre: And whatever companies that earlier, were on the list to be privatised like RCF, or other companies, what is the scenario as of now if, lets say, Tata Chemicals was looking at any of these companies and now since we don't have any of these opportunities, is it likely that our international, whatever plans we were having, there will be some sort of aggression on those or what will be case now?

P.K. Ghose: Well, I think it is quite clear that certainly in the near future the profitable PSUs will not be disinvested. So I think that is something that we can take off our map right now, but regardless of this, we have been looking at other opportunities outside the country and yes, we will continue to do that.

Vinit Sambre: Those plans will receive more focus now, considering that there are no domestic opportunities available?

Prasad Menon: Yes and we will continue to look at them.

Vinit Sambre: Okay.

Prasad Menon: And just coming back to your margin numbers.

P.K. Ghose: Yes on the numbers, If you take the Tata Chemicals stand-alone, the operating profits for the quarter ended 31st March, 2004 was around Rs. 64 crore...

P.K. Ghose: The operating profit of Tata Chemicals stand-alone for the last quarter of the current financial year was around Rs. 64 crore.

Vinit Sambre: 64.

P.K. Ghose: Yes, which was compared to Rs. 76 crore last year.

Vinit Sambre: Yes.

P.K. Ghose: Now that decline of Rs. 12 crore is mainly on account of the high cost of raw materials like coal and coke, which Mr. Menon mentioned and which has not been fully offset by the price increases which have been effected on soda ash from the 1st of January.

Vinit Sambre: Okay.

P.K. Ghose: And you have already got the figures for the consolidated TCL and HLCL merger for the quarter.

Vinit Sambre: Right sir. Sir, my last question is what is the outlook, you know, given all these considerations where we have rise in the raw material prices, potential rises, and where soda ash prices we are not able to pass on. So what is the outlook for the Tata Chemicals business, going ahead in terms of, you know, margins actually. How do you feel the margins are going to behave in future?

Prasad Menon: Well, I think our confidence is high that the performance this year will be better.

Vinit Sambre: Better than the last year, full-year performance?

Prasad Menon: Yes.

Vinit Sambre: Okay. Thanks a lot sir.

Moderator: Thank you Mr. Sambre for your questions. We have our next participant, Mr. Kartikeyan from Strategic Capital Securities. Please go ahead, sir.

Kartikeyan: Good afternoon.

Prasad Menon: Good afternoon.

Kartikeyan: I had a couple of questions.

Prasad Menon: Yes.

Kartikeyan: And it is regarding the buy-back of Tatas and shares by Tata Sons. What is the current status? My second question would be, can you give me the cash and cash equivalent on the balance sheet as on 31st March, 2004?

Prasad Menon: Okay, so you will have to give us some time, yes. Sorry, for the first question, no we are not participating in that.

Kartikeyan: That is the buy-back of the Tata Sons shares.

Prasad Menon: Yes. The second question, can we come back to you Mr. Kartikeyan?

Kartikeyan: Yes sure, sure. Can I ask one more question?

Prasad Menon: Sure.

Kartikeyan: With regard to gas prices.

Prasad Menon: Yes.

Kartikeyan: You know, given that currently most of the new gas that is coming in would be either in the form of LNG or private sources of gas.

Prasad Menon: Yes.

Kartikeyan: Can you give us some sense of the economics of urea production utilizing the private gas, lets say, $3.5 to $4 per million Btu.

Prasad Menon: See the fertilizer industry or the urea fertilizer industry has consistently said that, $3.5 per million Btu would be the sort of upper level.

Kartikeyan: Okay.

Prasad Menon: The fact is, of course, that under the Group Pricing Policy anything more than that also will be covered by the Government, but we said $3.5 because we were looking at the issue of, you know, the de-control happening in some future day.

Kartikeyan: Okay.

Prasad Menon: So I think, some of the private players are talking about $3 per million Btu.

Kartikeyan: Okay.

Prasad Menon: When that will actually reach the west and the north, I am not too sure. As far as LNG is concerned, while currently they are talking about $5, I do believe that with Iranian LNG etc. coming in, you will see a reduction in prices there and that could be anything between $4 to $4.5.

Kartikeyan: Okay.

Prasad Menon: Secondly, a mix of your current gas price which could be somewhere around $2.70 to $3, you could see $3 to $3.5 from the private players and about $4.5 on the LNG.

Kartikeyan: Just a follow-up question. You mentioned that you are looking at a price upper ceiling of $3.5, you know, in terms of comfort level. What is the kind of output prices that you have considered for this calculation, can you just give me that?

Prasad Menon: We are looking at a band of between $140 and $160 of landed price.

Kartikeyan: Okay, okay, yes. Thank you.

Moderator: Thank you Mr. Kartikeyan for your questions. Our next question comes from Mr. Ashwin Agarwal from Akash Ganga Investment.

Ashwin Agarwal: Thanks for the follow-up. In the stage 2, there is reduction in the CRC charges.

Prasad Menon: Yes.

Ashwin Agarwal: So post 1992 gas, what are those charges per ton and what impact would it create if there is any impact, on our financials?

Prasad Menon: Yes, there has been an impact. It was about Rs. 170 a ton and the impact of that was about Rs. 14 crore.

Ashwin Agarwal: This Rs. 14 crore is at the PBT level?

Prasad Menon: Rs. 14 crore at the PBT.

Ashwin Agarwal: And the impact in this year FY05?

Prasad Menon: Well the impact in this year, you know, if that particular thing will carry on, that will now become the same basis in the next year as well.

Ashwin Agarwal: Okay. Thanks.

Moderator: Thank you Mr. Agarwal for your question. We have our next participant, Mr. Amit Surekha from Cholamandalam. Please go ahead, sir.

Amit Surekha: Yes. Hello sir. I just wanted to know what are your major international markets?

Prasad Menon: Our major international markets are in Southeast Asia, which are Thailand, Indonesia and Bangladesh

Amit Surekha: Hello?

Amit Surekha: So in your Southeast Asian market, don't you face any serious competition from China?

Prasad Menon: Yes. We are operating in that very, very competitive environment.

Amit Surekha: Yes.

Prasad Menon: And, of course, we are a small player. I mean, our market share is about 7 to 8% in those areas.

Amit Surekha: Okay sir. And sir coming down to your Q4 and FY04 numbers, can you throw some light on why your staff cost has gone up significantly by around 40% upwards?

Prasad Menon: Staff costs have gone up only by about Rs. 12 crore. I don't know where you got that.....

Amit Surekha: No sir. Number is somewhere from around Rs. 57 crore to Rs. 93 crore. I am talking about for the entire FY'04.

Prasad Menon: This is because the one is the merged figure, the other is the stand-alone.

Amit Surekha: Okay, okay sir, got it. And can you give some numbers as to what is your expected revenue growth for FY05?

Prasad Menon: Revenue growth, we are looking at probably something in the region of about 5% or so.

Amit Surekha: 5% you are saying. So this will come from any volume expansion or you are only referring to price improvement?

Prasad Menon: Both.

Amit Surekha: Okay sir. Thanks a lot.

Moderator: Thank you sir for your question.

P.K. Ghose: For Mr. Kartikeyan of Strategic Capital, on the cash and cash equivalents on the Balance Sheet as at the end of the year, the cash flow statement for the year ended 31st March, 2004 shows a figure of Rs. 72.70 crore.

Moderator: Thank you sir. Ladies and gentlemen, for any further questions, you are requested to press * and 1. Our next question comes from Mr. Kartikeyan from Strategic Capital Securities. Please go ahead Mr. Kartikeyan.

Kartikeyan: Sir, just to repeat my question, I wanted the investment number also, what the total investments outstanding at the end of 31st March....

P.K. Ghose: Okay. The investment figure as on....

Prasad Menon: Will you just hold on for a few seconds?

Kartikeyan: Oh, sure.

Prasad Menon: Yeah, I think can we carry on; we will just get back to you Mr. Kartikeyan.

Moderator: Certainly sir. Can we take the next question, and would Mr. Kartikeyan be coming back?

Kartikeyan: Fair enough, not an issue.

P.K. Ghose: Rs. 627 crore.

Kartikeyan: Sorry, can you repeat that, I could not hear you.

P.K. Ghose: Rs. 627 crore is the investment figure.

Kartikeyan: Thank you.

Moderator: Thank you, Mr. Kartikeyan. Our next question comes from Mr. Nishant from Arihant Markets Ltd. Please go ahead, sir.

Nishant Satpute: Sir, the industry is obviously, you know, vulnerable to the competition from the imports, and gap currently is about 40% in the prices. So do you think the gap would narrow in the long term?

Prasad Menon: In fact in many of our businesses, and I am leaving aside for the moment fertilizers because it is still regulated, but many of our businesses, domestic prices are just matching import parity.

Nishant Satpute: Sir, you mentioned that you will be growing at a rate of 5%.

Prasad Menon: Yes.

Nishant Satpute: And which is very much in line with the sector as a whole, 4 to 5% in future.

Prasad Menon: Yes.

Nishant Satpute: So with such a vast presence at your disposal, do you think 5% is a very conservative figure or so?

Prasad Menon: Well, I suppose it is conservative, but that is the kind of figure that we are looking at for our current businesses.

Nishant Satpute: Okay. Thanks a lot.

Moderator: Thank you Mr. Nishant for your question. We have our next participant, Mr. Prakar Sharma from CLSA. Please go ahead, Mr. Sharma. .

Prakar Sharma: Good afternoon sir.

Prasad Menon: Good afternoon, Mr. Sharma.

Prakar Sharma: Can I have the figures for the capex plans of the Company for the coming 2 to 3 years besides the de-bottlenecking program that would be about Rs. 150 crore.

Prasad Menon: Well, I can tell you about the capex plans for this year, over and above the 150, we will spending another Rs. 100 crore.

Prakar Sharma: This will be on some regular projects or will it be for capacity addition?

Prasad Menon: No, it will be on some regular projects, which will be largely linked to modernization of our Mithapur plant.

Prakar Sharma: Okay, and any idea about the coming two years....

Prasad Menon: It will probably be somewhere around Rs. 100 to 150 crore on regular proposals.

Prakar Sharma: And would that be from internal accruals ?

Prasad Menon: We will have to decide depending on the situation at that particular moment.

Prakar Sharma: Okay. Thank you sir.

Moderator: Thank you Mr. Sharma for your questions. Ladies and gentlemen, for any further questions, you are requested to press * and 1. Participants who wish to ask any questions are requested to press * and 1.

Atul Rastogi: Deepa, I have a question.

Moderator: Certainly, Mr. Rastogi, please go ahead sir.

Atul Rastogi: Yes, so just a question on HLCL again, the phosphatics business. If I understand correctly, ammonia and phosphoric acid price escalations are covered by the Government. Now, have you taken that into account especially in the 4th quarter and if not, then what will be that figure?

Prasad Menon: Yes, we have taken that to account.

Atul Rastogi: Okay. All cost escalations have been covered....

Prasad Menon: As this Policy stands, yes.

Atul Rastogi: Okay. Thank you sir.

Moderator: Thank you Mr. Rastogi for your question. Ladies and gentlemen, if you have a question, you are requested to press * and 1 now. As there are no more questions, I would now like to hand over the conference to Mr. Atul Rastogi. Please go ahead Mr. Rastogi.

Atul Rastogi: I would like to thank the management of Tata Chemicals and all of you for attending this conference call. Thanks from my side.

Prasad Menon: Thank you Atul.

P.K. Ghose: Yes, thank you Atul and all participants

Atul Rastogi: Thank you.

Prasad Menon: Good bye

Atul Rastogi: Bye.

Moderator: Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Tata Indicom Conferencing Services. You may please disconnect your lines now. Thank you.