TATA CHEMICALS LIMITED

Q4 FY2005 RESULTS CONFERENCE CALL TRANSCRIPT

June 1, 2005

Moderator: Good evening ladies and gentlemen and welcome to the fourth quarter results conference call of Tata Chemicals, hosted by Motilal Oswal Securities Limited. We have with us today Mr. H.R. Khusrokhan, Executive Director, Mr. P.K.Ghose, Chief Financial Officer from Tata Chemicals and Mr. Atul Rastogi, Analyst with Motilal Oswal Securities Limited. 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 Limited. Please go ahead Sir.

Atul Rastogi: Thank you and good afternoon to all of you and welcome to the fourth quarter results conference call of Tata Chemicals. I would now like to hand it over to Mr. P.K. Ghose for some opening remarks. Over to you Mr. Ghose

P.K. Ghose: Good afternoon everybody and welcome to this conference call. Normally, every quarter we have this conference call with all of you and Mr. Prasad Menon and I are present. Mr. Prasad Menon has been traveling extensively and he is out of the country at the moment and therefore we have Mr. Homi Khusrokhan, our Executive Director, who will start the proceedings followed by the financials, which I will go share. I will now hand this over to Mr. Homi Khusrokhan.

Homi Khusrokhan: Yes, thanks a lot Prashant. What I will try to do is, take you quickly through the operating performance of the last quarter and the full year and thereafter Prashant will come back and give you more details.

We had a very strong financial and operating performance in this fiscal. We had high sales volumes, improved realization and far greater efficiencies than we have had in the past in all our businesses. We have also grown market share to sustain our leadership position in most of our products across all the regions in which we operate.

Starting with Chemicals, in our soda ash business, our earlier initiatives of altering the input mix have shown results with significant improvement in capacity utilization levels. We touched 89% capacity utilization this year in our soda ash facility. Our exports improved to a healthy 17% to cross 1.5 lakh tonnes which is 41% of India's total exports. Domestically, we clearly maintained our market leadership status.

The price increases during the calendar year 2004 have been taken fairly well by the market and has allowed us to improve our realizations. In fact, we will reap the benefit of the last increase made at the end of the March quarter going forward in the current year.

India's soda ash imports continue to be strong with an 11% market share. Overall the domestic market has grown by about 2% in soda ash during quarter and 2004-05 too but with demand improving from the float glass segment, segmental growth can be expected to improve and this will drive soda ash volumes during the year.

Food additive business has also performed encouragingly. 41% market share has been maintained, Tata Salt continues to be a leader in the edible salt category. Dealer penetration is strong and our brand today is available in 1.25 million outlets. It continues to be recognized as one of the strongest brand in the country.

In the fertilizer segment, urea demand was strong and the Government has actually been looking for additional volumes in the industry. Our volumes grew by 11% during last year. We entered into a long-term agreement with the Indian Oil Corporation for the procurement of reliquified natural gas. This gives us a big advantage and we should be able to enhance our operating efficiencies. Our Babrala plant is the most energy efficient urea manufacturing unit in the country, probably now looking at the latest numbers we are getting to upgrade the facility to the most energy efficient unit in probably the whole of Asia today.

Realizations in phosphatic business were healthy. We had problems in the first quarter of the year when P_2O_5 phosphoric acid was in short supply. There is gradual transition with crop specific fertilizers, where we introduced two new NPK variants, a 15:15:15 extra and 14:35:14 mixture and both these mixtures received healthy responses. This is the beginning of a new trend and we might see more competition in the trends fertilizers coming into the market.

In January this year, we became an equal partner in Indo-Maroc Phosphore SA that was a joint venture company between OCP and Chambal earlier. We come in as an equal partner with a one-third share and this gives us not only an opportunity to securitize our own phosphoric acid manufacture, but also to gradually build a business in the DAP and other phosphatic outside India. I think there is tremendous advantage in partnering with OCP, which is one of the leading phosphatic companies in the world. They have enormous reserves and a very strong customer presence.

Going forward, our drivers are going to be strategic sourcing, efficiency in our operations and building on our good customer relationships. We want to build stronger relationships with our customers and we see a period of healthy demand for all our products during the next year. With this brief introductory remark now would like to request Mr. P.K. Ghose to discuss some of the key financial highlights of our performance during last year.

P.K. Ghose: Thank you Mr. Khusrokhan, good afternoon ladies and gentlemen and thank you for joining us on this call.

Tata Chemicals' income from operations increased at an encouraging 18% growth to cross Rs.3,000 crore for the financial year 2005. Besides, the improvement in sales volumes that Mr. Khusrokhan discussed earlier, higher traded sales through our Tata Kisan Sansar Network and increased claims on account of urea escalation has also contributed to this growth.

Profit from operations improved 12%, enabled by price increases and higher sales volumes as well as better fixed cost and logistics management, all of which to a large extent also neutralized the steep increase in raw material prices.

The Company's profit after tax has also increased 55%, though some amount of this is contributed by restatement of the deferred tax liability, which has resulted in the lower tax charge.

Debt inclusive of the Foreign Currency Convertible Bond issue completed in the last quarter amounts to Rs.1,324 crore as on 31st March 2005. Not considering the Foreign Currency Convertible Bond issue, debt amounts to Rs. 669 crore, a 12% reduction as compared to the previous year. Weighted cost of borrowings for the fiscal were 4.3% as compared to 7.8% in the previous year and interest costs for the second year in a row has been reduced by over 50%.

The Board of Directors has recommended a dividend of Rs. 6.50 per equity share, which translates to a dividend payout ratio of 46.5%.

I share Mr. Khusrokhan's positive outlook. The completion of the FCCB has enabled us to be adequately prepared to take advantage of opportunities in both our businesses.

Thank you for your time, Mr. Khusrokhan and I will now be happy to take this discussion further.

Moderator: Ladies and Gentlemen, we will now begin the 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. We have our first question from Amit Dalal from Amit Nalin Securities. Please go ahead Sir.

Amit Dalal: Good afternoon Mr. Ghose and Mr. Khusrokhan. Congratulations on an excellent performance in the continuation of the first three quarters that we saw this year. Of course, as you know the market has been extremely excited about your bid for the Egyptian urea manufacturer. I wanted a clarification on that. Today at what rate is that Egyptian manufacturer, able to access natural gas? Would that plant be profitable and to what extent will it be profitable if urea prices come down to $180?

P.K. Ghose: Well, the Egyptian fertilizer company has access to natural gas at prices which are ranging from 75 cents to $1. When we did the valuations for the Company at the time of bidding, we have taken the urea prices as we forecasted with the ups and downs in the cycle. I would not be able to exactly tell you, at this moment at $180 what the valuation will be, but we have adequately covered ourselves by taking urea prices considering the Middle-East price cycle as well as our own prices.

Amit Dalal: But last year the average realization for that Company was approximately…?

P.K. Ghose: Their total realization on 6.35 lakh tonnes was around $126 million.

Amit Dalal: Okay, thank you very much.

Moderator: Thank you Mr. Dalal for your questions. We have our next question from Mr. Gopal Agrawal from SBI Mutual Fund.

Gopal Agrawal: My question is on your soda ash business. In the last year our PBIT has improved substantially. How much of it was due to the volume as a percentage and how much was related to the realizations, the price increase?

H Khusrokhan: Actually a substantial portion has been due to the increase in volume, but realizations have really firmed up both domestically and for export sale and particularly in the latter half of the year, realizations have played clearly a greater role in offsetting all cost escalations which has occurred on account of coal and coke cost increases.

Gopal Agrawal: Okay, and my second question is regarding your phosphatic business, how this business has been and what was the volume and are we getting sufficient subsidy amount from the Government of India with the phosphoric acid prices having gone up substantially higher. What is the situation on that?

H Khusrokhan: Yes, actually in financial year 2004-05, the phosphatic unit faired considerably better than what it did in the previous year. The profit before tax for that unit was substantially higher than the previous year, but even then because of non-availability of phosphoric acid production of DAP was depressed.

Gopal Agrawal: Can you give any figures on these, say production and the sales and the PBT?

P.K. Ghose: No, we don't discuss individual numbers we have only fertilizer and chemical segments for reporting but what I will tell you is that phosphoric acid availability was extremely limited last year and therefore there was a considerable reduction in production of phosphoric acid. But going forward, because of the Morocco joint venture that we have entered into we will not have any problems on phos-acid and our entire requirements will be met through this joint venture. Therefore the production of DAP will be at capacity levels. The additional thing is that we have moved into NPK fertilizers and you will find a considerable amount of sales in NPK fertilizers during the last year.

H Khusrokhan: To give you another dimension, last year we had lost about 12% production compared to the previous year which would mean we lost around 12% profits. That will not happen in the current year because of the tie-up with the Moroccan company.

Gopal Agrawal: Okay, and will the tie-up price suit the Government of India subsidy scheme or can we make good profit or is it at a higher level? What is the situation?

H Khusrokhan: It is done as a consortium, which fixes up the price, so every manufacturer in the country gets phosphoric acid at exactly the same price. That price is currently under negotiation. Subsidy will also be based on the same price. So there is no price advantage one gets out of this tie-up, its only security of supplies, those who don't have arrangement tie-up could be totally out of stock for 3-4 months during the state of negotiation when the price has not yet been determined.

Gopal Agrawal: Sir, there are certain newspaper items discussing the increase in prices of natural gas. If suppose natural gas price increase gets approved or if it has been approved, I am not very sure, will it impact Tata Chemicals to any extent and what would be that impact?

P.K. Ghose: No, we are in the subsidy regime and this will be a pass through cost. So whatever is the increase in cost due to any increase in natural gas prices, will be offset by subsidy.

Gopal Agrawal: And in the inorganic chemical business?

P.K. Ghose: There is no natural gas used in the inorganic chemical business, it is only in the fertilizer business.

Gopal Agrawal: Okay and my last question is on your STPP business, how is it doing? Is it making money or what is the position in that?

P.K. Ghose: Yes, it has performed very strongly this year on the back of very high international prices which range in the region of $650 to $700 and therefore our profitability from the STPP operations has improved considerably.

Gopal Agrawal: Okay, thanks a lot Sir.

Moderator: Thank you Mr. Agrawal. We have our next question from Mr. Kashyap Jhaveri from SSKI.

Kashyap Jhaveri: Good afternoon Sir. My question is on this STPP business, your press release mentioned that there has been a 21% growth in terms of volume to 55,000. If I look at the last year's annual report of 45,000 tons, there was some 27,000 processed for Hindustan Lever Limited. Could you throw some light on that, is it 55,000 total sale or what is it?

P.K. Ghose: Out of the total sales, roughly around 65% presently go to Hindustan Lever who use it in their detergent business, balance 35 is sent to outside parties. As you know, last year we mentioned during our conference call we have an arrangement for 3 years with Hindustan Lever signed for 90% of their requirement.

Kashyap Jhaveri: And this is accounted as processing charges?

P.K. Ghose: That is right

Kashyap Jhaveri: And can you throw some light on your tax outgo for the quarter?

P.K. Ghose: Yes, we have a deferred tax credit. If you look at the whole year's tax it is about Rs. 112 crore, and there is a deferred tax credit which will be of Rs. 49 crore, so if the deferred tax rate had not been there the tax liability would have been to an extent of about Rs. 161 crore.

Kashyap Jhaveri: And going forward, this tax rate of around 25% and 28% would be maintained or it could go up?

P.K. Ghose: The current effective tax rate margin is less than 25%.

Kashyap Jhaveri: So that would be maintained for coming 1-2 years?

P.K. Ghose: Well, we hope to because last year, if you remember the effective tax rate was about 32%. Since we have these special benefits on the 80IA, we hope to maintain this.

Kashyap Jhaveri: Okay, thank you.

Moderator: Thank you Mr. Jhaveri. We have our next question from Mr. Ashi Anand from ICICI Prudential.

Ashi Anand: Would it be possible for you to share the net profit of the Egyptian company that you had bid for in the last financial year?

P.K. Ghose: Last year their sale was $126 million and it is a no-tax company. In fact it is in a tax-free zone so there is no tax on the company permanently for the life of the Company and if I recollect the net profit was $63 million.

Ashi Anand: Then it seems to be bidding for a relatively cheap valuation, right, from something like a 4 times price?

P.K. Ghose: We are looking at various options. We were the first to bid at $305 and thereafter a second bid has come at $350. We now look at what possibilities there are.

Ashi Anand: Okay, I wanted to understand the strategic intent behind kind of trying to enter this Egyptian market?

P.K. Ghose: Yes, Well there are basically three reasons, one is that in India prices are controlled, you are unable to take advantage of exporting urea when prices are touching $300 - we are still at the control price levels in India. The second is of course the natural gas availability and the third area is accepting markets. Now you are able to go out of India in areas where natural gas is available at a cheaper rate. You are also able to access market in Europe, in the United States, in Africa and other places, where prices are much higher, that gives us a clear advantage and that is the strategy behind the bid for the Egyptian Fertilizer Company.

Ashi Anand: On the soda ash business, you mentioned that there have been price increases, I wanted to know at the same point last year how much were the prices and what are they currently ruling at, to get a sense of how much were the price increases there?

P.K. Ghose: We increased the prices by around Rs.500/- a tonne in the month of November and prior to that we had increased prices in March or April by another Rs.500/- a tonne.

Ashi Anand: How much is the current realization on soda ash?

P.K. Ghose: For soda ash, internationally, it would be in the region of $185-190. Domestically, it would be around Rs. 8,200/- per ton.

Ashi Anand: Are the price increases in line with international prices?

P.K. Ghose: Yes, it is now moving, domestic and international prices are now moving in tandem.

Ashi Anand: What is the key driver for the price increases for sometime?

P.K. Ghose: Actually the soda ash industry is growing at a fairly fast rate, the detergent business is going at around 3-4%, but the main growth is coming from the glass segment, particularly in the float glass segment, the growth is in excess of 10% and that is really what is driving soda ash consumption.

Ashi Anand: Okay, just a couple of things on the demand and the supply side, freight rates are going up because of which -- US companies are becoming non-competitive. And the other thing one had heard was regarding surplus flooding of salt pans in China leading to salt related issues leading into an incremental cost there. How important are these factors in terms of pricing?

H Khusrokhan: The second one is significant, there is a reduction throughput in China, they have lot of salt mine areas being diverted to industrial use, there is growing shortage of salt in China. So that certainly will impact soda ash. The first one i.e. freight rate is a phenomenon which affects most raw material input.

Ashi Anand: But this salt pan phenomenon, is this a temporary phenomenon or is this something, which is more permanent?

Homi Khusrokhan: No, the coastlines of China are now being used for more profitable processes rather than saltpan. China's demand for the salt in the next 2 years should appreciate

Ashi Anand: So the prices should remain firm?

H Khusrokhan: It should, but China is always a big question. You never know what they are going to do. In fact in the last month we saw a slight softening of prices from China.

Ashi Anand: Okay Sir.

H Khusrokhan: It is not clearly explicable but may be a temporary thing.

Ashi Anand: Okay, Sir and lastly on the fertilizer business. I just wanted to understand the difference in the profitability between urea and phosphoric fertilizers, which is the more profitable business?

P.K. Ghose: Normally we don't break it up between fertilizers, but urea is clearly more profitable because DAP is a high volume and a thin margin business.

Ashi Anand: And the policy is a subsidy policy …

P.K. Ghose: And that as Mr. Khusrokhan said, is one of the key challenges in this is that the policy is still not clear. Policy is clearly a challenge.

Ashi Anand: Okay, thanks a lot.

Moderator: Thank you Mr. Ashi Anand. We have a question from Mr. Sampath Reddy from Voyager Capital.

Sampath Reddy: Congratulations on good set of numbers. I have one question on soda ash business. Basically what has been the volume growth for soda ash in FY-05 and what will be the volume growth for FY-06, because the Company was planning for about Rs.1 billion investment in enhancing the capacity. Where are we in terms of volume growth for FY-06?

P.K. Ghose: Soda ash business, the volumes grew marginally by 0.06% to about Rs. 550 crore, from Rs. 550 crore last year to Rs. 596 crore this year.

Sampath Reddy: In terms of volume-wise what was the growth?

P.K. Ghose: Sales of soda ash in the current year in terms of volumes were 684,000 tonnes compared to 679,000 tonnes of previous year.

Sampath Reddy: And in terms of the year ahead for the FY-06, what kind of volume growth do you expect, because you are already operating at 91% capacity utilization. You were earlier planning capacity enhancement there, is that coming on stream in FY-06; what is the strategy there?

H Khusrokhan: It is underway but it's a fairly long-term project, it is not something, which is going to happen in the next few months. We will probably be working on the capacity expansion most of the year

Sampath Reddy: But what kind of capacity expansion can it give once the expansion is done, this Rs. 150 crore capex?

H Khusrokhan: Will be going close to 1 million.

Sampath Reddy: Second thing on the fertilizer business, I think you mentioned in the initial remarks, you probably would have missed about 12% of the production in the complex fertilizers that is because of lack of DAP, now since you have taken a stake in the Moroccan company, Indo Maroc Phosphore SA, do you think the production loss will be corrected in the FY-06?

P.K. Ghose: Totally. That is the whole purpose of the Morocco venture.

Sampath Reddy: Okay, fine, thank you very much.

Moderator: Thank you Mr. Reddy. Our next question comes from Mr. Rajesh Kothari from DSP Merrill Lynch.

Rajesh Kothari: I had two questions, one question is continuing on that volume growth. Last time you had mentioned that soda ash volumes in FY-05 were impacted because of some delay in the project. We have seen last time that even the product mix can improve. Can you throw some highlight on that issue?

P.K. Ghose: The monohydrate plant, which was being put up, will be commissioned this year and therefore you will get a better product mix this year.

Rajesh Kothari: And also therefore you will have higher volumes of 7-8% right, because in 2005 there was a delay in the project and therefore in 2006 we should get some benefit from them.

H Khusrokhan: There would be a better product mix and better value realization.

Rajesh Kothari: My second question on your acquisition strategy. If you can just highlight in terms of what the bidding process is. There is now a 10% extra bid, what is the deadline? What is the timeframe and how do you think it will move forward?

P.K. Ghose: In the Egyptian case, the bidding process is like this: We have to make an application to their Capital Market Authority, after it gets approved within 72 hours we l have to put up an advertisement in the newspaper giving what price we have quoted. From that date when the advertisement appears in the newspaper, there can be any other competitive bid, which can be placed before the Capital Market Authority at a level higher than the last bid. So, this process can go on until finally nobody counter bids against the last offer.

Rajesh Kothari: So there is no final deadline, suppose you bid again higher then…?

P.K. Ghose: There is no final deadline but hopefully it should get completed within a month or two at least.

Rajesh Kothari: And basically, can you highlight in terms of what synergies you are looking at?

P.K. Ghose: I mentioned a little while ago that the strategy behind this acquisition is basically to go to locations where gas is available at cheaper rates number one. Number two, to access markets which we have been unable to access particularly high price markets like the scenarios at the North America, Africa as well as Europe and get away from the control regime in India.

Rajesh Kothari: Okay, thanks.

Moderator: Thank you Mr. Kothari. We have our next question from Mr. Ghanshyam Agarwal from Batlivala & Karani Securities.

Ghanshyam Agarwal: I would like to know the input-output ratio for urea using LNG and Naphtha.

P.K. Ghose: Using Naphtha is substantially less than using natural gas. If I can compare Naphtha it is almost about half of what urea is, but natural gas I am not very sure about the figures and I will come back to you on this.

Ghanshyam Agarwal: Okay, my next question is, if this acquisition doesn't go through, will you look at setting up a plant abroad?

P.K. Ghose: Yes, as you know we are already looking at an option of preparing for a greenfield site in Bangladesh that will be subject to economic viability. The discussions are on with the Bangladesh Government on providing infrastructure services, etc.

Ghanshyam Agarwal: Greenfield, we are looking only at Bangladesh and not at Egypt or any other African country?

H Khusrokhan: There are other overseas or international proposals we are looking at but not in the urea area. In urea area, we are just in Bangladesh but there are certainly other international opportunities we are looking at the moment which we cannot speak about. It is too early in the day to speak about it.

Ghanshyam Agarwal: Thank you Sir.

Moderator: Thank you Mr. Agarwal. We have our next question from Mr. Kashyap Jhaveri from SSKI.

Kashyap Jhaveri: My question is on this fertilizer side, of these sales of around Rs. 400 crore for this quarter, how much has been due to the previous quarter's arrears, if any figure is available?

P.K. Ghose: No, I don't have a figure readily available.

Kashyap Jhaveri: Okay, and on realizations front what has been the realization on urea for the fiscal FY-05?

P.K. Ghose: It's about 8,628 but please bear in mind that a small part of this production is beyond the 100% capacity, which the Government asked for

Kashyap Jhaveri: They take 1/3rd-2/3rd.

P.K. Ghose: Correct, exactly.

Kashyap Jhaveri: There has been news that de-bottlenecking was supposed to happen at Babrala plant. And then there were other players also looking for this de-bottlenecking and awaiting the approval from the Ministry, but people have already started expending money on that. So is this approval from the Ministry expected soon or something?

P.K. Ghose: I don't think so. This news appears to be incorrect; yes it is true that besides us one or two other players have approached the Government for permission to de-bottleneck. But I don't think any approvals have been given by the Government yet and we are still awaiting approval.

Kashyap Jhaveri: Okay, thank you.

Moderator: Thank you Mr. Kashyap Jhaveri. We have our next question from Mr. Rahul Bhangadia from Lucky Securities. Please go ahead Sir.

Rahul Bhangadia: We have a couple of questions on the soda ash side. We wanted to know what is the current realization and are we seeing a softening of prices recently? And also on the import side what is the landed cost of import for soda ash?

P.K. Ghose: I mentioned that the international prices are in the region of $185-190 and we expect that these prices will be maintained over this fiscal although you are right in a way that prices in China are softening a bit. But our markets are basically in South-East Asia. The domestic market prices are at Rs.8,200/- now.

Rahul Bhangadia: Another related question, what is the end-user price because the price that is published for an end-user is about Rs.12-13 per kg. Is the freight and tax accounting for the difference?

P.K. Ghose: Yes, logically it should be.

Rahul Bhangadia: Okay, thank you.

Moderator: We have our next question from Ms. Aditi Taneja from Batlivala & Karani Securities.

Aditi Taneja: Congratulations on the good results. My questions pertain to your soda ash business, I would like to understand the demand-supply scenario that exists in the country and secondly what was the recent price increase in November due to and do we expect any further price increase for the same?

H Khusrokhan: Basically the demand-supply is fairly well balanced today in the country and there is a slight shortage developing which is being met by imports coming in. In fact we are getting closer and closer to import parity pricing and we have therefore taken certain corrections during the year, we are also taking up prices to correct our margins for rising cost of inputs.

Aditi Taneja: And the next question regarding the price realizations for the same? Do you expect any further increases in price realization?

H Khusrokhan: There are two things which are driving the prices, one is import parity pricing and the second is cost increases. We correct our margins from time to time for these two factors. International demand is growing up so international prices are rising.

Aditi Taneja: Secondly, in case of exports do you get any better realizations or is it at the same price level?

P.K. Ghose: After this increase in prices which have taken place particularly in the latter half of the year of last fiscal, the gap between domestic and export profitability has narrowed considerably.

Aditi Taneja: Okay, you are talking including your freight charges and other things.

P.K. Ghose: Freight charges and also including any exports benefits that we get.

Aditi Taneja: Okay, thanks a lot Sir.

Moderator: Thank you Ms. Aditi Taneja. We have our next question from Mr. Ramkrishna Kashelkar from Capital Market.

Ramkrishna Kashelkar: My question is about the bid that Tata Chemicals had made for Saurashtra Chemicals. What is the status of the same?

Homi Khusrokhan: The matter is now getting into a sort of a stalemate because one of the bidders who hadn't been accepted earlier by the Asset Reconstruction Company, has succeeded in getting a court order allowing them to enter the process. There is also a possibility that one of other manufacturers who haven't been given a chance to due diligence is also approaching the court. So, till the court cases are decided the matter has slowed down almost to a halt.

Ramkrishna Kashelkar: Okay, thank you.

Moderator: Thank you Mr. Ramkrishna Kashelkar. We have our next question from Mr. Rajesh Kothari from DSP Merrill Lynch.

Rajesh Kothari: Can you give us your outlook on the overall fertilizer business because in FY-05 we have seen decent growth in PBIT of fertilizer business of about 34%. Can you give outlook for FY-06?

P.K. Ghose: Yes, I think the demand will continue to be healthy.

Homi Khusrokhan: We are expecting a good monsoon, so if there is good monsoon then I think the demand will be healthy for the fertilizer segment.

P.K. Ghose: And secondly, you can gauge from the Government. Last year they had requested us to produce beyond capacity, which clearly gives an indication that demand is healthy.

Rajesh Kothari: Basically, are we looking at running into 25% kind of a volume growth in the realizations in overall business? More particularly in the phosphatic and some growth in urea business because capacity is constrained really?

P.K. Ghose: I won't like to comment on it at this stage.

Rajesh Kothari: Thanks.

Moderator: Thank you Mr. Kothari. We have our next question from Ms. Nitasha Shankar from Surefin Financial.

Nitasha: When do you expect your Bangladesh project to go through, can we expect it in this fiscal or do we expect it in the next fiscal?

P.K. Ghose: We are only in the stage of evaluating the greenfield site along with two other Tata Companies. Right now we are in discussions with the Bangladesh Government and if we find that it is economically viable, then the plant would come only by 2009-10.

Nitasha Shankar: What kind of capex are you planning to do for it? And how do you plan to raise the fund for it, would you be going in for another FCCB or would you be trying to raise debt domestically?

P.K. Ghose: The structuring for this transaction has not been decided yet but the project cost would be in the region of $600 million.

Nitasha Shankar: Right, thank you so much Sir.

Moderator: Thank you Ms. Nitasha Shankar. We have our next question from Mr. Rajesh Pherwani from HDFC Mutual Fund.

Rajesh Pherwani: Good evening Sir, I just wanted to know what has been your feed stock mix in terms of natural gas and Naphtha on your urea business?

P.K. Ghose: The ratio of Naphtha to natural gas has been about 70% in natural gas and 30% in naptha and of course the LNG has come in only from 1st of April.

Rajesh Pherwani: Could you also tell us a bit about the future tie-ups of natural gas?

P.K. Ghose: We have now for RLNG tied up with IOC, which is a contract which takes effect from 1st of April at approximately $5 is the price and it is effective and the contract is valid till 2008.

Rajesh Pherwani: That will take care of all the requirements.

P.K. Ghose: That should take care of the requirement.

Rajesh Pherwani: Okay, Thank you Sir.

Moderator: Thank you Mr. Pherwani. As there are no further questions I would now like to hand over the conference over to Mr. Atul Rastogi. Please go ahead Mr. Rastogi.

Atul Rastogi: Thank you and on behalf of Motilal Oswal Securities I would like to thank Mr. Khusrokhan, Mr. P.K. Ghose and all of you for attending this call. Now we can close this concall.

P.K. Ghose: Thank you.

Moderator: Ladies and Gentleman, 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. Thank you and have a nice day.

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