



**Q4 & FY2006 Conference Call
Wednesday, 31 May 2006**

Moderator: Good afternoon Ladies and Gentlemen, thank you for standing by. This is Pallavi, the moderator for your call today. We welcome you to the conference call of Tata Chemicals, hosted by Batliwala and Karani Securities Private Limited. We have with us today Mr. Prasad Menon, Managing Director, Mr. P.K. Ghose, CFO from Tata Chemicals and Mr. Ghanshyam Agarwal, Research Analyst from Batliwala and Karani Securities. The participants are advised to note that Batliwala and Karani Securities cannot be held responsible for the information and views that may be exchanged during this conference call. This call should not be construed as any offer for sale or subscription of or any invitation to offer to buy or subscribe for any securities and should not be construed as an investment or financial advice or as an advice to buy and sell the securities of the subject Company. I would now like to turn the conference over to Mr. Ghanshyam Agarwal. Please go ahead Sir.

Ghanshyam Agarwal: Thank you Pallavi. Good afternoon Ladies and Gentlemen, on behalf of Batliwala and Karani Securities, I welcome you all to the quarter and year ended March 31, 2006, earnings conference call of Tata Chemicals. We have with us Mr. Prasad Menon, Managing Director and Mr. P.K. Ghose, CFO, Tata Chemicals. Now I would like to hand over the discussion forum to Mr. Prasad Menon for his opening remarks and brief overview of the Company's results. Over to you Sir.

Prasad Menon: Thank you Ghanshyam. Good afternoon everyone, Mr. P K Ghose and I welcome you to this call. I will briefly touch upon the highlights of Tata Chemical's performance over the quarter and the year ended March 31st 2006, after which we will be very happy to respond to your queries.

During the year under review, Tata Chemicals performed strongly from both a revenue and profitability perspective. Taking the consolidated numbers, net sales from operations have increased by 34% to Rs.4, 029 crore while PAT has strengthened 26%, Rs. 428 crore. Our consolidated financial results I may add, includes the January-March financial performance the Brunner Mond group, which Tata Chemicals had acquired in December 2005. The financials of our IMACID joint venture have also been consolidated with effect from May 2005.

Our chemical business has performed strongly despite of a slow down in operations due to repairs and infrastructure enhancing work that was undertaken. Soda ash sales volumes were healthy and realization remained firm. Domestic demand especially from the glass segment was robust as a result of which export volumes were much lower compared to the previous year. The modernization programme at our Mithapur facility has also enabled us to continuously enhance capacity utilization levels and now we are well over 90%. The Brunner Mond Group acquisition which was completed in March gives us the scale and size to be a strong player in the global market too. The capacity doubling programme at our Magadi manufacturing facility in Kenya will increase our presence in the low-cost natural soda ash



segment and further enhance our competitive position. Tata Chemicals has also maintained its leadership position in the National Branded Edible Salt category with a 49.5% market share. Further for the third consecutive year, Tata Salt was ranked by the Brand Equity survey, to be the Most trusted food brand in India.

Our fertilizer business has performed encouragingly with our Babrala plant continuing to be the most energy efficient manufacturing facility in the country. The performance in the fertilizer business compared with the corresponding quarter last year has lower due to two reasons. Firstly on the back of a healthy monsoon and a strong demand in the preceding two sequential quarter's sales volume were far higher on a nine monthly basis. As a result we were permitted to sell lower volumes in Q4 FY-06. Secondly, procurement by the Government was considerably higher in Q4 FY-05. Trading volume has increased in line with our strategy of widening our portfolio offering, so as to further strengthen our relationship with the farmer. This does result in lower margin but is the key constituent of Tata Kisan Sansars.

At our phosphatic fertilizer plant in Haldia, we are gradually increasing the proportion of higher value NPK and complex fertilizers. While the IMACID tie up has insured continuous raw material supply, I must add that continuous delays in the settlement of phosphoric acid prices are impacting the industry as a whole.

Our business outlook continues to remain very strong. The demand environment is encouraging. Soda ash prices continue to be healthy despite occasional flip from excess Chinese supply at times. Post the completion of the Magadi expansion programme, Tata Chemicals soda ash capacity will be 3 million ton making it a key player in the global market. In the fertilizer business while focusing on strengthening our efficiency, we are also exploring locations where cheaper gas is available.

Thank you for your time, we would now be happy to take the discussion further.

Moderator: Thank you Sir. Ladies and Gentlemen, we will now begin the live question-and-answer session. Our first question comes from Mr. Amit Dalal from Amit Nalin Securities. Please go ahead Sir.

Amit Dalal: Congratulations for consolidating your acquisitions in last six months. With respect to that I had a question. Sir, the differential in turnover between your stand-alone and consolidated is about Rs. 500 crore. How much of that would be attributable to IMACID and Brunner Mond?

Prasad Menon: About Rs. 360 crore is from Brunner Mond and Rs. 240 crore from IMACID. I must clarify though that the Brunner Mond revenues are for the last quarter while those of IMACID are for 11 months.

Amit Dalal: So for Brunner Mond can I multiply by 4 for next year?



Prasad Menon: Roughly, yes you can.

Amit Dalal: And out of the two IMACID and Brunner Mond, which one would be the more profitable venture? One of them is of course exceptionally profitable because the differential profit is almost Rs. 70 crore on a turnover of Rs. 500 crore.

Prasad Menon: One of the things that we must mention here in the Brunner Mond results of the 3 months, that there are accounting standards which also stipulate that for the pension fund liability if there is any improvement or otherwise must be treated in the profit and loss account under Indian Accounting Standard. So there has been an improvement there and about Rs. 30 crore has come into the bottomline because of that. Let me just get back to your own question, as far as profitability is concerned while this year certainly because the new expansion facility is just coming on stream, I would say that the profitability of IMACID would be little better than Brunner Mond, next year when we have a full year of the expansion plan as well, the profitability of Brunner Mond group would be pretty good. Would that answer your question?

Amit Dalal: Yes, thanks a lot

Moderator: Thank you Mr. Dalal. Our next question comes from Mr. Atul Rastogi of Kotak Institutional Equity. Please go ahead with your question Mr. Atul Rastogi.

Atul Rastogi: Good afternoon Sir. Continuing with the Brunner Mond acquisition, could you just give a normalized profit number for Q4 which you have included in this consolidated results and Rs. 30 crore extraordinary. How much would be the normalized for Brunner Mond?

Prasad Menon: It would be about Rs. 25-30 crore.

Atul Rastogi: Of that what will be the pension liability?

Prasad Menon: Let me talk about the unfunded liability. When we did the valuation, we factored the unfunded liability into the valuation when we paid for Brunner Mond that came to around 40 million pounds. Now this has been recognized in the account and the outgo of cash every year to meet that liability over a 10-year period has been provided for.

Atul Rastogi: So this Rs. 34 crore PAT is after...

Prasad Menon: After recognizing that extra contribution towards the unfunded liability

Atul Rastogi: So we can say that roughly 4 million pound every year would be funding it.

Prasad Menon: Maybe little more than that.



Atul Rastogi: In terms of the growth for the full-year could you give us some indication what would be the profit number..

Prasad Menon: Profit will also depend on how soon the expansion in Magadi ramps up because they expect that that by August we should be complete on the commissioning and the ramp up thereafter will really determine the profit. But I would say roughly it would be anywhere between Rs. 100-120 crore.

Atul Rastogi: Looking at that 1.6 million tons of the capacity and 120 crore profit which if you compare to your current operations of 0.9 million tons, the profitability is significantly lower. So let's say 2-3 years down-the-line profitability could be significantly improved.

Prasad Menon: Without doubt.

Atul Rastogi: Okay, can you raise it to the Indian levels?

Prasad Menon: That's our aim, one of the integration tasks that we set ourselves in is, we put in a team which benchmarks all the plants, and benchmarks in terms of not only quality of output and processes but also costs. And in a couple of year's time all the three plants will benefit from that.

Atul Rastogi: In terms of volumes what would be the same for Brunner Mond and capacity utilization this year?

Prasad Menon: The capacity utilization will be about 100%. Except for the expansion which as I mentioned will ramp up all their production has been virtually contracted out.

Atul Rastogi: Thanks a lot.

Moderator: Thank you Mr. Rastogi. Our next question comes from Mr. Jayesh Gandhi of Birla Sunlife. Please go ahead Mr. Gandhi.

Jayesh Gandhi: Good afternoon Sir. One piece of additional information I require, what would be the break-up of the other income in the consolidated number?

P K Ghose: That is mainly arising out of Indian operations, and if you want more details of that other income it is down by about Rs. 20 crore compared to last year including tax refund.

Jayesh Gandhi: Does it include the tax refund of Rs. 20 crore as well?

P K Ghose: What I am saying is the income tax refunds this year are lesser by Rs. 5 crore. Last year we had a one-time income of about Rs. 34 crore coming in from the sale of Tata Honeywell shares. Dividend from our group companies is higher by about 9 crore and returns from our mutual funds are higher by about Rs. 11 crore.



Jayesh Gandhi: What I was trying to gauge was, what is the financial income on the returns of mutual fund? What is that number?

P K Ghose: It will be higher by Rs.11 crore.

Jayesh Gandhi: You also mentioned in the press release about the capex programme of Rs. 300-400 crore, what would that be?

Prasad Menon: Our capex programme for the Indian operation includes the continuing modernization, revamping that we have been doing in Mithapur; it is already beginning to show some results. For instance we are putting a new boiler which will hopefully come on stream by beginning of next year. We also got a programme for de-bottlenecking the Babrala plant and also for the various environmental issues around Mithapur as a result of which we will also boost up our cement capacity.

Jayesh Gandhi: So, around Rs. 200-300 crore would be in the domestic operations and the rest would be for international, would I be correct?

Prasad Menon: International of course we are treating separately because right now what we are doing is as far as Brunner Mond is concerned, our first objective is to stabilize the expansion of Magadi and after that certainly in the year next year we will look at further de-bottlenecking etc.

Jayesh Gandhi: What would be the total debt on the balance sheet on a consolidated basis as on March 2006?

P K Ghose: You know the Indian stand-alone figures which are already there, it will be about Rs. 1400 crore that is because of higher working capital which we required this year. Then we have about 58 million pounds which will be on the balance sheet of Brunner Mond and Kenya will have roughly around \$50-60 million that is mainly for their expansion.

Jayesh Gandhi: Thank you Sir.

Moderator: Thank you Mr. Gandhi. Our next question comes from Mr. Vivek Mavani from Dawnay Day AV Financial Services. Please go ahead Sir.

Vivek Mavani: Good afternoon everybody. Just an extension to this question on debt. I want to find out as of March-end what will be the cash and cash equivalent both on stand-alone basis as consolidated?

P K Ghose: Consolidated we will not be able to give you off hand just now but cash in hand as of March will be about Rs. 250 crore.



Vivek Mavani: And out of the investments how much will be the cash equivalent number, non-group company holding, non-core holding, what is saleable, what I mean is how much of the cash equivalent will be part of investment?

P K Ghose: Other than mutual funds we don't have any other investments except for group companies where we can sell TCS. We are not in a position to sell any of the other group-companies.

Vivek Mavani: So how much is that cash equivalent component of the investments?

P K Ghose: If you take TCS share, it will be around 11 lakh shares which will be valued if you take it as Rs.2000 today it will be in the region of about Rs. 220 crore.

Vivek Mavani: And the Mutual fund balances?

P K Ghose: As I mentioned earlier, as of now MF balances is around Rs. 250 crore.

Vivek Mavani: So, roughly about little more than Rs. 700 crore cash equivalents on the balance sheet.

P K Ghose: But we have our loan of 29 million pounds which we have given to Brunner Mond when we took over the company. That is because change of ownership demanded that we refund the shareholder loan and that will come back to us in due course. So maybe later on in the month of June that will give us another Rs. 240 crore.

Vivek Mavani: Okay, thank you.

Moderator: Thank you for your questions Sir. Our next question comes from Mr. Gautam Chakravorthy from Bloomberg. Please go ahead Sir.

Gautam Chakravorthy: This question pertains to what is the kind of outlook you have for the current year FY-07, in terms of your margins, your input cost and your profitability?

Prasad Menon: Our outlook for all our businesses is robust not just in India but globally as well. As prices are generally moving up, the position is fairly tight in terms of the supplies in Europe, most parts of Africa and even in South East Asia it is fairly firm. The only blips you find some times are when people off-load their inventory. So soda ash business in itself is running very well. We continue to see firm prices and margins. I don't think our margins will be affected at all this year. As far as input prices are concerned that also seems to have more or less plateaued at the moment whether it is input prices like coal, coke or limestone. The only area where there could be some concern is really on freight with oil prices as the way they are and possibilities of increases in diesel prices. The possibility now is that the railways keep increasing the freight and they seem to have got very aggressive on that. So freight remains



the only issue but otherwise in all our businesses the markets are very firm and robust, prices are holding and it should be a good year.

Gautam Chakravorthy: In terms of margins do you see any margin expansion?

Prasad Menon: I don't see any drop but certainly what we are doing is, we used to have something called Manthan programme which looked at improving our cost structure and we have now taken that into our second phase where we have renamed it Udaan where we are actually looking at value-add. I do see certainly from next year some further improvement from the margins because of Udaan.

Gautam Chakravorthy: Next year would mean FY-08?

Prasad Menon: That's right. This year I certainly see margins remaining stable.

Gautam Chakravorthy: You mentioned your domestic capital expenditure plan as Rs. 300-400 crore in the year. How much would be the additional capex for international operations?

Prasad Menon: International as I said, this year we are not planning any major addition because the expansion project of Magadi is coming on line and we are really waiting for that to take place and stabilize. We would look at addition next to next year. We are looking at some Capex in sodium bicarbonate in Europe because that is another business in which we have been doing very well.

Gautam Chakravorthy: What is your operating margin at the moment?

Prasad Menon: About 17-18%.

Gautam Chakravorthy: Is that stand-alone or the group?

Prasad Menon: The stand-alone is about 17-18% and even the consolidated is more or less the same.

Gautam Chakravorthy: You have mentioned some concerns about the fertilizer business.

Prasad Menon: The concerns on the fertilizer business I unfortunately have to keep repeating like a broken record every year, for the simple reason that the policies get framed quite late. For instance, the phosphoric acid pricing policy has taken one year, the new policy what is called the phase-3 policy for urea is still not out, although it is supposed to be applicable from 1st April '06. So, the concerns that I have are that they are slow in terms of coming out of the policy. And the second concern is that year-after-year unfortunately the Government in its budget does not take adequate cognizance of the amount of funds that are required for the subsidy and therefore we invariably get into a bit of problem in December-January of the year



when funds are short and so we have to increase our working capital. These are the two concerns that I have; otherwise it is actually a pretty good industry.

Gautam Chakravorthy: Okay, thank you very much.

Moderator: Thank you for your questions Sir. We have our next participant Mr. Chirag Sanghani from Capital Market. Please go ahead Sir.

Chirag Sanghani: Good afternoon Sir. I just wanted to ask that margins for soda ash, has reduced by 4.24% from 21% in 2005/03 to 17% in 2006/03. Is there any particular reason for that...

Prasad Menon: Are you talking about the quarter?

Chirag Sanghani: Yes.

Prasad Menon: Actually this includes all the inorganic chemicals, it includes cement as well. One of the problems that we had in the last quarter was because of the tremendous churn in the freight issue, because of the Supreme Court ruling on overloading of truck. Suddenly there was huge shortage of trucks and we had to actually pull back on cement production and sales in the last quarter and that is what had affected. But otherwise the margin of soda ash continues to remain good. The cement margins are also good but unfortunately this has pulled us back.

Chirag Sanghani: And there is a big hit in the fertilizer margins for the quarter also.

Prasad Menon: That's really because as I explained earlier, the problem with fertilizer particularly in urea is that when the Government does not ask for more material to be made available then we had to cut down on production and sales in the last quarter.

Chirag Sanghani: Any update on this excise notice of Rs. 556 crore that was slapped.

Prasad Menon: No other update. All the legal opinions that we have got shows us that we are on firm ground and we will be taking it after this.

Chirag Sanghani: Okay, thank you Sir.

Moderator: Thank you Mr. Chirag. We have our next participant Mr. Vishal Jain from LKP Securities. Please go ahead Mr. Jain

Vishal Jain: Good afternoon Sir. As you have already told that the subsidies have been a concern for you. So what do you feel going forward in FY-07 and FY-08? Would the Government be looking at increasing the subsidy?



Prasad Menon: The issue is not the increase or decrease of subsidy, actually the issue is whether the Government actually puts in sufficient funds into its budget. The budget numbers that they take almost invariably are much lower than what is required and therefore there is always a crunch at the end of the year in last quarter particularly. That's the concern that I have. So, it only increases our working capital.

Vishal Jain: One more question, your interest cost has been coming down since last year, quarter-to-quarter it has been coming down. So do you see the interest cost coming down in the next year also?

Prasad Menon: I don't think you can continue to see that kind of a trend in the next year or two, you will find interest cost more or less many level out.

Vishal Jain: Okay, thank you Sir.

Moderator: Thank you for your questions Mr. Jain. We have our next participant Mr. Vivek Mavani from Dawnay Day AV Financial Services. Please go ahead Mr. Mavani.

Vivek Mavani: Just a couple of questions more of long-term in nature. One was much on your expansion, having already been done or you will be likely to be doing it in the current year. So where do you see the long-term ROE and ROCE settling both for the domestic business as well as on a consolidated basis. And second thing going ahead, so far it has been so good, near term outlook also seems good. But what would be the long-term concern on a consolidated level? What is the thing that will worry the management if at all and how will you be addressing those concerns?

Prasad Menon: If I look at the total segment that we are in whether it is fertilizers, or whether it is inorganic chemicals particularly soda ash, I don't see any major concern in terms of business demand in the next 2-3 years. What really could be a problem and this dominates every industry is Chinese behaviour. I think for most global businesses it is necessary that Chinese demand is sustained at the kind of levels that exist today probably for the next 2-3 years. So the Chinese demand and their behavior certainly is one issue. The second one is oil prices; so far even at \$70-75 levels per barrel it doesn't seem to be impacting us very badly. But if there are any major increases, like some people are predicting it touching \$100 that could be a bit of a problem. So, oil prices are the second issue. The third issue which could be the fluctuating exchange of the rupee.

Vivek Mavani: That would be more of a financial concern ...?

Prasad Menon: As I said as far as the businesses are concerned if I take a three year view, I am deliberately not taking a five year view; I would not be overly concerned about any of the businesses.



Vivek Mavani: Do you see tremendous capacity build up much before the demand actually takes off or something because usually in most of the factories capacity addition came out to be lumpy.

Prasad Menon: That does seem to be lumpy, you are absolutely right and particularly in China you will find it lumpier. There has been a very rapid build up of capacity in soda ash in China; there has been a rapid build up of ammonia and urea capacity in the Gulf. But we see both of them tailing a bit now. For instance, one of the main Chinese marked with the capacity of almost a million ton has just shut down because they need to relocate to another area which will take about 2-3 years. So, you do see some of that lumpiness as you rightly put it. But that is an issue that does take place in the commodity industry.

Vivek Mavani: As a result what would be your view on sustainable ROE and ROC going forward in the next 2-3 years?

Prasad Menon: We are confident of certainly sticking to the current numbers for the next 2 years. We are looking at two initiatives both within India as well as outside. One is the Udaan initiative where we want to add further value and improve our returns in the Indian businesses. And I certainly see that starting to bite from next year. The other one we have got off to a very comprehensive integration exercise with Brunner Mond where we are doing various things in terms of supply chain, in terms of markets and customers, in terms of benchmarking, etc. And we do believe that also will start improving the returns for all three locations, Kenya, Europe as well as for India. I would say cautiously that we would certainly sustain if not improve and those improvements I see coming in a period of 12-24 months from now.

Vivek Mavani: Okay, thank you.

Moderator: Thank you Mr. Mavani. We have our next participant Mr. Kisan Choksey from KR Choksey Shares and Securities. Please go ahead Sir.

Kisan Choksey: Could you please brief us about the cement and the salt outlook both turnover-wise and profitability-wise?

Prasad Menon: In salt we continue to be the market leaders. We are now fairly close to our production capacity and what we are looking at increasing our salt capacity in Mithapur. So, we do believe that we will continue to grow. As far as cement is concerned of course you know that the cement industry is doing extremely well right now, infrastructure is creating its own demand. We are not a major player in cement but what we are trying to do in cement is to match our increases in capacity with whatever we are recovering from the effluents of the soda ash plant. We are one of the very few companies in the world where by the end of this year we will be recovering virtually all the solids that we can generate in the effluent from soda ash and putting it back as a value-add into cement. So, we see a slow increase in capacity in cement, our markets are largely in Gujarat.. So in both I would say, salt very strong continuing



to be very strong, and cement we should continue to do well but we are not going to be in a position of being a 5 million ton plant for cement.

Kisan Choksey: Thank you so much.

Moderator: Thank you for your question Madam. Our next question comes from Mr. Rohit Midha from Bank of America. Please go ahead Mr. Midha.

Rohit Midha: Hi Sir, this question is relating to the oil prices that you talked about. Will it be fair to put forth that the concern really comes on the freight side because of the rising oil prices? And as far as the fuel cost of your fertilizer plant is concerned that primarily inflated because of it being a dual feed one, am I correct Sir?

Prasad Menon: You are right as far as fertilizer is concerned this is protected but I look at it a little beyond current protection. If we look at how competitive the Indian fertilizer industry can be, it also depends to a certain extent to what kind of natural gas prices the Indian industry can take. As long as it is under the Government policy everything is fine, you can go up to \$9 per million BTU or \$10 per million BTU. But beyond that I am really looking five years down-the-line it can start affecting the competitiveness of the Indian industry. So, you are right for the time being and for the foreseeable future it doesn't affect fertilizer but it will very definitely affect freight.

Rohit Midha: Thank you.

Moderator: Thank you for your questions Mr. Midha. Next in queue we have Mr. Gautam Chakravorthy from Bloomberg. Please go ahead Sir.

Gautam Chakravorthy: You have mentioned your concern about exchange of rupee, can you elaborate a bit on that? And how much of it will impact you and in what way?

Prasad Menon: We have different effects; one is of course how competitive we are against imports. The second is what is our outflow for imports of raw material is, that is as far as the Indian part of business is concerned. As far as our businesses in Brunner Mond is concerned whether it is in Europe or in Kenya, because the sales is done on dollar basis, the Kenyan shilling versus dollar is an issue. So, we have various kinds of impact on all our businesses.

Gautam Chakravorthy: So how much will rupee fall or with each rupee falling by what percentage will affect on...?

Prasad Menon: At the moment we do have a policy and we have taken an option and therefore we believe that certainly for the current year we should be okay. And of course if the rupee falls further, the competitiveness of local industry against imports improve, and as far as our strategy is concerned we are more or less insulated.



Gautam Chakravorthy: You are insulated till what level?

Prasad Menon: We are insulated for maybe 46.5-47.0.

Gautam Chakravorthy: Okay, anything beyond that will increase your domestic competitiveness?

Prasad Menon: No, domestic competitiveness of course will increase. When we are hedging, the costs of the hedging also goes up.

Gautam Chakravorthy: What is the percentage of your imports in terms of the imports of raw materials?

Prasad Menon: Our total import for the phosphatic business will be about Rs. 800-850 crore, and for the Mithapur inorganic chemicals plant it should be about Rs. 50-60 crore.

Gautam Chakravorthy: How much is the earnings in foreign exchange?

Prasad Menon: About Rs. 90 crore.

Gautam Chakravorthy: Okay, thank you.

Moderator: Thank you Sir. Our next question comes from Mr. Prashant Mehra from Reuters. Please go ahead Sir.

Prashant Mehra: Mr. Menon just a couple of questions. You said the Magadi expansion is going to be completed by August, is that correct?

Prasad Menon: Yes, that's correct.

Prashant Mehra: Have you invested any money in that since you have taken over?

Prasad Menon: No.

Prashant Mehra: The other question is what is the status on your inorganic expansion abroad? Are you still looking for companies or are you in a consolidation phase?

Prasad Menon: We keep running with consolidation as well as looking at the opportunities; we continue to look for opportunities.

Prashant Mehra: Would it be basically to secure your raw material supplies or...?

Prasad Menon: It's a combination of various causes.



Prashant Mehra: Okay, thank you Sir.

Moderator: Thank you Mr. Mehra. Our next question comes from Mr. P. Venkatesh from Corporate Database. Please go ahead Sir.

P Venkatesh: Good afternoon Sir. Just wanted to reiterate the guidance on soda ash volume growth continues to be somewhere at 10% for the next year?

Prasad Menon: I think for Indian operations about 7-10% is fine but the Magadi operations as I mentioned earlier that the new plant will be coming in August 2006 and that's why I said by the end of this year that will be consolidated and we will have totally about 3 million tons of capacity.

P Venkatesh: Secondly what would be the impact of this freight overloading ruling?

Prasad Menon: We don't ask for overloading as you know, the problem is that the number of trucks that are available become an issue and therefore at a short notice is very difficult to get sometimes twice the number of trucks. What we are doing is we are as a strategy making sure that we have three alternatives available. One is fleet freight which we are doing in the last 2-3 months; we have done about 10-12% of the total volumes from Mithapur. We are looking at rail in a very big way and road and we are trying to see what we can do with the various options that the railways have introduced. They have got a new kind of own your wagon scheme; they have got various options on shuttle between two stations and so on. We are looking at all those options.

P Venkatesh: Lastly with this Brunner Mond integration was there any effect on the P/L for in terms of integration itself?

Prasad Menon: It's only marginal, only expenses are really travel by people.

P Venkatesh: Thanks a lot Sir.

Moderator: Thank you for your questions Mr. Venkatesh. Our next question comes from Mr. Sahil Shah from India Advisory Partners. Please go ahead Mr. Shah.

Sahil Shah: Good afternoon, what I wanted to know is that you said that in quarter-4 there is one-time expense write-off. Can you tell me where does that reflect in the quarter as in under which head does that one-time write-off reflect?

P K Ghose: It will go above the EBITDA.

Sahil Shah: Does it get included in 'Other Expenditure'?



P K Ghose: A part of it has come in other expenditure and part of it will be in stores, spare parts and consumables.

Sahil Shah: So why did the sales go down. Why have the net sales in quarter -4 gone down on the stand-alone basis?

Prasad Menon: That is because of the urea fertilizer. I had mentioned earlier that the urea sale is really dependent on how much extra the Government asks for over and above 100% capacity. And in this particular case in the last quarter they haven't asked for anything extra. So whatever extra we produced are really being sold in the second and third quarter. As opposed to the previous year, when we did get a demand for extra material in the fourth quarter.

Sahil Shah: Generally whatever is left now stays with you all in the inventory, right?

Prasad Menon: In the inventory and then starts getting sold in this year's *Kharif*.

Sahil Shah: Okay, so for the next quarter how do you plan the production of urea because you said that the Government is quite late in their demand.

Prasad Menon: What we do we plan first of all on running at a 100% which we know will be demand and we are in constant touch with the fertilizer department and of course with the demand picture based on the arrival of the monsoon. And this year's monsoon certainly looks as if it has arrived early. We need to see whether it gets sustained and normally it's around this time that the Government starts asking for extra production. And then we will ramp it up.

Sahil Shah: But going forward how do you see the monsoon of course it has arrived a little early?

Prasad Menon: Overall if you look at all the regions together it will probably be close to normal.

Sahil Shah: So we can expect a good sale of urea?

Prasad Menon: There should be no problem.

Sahil Shah: Okay, thanks a lot.

Moderator: Thank you Mr. Shah. We have our next participant Mr Pradeep Mirchandani from Citigroup Global Markets India Limited. Please go ahead Sir.

Pradeep Mirchandani: Sir this is about the IMACID how much did IMACID contribute to the consolidated profits for this year and what is the outlook going forward from here?



Prasad Menon: The outlook is good as far as the IMACID is concerned, we are a one third partner and this is a company which in the first few years of its existence had continuous losses. And it is now in the last couple of years started bouncing back. We see a rough PAT of about Rs. 25-30 crore.

Pradeep Mirchandani: That's all that it is contributing to you..

Prasad Menon: That's right.

Pradeep Mirchandani: Thank you.

Moderator: Thank you Mr. Mirchandani. Our next question comes from Mr. Chirag from Capital Markets. Please go ahead.

Chirag Sanghani: Good afternoon Sir, I wanted to ask that you are seeing demand outlook for soda ash like volume growth of 7-10% and imports of soda ash has reduced by 11% this year. So is there further reduction in the imports foreseeable making you churn up the volumes and cater to a demand of the domestic industry?

Prasad Menon: We should be able to cater to the domestic demand, as I mentioned earlier the largest export into India has been Magadi and whatever contracts we are entering into now we are working together. So make sure that we have the best optimum mix for various regions in India. And even as far as our exports are concerned, we are trying to see how we optimize between Magadi and India for South-East Asia for Bangladesh for Gulf regions etc. So this is a big advantage that we have got now with this addition of Magadi.

Chirag Sanghani: So you expect imports to reduce?

Prasad Menon: It will continue to be there, the other problem we have had in the industry is of course the continued closure of Saurashtra Chemicals. We believe that it should be coming back into production again in June. But for the first quarter certainly because that plant has been down. There have been some imports and we believe some imports also come in from China.

Chirag Sanghani: So Saurashtra Chemicals is the main reason for the reduction in the overall industry production?

Prasad Menon: It should normalize from June-July.

Chirag Sanghani: And any outlook on the overall demand supply scenario in the country?

Prasad Menon: It will continue to grow at an average of about 4.0-4.5% or so, but as infrastructure grows, I think the growth rate will strengthen



Chirag Sanghani: Okay, thank you Sir.

Moderator: Thank you Mr. Chirag. Our next question comes from Mr. Anil Kini from Rosy Blue Securities. Please go ahead Sir.

Anil Kini: Good afternoon Sir, I just wanted to know that what would be the impact of Sardar Sarovar dam, it's like if a farmer can go out from one crop a year to two or three crops a year. What would be the impact on your fertilizer business?

Prasad Menon: Not on ours because we don't really sell there. Our sales are all in North from Punjab to Jharkand. But since Mithapur is based in Gujarat we will be very happy if there is more water in Gujarat.

Anil Kini: Okay, Thanks a lot.

Moderator: Thank you for your question Sir. We have our next participant Ms. Gauri Vaideeswaran from HDFC Securities. Please go ahead Madam.

Gauri Vaideeswaran: Good afternoon Mr. Menon. Sir, I wanted the operating margins for Brunner Mond?

Prasad Menon: At the moment for Brunner Mond we would not like to give that figure because let's not forget now we are now getting into a global market and we have some real tigers waiting to see that. But as I mentioned earlier, I think overall you will find that between our Indian businesses and the overseas businesses we should maintain it at 17-18%.

Gauri Vaideeswaran: And Sir you mentioned that we are looking at some Capex in sodium bicarbonate space in our European facility. Can we have some numbers on that like we make about 125,000 tons?

Prasad Menon: We are there in the process of spending about 10 million pounds and depending on 1 or 2 proposals that are still being looked at, that could increase to about 20-25 million pounds.

Gauri Vaideeswaran: And what would be the capacity addition?

Prasad Menon: At the moment we are looking at a 50,000 ton addition but if there are any possibilities of doing some de-bottlenecking we might do another 25.

Gauri Vaideeswaran: Close to 2 lakh?

Prasad Menon: Anything between 1.5-2.0 lakh.

Gauri Vaideeswaran: Alright, thank you Sir.



Moderator: Thank you for your questions Madam. We have Mr. Umesh Gupta from Dalal and Broacha. Please go ahead Sir.

Umesh Gupta: Good afternoon Sir. I just wanted to know your outlook on the prices of soda ash?

Prasad Menon: Actually I did deal with it earlier. We believe that the prices will be firm infact the US manufacturers have actually recently taken a \$10-15 increase. So the prices are firm right through North America, Europe and Africa. South-East Asia also you will find that by and large over a one year period it will be firm.

Umesh Gupta: As I understand the demand and supply is sort of equilibrium in soda ash?

Prasad Menon: Yes, there is a bit of tightness in supply actually.

Umesh Gupta: For the current year what would be in terms of percentage how much you expect to go?

Prasad Menon: I have given that answer earlier, we are looking at about 7-10%.

Umesh Gupta: Okay Sir, thank you.

Moderator: Thank you Mr. Gupta. Next in queue we have Mr. Sahil Shah from India Advisory Partners. Please proceed Mr. Shah.

Sahil Shah: Sorry for asking you this again. About that one time write-off, what is that and how does that come in?

P K Ghose: It is coming under stores and spare parts.

Sahil Shah: No, I got that, how are they incurred, it's a one-time write-off, so where are these expenses coming from?

Prasad Menon: These are actually some stores materials, some spares which had become obsolete and therefore chargeable which could not be detected in the earlier years because of a failure in the system of recognizing in SAP, that's why we have charged it off.

Sahil Shah: So any other remaining or these all have been written-off?

Prasad Menon: Everything has been written-off.

Sahil Shah: Okay Sir, thank you.



Moderator: Thank you Mr. Shah. As there are no more questions I would now like to hand over the conference to Mr. Ghanshyam Agarwal. Please go ahead Sir.

Ghansham Agarwal: Thank you Pallavi. I guess with this we will close this conference call on Tata Chemicals. We would like to extend a very special thanks to Mr. Menon and Mr. Ghose for sharing their valuable time with us. Thank you everybody.

Prasad Menon: Thank you very much.

Moderator: Thank you Sir. Ladies and Gentleman this concludes 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, have a great day.