



Tata Chemicals Limited

Q1 FY20 Earnings Conference Call

August 08, 2019

Moderator: Ladies and gentlemen, good day and welcome to the Tata Chemicals Limited Q1 FY20 Earnings Conference Call. Please note that this conference is being recorded. I now hand the conference over to Mr. Gavin Desa from CDR India. Thank you and over to you, sir.

Gavin Desa: Thank you and thank you, everyone for joining us on Tata Chemicals Q1 FY20 Earnings Conference Call. We have with us today, Mr. R. Mukundan – Managing Director; and Mr. Zarir Langrana – Executive Director; and Mr. John Mulhall – Chief Financial Officer.

Before we begin, I would like to mention that some of the statements made in today's discussion may be forward-looking in nature, and may involve risks and uncertainties.

I now invite Mr. Mukundan to begin proceedings of the call.

R. Mukundan: Thank you, Gavin. And thank you everyone for joining us on the Q1 FY20 Earnings Conference Call. I have with me Mr. Zarir Langrana our Executive Director and Mr John Mulhall our CFO. After my comment on key operating and strategic highlights, John will take you through key financial developments for the period under review.

Let me sequentially go through each business:

Firstly, starting with Basic Chemistry products: Our overall domestic demand remains balanced during the period. Revenue from operations was down 4% on account of lower production of soda ash in Mithapur. Margins remain steady despite higher input costs in terms of coke and anthracite, which was offset by lower energy costs. Going forward, we expect market to grow around 4% or 5% with price realization to be balanced with major customer segments continuing to remain in a balanced mode. Domestically, we saw some imports from Turkey which have been fully absorbed in the market. We expect to see some stability in the near future.

Moving on to international entities: TCNA operations were in line with expectations. This is due to higher sales volume, better sales realization and improved operating efficiency. The performance of European operations was muted, margins were suppressed due to higher energy cost and higher fixed costs. Kenya continues to see better traction in terms of higher volume improved realization. Going forward, we continue to improve operational efficiencies across geographies. Talking about



the industry, globally, we expect market to grow at an average of 2% with growth rate differing from region to region. We expect no major capacity expansions taking place except for some debottlenecking project. And this overall scenario is going to keep the market balance to tight over a period, with a bias towards balanced situation. Going forward, we expect the scenario to continue for couple of quarters before it moves back to tight market conditions.

In terms of the specialty business: The revenue from nutrition solution business for the quarter was more or less constant as these products are from our pilot plant in Sriperumbudur. The new plant investment is coming on stream as planned. The plant in Nellore for nutrition solutions is in final stages of commissioning. It will go through pilot production before it starts commercial production. Our targeted date of commercial production is in the second half of the FY20. Our silica plant in Cuddalore is currently producing both food grade and rubber grade material. Trial runs have also begun for tyre grade material and we expect to start commercial production of the tyre grade material soon.

On Agrochemical business: Rallis improved on the back of improved market conditions in international market. Domestic crop production business was soft due to challenging market conditions. Going forward, Rallis would continue towards strong, healthy, sustainable product with target expansion and footprint in both the Southeast Asian North and South America.

Going on to Consumer Product business: As everyone on the call is aware that we have announced the demerger of the business. Progress of demerger is on schedule. It would take approximately 12 months in our estimation for deal to close from the date of announcement. On the business front, salt business continues to maintain leadership position, market share in excess of 25% of the overall salt consumption. The revenue growth from pulses and spices was 45% over previous year. We continue to invest in our brand Tata Sampann with an objective to create top of mind awareness. We continue to see strong traction in all our products in the market. Our focus has been modern-minded stores and e-commerce, and we continue to move into general trade in a calibrated manner.

Overall, I would say that the demerger of consumer business has given Tata Chemicals a focused growth in terms of basic chemistry products and specialty products. Basic Chemistry product continues to witness steady growth on back of consistent demand. The Mithapur expansion is on track and we have got the Ministry of Environment & Forest clearance for the proposed expansion. This is one of our big push which will enable us to maintain market leadership across categories. Specialty portfolio continues to gain excellent market moment. In addition to the specialty materials business, which is the silica business; the nutrition solution business,; and agrosience business,; our new business, which is the energy business for lithium batteries has a strong support from Government to develop in terms of alternate energy and energy businesses, both from EV side as well as energy storage for stationary applications. And we continue to build that business. We have signed three MoUs with ISRO, CSIR-CECRI, Karaikudi as well as well C-MET Pune. In addition to that, we are in discussions with some technology partners from several countries, and we expect to move ahead and make announce on this project soon.

With this, I now request John to give some insights in the financial performance.

John Mulhall:

Thanks, Mukund. I will be brief in my summary, then we can open up to questions. Our revenue from standalone operations stood at Rs. 1,031 crore, up 4%; with a

net profit of Rs. 254 crore, after including Rs. 8 crore of demerger expenses. On a standalone basis, we had cash in hand of Rs. 3,318 crore, against which we have debt maturing in the next few months of which Rs. 250 crore of NCDs will be repaid in early July and, the ECB repayment which we will be making in October. We have also paid the dividend in August 2019, after which our cash would be approximately Rs. 2,600 crore. Our working capital at the end of June stood at eight days, i.e. working capital ratio. On a consolidated basis, revenue in the quarter was up 6% at Rs. 2,897 crore, and our consolidated EBITDA was up 21% at Rs. 592 crore. The consolidated PBT from continued operations was Rs. 422 crore, that's 13% up on this quarter last year. Our consolidated net debt is now at just Rs. 1,870 crore, after taking off cash of Rs. 4,463 crore.

And with that, I would like to open up the floor to questions.

Moderator: The first question is from the line of Abhijit Akella from India Infoline.

Abhijit Akella: Sir, I have couple of questions, firstly a little bit on the strategy side. We have slide 10 of the presentation that talks about Rs. 2,000 crore of investments being announced for the specialty side of the business. If we could just help us understand what that comprises? And just to understand, while these new capacities that you have announced so far in Mithapur and the others get commissioned, what are the key drivers in terms of earnings growth over the next couple of years for the company?

R. Mukundan: So, the key drivers are the investments. I think that investments come on-stream in a phased manner and would continue to drive revenue. If you look at Rs. 1,600 crore, this is mainly on account of the soda ash and bicarbonate plant. The Medikarb, which is a pharmaceutical grade bicarbonate plant should come on stream first. Post that we expect our soda and also caustic soda expansion to come on stream. And all these numbers are up to approximately Rs. 1,600 crore. And this we expect to get commission in next 24 months, and some of them will be much earlier. And that's the relative phasing of the investments

In terms of Specialty Chemistry, this Rs. 2,000 crore also includes investments being made for the salt contracted with the Tata Consumer Products platform. We would be counting that under the nutrition business because it is going for human consumption. That expansion is also happening in a phased manner, which will be bringing on capacity for current 1 million tonnes to close to 1.4 million tonnes in two steps broadly of 200,000 tonnes and 200,000 tonnes. In terms of specific phasing we will also phase in the capacity output in sync with the market demand. In addition to that, we also have the Rs. 800 crore of investment which has been committed by Rallis, of which the Metribuzin expansion should be part of it coming on stream in the next two months. And another Metribuzin expansion will happen by the year end with further phasing of investments happening over the Phase 3 in next few years. The balance investment we expect to be Rs. 2,000, certain proportion of money is being set aside as equity contributions towards our energy business, which may become a joint venture operations because some of the technology partners insisting on equity participation.

So, that broadly is the range of investments. And all these investments are in line with what has been approved by the Board. And they all have very good return profile. And they will get executed in a safe manner in the next two to three years. The longest phasing of this actually is going to be the expansion of Rs. 800 crore which Rallis has committed which will take three years. Rest of the expansion should be within 24 to 30 months. That's probably the focus.

- Abhijit Akella:** Understood, that's very helpful. And just one last clarification on this. On the energy business how long could it be before we make some firm announcements regarding how much CAPEX you are putting into the ground and financial projections from the project?
- R Mukundan:** So, we are pressing ahead with broad profile of the investment, but I can only give you profile right now, we cannot give you a specific number beyond that. Broadly our estimation for 2Gw plant, which is a minimum capacity you need to put is going to be close to Rs. 800 crore. If you take a debt equity ratio of 1:1, it's Rs. 400 crore of equity, and if you take certain contribution of equity from outside, assuming we have majority control, that will tell you how much of the equity exposure we will have.
- Moderator:** The next question is from the line of S. Ramesh from Nirmal Bang.
- S Ramesh:** Sir, can you give us the capacity for the soda ash expansion for which you have got the approval?
- R Mukundan:** Soda ash capacity is expected to go up by about 200,000- tonnes from the current numbers. And the Medikarb capacity is approximately 35,000 tonnes.
- S Ramesh:** So, if you look at the domestic market, we understand that the Rohit Surfactants capacity has come online. So, what is the current Indian capacity looking like? And how do you see the demand environment given that there is a slowdown in the Auto sector which is one of the key segments for glass?
- R Mukundan:** Okay. As far as the Auto slowdown is concerned, it will have some impact. But the glass demand in auto sector contributes only 15% of the overall demand for soda ash so, it's really not the major sector to worry about. We do expect some kind of a push, both from Government and the industry to keep the segment going. The larger volumes in that segment are from the mass segment if you do a segmental analysis, I think that is the one we should focus on. As far as the detergent segment is concerned, the larger consumption of soda actually happens in the value segment which is mid and lower price point; the consumption of soda ash is actually very less in the premium products, and when there is a demand correction like this, usually consumers shift from premium products to more value-oriented products. So, we do expect that the consumer demand to hold steady, which is why I moved my analysis from tight market condition to balance. But I think the tightness will come back fairly quickly, because even if you assume a 3% to 5% growth, I think the market needs additional material and there is no new capacity coming on stream in the short-term.
- S Ramesh:** Okay, and if you look at the segment performance between standalone and consolidated, it looks like your overseas chemicals business has driven the Basic Chemistry segment. So, can you throw some light in terms of how the overseas markets improved and what drove the improved performance in the Basic Chemistry segment?
- R Mukundan:** See, Basic Chemistry segment this quarter, as we said, in terms of the quarter-to-quarter comparison, on the domestic market side the issue was not from the market demand side but more from production which had minor dipped, which we have shown in the presentation. That has already caught up as we speak, because the normal maintenance projects which we run during the quarter, which we had done now before the monsoon setting in, I think all those things have been taken care of. So, I don't see domestic lagging behind it, domestic is going to catch up

and move forward. The issue on the domestic, while I can say that there could be some movements on pricing, the margin is intact because even the variable cost is coming down because of the softness in the input materials. So, I think that's the story on the domestic market where margins will hold, volume will hold and also in our view the opportunity for price improvement may not exist because there's a balanced market.

As far as the international market is concerned, I think as far as US is concerned, it continues to show strong demand, there is no issues on that. In fact, we continue to move forward as far as our sales in US is concerned. On Africa, which is mainly selling into Southeast Asia and in India, we see no major issues in the Southeast Asian demand situation as we speak. And finally, as far as UK is concerned, on the profitability side there was a bit of an impact because of the Brexit related costs which we are incurring. But it's really not an operational issue and I think the market conditions there remain okay for soda ash market. So, I think all in all, from very tight market condition it moved to balanced, and we expect it to move back to tightness over a period of time.

Moderator: The next question is from the line of Viraj Kacharia from Securities Investment Mgt. Pvt. Ltd.

Viraj Kacharia: Sir had couple of questions. First, if I look at the overseas subsidiaries like US, after a similar quarter we had seen a volume decline. Now on that low base we are still seeing kind of a flattish kind of volume. So, just trying to understand, similarly in India and then which we have seen, and then for other entities as well we are seeing volume being quite subdued. In Europe and Africa sequentially being a drop in per ton realization. So, just trying to understand what is driving this and how should we look at this forward?

R Mukundan: As far as US is concerned, if at all there's any movement there will be a shipment moving, material catching a ship or not catching a ship, I don't see any issues in terms of volume. At least I am not aware of it, so I don't want to say anything which is specific to the market conditions or the conditions in the operations.

Viraj Kacharia: Okay, so let me put it differently. Say in the US we used to do something like 570,000 tonnes per quarter earlier, in early part of FY17 and early part of FY18. What challenges do we see for us to go back to the same level?

R Mukundan: We said 550 right now, the production as against let's say 560. 11,000 tonnes or 12,000 tonnes movement here or there quarter-to-quarter I wouldn't give it too much of thing.

R Mukundan: Yes. It is just the shipment issues, it's got nothing to do with us.

Viraj Kacharia: Yes. Second question is on the consumer side. If you can provide some clarity, we have seen some margin compression, both year-on-year and sequentially.

R Mukundan: So, there are some one-offs in this number in the consumer side. I think there's an exceptional item of Rs. 8 crore which has been reported in the SEBI results. That has been accounted for in the consumer segment. These are one-time expenses incurred on the support services needed for the demerger process. So, that is one element. Then we have had to incur an additional expenditure of Rs. 2 crore on plastic waste management process, which we had to put in place, because of the new packaging rules which have come in. And then there are certain market

related expenses, these are one-time expenditures which have been done approximately of Rs. 5 crore. So, I think that broadly explains the main impact on the deviation. So, one is approximately Rs. 8 crore on one-time demerger related expense, Rs. 2 crore on plastic waste management, and about Rs. 5-odd crore on market related activities.

Viraj Kacharia: Okay, and just last question was on the Energy storage side, you talked about us potentially looking at our JV partner's route to cater to this opportunity. Typically when we are looking for a JV partner what kind of parameters we look at, both from a financial, technology perspective, so if you can just elaborate what all things we are internally looking at to go through this route?

R Mukundan: So, we are looking at amongst the world leaders, most of the people we are looking at have already running plants in excess of 20 Gw of capacity in their respective countries. And as you know, the most mature market on electric vehicle is fundamentally China and the other technology suppliers are in Korea and Japan. So, our partnership discussions are centered around these countries.

Viraj Kacharia: Okay, and would it be a completely integrated plant, in the sense that we would also be engaged in production of batteries?

R Mukundan: So, we would be starting with the active material, which is basically the materials which go into batteries, and getting into cell manufacturing. So, when I mentioned those investment numbers, it includes both the active ingredients and cell manufacturing.

Viraj Kacharia: And by when do we expect any formal closure on this?

R Mukundan: You would first hear a pilot plant announcement of 100 Mw shortly, a little later you will get the full production plant announcement.

Viraj Kacharia: I meant in respect of JV partner.

R Mukundan: That would happen after we announce the first pilot plant, because we would do a lot of testing in the pilot facility, which is going to be the first one to get off the shelf.

Moderator: The next question is from the line of Sumant Kumar from Motilal Oswal.

Sumant Kumar: Sir, my question is regarding Europe business, so we have seen a muted performance. And the energy cost was a key reason earlier. So, how is the scenario of energy cost for the business?

R Mukundan: That's right. So, we will address that, I think you picked the right one that is the only business which has been muted. And the John will address that.

John Mulhall: Production performance was actually on par with last year, we reduced the sales substantially over last year by not buying in third-party product for resale. Now our overall revenue dropped by about GBP2 million, the margin effect was less than GBP80,000. So, whilst top line may have reduced it has had very minimal effect on the EBITDA and PBT. What we have seen though, is increase in energy costs of both coke and gas, and also some brine related cost as well. And that's really pulled back the performance of the soda ash facility by about over GBP2 million over this period last year on a contribution basis. We are continuing to work; at trying to source coke from most effective position. We are hampered by Brexit to

extent of uncertainty from our suppliers and also from exchange rates for buying coke from either Poland or Vietnam or places like that. So, it's something we will keep an eye on. Operations are consistent, production is consistent, but we have to make sure we keep control of our input costs.

Sumant Kumar: Okay. And talking about US business, as we know that the soda ash prices have been contracted on annual basis. And assuming the raw metal prices is declining, the gas price has declined, coal price has also declined. So, going forward can we accept the margin expansion in US business?

R Mukundan: We would say yes, but cautiously.

Sumant Kumar: So, is there any, because we are also hit by energy cost. So, do we have any gain and loss in that side?

John Mulhall: We do hedge energy cost, a vast majority of our gas cost is hedged. And coal is subject to a long-term contract which is linked to local labor and services increases. We apply hedge accounting to that. So, you will not see the movement through your P&L immediately, it will go through reserves and then is released back to the P&L as we consume the gas. . So, for gas we were looking at contracts out till 2021 to take advantage of quite low gas forward prices today. So, the gas we are buying today is significantly lower than it was probably two and a half, three years ago. And so, we are trying to put ourselves in a position where we can work on our variable costs, and focus on efficient manufacturing and increasing output as fast as possible.

Moderator: The next question is from the line of Dhavan Shah from ICICI Securities.

Dhavan Shah: Couple of questions sir. Firstly, about the Magadi plant. So, we have seen some decline in volumes from Magadi around 20% on QoQ basis. But still the realizations are up around 9% on Q-o-Q for Magadi. and do you expect the current realisations to sustain during the fiscal?

R Mukundan: Magadi prices have gone up. And we expect the prices to sustain during the fiscal yes.

Dhavan Shah: Okay. And what is your estimated numbers of EBITDA per tonne between this Europe and Magadi, I mean the EBITDA per tonne for these two geographies are declining. If you look at the second half for Magadi of last fiscal, the EBITDA per tonne was good, which is not the case for Q1. But do we expect that this will be ramp up in the remaining part of the year?

John Mulhall: We need to first see the numbers you are assuming for calculating the per tonne metric – so unless we see those numbers I wouldn't comment on them but on a general basis with a price increase coming through and reduced fixed costs, our EBITDA per tonne is better this quarter than it was in same quarter last year. Last year we talked about we made a small loss, this year we made a profit in the quarter. So, performance improvement has been there. We have seen that performance improvement towards the end of the second quarter last year where volume became more sustainable and fixed costs, because we weren't having these one-off expenditures to do with the flooding and the maintenance expense. The profitability per quarter did improve over the last couple quarters. So, Magadi has improved over the period last year and over the last quarter.

Moderator: The next question is from the line of Saket Kapoor from Kapoor & Company.

Saket Kapoor: Sir, we find that there is a vast difference when Indian operations and the foreign operations are compared. So, what is our strategy behind continuing with the Europe and American operations wherein they are only adding to our turnovers, but not in the way adding to the margins? They are anti-margin dilutive if we take the consol numbers. So, what is the thought process behind it, because in one quarter or the other there is some bit of problem with any of these geographies? And the reported numbers are lower than what is expected. So, going forward what is the thought process with all the three, Magadi, Europe and America, how are the operational efficiencies going to kick in and by when?

R Mukundan: Okay. I think let me address them differently. As far as the UK is concerned, there is no capacity being added. We are just going to hold our capacity as it is, but we are going to move up the value chain by investing for moving the product portfolio to more and more bicarbonate. So, we already saw the announcement which you have made, so part of that Rs. 1,600 crore investment in Basic Chemistry is about GBP40 million of investment which is happening in UK, partly funded by UK Government, supported by the pension fund trustees, and partly funded by the company. So, it is a three way partnership. And that is going to make the company extremely stable. It also supports the reduction in the overhang of pension fund liabilities, which has been a balance sheet issue which you are not seeing when you speak about the profitability. So, one end is profitability, but also it is the strengthening of the book. So, as far as UK is concerned, it will move from a low margin business to higher margin business while holding the volume constant and the announcement of that investment has already been made, and the investment is underway. So, it will be operational in about 18 to 24 months and we should see that impacting the UK operations positively.

The second as far as India is concerned, we are investing in capacity here in India. Magadi and US are natural soda ash products which have low cost of production. Our effort is to run them in a consistent way, produce them in a consistent way, they in fact are our most competitive sites. Even though you are seeing that the numbers don't add up, the numbers do reflect a much better competitiveness in sites in terms of cost of production. So, strategy in India is to invest to the extent we can put the investment in. The strategy in UK is to move up the value chain to higher value margin product. And in US and Magadi to produce consistently and produce in a very efficient way. Because the variable cost structure already is amongst the lowest in the world.

Saket Kapoor: Sir, coming to the last point about the new technology business, about the lithium battery part and all. Sir, we are holding in our treasury around a crore surplus shares in Titan Industries. And the promoter's stake also in the organization is at a rate of 30.6%. And we are going to invest in new technology, again harnessing new geographies, new arenas where we have not been any specialized. So, why are we not contemplating to redeem our investment in Titan Industries or the promoters infusion capital and then investing that money into the new lithium battery part, and not taking the cash available from the main Basic Chemistry business into somewhat unrelated segment today?.

R Mukundan: As far as group cross holding is concerned, there is a structured move in terms of group consolidating, timing of which we cannot commit. But this move has been on for the last five years. And if you go back and check our balance sheet five years ago to today, I think those cross holdings have come down substantially. And that

move will continue. I think that there is a measured pace of doing that and we will continue to do that.

As far as the company's investments are concerned, I would just say that we are generating enough cash to make our investments, we are not going to be either leaning on current shareholders, nor on any substantial amount of debt to fund our growth. I think the business are generating enough cash flow to continue to invest in them. So, I don't think we have anything in our financial planning which says that we need some fresh infusion of capital in to our business. If at all, I think we will continue to be conservative while holding cash, and if it does warrant that the shareholders are to be rewarded, we will do so subject to the Board agreeing to move forward in that direction.

Saket Kapoor: What price corrections we have taken in soda ash currently, any price corrections we have taken?

R Mukundan: No, not in quarter one, there has been no movement in quarter one.

Saket Kapoor: And currently in the month of July and August?

R Mukundan: July and August there were some related market structures done, but that has been more to pass on the benefit of lower energy cost to the customers. And effectively the margin is continuing to be protected where it is as before.

Moderator: The next question is from the line of Vihang Subramanian from Ambit Capital.

Vihang Subramanian: Sir, my first question is on the US business. I think margins have meaningfully improved this time to like 22%, and earlier also this business used to do like 25%, 23%, I mean you just saw few slow quarters. So, if you could just give some sense on what really drove this margin improvement? And probably like what is a sustainable level?

R Mukundan: I think the statements which we made earlier, consistent production at consistent stage is what matters. I think if we continue to produce in a consistent way, which we have seen happening in the last quarters I think we should be fine. And we would see continuing the margin being delivered by that business.

Vihang Subramanian: Okay. So, whatever issues we faced with like replacing like some old equipment and some one-off maintenance expenses of the previous quarter, so all of that is behind us now, right?

R Mukundan: Most mostly behind us. It I think there are no major stoppages due to environmental related equipment. But there will be minor improvements from time to time, but nothing major to report.

Vihang Subramanian: Okay. And just one last quick accounting question, is there any impact on... Like our EBITDA growth of 21% on a consol basis, is there any impact of IndAS116 on it?

John Mulhall: Yes, we have adopted IndAS 116 from the first quarter. Overall there has been a movement on a consolidated basis of Rs. 21 crore on EBITDA. The Rs. 21 crore

improvement in EBITDA on account of lower lease rental, Rs. 18 crore increase in depreciation, Rs. 3 crore increase in interest, so the net PBT impact is Rs. 0.25 crore.

Vihang Subramanian: You said Rs. 21 crore reduction in EBITDA because of IndAS?

John Mulhall: No, rent reduction. So, EBITDA improved by Rs. 21 crore, depreciation increased by Rs. 19 crore, interest increased by Rs. 3 crore. And so there's no impact on PBT basis net.

Moderator: The next question is from the line of Ramakrishna from Zen Wealth Management.

Ramakrishna: I had a couple of questions. Firstly, can you help us understand in terms of your overall capacities on soda ash and bicarb, what are they now and what will be they once your capacity expansion is done?. And the secondly is in terms of demand outlook, even in your annual report you have mentioned that you are not looking at more than 2% to 3% kind of a growth demand outlook for the next two to three years. So, how this entire capacity expansion on these two products have to be looked at? And finally, is there any synergistic applications of any of your existing products in your energy business?

R Mukundan: On the last question, I just want to say is that the soda ash is one of the main ingredients to make lithium carbonate. And as lithium market expands, the energy vehicle market expands, to produce lithium carbonate and lithium hydroxide which is a key ingredient for lithium battery, the soda ash sales to that sector will continue to grow. 3% or 2% growth rate on a 60 million tonne capacities, about 1 million tonne of additional capacity or demand getting generated in a year. So, that's a substantial number. So, I think which is why we believe the market will be balanced or tight and that continues to be the case on the global demand growth basis.

Ramakrishna: And your capacities as of now on soda ash and bicarb and what we be there once the entire CAPEX is over?

R Mukundan: I think the Indian capacity is close 0.87 or 0.9 and they will go to about 1.1 million tonne broadly, that's the only place where the expansion is happening, the rest of the places the capacity is going to be flat. As far as bicarb is concerned, the Medikarb project would increase the capacity in India from 100,000 tonnes to 150,000 tonnes broadly overall. I think it will add about 40,000 tonnes, 10,000 tonnes in a normal grade and about 30,000 tonne - 35,000 tonne in the pharma grade. And in UK we will be adding capacity of bicarb again, which will be the conversion of soda ash into bicarb. Overall soda ash production will remain constant, but part of the soda ash will get converted to bicarb.

Ramakrishna: Sir, this Mithapur plant capacity expansion will be completely debottlenecking or its like new capacity of Greenfield expansion?

R Mukundan: No, it's all debottlenecking and it's not a fresh line being added, it is a couple of equipment getting hooked up to bring the additional stream.

Ramakrishna: And on Rallis India, I just wanted to understand when you mentioned that going through some kind of a tougher operating environment, what is the medium-term growth drivers for Rallis India? And Rs. 800 crore CAPEX, how will it transfer from a growth perspective from two years down the line?

- R Mukundan:** I think when we are putting capital in place, we are not putting that in place looking at next quarter or next two quarters, it's being put in place with the next three to four years view because the CAPEX is going to happen over three years. And if you look at the Indian market, we still believe that Indian agricultural market will continue to demand greater consumption of ag chem products and also international market, the substitution of the products going out of India to substitute the demand, let's say supply vacation by Chinese as well as some of the brand owners to move from branded to what I would say from the technology product to generic product will continue to drive our growth portfolio. So, it's still a major growth industry and we would continue to invest in this looking at view for the longer run.
- Moderator:** We take the last question from the line of Jayesh Gandhi from Harshit Gandhi Securities.
- Jayesh Gandhi:** Sir, in the slide number 19, consolidated revenues I think comprises of Basic Chemicals as well as specialty chemicals. If you see the profit before tax and profit after tax in current year the percentage of tax seems to be like 49.5%, in the previous year it was 42.5% something. And if you look at the March presentation also, the numbers don't, I mean, they are not consistent. How do we read, what is the tax percent? What is the ideal tax percent that is being levied on our consolidated books?
- John Mulhall:** I wouldn't look at current forecast as simple consolidated tax number. In India we run average 28% / 29% as a rough tax number. And that's fair. Internationally, we are not paying tax in the UK or Kenya just now, in US tax runs about provisional 14% / 15%. So, that's kind of range you want to look at. The occasional one-offs that will come through, last quarter we had about Rs. 100 crore of revenue in North America that wasn't taxed, that was release of provision. And India last quarter we had some trueing-up of provisioning through the quarter through the year. So, resulted in quite a low tax rate. And this quarter in India probably the appropriate tax rate about 29%. So, don't try and forecast an average number for the group, because it's not going to work. But on a national basis the numbers I gave you are probably appropriate.
- Jayesh Gandhi:** On consolidated basis will it be always like greater than 40% or something like that?
- John Mulhall:** No, it can never be greater than 40%.
- R Mukundan:** I think you are looking at this after the deduction of non-controlling interest. So, if you take the overall profitability of the entity, it was Rs. 281 crore. If you look at the non-controlling interest that has gone up because Rallis and TCNA had higher profits. So, there are other shareholders sitting in these two. So, our share of profit comes down, that's probably the way to look at this whole piece.
- Moderator:** Thank you. With this I now hand the conference over the management for your closing comments. Over to you, sir.
- R Mukundan:** Thank you. I think we have had broadly a quarter which has been delivered to what our expectations were. And I think we are looking forward to continuing this trend going forward and also report back to you on the strategy in terms of implementation of the growth and investments in both Basic Chemistry and Specialty Chemistry products. And we are truly building a science based chemistry

company here, and you would see the transformation getting delivered in the next 24 to 36 months.

With this we think we are on a very attractive path with a broad portfolio of products which go to a large overall space of consuming industries, Basic Chemistry products going into automotive construction and consumer products; in terms of the Specialty Products, agro chemicals going into agriculture markets, we've got nutrition science which basically supplies into food, and the material science which goes into broad portfolio for consuming industries and energy Sciences is a new emerging business which offers attractive market conditions. We hope that we continue on this path and continue to grow.