Tata Chemicals Ltd

3QFY13 Earnings Conference Call

MANAGEMENT:

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MR. P.K. GHOSE

MR. RANJEEV LODHA

MODERATOR:

Siddhartha Bhotika, Tata Securities Limited

Moderator: Ladies and gentlemen good day and welcome to the Tata Chemicals Limited Q3 FY'13 earnings conference call, hosted by Tata Securities Limited. As a reminder, all the participants' lines will be in the listen-only mode. There will be an opportunity for you to ask question at the end of today's presentation. If you should need assistance during this conference call, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Siddhartha Bhotika from Tata Securities. Thank you and over to you Sir.

Siddhartha Bhotika: Good afternoon everyone, on behalf of Tata Securities, I welcome you all to the conference call for Tata Chemicals Q3 earnings. From the management side, we have with us Mr. R. Mukundan, Managing Director & CEO and Mr. P.K. Ghose, Executive Director & CFO. Without wasting any more time, I invite Mr. Mukundan for his opening remarks after which we shall move on to the question and answer session. Thank you and over to you Sir.

R. Mukundan: Firstly let me extend a warm welcome to all of you. I have with me my colleague Mr. P.K. Ghose, ED & CFO as well as Mr. Ranjeev Lodha, who is the Vice President & Group Corporate Controller. Post my initial comments, my colleague Mr. Ghose will share the financial details after that we shall be happy to take your queries.

Firstly on the quarter performance, a broad outline being that it has been a tough quarter and this is mainly on account of three businesses, which have kept the company under pressure, first one being the underperformance witnessed in the phosphatic business. Secondly, Kenya and UK continue to have operating issues as a result of which the plants continued to perform at sub-optimal levels; this we had reported even in the last quarter, and Lastly, UK also had to take a hit of Rs.31 Crores this quarter because of final settlement of the Netherlands site closure. With that the Netherland plant closure related issues and financial impact have been fully taken in record as of now.

As far as the business on soda ash is concerned both India and USA have performed better than this Q3 last year.

Consumer business continues to perform better than the same quarter last year and so is urea. Our focus remains on three fronts to get the UK and Kenya operations back on track of which work is underway, secondly to make sure the phosphatic business continues to deliver value and thirdly we are faced with unprecedented working capital squeeze in the company due to the nonpayment of subsidies and this squeeze is being felt in the domestic business where our subsidy payments have been delayed close to nine months now and the subsidy outstanding are as high as Rs. 1,500 Crores as on date.

In terms of broad issues related to the domestic market in the area of soda ash, we continue to see robust demand growth in India. Going forward we would expect the same situation to continue. We also believe that the margins in the domestic business are covered due to the fact that the rupee has remained weak.

As far as the US business is concerned we do anticipate the volumes to be fully sold out during the next year; however, some of the contracts have been either rolled over at the same price or they have been a marginal reduction in prices just to ensure the unit is fully contracted out.

As far as the UK operation is concerned, we again have more or less concluded most of the contracting and our contracts have been concluded at the same price or a marginal increase in pricing; however, the big challenge in UK remains the challenge related to the declining overall market demand. There has been 8% erosion in market demand. So, while our market share has remained the same now we are forced to sell in distant markets, which also put pressure on margin.

As far as Kenya is concerned, we should be getting through the overall issues related to stability of the plant. We are probably right at the end of making sure the plant produces the quantities, which we needed to produce.

The good news for the quarter other than the domestic soda ash business remains the urea business, which is working to capacity and will continue to do so and the benefits of this work capacity working will accrue to us in Q4. The consumer business continues to clock good growth across all products and product lines and our specialty business Rallis contributed to broadly 11% growth. Our efforts are to, over a period of time o take this company to a low cost position in the commodity business and also a higher proportion of consumer and specialty business.

With these words, I give the phone to Mr. Ghose to take you through the financials.

P.K. Ghose: I think you must have seen the figures already but in summary the financial performance for the nine months period net sales are Rs.11,460 Crores compared to previous year's Rs.10,341 Crores. EBITDA is at Rs.1,692 Crores against previous year's Rs. 1,766 Crores and the profit after tax is at Rs. 588 Crores against Rs. 699 Crores.

Now a look at the standalone performance for the nine months, and the figures are net sales is Rs.6,524 Crores this year against Rs. 5,906 last year. EBITDA is Rs.845 Crores against Rs.787 Crores and PAT is Rs. 484 against Rs. 401 Crores. In terms of basic summary of what led to this performance- Mithapur had delivered continuously healthy performance and Babrala has been on an even field.

In treasury we have had a realization on exchange rate gain on redemption of our investments in preference shares of Bio-Venture, a Mauritius company, which has given us a credit of Rs.130 Crores, in the P&L account. Europe of course, as Mr. Mukundan mentioned, the plant issues caused by coke quality and poor performance of the distiller heater and the gas cooler affected production. This year we had a special charge this quarter of about Rs.31 Crores on account of demolition and closure of the delfzijl unit. This was the final settlement to Akzo Nobel. Magadi margins have fallen substantially because of the heavy rains and flooding they faced and they are still recovering from that. In Tata Chemicals North America profitability has improved due to improved margins and higher volumes.

Coming to the consolidated ratios the one issue was on working capital. The company is certainly facing the impact of delayed payment of subsidy which, as of December 31, 2012 stood at about Rs.1,487 Crores. Result of this is that the net working capital days moved from 48 days in March to about 80 days. The gross debt to equity is about 1.16 as compared to 1.10 as on March, 2012 and the net debt to EBITDA is 3 as against 2.33 in March,2012.

During this period, in Q3 and also in Q4, we have raised debt of $200 million from our Singapore operations and this has been utilized for the payment of one of the installments of USD 95 mn against our ECB outstanding. We also have now hedged almost the total amount of exposure in foreign exchange. The consolidated debt, which stood at Rs.7,052

Crores gross on March 2012 is at Rs.6,764, net debt after taking into account the cash of Rs.1,597 and finally in terms of the loan covenants we are all on the right path except in the case of UK, where we have recently restructured some covenants there, so that they are able to meet the covenants arising out of the performance that they have had in the last six months. So that summarizes the overall financial performance.

Moderator: Thank you very much. The first question is from Himanshu Nayar from Quant Capital. Please go ahead.

Himanshu Nayar: Sir to start with on the complex fertilizer side, what would be your outlook on profitability going forward with the fact that now ammonia prices have still ruling at high levels and there are talks that FY'14 NBF subsidy would also be reduced and with already a high inventory in the system. So what would be you outlook be for FY'14?

R. Mukundan: I will not be speaking about outlook for the industry. As far as specific impact on our company is concerned, our inventory levels are fairly low. Broadly speaking our inventory of MOP is 500 odd tonnes, which needs to be moved, which will be converted into complex fertilizers. We do not see any issues with managing it and also in the market we are holding inventory about 30,000 tonnes with ourselves. So with these two inventory levels we should be able to manage our assets fairly well. But if you ask me in general about the margin position in this business our view, going forward, is that broadly the margin position would stabilize around the levels which we had seen in a normal year. So I continue to maintain that this industry would go back to normal margin structures for conversion.

Himanshu Nayar: Sir the second question would be on our capex. Could you give some timelines on our three major capex projects, I mean EPM mining and Gabon and now the Babrala Urea expansion, which we are envisaging?

R. Mukundan: In terms of EPM, specific capex we do not anticipate a big number but we will come back to you when we present the results for March,13, where we can be more specific about it. On Gabon we are awaiting the financial closure. So we cannot make comments till we get to see the financial closure of that project. On Babrala 2 we are taking the necessary steps to secure the project but as of this moment if you are asking me near term what will be the capex expenditure, we do not anticipate immediately capex but once the project is fully secured we will make the announcement at the relevant point of time; may be when we announce the Q4 results. Because the numbers we had put out to the media and to press when we had assessed this project three years ago of Rs.3,800 Crores no longer are valid. Hence it is fair to let the team finalize the numbers and come back to you with firm numbers, which probably should be ready by the Q4 results.

Himanshu Nayar: Sir, final question on the US soda ash business. You said that for next year contracts have been rolled over at marginal reduction in prices. So realization front we are still fine but on the margin front do you think we will be able to sustain levels than this year margin levels?

R. Mukundan: If you look at the major impact this year on the margin structure has been the fact that we have not produced the tonnages in the first two quarters, but the volume output did come through and if you look at the Q3 the improvement is primarily because the plants have operated to the levels of operation, which we would normally expect. Going forward I do expect the production and operating performance to sustain, , which should cover most of the issues coming out of the margin reduction arising due to the price movement.

Moderator: Thank you. The next question is from Prakash Goel from ICICI Securities. Please go ahead.

Prakash Goel: The first question is with regard to the US realization. We are seeing about approximately 4% drop realizations, in both in US and BMGL. Any specific reason Sir?

R. Mukundan: It is mainly the product mix effect. If No specific issues at both the location because the contract period was till December end so the changes in contracting and the prices would be reflected only in Q4 of this financial year.

Prakash Goel: Sir on a weighted average basis how much would be a drop in realization next year as you suggested there is a marginal reduction in price when you rolled out the contract?

R. Mukundan: We will just come back to you. Broadly it should be in the region about $4 to $5.

Prakash Goel: So that means close to 2%?

R. Mukundan: Yes approximately.

Prakash Goel: Sir second question is with regard to the update on the soda ash price outlook as to how you see things panning across market?

R. Mukundan: We probably are at the bottom end of the cycle. We should be seeing uptrend because at the current pricing many of the Chinese suppliers are very much close to cash cost for the exports. I am not talking about domestic market but for exports they are very much close to their cash cost so we do believe that the cycle is at bottom end of its pricing movement and going forward should pick up.

Prakash Goel: Sir the domestic business is doing exceedingly well, any benefit because of any regulation that you have on import duty or something of that sort which can go off?

R. Mukundan: No, not really. What I did explain in discussion was that we now have an umbrella protection because rupee is remaining in the zone of 50 to 55 that itself provides a healthy umbrella for us. So unless rupee strengthens beyond this level we should continue to see the similar margin structure going forward.

Prakash Goel: Just last question was with regard to this any specific development wherein with regard to sell out of a business or something because we keep hearing news here and there anything which management would want to highlight?

R. Mukundan: Sell out of what business?

Prakash Goel: Like we keep hearing some research product breakthrough done by the management company per se, which is getting some attention on the international large players. Now would want to have the management version on that any kind of?

R. Mukundan: No not really. If you look at, we are setting up a nutraceuticals plant in Chennai, which had been announced. The investment is on the way and the nutraceuticals plant is expected to commence operations in the month of May.

Moderator: Thank you. The next question is from Puneet Gulati from HSBC Securities. Please go ahead.

Puneet Gulati: If you look at the net revenue number from Africa business it is pretty much constant between Rs150 and Rs170 Crores but it is the EBITDA, which keeps on varying quite a lot.

So what I want to understand is it the volume off take issue that is the problem or it is the cost of operations, which the bigger problem here?

R. Mukundan: Yes it is mainly the variable cost as we had explained. Secondly also while it is looking constant there are periods where the plant needs to run at a steady output for longer period of time for the cost to be coming down. So both are related. Stability in the plant operation will lead to cost reduction which in turn will lead to higher margin structure.

Puneet Gulati: Would it be same for the European business as well?

R. Mukundan: European business broadly has had issues. Magadi has a problem with respect to the fuel cost, which we have been explaining; in Europe that is not the issue. Europe has had a continuing period of break downs in plant, which Mr. Ghose had highlighted which have happened as one of events and hence once these plant related issues are taken care of it should be back to full production.

Puneet Gulati: Anything you want to highlight for this quarter because the EBITDA pretty much halved compared to the previous quarter?

R. Mukundan: You are talking about the company as a whole?

Puneet Gulati: The European business soda ash business?

R. Mukundan: It is not wise to talk about the next quarter in advance.

Puneet Gulati: No the previous quarter Sir. There is Rs.33 Crores of EBITDA versus Rs 74 Crores in the previous quarter while the sales have just fallen to?

R. Mukundan: There are two broad reasons let me tell you one is the failure of the equipment which have happened particularly in one of the plant and the second reason would be definitely because of the European crisis which has resulted in a shrinkage in the market itself. These are the two broad reasons.

Puneet Gulati: Secondly, just wanted to understand what has been the progress on the Natronx Technologies business and the J-oil low cost bio-fuel company?

R. Mukundan: Natronx is the air pollution control JV and that business is progressing as per the plan. Its numbers are embedded within the US operations and I do not have a separate disclosure. All I could say is that the project has progressed as per the plan.

Puneet Gulati: On the J-Oil business?

R. Mukundan: J-Oil business still in development phase and this is a research project and they have done enough work now. They would be setting up their own field operations shortly. There is a test field, which has been setup in India in Coimbatore. In addition to that we do anticipate two more fields to be set up. One in Indonesia and one has been setup or in the process of finalizing its set up in Philippines; and once these are fully running we could come back and report.

Puneet Gulati: Lastly anything you want to highlight on the I-Shakti pulses how has the customer response been. What kind of revenue growth are you seeing there?

R. Mukundan: The market response to the pulses been excellent and we do believe that we need to manage the growth in a steady way so we expect every year to grow at the rate of about 80% to 100% growth rate but we are not growing beyond that rate because even though it is a low base we can say this year it is 80 next year it will be 160 why cannot it be 300 because the potential is high but we have kept the growth rate set at the level, which we spoke about because we want to make sure that we do the risk management absolutely fine. Because we are buying a commodity and we are selling in a branded space and hence managing the entire process would tantamount to managing the risk and that is really what we are focused on.

Puneet Gulati: Would it be possible to share what is current run-rate in terms of volume or value for this business?

R. Mukundan: We do not give specific numbers but I think the Q4 we will certainly announce the figures and broadly what the turnover is fully for that business, separately.

Puneet Gulati: Just one more thing on if you can highlight a bit more on the IMACID business. What is happening why is the margin low in that business?

R. Mukundan: The whole issue with IMACID has been the reflection of the pressure the phosphatic chain is feeling and the margin is under pressure because of the input cost not going down in consonance with the final selling price.

Puneet Gulati: What would be the operating cost for this business in terms of dollar per tonne you have?

R. Mukundan: Operating cost is USD 905 / Tonne. This is all in cash cost.

Moderator: Thank you. The next question is from Rohan Gupta from Emkay Global. Please go ahead.

Rohan Gupta: I just wanted to understand any particular reason for this, the new contracts happening in the US and where the realization drop has happened by 2%, so is cost easing is happening or there is a pressure on demand side, what is the key driving factor?

R. Mukundan: No, I was giving a blended rate. If you look at the overall issue it is a combination of domestic and export and the main pressure in pricing has been felt in the Southeast Asian markets.

Rohan Gupta: So it is basically higher supplies or lower demand, which is driving these realizations lower?

R. Mukundan: If you look at the Southeast Asian market because that tends to be where all the suppliers play whether it is American, the Chinese and there has been a $30 drop in that market broadly, which is why I was also explaining that the soda ash pricing cycle probably has hit a bottom. At that price point, which has played out in the Southeast Asian market today the exporters especially from China would be just recovering the cash cost. This $30 fall has happened in the last three to four months. The driver is certainly is not higher supply or lower demand because both are robust. It is just a market behavior which has taken the prices down.

Rohan Gupta: Sir you want to give an indication that price contract in US has happened at a reasonable rate it is only the exports from US, which is driving the blended realization lower?

R. Mukundan: I gave an overall blended numbers and the main pressure we have felt is in Southeast Asia that is correct.

Rohan Gupta: Sir domestic supply to US market remains at 40% to 45% or it has changed in last one to two years?

R. Mukundan: 70% is domestic, 30% is exports.

Rohan Gupta: Sir the increasing volume for the quarter on US plant, It is driven by what it is the export market which is driving it or domestic demand, because we are seeing that it has gone up significantly for the quarter. Soda ash sales volume for the quarter are 629000 tonnes, which is roughly 16% growth year-on-year and 11% growth quarter-on-quarter?

R. Mukundan: Yes, this is mainly driven of the production increase. If you look at our capacity utilizations it is up to 97% this quarter compared to the same quarter last year when it was only 91%.

Rohan Gupta: But this quarter production is only 535000 tonnes, so it is basically other way around. I do not know because from last two quarters we were producing at roughly 560000 tonnes average but this quarter production has come down while sales has gone up significantly so it was inventory pressure which came in the number or the overall demand scenario is improving?

R. Mukundan: The production has also gone up. Let me give you the figures. Production in Q3 of FY'12 was 534 and it has gone up to 614 in thousand tonnes.

Rohan Gupta: 614k the production?

R. Mukundan: Production yes. So production has moved up by approximately 80000 tonnes.

Rohan Gupta: So this is mainly driven by production increase, which we have seen in the sales volume?

R. Mukundan: Yes that has gone forward, because if you look at the sales it was 543 in Q3 of FY'12 and its corresponding sales this quarter under review which you are reading is 629000.

Rohan Gupta: Okay, sir another is on US soda ash business again the difference between EBITDA and PAT, we are not able to understand that because is there any extraordinary element is there between EBITDA and PAT?

P.K. Ghose: This is on account of a onetime income in the previous year and higher interest cost.

Moderator: Thank you. The next question is from Gauri Anand from Phillip Capital. Please go ahead.

Gauri Anand: My question is on standalone fertilizers for the quarter. While our volumes have gone up sequentially, our EBIT if you see it is significantly down, down almost about 35% quarter-on-quarter at about 105 Crores versus 167 Crores. Could you explain was there an abnormal income last quarter and or has there been any one of in this quarter sir? This question is on standalone fertilizers where EBIT drop is almost to the tune of about 40% sequentially. Volumes have gone up although but margins seem to have contracted. Urea there seems to be know why, phosphatic takes even if one assumes Rs.2000 a tonne so I think you should have been able to do about 135 – 140 Crores. So has there been any one off this quarter Sir?

R. Mukundan: In phosphatic there is no one off item.

Gauri Anand: Sure. The second question is on any update on Tripura our JV with ONGC?

R. Mukundan: I am not aware of this. Because this is public news that is what I just want to say. This is not news which is formally from our side or from the partners you are referring to from their side.

Gauri Anand: Okay and the third question is sir in your opening remarks mentioned that your working capital situation there is about nine months delay in subsidy disbursement and this situation would likely prevail next year too and given that we have enough expansions lined up what I want to understand is the current debt that we have do we have plans to monetize our investments to reduce our debt considering that the working capital situation will further lengthen going forward for us at least as of FY'14?

R. Mukundan: I think we are aware of this problem that if this situation does not correct itself we do hope that with the budget getting passed some of the pressure on working capital will ease but if the same situation were to arrive let us say around December of next year and we end up in the same situation, I think we are taking those cash flow projections into our planning cycle we probably can answer your query much better when we come back to you next quarter, but as of now it is a cause for concern, it is a serious cause for concern.

Gauri Anand: Right sir and sir if you can just revert on that fertilizer EBIT fall?

R. Mukundan: The fertilizer fall of 133 to 106 that is mainly on account of phosphatic.

Gauri Anand: Alright sir thank you all the best to you.

Moderator: Thank you. The next question is from Atul Rastogi from CIMB. Please go ahead.

Atul Rastogi: Firstly on the debt compared to September quarter your net debt seems to have gone up by 1200 Crores is it entirely on the subsidy issue or are there some other investments or something?

R. Mukundan: No there are no other investments. In fact the delays in subsidy disbursement has increased the net debt

P.K. Ghose: Absolutely right it is due to subsidy only.

Atul Rastogi: Okay and what would be roughly the capex for this year so far approximately?

R. Mukundan: Standalone is about 125 Crores or something.

Atul Rastogi: Sir secondly there is a note on that pension about mark-to-market liability it says that your profit would have been lower by almost 80 Crores so can you share some note?

P K Ghose: It is the note which comes every quarter. This is nothing new. You will see the last three years the same note ever since the acquisition this has to be placed because depending on what the securities in the UK or USA. It is because if the debt or the equity markets have come down to that extent we show it in the accounts as a note which actually changes every quarter. So I think this is just for information.

Atul Rastogi: Yes the amount will become quite significant now.

P K Ghose: Yes, correct and that because of the Europe crises as you know.

Moderator: Thank you. The next question is from Rakesh Vyas from HDFC Mutual Fund. Please go ahead.

Rakesh Vyas: Sir on this fertilizers domestic business you have highlighted that EBIT is down largely because of phosphatic, what we are given to understand is the MRPs have not changed quarter-on-quarter so I am trying to understand whether the rebates are significantly higher or are you looking at raw material cost pressure as well and your thoughts on how this could probably pan out for year going forward?

R. Mukundan: In terms of year going forward we probably will have a similar situation proceeding right up to maybe in the month of July, August because the inventory in the market place, I am talking about general industry inventory in the market place would continue to get absorbed only by that period. It is only beyond that in the second half you can see a respite but we do believe that second half will see slightly smarter recoveries than what it is today, but first half the units would continue to be under pressure.

Rakesh Vyas: Sir in terms of margins, are margins down because of the higher other expenses like rebates etc., or is it because of the raw material cost pressures that you are seeing because I believe in terms of realization there are no changes?

R. Mukundan: I agree with you on that and there was a question which has also been raised by the previous participant. I was only commenting between quarter December 31, 2011 and December 31, 2012 in that the variation is mainly phosphatic. The question is between

September and December quarter why there is a difference. That could be due to some one-off events, I need to highlight one off events.

Rakesh Vyas: Sure got your point. Sir on the Gabon project if you can highlight what is the timeline for financial closure that we are looking at or this is something, which is totally out of our control?

R. Mukundan: No, it is out of our control because this is being done by Olam we are not involved in the financial closure, but they have been telling us that they will be doing it by March end. So we will only get an update at that stage. There is of course a nine month delay, which they have officially announced in the project in their last quarter results.

Moderator: Thank you. The next question is from Tarun Surana from Sunidhi Securities. Please go ahead.

Tarun Surana: Sir I am looking at the working capital credit which you get from your suppliers on MOP, DAP and phosphoric acid. Is there a scope of increasing credit period some suppliers to tie over the crunch that we will face from because we are now giving much longer credit period to dealers and subsidiary elements are also struck?

R. Mukundan: There is always a scope because our procurement will always take action to see how we can increase the credit period but obviously when you do this there are sub-sequential impacts also which they try to build in, into their price. So that is one area that we are looking at. To answer your question, when I said that the net working cycle the number of days is higher compared to the March position by 32 days it is 80 days today vis-à-vis 48 in March.

Tarun Surana: Right, sir on imported DAP, last year how much was the credit period given by the suppliers?

R. Mukundan: It is about 180 days and we do it on the supplier's credit which is about 180 days.

Tarun Surana: On MOP Sir?

R. Mukundan: Same.

Tarun Surana: This can be increase further to like nine months or twelve months?

R. Mukundan: if there is a spillover and if continuous, then we convert into buyers' credit which is extended.

Tarun Surana: Sir on DAP contract my question was whether we look forward to getting DAP contracts soon given that spot prices which are very weak further for the FY'14?

R. Mukundan: In the current situation we are focused more on production in our own plant rather than looking at trading materials.

Tarun Surana: Sir the last question was regarding the IMACID. Can you explain slightly regarding rock pricing formula because given in the continuous fall in phosphoric acid prices we have seen margins collapsing? Is there a mechanism by which phos acid prices are actually passed on to the rock level and there is some margin reduction?

R. Mukundan: There is some movement in the rock price but it is not commensurate with the fall in the phosphoric acid price. In fact IMACID broadly is operating currently at about just a marginal breakeven number.

Tarun Surana: If this phosphoric prices were to fall again of since in this quarter was would it is credible loss is estimated or rock phos prices fall would move slightly downwards?

R. Mukundan: To the extent the international rock prices fall there is a benefit which will flow because there is a pattern to that but the fall in DAP as well as the fall in phosphoric acids prices and the continued ammonia and sulphur prices has put pressure on IMACID margins. There was a question on the one off item broadly last quarter in September if you compare the fertilizer numbers there is an addendum to this notes to accounts note number two of stock exchange notes to account which say we had recognized 45 Crores based on the communication which was issued by DOF with respect to opening stock on raw materials in phosphatic fertilizers.

Moderator: Thank you. The next question is from Rakesh Vyas from HDFC Mutual Fund. Please go ahead.

Rakesh Vyas: Sir two more questions from my side. On the inventory levels, you highlighted you have almost 500 tonne of MOP and around 30000 tonne in the market of complex so this is inventory on the books of company or this is the total inventory of company across dealers and retailers as well?

R. Mukundan: No, this is the inventory on the books of the company. The dealer inventory we have a grip of this, which is why I said including our production and sales which will happen. Our inventory should be running at a normal level in most cases. The inventory which is slightly higher than normal is the inventory, which we are holding in our books which is about 30000 odd tonnes.

Rakesh Vyas: Okay and sir you have highlighted that going forward you are looking at more of manufacturing rather than trading but I am just trying to understand at the current raw material prices it still appears quite lucrative to trade rather than manufacture. So is your thought process driven more by going forward you are looking at significant softening of raw material prices or is this thought process something else?

R. Mukundan: We have fixed cost because we have an operation and for us those fixed cost will be incurred irrespective whether we trade or not and hence it is better even cover our running fixed cost in the plant and secondly trading brings along with itself the cycle of subsidy which we do not want to overexpose ourselves today. Our key concern remains cash as of now and hence we are not in favor of overexposure on account of cash recovery from government.

Moderator: Thank you. As there are no further questions from the participants I would now like to hand over the conference back to Mr. Siddhartha Bhotika for closing comments.

Siddhartha Bhotika: I would like to take this opportunity to thank Mr. Mukundan and Mr. Ghose. Always a pleasure to have both of you here.

Moderator: Thank you very much. On behalf of Tata Securities Limited that concludes this conference call. Thank you for joining us.