"Tata Chemicals Limited Q3 FY15 Earnings Conference Call"

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MODERATOR: **MR. NIKHIL GHOLANI – ANALYST, TATA SECURITIES LIMITED**

Moderator Ladies and gentlemen good day and welcome to Tata Chemicals Limited Q3 FY15 Earnings Conference Call hosted by Tata Securities Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call please signal an operator by pressing '*' then '0' on your Touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nikhil Gholani from Tata Securities Limited. Thank you and over to you Mr. Gholani.

Nikhil Gholani Thank you Mallika. A very good afternoon to all of you. On behalf of Tata Securities we would like to welcome all the participants to Q3 FY15 Earnings Call of Tata Chemicals. Today we have with us Mr. R. Mukundan – The Managing Director; Mr. P. K. Ghose – Executive Director & CFO and Mr. Ranjeev Lodha – the Vice President & Group Corporate Controller. We will start with a brief opening remarks from Mr. Mukundan followed by the highlights of the results from Mr. P. K. Ghose post which we will open the floor for Q&A. Over to you, sir.

R Mukundan Thank you Nikhil and welcome to all the participants in the call and also to my colleagues P. K. Ghose and Ranjeev who are on the call. Let me just start briefly by sharing with you some perspectives of the operating performance during the quarter ended December 2014 following which Mr. Ghose will take us through the financial details and then we will be happy to respond to your queries.

Let me just start by saying the restructuring exercise which we commenced in the UK and Magadi has started to bear fruit, especially in Magadi we had committed that the third quarter of this quarter we will be turning positive and it has and it has delivered PAT positive result as stated. We had committed that restructuring initiative at TCE would be completed by September of next year FY16 which is Q2 of FY16 we will be commissioning the steam turbine and it would turn positive and it is well on track to hitting that target too.

In terms of the branded portfolio, the pulses business has reported a turnover of Rs. 175 crores by the end of the third quarter and our penetration levels has gone beyond 75 thousand outlets and it is on track to hit 1.1 lakh outlets by the year end. And lastly we have introduced a new grade as NPK Fertilizer 2020 which is being received well in the market. However, this business is beset with huge headwinds and we continue to face headwinds both in the complex and urea fertilizer because of lack of clarity on policy front especially in urea.

In terms of the Haldia there has been a rise in the input cost and we do believe that this is going to continue to put pressure on Haldia additionally the policy front changes which happen in Babrala would continue to make the Babrala profits to be under pressure, especially in the fourth quarter where we think there is going to be production at almost nil margin due to the fall in international urea price and the input cost remaining high because of the proportion and share of LNG remaining high compared to the domestic gas.

As far as quarter three is concerned the standalone performance has being encouraging and the key reasons are the improved performance of chemicals and consumer businesses. Overall the company performance has witnessed an increased at net profit level which has registered an increase of 39%. Performance of inorganic chemicals business is in line given the demand for soda ash in domestic market continues to be stable and we are seeing firming up of global pricing. The TCNA performance has been steady on the back of improved realization and profits were marginally impacted on account of higher fixed cost. However, the margin expansion in TCNA on a per ton basis is likely to continue in light of the tightening supply situation globally and benign **international** environment which we have right now because of the low gas prices in U.S.

In terms of the consumer business – Tata Salt continues to be a leader in the premium edible salt segment. Our distribution network of pulse portfolio has been growing at a steady pace as per plan. Our i-Shakti Spice which was launched in Punjab has received encouraging response and overall we see this launch being extended to northern markets before we face it a step-by-step regionally over a period of time to take it national. As far as business is concerned we are also working on several initiatives including the improved distribution reach of Tata Salt whose primary growth will now be in deeper hinterland of India. In terms of the fertilizer portfolio, a specific focus has been to move towards specialty fertilizers. I also would like to say performance of the non-subsidized agri business which comprises of the seeds and pesticides businesses both in Rallis and Metahelix as well as in TCL has been in-line with the expectations and we continue to focus on growing this segment and would increase the share of its revenue from the branded products.

Demand for soda ash as I mentioned continues to be positive. Overall our strategy remains on track which is to fix the UK and European operations, get the fertilizer business to a healthy situation by focusing on policy shifts and lastly to make sure that we can switch the entire agri business portfolio towards the non-subsidized portfolio by making sure our investments are going to the non-subsidized area rather than on the urea and DAP side. The consumer business would continue to be the next growth engine of the company. And with this overall prospective, I now request Mr. Ghose to give some insights of the financial performance.

P. K. Ghose

Yes, thank you Mukundan. Just a quick recap on the financial for Q3 and the nine months ended December 2015. On a consolidated basis net income for the quarter was at Rs.4,820 crores, up 5%. I must mention that the increase in revenue is after considering the discontinuation of our soda ash capacities in UK and Magadi and despite the loss of revenue that the geographies have witnessed the company has achieved a 5% increase in the consolidated income. Profit from the operations was at Rs.590 crores as compared Rs. 503 crores of the corresponding quarter in the previous year that is an increase of 17%. We are now seeing positive signs of our restructuring initiatives at Magadi and the turnaround strategy has started working. This along with improved profits of our domestic business have contributed to the improved profit from operation. The UK operations have worked towards containing losses as compared to Q3 of FY14 and we will see the full impact only after the steam turbine is installed by September 2015. Profit after tax and adjusting for share of minority is Rs.238 crores as compared to a loss of Rs.16 crores in the previous year's quarter. The improved profits are on account of better operating performance as have been explained earlier and lower interest charge at TCE which had a one-time charge on account of interest rate swaps consequent to the re-financing. In addition to this you will recall that the previous figures were after providing for an amount of Rs. 82 crores towards restructuring of the European operations last year.

For the nine months ended December 2014, consolidated net income for the previous quarter stood at Rs.13,470 crores, up10% despite lower revenues from UK and Magadi for the reasons mentioned earlier. Profit from operations was at Rs.1746 crores as compared to Rs.1488 crores for the corresponding period in the previous year, that is an increase of 17%. Profit after-tax and adjusting for minority share is Rs.671 crores as compared to Rs.194 crores. On a standalone basis the net income for the quarter was Rs.3019 crores, higher by 13%. The increase in revenue has been contributed by the bulk fertilizer business which has faced significant cost pressures and hence has not translated into a similar growth in terms of profit from operation. We are also witnessing increased growth in our new businesses such as pulses, specialty fertilizers and growth from improved distribution reach. Profit from operations was at Rs.275 crores as compared to Rs.273 crores in Q3. Profit before tax was Rs.257 crores after considering tax provision. The net profit was at Rs.205 crores compared to Rs.148 crores in the corresponding quarter of last year, that is an increase of 39%. I must mention that included under other income and profits for the current quarter is an amount of Rs.44 crores on account of dividend from IMCID which gets eliminated in the consolidated results.

For the nine months ended December 2014 on a standalone basis the net income for the period was Rs.7,979 crores, higher by 19%. Profit from operations was 876 crores as compared to 761 crores in the corresponding period of FY14, increased 15%. Profit before tax was 762 crores, after considering tax provision net profit was 583 crores as compared to 355 crores in the corresponding period of last year and that is an increase of 64%.

You would recall that the previous year's profits were net of amounts provided towards restructuring of the overseas entities and the charge for Accounting Standard 11 as against the current year's YTD numbers which include the charge for the cost relating to redundancies at Magadi.

The company's net debt as on 31st December, 2014, stood at Rs.1,160 crores as against 2,058 crores on 31st March, 2014, that is on a standalone basis. On a consolidated basis the net debt stood at 6,085 crores as against 6,633 crores as on March 31st 2014. The consolidated net debtis after taking into amount of Rs.166 crores on account of currency translation in respect of debt in overseas subsidiaries. The company holds cash and cash equivalent balance of Rs.1,701 crores as of 31st December 2014 on a consolidated basis. As of 31st December 2014 the subsidy outstanding at Rs. 1,693 crores and that has reduced as compared to Rs.1,801 crores as on 31st March 2014 but subsidy collection remains a challenge.

To summarize – the improved performance of the soda ash and salt business encouraging results for Magadi improved turnover of pulses business and our new product launches during the current year lower extraordinary items as compared to previous years have contributed to the improved performance. This brings me to the end of this discussion and I leave it now for open for question-and-answers.

Moderator Thank you very much sir. Ladies and gentlemen we will now begin the question-and-answer session. The first quarter is from the line of Hardik Shah from ICICI Securities. Please go ahead.

Prakash Goel This is Prakash Goel here from ICICI Securities.

R Mukundan Yes, please.

Prakash Goel Sir I have got three questions, one with regard to TCNA. We are seeing a YoY volume move up and realization move up between 2% to 3% each, despite this the profitability is flattish, can you highlight the reason behind the same and how would be the scene going forward in terms of margins?

R Mukundan Go ahead with the next question.

Prakash Goel Sir the next question is the on tax rate. Is the tax rate coming down primarily on account of accumulated losses in Africa and Europe? And the third question is with regard to the urea, what is the way forward because some of the units in the South have been allowed to operate temporarily even on the naphtha basis keeping the overall demand supply in mind, why is not the government moving on the volume beyond the cut off for the units like yours. Any specific reason and what is the way forward?

R Mukundan Okay. I think while P.K. and Ranjeev answer so the other questions and let me update the urea one straight away first. As far as the urea is concerned I think those which have been allowed to operate in south are no indictor of government's mood on the policy, it has been done to avoid short-term pain in terms of availability which certainly would have been an issue had they not restarted. Having said that even if they restart none of these units are going to make the margins they need to make, so I think issue with the urea is the way the policy is drafted, while we can produce above cut off the margin in that above cut off is going to be fairly limited. So the new policy is expected but the way the new policy is being drafted is that it is tending towards fixed margin per ton that is approximately I think Rs.2,300 per ton beyond the cut off number. So it does protect companies in terms downside which means if urea price falls and energy prices remain high, but at the same time does not give any upside to them and hence the government is able to then access the urea production at a fixed number. So if you want to at least have a view where the government is varying around there is no shift in terms of any change in the farm gate prices would be going towards reducing the subsidy not increasing the benefits of their supply for industry.

Prakash Goel So sir like the new government is not flexible in terms of realizing that not picking deals beyond cut off volume viable would actually hurt the supplies and domestic production?

R Mukundan No, we are going to produce above cut off because there are also other issues involved by not producing, if companies do not produce they have got to take up the obligations with gas suppliers and hence they will have a huge loss in cases of not producing, so they know that we are caught in a bind. The current option they have given to companies is almost produce at no profit, because anyway if we do not produce, we would end up paying up our liability to oil and gas companies.

Prakash Goel So produce at no profit beyond the reassess capacity or the cut off capacity?

R Mukundan Beyond the cut off capacity not the reassess capacity and effectively what was supposed to be import parity pricing is going to become a fixed margin business.

Prakash Goel So the fixed margin, is there any margin because you are saying there could not be any profit, so will there be a margin or it will be a zero margin?

R Mukundan There will be some margin once the new policy comes but this year there is no policy so each one has to fend for his own figuring out which is the lower evil for him. For some companies the lower evil will be production, for some companies lower evil will be no production, because depending on their take of their liability situation. As far as TCL is concerned we have to produce because of our take up liabilities, so we will produce.

Prakash Goel Sir just to understand it further, so would there be losses in Q4 on account of international prices being lower beyond cut off volume?

R Mukundan I suspect companies will have very marginal numbers coming, it could even be losses like last year.

Prakash Goel Okay, sir and my other two questions if you can answer that will great.

P. K. Ghose Yes, so in terms of your first question was regarding TCNA, right?

Prakash Goel Right sir.

P. K. Ghose It has 2 particular reasons, one is that there was the margin being almost stagnant as against growth in volume which was basically because there was a trading element which was done through **ANSAC** which has lower margins, so the average works out to a lower number. And the second was that last year there was I think a $3 million credit on account of pension which is not there this year.

Prakash Goel And the last question on the tax rate, that is all from my side.

P. K. Ghose Tax rate is India has got a lower rate because of the dividend which we have received from IMACID of 44 crores and of course UK and Kenya are both not in the taxable zones.

Prakash Goel So India lower rate anyway gets offset like at a consolidated level?

P. K. Ghose Correct.

Prakash Goel So basically the reason is the accumulated losses at the Europe and Africa?

P. K. Ghose Yes.

Prakash Goel Sir just a forecast, what will be your total quantum of accumulated losses which is offsetable going forward in both the regions?

P. K. Ghose I will not have a figure just now because some of these have been offset currently in the current year itself in UK some of this will be offset and going forward in.

Moderator Thank you. The next question is from the line of Gauri Anand from PhillipCapital. Please go ahead.

Gauri Anand Just a question this domestic gas prices are raised in November so did we account for that because some of your peers had not accounted for that because this gas price hike was not notified by department of fertilizers, so what have we done this quarter sir?

P K Ghose We have accounted for it as usual.

P K Ghose Yes, we have accounted for it and I do not seen any impact because upto below cut off where it's a pass through and above cut off the blended rate would make it more expensive that is all.

Moderator Thank you. The next question is from the line of Balwinder Singh from B&K Securities. Please go ahead.

Balwinder Singh Thanks for taking my question. A couple of question firstly on the soda ash pricing scenario if you can just highlight because the way commodity prices globally have been declining because

I guess soda ash realizations are going to increase next quarter so, if you can just give some color on that?

P. K. Ghose Unlike the commodity price decline which you are seeing this year, it has not happened in soda ash. The oil price while it has an impact it has not translated this year let me just give you a very brief explanation so far as UK and U.S. are concerned we are mostly in long-term contracts more than 90% of them are long-term contracts and we have witnessed price increases coming up in both regions, we have increased prices even in India as well as in Kenya. The quantum differs from unit to unit but the fundamental reasons why this has happened is because there is demand supply gap, there is a shortage of supply in the market which has resulted in price increases. And of course there have been closures about 1.4 million tons of capacity has been closed down across the world, these are roughly about 815,000 tons is our plants at Magadi and UK and Solvay Plant in Portugal and Penrice Plant in Australia.

Balwinder Singh So when you say you are in long-term contracts I mean when is the renegotiation due or…?

P. K. Ghose They are all calendar year basis in UK and U.S.

Balwinder Singh So we have just renegotiated for entire CY15?

P. K. Ghose That is right.

Balwinder Singh Okay, so we are not going to see any kind of realization decline overall as such going forward in CY15?

P. K. Ghose For the calendar year 2015.

Balwinder Singh Okay. And lastly on this I think you maintain your guidance of UK and Kenya, Kenya of $15 million EBITDA annual, and UK of £25 million annual post that steam turbine coming in.

P. K. Ghose No, see do not confuse it with this year, I have always maintained that that 15 million is is on annualized basis.

Balwinder Singh Yes, annualized basis.

P. K. Ghose Because this year Kenya had a charge in the first six months.

Balwinder Singh No, sir I am talking of FY16.

P. K. Ghose Yes, on an annualized basis from next year onward that is what we have still maintain our guidance on.

Balwinder Singh And on the debt side?

P. K. Ghose On the debt side, I think I mentioned in the call that we have reduced the standalone debt substantially, it has actually come down.

Balwinder Singh Because this gives the consolidated debt figure, I mean how do you look at it from a next three year perspective?

P. K. Ghose No, there is difference I will tell you why, you see on the standalone debt we have reduced it from 3,035 to 2,045 that is the reduction of roughly about a 1,000 crores. On a consolidated basis the figure on gross debt has come down from 8,393 to 7,786 and the net debt today stands at 6,085 crores. The increase which happened in this case was primarily because we had to finance the restructuring exercise in Magadi went through in the last two quarters and for about $20 million and that is the only reason why the debt on a consolidated basis went up. So net debt is 6,085 crores.

Balwinder Singh And I think you have earlier mentioned that you are looking at something like 3,000 crores gross debt reduction over by FY17-FY18?

P. K. Ghose In a five year plan we have said that we will hardly have much debt on the standalone balance sheet but we are expected to reduce our consolidated debt by roughly, net of cash I am saying because some of them are not payable, by about 50%.

Balwinder Singh Okay. And lastly I missed Mukundan sir’s initial remark on the pulses side, you said 175 crores revenue in nine months and on the penetration side I miss that, if you can just repeat that and then I will be done from my side.

R Mukundan Penetration is on target to hit 1.1 lakh stores by the yearend so and we do anticipate the year end we would close the year closer to between 225 and 250 which was our range for the pulses.

Balwinder Singh So this 225 to 250 you are talking of by FY16 end?

R Mukundan No, the March of this fiscal year.

Balwinder Singh And what is this 1.1 lakh then, this is a which type…?

R Mukundan That are number of stores.

Moderator Thank you. The next question is from the line of Sakit Kapoor from Kapoor Companies. Please go ahead.

Sakit Kapoor Sir what has been our market share in soda ash domestically in India, what is our current market share?

P. K. Ghose It is about 33% approximately.

Sakit Kapoor 33%?

P. K. Ghose Yes.

Sakit Kapoor And who is our nearest competitor sir in the segment?

R Mukundan The nearest competitor would be Nirma which is unlisted and GHCL.

Sakit Kapoor GHCL?

R Mukundan Yes and then followed by imports.

P. K. Ghose But GHCL and Nirma are about 24% each.

Sakit Kapoor 24% each they had?

Sakit Kapoor Yes.

Sakit Kapoor Sir if you could just throw some light on the mix in the inorganic chemical part pertaining to the salt business and the soda ash business and vis-à-vis EBITDA also. We have the standalone number wherein we have the consolidated number wherein it is around 2,060 crores, if you could provide us with the mix pertaining to salt and the soda ash in particular?

R Mukundan No, we do not disclose the salt figures separately so I think you will have to keep it because the disclosure is not there we do not treat it as a different segment.

Sakit Kapoor You do not treat it. And the reason sir why fertilizer has posted muted set I could not get it earlier also Mr. Mukundan was explaining it.

P. K. Ghose No, one of the fundamental reasons in Haldia is that raw material prices have gone up substantially in the phosphatic area so you have seen rise in phosphoric acid and ammonia prices, that is one reason. The other is that the government policy on urea which is basically the production above cutoff, so those are the two fundamental reasons which have affected profitability for the year.

Sakit Kapoor Sir my last question is again sir on the soda ash business only, as you have stated that 90% of the contracts are done for the year end, how have been the trend in the spot market sir for soda ash in particular in domestically as well as internationally if you could throw some light?

P. K. Ghose Yes, actually if you see we have also taken a price increase sometime earlier this year and we see that the tightness in the market is expected to continue over the short to medium-term because of the reasons I mentioned a little while ago, closure of capacities and the supply demand gap. So 90% of the contracts in USA and UK are long-term contracts, in Kenya it is a lesser. India as you know are mainly on spot or short three to six month contracts, so there also we have witnessed price increases. We do not expect the prices to come down in the near future, in the short-term at least to the medium-term.

Sakit Kapoor Sir, have we been there in the position of any anti-dumping proposal also to the government for any chief imports being effecting markets in India?

P. K. Ghose Not as of now.

Sakit Kapoor There is an antidumping duty?

P. K. Ghose Yes, there is an antidumping duty which is their which is applicable to even our materials coming from Kenya for instance.

Sakit Kapoor Okay. And what is the percentage ranging there?

P. K. Ghose I think if I recall correctly it is about $ 22/ Ton

Sakit Kapoor $22 / Ton, now sir that is only the safeguard for us pertaining to it?

P. K. Ghose Yes.

Sakit Kapoor Sir now coming to my last question, how are we looking at inorganic growth in the soda ash segment? As you told sir GHCL and Nirma controls 24% and if we take a look at the history for GHCL it has been takeover candidate maybe in realms of it. How are we looking for any inorganic growth in the segment because the management structure and the shareholding also in GHCL is prune to take over if valuations are correct.

P. K. Ghose See, we continue to look at growth options inorganically continuously and when an opportunity comes we look at it carefully.

Sakit Kapoor So sir in particular I am asking, since GHCL is a big play also and in particular…

R Mukundan Yes in particular I just want to address this that we have no options on the table as of now.

Sakit Kapoor No options on the table, and we are not even looking at any one of….

R Mukundan No, not at all, thank you.

Moderator Thank you. The next question is from the line of Abhijeet Akela from IIFL. Please go ahead.

Abhijeet Akela Good morning sir, thanks a lot of taking my question. First, just to understand on the fertilizer side you mentioned the input cost ratio so have we taken a price increase in phos acid and ammonia or are we expecting to do that in future?

R Mukundan There has been a diversion in the price in the market and the cost of manufacturing, so DAP prices have not moved as well as the input cost suddenly have moved and ammonia and sulphur has tightened so I think this is a pretty much market where in the granulation capacities are under tighter spread and those who are integrated in DAP manufacturing are not having the same kind of issues as we may be having. So I think it is a tight situation we are in right now.

Abhijeet Akela Okay. And then on the urea side there are some companies which I had mentioned that after the gas cost increase effective November 1st the subsidy pass through has not yet come and therefore there was loss in the 3Q which is expected to reverse in 4Q and beyond. So is that a situation for us that the subsidies are to come and that will lead to an improvement in profitability?

R Mukundan No, I do not know what they are speaking about because I do not think anything is going to regulate next quarter. If at all any policy change comes we will take that on board. We remain extremely conservative in our accounting practices.

Abhijeet Akela Fine. And just on Magadi, you saw 41 crores of EBITDA this quarter which is considerably higher than what we have flagged $50 million on a sustainable basis, so is there any one-off and or is this sustainable going forward and likewise on the UK there was drop in the EBITDA, so what is the sustainable level to look at until the turbine is installed in September?

R Mukundan In Magadi I think there has been a slight benefit we have got from the guidance we gave in terms of where it is going to land because of the lower oil prices. We do not know where the oil prices will land or will they sustain at the current level, if they remain at this level it may be slightly better. So I think the period we gave the guidance was with an indication of oil price which was hovering around I think $90 to $100 but since oil prices are down we will see some benefit. We cannot say how much will be sustainable because we cannot predict oil prices. The second one as far as UK is concerned I think this has been impacted this time because of the input issues in terms of way the operation stability and we are trying to get that back on track. The guidance number which we gave in terms of £25 million remains pretty much the one we are looking forward to.

P. K. Ghose Just one clarification please, what you are seeing from the investor presentation which has been circulated is a figure of 41 crores which you see as Africa, that includes the South African operations. So it's the combination of Kenya and South Africa. So that is why I think the correct profit for Kenya is about 25 crores which is I think more in line with what we have said in our guidance.

Abhijeet Akela I am sorry what is in South Africa sir?

P. K. Ghose South Africa we have we have port terminal operations so Rs 16 crores is the profit from South African operations.

Abhijeet Akela You said port terminal operations?

P. K. Ghose Yes.

Abhijeet Akela Okay, and how old is this?

P. K. Ghose No, this is a part of company from the beginning.

R Mukundan Right from the early stages when we took over Brunner Mond.

Management These are mainly trading margins of traded material in South Africa where we have substantial market share.

Abhijeet Akela Got it sir. And one last question if I may, on a recent media outlet I think the management was quoted as saying that the CAPEX budget for the next five years is around 3,500 crores, so just wanted to check if you can confirm that and if that is correct then what would the breakdown of that be between the business divisions?

P. K. Ghose Yes, it is the right figure except that you should look at it is not India alone it is including overseas operations and our the figure for Rallis which is our 50.06% subsidiary.

Abhijeet Akela Right. So my understanding was that we are not really investing in the commodity businesses anymore going forward either in soda ash outside of the USA or in the fertilizer business, so such a large CAPEX where would it be allocated?

R Mukundan Yes, the maintenance CAPEX for us across all sides internationally put together including domestic is about 300 odd crores because these are very capital intensive units, we run about three capital intensive units in India, plus in UK, in Magadi, and in U.S. so that is broadly the number, so it may vary between 300 to 400 broadly. That additional CAPEX you are talking about is mainly on account of investment which we foresee in US to move the capacity from 2.5 MTPA to 2.8 MTPA to 3.1 MTPA and that we will be taking on board as and when it comes. And secondly, also a bit of investment for the salt business where we think the plant is already running full capacity we need to put more capacity to maintain the domestic market growth. And lastly as Mr. Ghose mentioned for what Rallis should be investing. So clearly we are not investing in the fertilizer business nor are we investing in UK but all this is maintenance CAPEX and in U.S. there will be a marginal capital expenditure being incurred to take advantage of the low cost soda ash there.

Moderator Thank you. The next question is from the line of Jasdeep Walia from Kotak. Please go ahead.

Jasdeep Walia Sir would I be correct in assuming that decline in fertilizer profitability is mostly on account of complex fertilizers because if I see urea volumes they are flattish YoY urea would not have impacted profitability so much.

P. K. Ghose You are right. Urea margins have come down this quarter, I think the margins have gone down to around 11% this quarter particularly because of the reasons Mr. Mukundan mentioned earlier. But you are right in accessing that the phosphoric profitability is affected more. Both, phosphatic and urea are down and hence both of them have contributed but I think you are right phosphoric being a higher volume has contributed more.

Jasdeep Walia Sir what was the margin in urea last year? So you mentioned it was 11% this year so…

P. K. Ghose Last year I think the margins, no 11% is not for the full year, it is only for this quarter.

Jasdeep Walia Yes, correct. So what were they last year same quarter?

P. K. Ghose It will be about 13%.

Jasdeep Walia Okay. So sir could you talk about trends in prices of soda ash in the spot markets in various regions? Are the prices seeing some bit of correction on account of energy prices coming down or prices are starting to going up?

P. K. Ghose Just to answer your question, see this question was asked a little bit while earlier and I gave a detailed answer on U.S., UK, Kenya, and India what is happening in terms of you were not hearing is it for while?

Jasdeep Walia No, sir in U.S. and UK you mentioned you have long-term contracts.

P. K. Ghose Yes, we have long-term contract so what has happened is that because of a supply-demand gap despite oil price, energy prices coming down we have witnessed growth in soda ash prices across geographies. UK, USA I was mentioning are majority long-term contracts, in India of course we are more spot, and in all locations therefore we have seen this phenomena. We expect that because of this demand-supply gaps which has occurred not only because of shortage of material and closure of some plants for instance our own Magadi Unit 1 Plant in UK, the Portugal Plant of Solvay and the Penrice Plant of Australia that has taken about 1.4 million ton capacity out of the market so that is what has impacted the prices of soda ash.

Moderator Thank you very much. The next question is from the line of Pratik Poddar from ICICI Prudential. Please go ahead.

Pratik Poddar Yes, most of my questions have been answered. Just one question on last quarter we had guided for cleaning up of balance sheet, should I assume that that has been done or you are still in the process of doing?

P. K. Ghose Yes, we are in the process of doing it.

R Mukundan No, we announced that we will come back to you by the end of the year We will also know by when we would be beginning to do what steps, I think we will be more specific, as of now we have not and when we said end of the year it was end of the fiscal year so we will have to wait for March. The review is being undertaken as of now.

Pratik Poddar Understood. Sir just one question on the South Africa port terminals, could you just talk about this a bit I mean what is this, do we have the port operations or we only asset what is sir?

R Mukundan No, we do not own the asset it is just a terminalling operation, we own a terminal there and we have preferential rights to get solid inputs into South African market which we use mainly for soda ash and the margins which you see in that market are mostly arising out of our traded material which either is coming out of United States or out of Kenya. So if 16 crores is being shown there it is mainly on account of material which is coming out of these two sources.

Pratik Poddar Understood. But this is primarily related to soda ash?

R Mukundan Yes, soda ash, just soda ash only.

Pratik Poddar Okay, it is just soda ash I mean we are just basically trading on it?

R Mukundan Yes, we have the terminalling, right so we do some terminalling operations, but mostly it is internal, we do not do a third party terminalling operation.

Pratik Poddar Sir my question was is this sustainable, the run-rate which you are showing of the 16 crores not of the 24 but of the 16 crores?

R Mukundan It normally fluctuates, it is dependent on the price South African operation negotiates with two suppliers which is mainly Kenya and USA. So if they negotiate a good price they get a higher margin, if they negotiate low and compared to the market they have got a lower margin. So it will either show us margin in Kenya and USA or it will show up as margin in Africa.

Moderator Thank you. Ladies and gentlemen we will be taking the last question from the line of Saurabh Gupta from Quantum Asset Management. Please go ahead.

Saurabh Gupta My question is, what will be the percentage of non-U.S. sales in TCNA approximately?

R Mukundan It should be around 30%, it is normally about 30% in non-U.S. sales.

Saurabh Gupta Okay and would that be built in U.S. dollars or other export local currency?

P. K. Ghose In U.S. dollars.

Moderator I now hand the conference over to Mr. Nikhil Gholani for his closing comments.

Nikhil Gholani Thank you Mallika. I would like to thank all the participants for their time. Thank you Mr. Mukundan, Mr. Ghose and Mr. Ranjeev for the detailed discussion of the results. Thank you all and have a very nice day.

Moderator Thank you very much. Ladies and Gentlemen, on behalf of Tata Securities Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.