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TATA CHEMICALS LIMITED

Transcript of Q1 FY 2011 Conference call held on August 02, 2010

Moderator - Edwin: Welcome to the conference call of Tata Chemicals Q1FY11 results hosted by MF Global Sify Securities. We have with us today Mr. R. Mukundan, Managing Director, Mr. P. K. Ghose, Executive Director and CFO. At this moment all participants are in listen only mode. Later, we will conduct a question and answer session, at that time if you have a question, please press * and 1 on your telephone key pad. Please note this conference is recorded. I would now like to hand over the conference to Ms. Gauri Anand. Please go ahead ma'am.

Gauri Anand: Thank you Edwin. Good morning everyone. I am Gauri Anand and on behalf of MF Global I welcome you all to the first quarter FY11 conference call of Tata Chemicals. It is a pleasure to have with us today the senior management team of Tata Chemicals, Mr. R. Mukundan and Mr. Ghose. I welcome both of you on the call. I would now request Mr. Mukundan to brief us on the results, initiative and outlook.

R. Mukundan: Thanks Gauri. Let me welcome everyone on the call and also my colleague Mr. Ghose. We will briefly start with sharing some perspectives on the operating performance of this first quarter. Mr. Ghose will follow it up with financial details. After that we will take your questions and queries.

We have reported strong performance across all our businesses. I would make two exclusions here as I move along and I will highlight those two exclusions. One, which is on the positive side and other one is on the negative side, so that both these issues are covered fully. The demand environment is encouraging and all our plants are running to the full capacity, and this demand environment in our view is going to continue for the next two to three quarters. There is certainly tightness in some markets, especially in the markets related to soda ash, bicarbonates, and also related to the fertilizer. But the pricing environment in some markets remains either stable or some markets it's under pressure and I will talk about that exclusion moving forward. The agri sector, which is where we are present through fertilizer as well as through Rallis has also performed well during this quarter. The gas supplies and allocation for the current capacity is fully done. For the fresh capacity, the matter is pending with the government. While we wait for the fresh gas allocations to happen, we are putting our investments behind customized fertilizer, which should enable us to continue the growth momentum in the fertilizer sector. In the pesticides business, which Rallis does for us, our plants are going to come on stream soon. The one in Dahej, the Ankleswar plant has been opened recently, and that will continue to give us the growth momentum in that space.

In terms of soda ash, the demand has grown worldwide, and we expect this to continue for a couple of quarters and we do believe that this stable environment would continue going forward as long as the economies around the world do a structured exit out of their stimulus packages, which is exactly what they are doing. There are two exceptions, one positive and the other negative. First the negative which is the performance of Brunner Mond which has, as we have anticipated and indicated to you earlier, been weak on the back of very weak pricing mechanism in Europe, and we expect this weakness in the pricing in Europe to continue for at least a couple of more quarters. This weakness is primarily due to the commissioning of Eti Soda of Turkey's one million tonne natural ash plant, which is putting pressure on pricing. There is also a slowdown in demand - Europe is the only space which is showing even today lesser sale of cars in the automotive sector , in fact even US has shown a positive move compared to the previous year. So all this is adding to the continued pressure in Europe. In terms of our outlook for that business, it remains positive. We believe that we have an excellent operation in UK, and we do believe that the unit should turn around going forward into next year.

The margin environment in the soda ash business is continuing to be under pressure. You would have noticed that from the segmental reports, the margin pressure is mainly coming out of the coke and coal prices, which is the prime energy for non US plants. The US plant, of course, had a very benign environment as far as gas supplies were concerned, but we are also seeing signs of gas prices moving up. So, our view remains that going forward next two, three quarters there could be margin pressure and how much is absorbed through increased sales volume will have to be seen as the year progresses.

IMACID has done well and in our view will continue to perform at the same rate going forward. The environment for IMACID, both the input cost and the output price environment seems very stable.

In Consumer Products, we have done well in terms of expanding our market share and growing sales of both our own house products, which is Tata salt as well as third party source products, which is I-Shakti, and Swach. The water purifier business this month has crossed monthly sales of 50,000 units, which is taking it close to annualized figure of 6 lakh and as we get through the end of the year, we will be clocking monthly figures, which will translate to annualized sales of a million units. So it is on track. And overall, I would just end by saying that there is a reason for cautious optimism on two counts, one is that we have been through a year of restructuring our operations and the results are showing and the demand environment is holding up. And we remain cautious only on account of the margin issues. I also highlighted in the beginning of the call that I will talk about one positive exception. It is about the fertilizer segment, within that segment, there is an element of some amount of low cost input, which was done for the DAP unit, which has been reflected in the sales for the first quarter. So, that exceptional performance, which was there for quarter 1, would not be sustained during next few quarters. So, with these exceptions and with this broad outlook, I would like to invite Mr. Ghose to take us through the numbers.

P. K. Ghose: Thanks Mukund. I am sure by now all of you would have gone through the financials. But let me quickly give you a recap. Net sales stood at Rs.2477 crore, profit from operations was at 409 crore for the quarter ended 30th June 2010. Profit before tax amounted to Rs.322 crore for the current quarter compared to Rs.139 crore in the previous corresponding quarter. Net profit for the business increased by 409% to Rs.216 crore as compared to Rs.43 crore in the previous corresponding quarter. The total cash equivalent from the balance sheet as on 30th June 2010 amounted to Rs.1295 crore, including Rs.677 crore in mutual funds. The company's consolidated net debt on 30th June stood at Rs.5046 crore. Net debt to equity as on 30th June 2010 stood at 0.7:1. Supplier's credit continues to be the main source of working capital finance and as on 30th June 2010 a sum of Rs.639 crore of supplier's credit was outstanding. The industrial environment in Haldia has improved; however, we need to focus on our operational efficiencies to realize the full potential of the site.

We have commenced in May 2010 the second wave of our efficiency program ADAPT. During the first phase of the project we have identified all possible upsides and downsides for our Indian operation. Rigorous review mechanism has been put in place to ensure that upsides are delivered and downsides are kept to the minimum possible levels. Economic conditions are gradually improving across the globe with the major worry remaining about the fiscal health of most of the European nations. World over developing economies are the primary drivers of demand. However, signs of demand revival are also evident in developed economies. The key concern about fiscal health in European nations should get clarified once the stress test results for European banks are all available. As of now, the possibility of Europe plunging into another recession appears to be low.

In conclusion, I would say overall performance in the quarter has been strong, but we continue to tread forward with cautious optimism, keeping in view the comments which Mr. Mukundan made to you. This brings me to the end of my discussion and I would now like to throw the floor open for any questions and answers.

Question and Answer Session

Moderator: Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone key pad and wait for your turn to ask the question. If your question has been answered before your turn, and you wish to withdraw your request, you may do so by pressing # key.

First question comes from Mr. Abhijeet Dey from Kotak Mahindra Mutual Fund.

Abhijeet Dey: Mr. Mukundan if you could expand on what you said in your last statement about low cost input for DAP unit in Haldia.

R. Mukundan: The basic issue is that the material of phosphoric acid last quarter had arrived, but we could not actually manufacture because there was a labor issue, the plant was shut. That input has been used in the quarter 1, and the foreign exchange at which it came, has given us some benefit in the quarter 1, which actually should have gotten accounted in the previous quarter

Abhijeet Dey: What you mean to say it is basically low cost phosphoric acid was held, would that be correct?

R. Mukundan: Yes, and the benefit as a result of that is around Rs 20 cr

Abhijeet Dey: Okay and what about the trading sales for the quarter?

R. Mukundan: Nothing unusual there.

Abhijeet Dey: While your fertilizer revenues are flat, your EBIT has jumped more than three times for the segment, so just wondering what the reason was.

R. Mukundan: In the first quarter of last year we had said that there was a carryover of more expensive DAP. The situation has now normalised. The benefit as I mentioned earlier is about Rs 20 cr

Abhijeet Dey: Okay, so it is not due to higher trading margins.

P. K. Ghose: There are also higher trading margins. The performance is a combination of both, better performance at Haldia as well as higher trading margins in this quarter.

Abhijeet Dey: Okay. And sir, coming to your soda ash business, what's the outlook for your domestic US soda ash sales for this year?

R. Mukundan: It is fully sold out.

Abhijeet Dey: Okay, even in the domestic market.

R. Mukundan: The plant is sold out; there is actually tightness in the market.

Abhijeet Dey: Okay sir. Thank you very much.

Moderator: Next question comes from Ms. Aswini Desai from Bajaj Allianz

Ashwini Desai: Yes good morning sir and congratulations on a good set of numbers. I had few questions. First one is relating to your soda ash margins, you said that they would be under pressure because of some increase in costs. But then you would be having some way of passing on the increase in costs, why do think that it would be under pressure for the next two or three quarters.

R. Mukundan: I think the reason is that there are some contractual obligations we have; certain portion of our sales is contracted so there is an option to pass on the margins in the quarter 4 of the current year, which is the quarter 1 of the calendar year. That is one aspect.

The second aspect is that we certainly don't make price shifts every time there is a cost increase, just as the way we don't do the other way around. So we manage it in a manner, by just trying to do the cost improvement internally before we reach a point where we need to pass on. So there will be a period of adjustment and I feel that next two quarters we will go through a period of adjustment.

Ashwini Desai: Okay. And my second question is regarding your fertilizers. You have some issues with the urea plant, so now it is working at full utilization levels?

R. Mukundan: No, I think the hook up of the converter is happening during the second week of this month, as an outcome we certainly see that it will impact the numbers for the second quarter, to the extent that there will be shut down for 15 days during this month to hook up the converter. And post that it will be back to full capacity end of this month.

Ashwini Desai: So first quarter what utilization levels did it work?

R. Mukundan: It had impacted us to the rate of 700 tons per day approximately.

Ashwini Desai: Okay. And regarding your Haldia plant, what utilization levels did it work at in the first quarter?

R. Mukundan: Haldia plant worked at its normal utilization, but it did have intermittent work force related stoppages, so it certainly was not full utilization, but more in the region of 70% to 83%.

Ashwini Desai: Okay. And my last question is regarding the margins in fertilizer segment, you said it might not sustain because of the two reasons that you gave. So what kind of margins can we expect going ahead?

P.K. Ghose: I think we talked about inventory, which was there on 31st of March, which was at low cost, as a result of which we gained in Q1. Those benefits will not sustain, that's the only statement which was made.

R. Mukundan: Also it was quantified in stating that the Rs 20 crore that will not reappear again.

Ashwini Desai: Okay.

Moderator: Next question comes from Mr. Atul Rastogi from Daiwa Capital.

Atul Rastogi: I had a question on soda ash expansion. Could you throw some more highlight, if there is anything happening on Mithapur expansion and when do you see that?

R. Mukundan: No, there is no expansion of capacity at Mithapur, which is planned as of now and the capacity expansion which we have announced is mainly on account of Babrala in the fertilizer side, and if at all we will be doing anything on the capacity on the soda ash side, it will be mostly de bottlenecking, and we will examine which site it makes sense. It may not be just India; it may be overseas, which may move first.

Atul Rastogi: And any expansion on the NPK site, in Haldia or any other site?

R. Mukundan: Not really as of now.

Atul Rastogi: Okay. Sir, one thing, you mentioned about the European capacities being under pressure because of Turkish imports. So could that also impact Kenyan volumes and how do you see that scenario?

R. Mukundan: No, the volumes are not impacted in Europe. We are fully sold out there. The pricing is under pressure there.

Atul Rastogi: So you think this is the worst you are seeing or it could even go down from here?

R. Mukundan: In our view, this is probably going to remain at this level for at least next two, three quarters before we can observe any shift.

Atul Rastogi: Okay.

Moderator: Next question comes from Mr. Varun Guntupalli from Edelweiss Securities.

Varun Guntupalli: My first question is, in terms of the reporting for this quarter in the segmental, you have two segments saying other agri inputs and one as others, whereas in the last year, it was other agri inputs, wherein you were mentioning that is Rallis. So is there any change in the reporting of the segmental from last year?

P. K. Ghose: Yes there is. Other agri inputs largely comprises Rallis while others comprises Water Purifier and Bio fuels

Varun Guntupalli: Okay sir. So other agri input is completely Rallis?

R. Mukundan: Actually this is everything which Rallis does, plus all the sales of non-fertilizer products which are agri based, which Tata Chemicals also does.

Varun Guntupalli: Okay sir. And in terms of the Swach sales, you were expecting annualized 1 million units by the end of the year, right? Is it December, calendar year, or financial year?

P. K. Ghose: Fiscal year. That is expected to be the exit number

Varun Guntupalli: Okay sir. And in terms of the APM gas increment that is done and effective from June onwards, didn't you have any gain in terms of the APM gas improvement at a later stage as compared to the realization improvement, which you must be seeing from April onwards?

R. Mukundan: We have seen a very minor improvement in margins and that is mainly because of our plant efficiency, but otherwise it has not been a major shift at all.

Varun Guntupalli: Okay sir.

Moderator: Thank you sir. Next is a follow up question from Mr. Abhijeet Dey from Kotak Mahindra Mutual Fund.

Abhijeet Dey: The effective tax rate seems to be low at around 21%, any reason for that sir? And standalone it is 24%. Any reason for this and what can we expect going forward?

P. K. Ghose: The main reason for the reduction was that in Brunner Mond group last year, in March 10th there was a deferred tax created, which has been reversed. This was on account of accelerated capital allowances and also there was a foreign exchange difference in Magadi. Since, this is no longer there, that is why the rate is lower. Last quarter actually the effective tax rate was 52%.

Second, in General Chemicals, the entire tax on FIN 48 was taken in the month of March last year, so the effective rate then was 17%, which has now come down to 14%, because it has been going to be spread over the full year. I hope that this answers the question.

Largely we see tax rates at ~ 24% – 26% going forward. Aberrations may be because of some extraordinary items like sale of investments

Moderator: Next question comes from Mr. Prasad Deshmukh from DSP Merrill Lynch.

Prasad Deshmukh: Yes. Good afternoon sir and congratulations on a good set of numbers. The net debt to equity that we are reporting right now is it post the infusion of new equity and how much is the debt that we have repaid in this quarter, or the last one year?

P.K Ghose: The net debt repaid during the last one year would be about 70 million dollars, which is basically the US debt. But also, you keep on repaying supplier's credit for working capital purpose which is for 180 days credit. Net debt to equity of 0.7:1 is low due to Rs 1,295 crore of cash.

Prasad Deshmukh: And it includes the new debt preferential equity given by Tata.

P K Ghose: No, it does not include that. The issue was completed in July.

Prasad Deshmukh: Okay fine

Moderator: Next question comes from Mr. Shekhar Singh from Goldman Sachs.

Shekhar Singh: Hello sir, just wanted to understand , the margin pressure which you are seeing in Europe, does it mean that EBIDTA per ton would have come down to less than 40 dollars or in that range or is it even lower?

R. Mukundan: EBITDA per tonne has come down to around USD 10 per tonne from USD 20 per tonne. These are approximations and are meant to be indicative

Shekhar Singh: Sure. Secondly I was just wondering like if say for artificial soda ash prices, there is a cost push because of coke and coal, then does it mean that the margins for GCIP will improve significantly or should improve?

R. Mukundan: I don't want to make a forward looking statement, but there is an opportunity for the margin to improve, whether it will improve or not is a second question, but I certainly limit it by saying there is an opportunity.

Shekhar Singh: Say under a steady state and stable situation for DAP business, the phosphatic fertilizers, what sort of EBITDA margin or EBITDA per ton do you think is sustainable?

P. K. Ghose: Yes, DAP sustainable margin has always varied between 7% to 10%.

Moderator: Next question comes from Mr. Jay Shah from Reliance Mutual Fund.

Jay Shah: The customized fertilizer plant you are putting in Babrala, is it on stream?

R. Mukundan: It is going to come on stream end of August, so by September we should have started to ship out of that plant.

Jay Shah: And sir, what kind of realizations and at what levels are you going to be selling those fertilizers and what would be the mix?

R. Mukundan: What we will do is closer to start of that, during the next call we will try to give you details on that. I don't want to sort of cloud that, but certainly while it is going to add to the bottom line, it is not a significant number, because those are more like conversions and then there is a premium you get from the market for specific end use

Jay Shah: And you will be scaling up this launch all over India, so will we be able to wait for the response of this launch or the scale up would be immediately after this launch has opened up?

R. Mukundan: We would like to first run this plant properly for at least four, five months and then sort of replicate it. Our idea is certainly to replicate it and we see potential for about 10 plants to come up and we have identified which areas they need to come up. Already the locations are finalized and the execution will be carried out in conjunction with Rallis. So, some may come up in Tata Chemicals, some may come up in Rallis.

Jay Shah: Okay. And sir, regarding your CAPEX, what would be your CAPEX for FY11 and FY12, total CAPEX on a consolidated basis, planned CAPEX?

P. K. Ghose: Planned CAPEX is spread over the next four, five years. We have always mentioned this would be around Rs 500 to 600 crore and would maintain that.

Jay Shah: Okay sir.

Moderator: Next question comes from Mr. Tarun Surana from Sunidhi Securities.

Tarun Surana: My question relates to the policy on urea investment, the Greenfield plant that you are putting up for about a million tons, in your assessment what is the modalities that will be there, whether the price will move up to 300 dollars or 350 from 250 dollars, what will be the incentives that government is about to announce for attracting more investments as well as revival of the closed units?

R. Mukundan: See, as far as our modelling is concerned, fundamentally it is as per the policy which Government has already announced, the only variation to the policy we are seeking is that the collar and cap should be made moving with the movement of the gas price, because the gas price in India itself is fixed only for five years, out of which 2-1/2 years is already over, so you are left with 2-1/2 years, so we want the pricing regime on the urea to be shifted, that is a reasonable demand and government seems to be positive on that.

Second, we need a commitment at least for 7 operating years of the plant for gas supplies assured from government, because without that our belief is we would not be able to raise debt capital because people who would like to place debt would need comfort during the tenure of repayment of debt, that the cash flows are there to support the repayment. So, these are two preconditions that are required from our side for investment.

Tarun Surana: So, as per the financial plan about 7 years will be required for debt re-conversion and at least that much of gas allocation commitment is required for financial closing of debt?

R. Mukundan: Yes, minimum debt.

Tarun Surana: Okay and what would be the CAPEX incurred till now?

R. Mukundan: Current year CAPEX plan is Rs 275 crore and for this plant the CAPEX is Rs 3,800 crore, but that is spread over three years once zero date is announced.

Tarun Surana: Okay

Moderator: Next question comes from Mr. H. R. Gala from Quest Investment.

H. R. Gala: This year since the southwest monsoon has been quite good, what will be your overall outlook for our fertilizers business and the agri input business in Rallis?

R. Mukundan: We remain positive, the only issue, which is while the monsoon has caught up now, there has been a 30 day delay which has happened in between, that was a very critical period for sowing. So I think the crop which is lost will not be recovered again, but having said so I think we remain optimistic. Our fertilizer sales are not that impacted because most of the areas where we sell our fertilizer, the rainfall has been okay, the issue was with some parts of the central and eastern side on the stretch which is going into MP and Orissa, which had bit of an issue, but I think even there the rain has caught up in the last one week and we are hopeful that we should be bettering our numbers.

H. R. Gala: Okay, so do you think on agri input side Rallis could have some problem?

R. Mukundan: I don't think so, because last year was worse than this year.

H. R. Gala: Yes and they did pretty well.

R. Mukundan: Yes, so I think you should keep that in mind. So, my benchmarking is to what I think is normal, but since you are benchmarking year-to-year, I think certainly compared to last year, this year is better.

H. R. Gala: Okay, so it has to be better than last year?

R. Mukundan: I can't say that, I will only say the weather is better.

H. R. Gala: Okay, sir in the AGM of Rallis the Chairman had stated that together with Tata Chemicals, Rallis wants to become a very big player in the agri space, so which are the potential areas in which Tata Chemicals and Rallis would be working together?

R. Mukundan: I don't know what you mean by working together. It is part of our portfolio of interest. Rallis' strength is in the area of seeds, agrochemicals and pesticides, which they certainly have a place. We certainly would like to build on these strengths to have in place a strong crop nutrition business. We may also roll out some customized fertilizer plants in the areas where Rallis is present

H. R. Gala: Okay, so they will be doing the marketing for us?

R. Mukundan: Not just marketing, but some part of the roll out too, because as far as the footprint of distribution is concerned we have a distribution in the north, we may do that footprint expansion jointly between two companies wherever it is more effective for us.

H. R. Gala: Ok. Sir, referring to the note #2 in our consolidated results regarding these actuarial gains, losses for our overseas operation, where we have given that if you had routed it through P&L account, the profits would have been lower by certain numbers, does it sir, imply that in quarter 1 of last year we would have reported a loss?

P. K. Ghose: As you see in the notes, the actuarial gains and losses have been accounted in reserves and surplus from 01st April, 2009. Prior to this any variations in the funding gap was being routed through our profit and loss account, so you got a charge in the P&L, whereas all overseas accounting standards, whether in UK or USA actually is routed through reserves. We have changed this practice and the actuarial gains/losses are now being routed through reserves. In volatile conditions, equity and debt valuations can swing either way, thereby destroying the P&L picture. Hence the decision to route actuarial gains/losses through reserves.

H. R. Gala: Okay.

Moderator: Next question comes from Mr. Sageraj Bariya from Angel Broking.

Sageraj Bariya: I just wanted to get some update on your bio-fuel segment, if you can give some idea where it is right now, would we be planning something or not?

R. Mukundan: As far as bio-fuel is concerned we had already setup a demonstration plant in Nanded, which has demonstrated the technology for conversion from sugarcane to sweet sorghum and in terms of execution, the execution of this project is being done overseas, not in India. We already are looking to land acquisition in Mozambique.

Sageraj Bariya: Any numbers you would like to share? What kind of a turnover you are looking over the next three or five year period kind of a vision?

R. Mukundan: Yes, once the Mozambique business plan is ready and approved by the Board we will come back to you. As of now, we are building the business there has been a shift in the numbers - as you would know when this whole process was kick started it was pre the meltdown. Post the meltdown we will have to rework all the numbers.

Sageraj Bariya: Okay.

R. Mukundan: But, all I wanted to say is that the land has now been allotted to us and it is now on lease with the company there in Mozambique for 99 years.

Sageraj Bariya: Okay, so when you say post meltdown have the prices changed? I mean Jatropa oil is cheaper compared to crude, all those things have changed?

R. Mukundan: No, not necessarily, I think they probably are closer to what it was pre meltdown, because the oil price has again shot up. In the middle there, it was certainly under pressure.

Sageraj Bariya: Okay.

Moderator: The next question is a follow up question from Mr. Prasad Deshmukh from DSP Merrill Lynch.

Prasad Deshmukh: I just had one clarification on the actuarial gains and losses that we were talking off, these are because of the pension fund in Europe, right?

P. K. Ghose: It's both Europe & USA.

Prasad Deshmukh: Okay, so just if you can give actual amount of pension assets and liabilities that we are seeing here?

P. K. Ghose: The gap between the assets and liabilities as per FRS 17 as reported in accounts is 79 million pounds, whereas the financial valuation as on 31st Dec 2008 indicated a gap of 79 million pounds.

Prasad Deshmukh: Okay and what kind of instruments are these pension assets invested in, because consistently for last seven, eight quarters we are talking of the gap, despite having adjusted for the gap in your shareholder equity, we are every quarter saying that there is some gap which is happening, so what kind of assets are these?

P.K Ghose: When we started, more than 70% was in equity and 30% in debt, later on as a measure of abundant caution; we have shifted the ratio to 50:50. So, that is one step taken.

Secondly in future our liability will be frozen, because we have already negotiated with trustees to determine a gap which will be linked to a benchmark. All this happened because of the downturn in the European and the world markets. So, we will be restricted to that amount and that amount will be known shortly.

Prasad Deshmukh: Okay and is it safe to assume that all these assets are in European equity and debt?

P.K. Ghose: Yes.

Prasad Deshmukh: Okay

Moderator: Next question comes from Mr. Rohan Gupta from Emkay Global Service.

Rohan Gupta: Sir, question is on soda ash volumes, as you said there was a pressure on pricing, but volumes remained quite stable. I just wanted to check – in our UK operations, now we have a capacity of 1 million tonnes excluding Africa, right?

R. Mukundan: Yes, that's correct.

Rohan Gupta: So, we are still operating at that plant only to 80% utilization level, because the current quarter production was two lakh ton, so are there any chances for improvement of production at that plant?

R. Mukundan: No, the plant is running at full capacity. I think this may have been partly due to some plant outages as some material would have gotten diverted for making bicarbonate, but there was no issues related to under capacity as such, it is running at full capacity.

Rohan Gupta: So, it is already running at full capacity utilization?

R. Mukundan: Near full capacity, in the sense that I would just say that whatever impact you are seeing is mostly on account of pricing.

Rohan Gupta: And sir, second is on Africa front, once again their production was just one lakh ton roughly, I believe this plant has a capacity of 7 lakh ton?

R. Mukundan: Yes, this quarter actually the utilization issue is not on account of any disturbance, the utilization issue is on account of planned outage, the plant was shut for maintenance purposes, that is about it.

Rohan Gupta: Sir, is there any plant shutdown we have taken at our urea plant also for the quarter?

R. Mukundan: Urea plant shutdown will happen in the month of August for 15 days.

Rohan Gupta: So, for the current quarter was it running at full utilization?

R. Mukundan: No, it was not running at full utilization, as you would know that one of the converters had failed and it was running at 700 tons per day less than the full utilization. We are taking a shutdown for 15 days in the second quarter, which will hook up the converter back again and post August end it will be back to full capacity.

Rohan Gupta: So, for the current year are there chances that we will not be able to meet that cut off limit for additional production of urea?

R. Mukundan: The current year production will be close to last year production and we may just about miss it or just about make it, depending on how many days of clear output we get. We will clarify this in the next call.

Rohan Gupta: Okay.

Moderator: Last question comes from Ms Priti Arora from Kotak Equities.

Priti Arora: Mr Ghose, can you just give us the guidance for tax rate for the year?

P. K. Ghose: We cannot give guidance, more so because it all depends on whether you sell investments, etc. However as I mentioned earlier, normalized operating tax rate can be expected to be in the range of 24% – 26%

Priti Arora: Okay and Mr Mukundan, about the pricing pressure in Europe, if you are contracted long term in Europe, why is there a pricing pressure if there are long term contracts in Europe?

R. Mukundan: Pricing pressure in Europe is very unique to Europe as I said, that is because this year there is a million ton of material coming in from Turkey into Europe and the prices have fallen in Europe, but disproportionate to rest of the other parts and that is the only issue

Priti Arora: But, would you say there are any spot sales in Europe for you or is it majorly long term?

R. Mukundan: No, Europe is mostly long term.

Priti Arora: Okay and in phosphatic, the Rs 20 crore delta, which you mentioned this quarter which will not reoccur, is it on sales or on the margin front?

R. Mukundan: This is on the margin front.

Priti Arora: Okay.

Moderator: There are no further questions, now I handover the floor to Ms. Gauri Anand for closing comments.

Gauri Anand: I would like to thank the management of Tata Chemicals, Mr. Mukundan and Mr. Ghose. It is a pleasure to have heard you on the call. I understand that the line has been very bad, our apologies. Thank you and all the best to you sir.

R. Mukundan: Thank you.

P. K. Ghose: Thank you.

Moderator: Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you, have a pleasant day.