Tata Chemicals Limited
Q4 and FY18 Earnings Conference Call
May 18, 2018

Moderator Ladies and gentlemen, good day and welcome to the Tata Chemicals Limited Q4 & FY'18 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. I now hand the conference over to Mr. Gavin Desa from CDR India. Thank you and over to you sir.

Gavin Desa: Thank you. Good day, everyone and thank you for joining us on Tata Chemicals Q4 & FY'18 Earnings Call. Today, we have with us Mr. R. Mukundan – Managing Director and CEO and Mr. John Mulhall -- Chief Financial Officer.

Before we begin, I would like to mention that some of the statements made in today's discussions may be forward-looking in nature and may involve risks and uncertainties. A detail statement in this regard is available in the Results Presentation.

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

R. Mukundan: Good day, everyone. Thank you for joining us on Tata Chemicals Q4 FY'18 Earnings Call.

Let me briefly run through some key operational highlights, subsequently my colleague, John, our CFO, would run you through the financial details. Today on the call, we also have my colleague, Mr. Zarir Langrana, an Executive Director on the Company Board.

FY'18 has been an exciting year for us in which our businesses performed well, along with various events happening throughout the year. We witnessed delivery of our stated strategy i.e. exiting regulated business and profitably running the business in India and overseas. Some of the major events which happened during the year were the adoption of GST, signing business transfer agreement with Indorama Agrochemicals Private Limited; a wholly owned subsidiary of Indorama Holdings B.V., Netherlands for the transfer of phosphatic fertilizer and completion of transfer of assets pertaining to urea and customized fertilizers to Yara Fertiliser India Private Limited.

Moving on, the Quarter Wise Business Performance: India Chemicals business during the period under review, delivered steady operating performance; sodium bicarbonate recorded highest ever production and sales.

Despite the challenges in terms of increasing energy cost, our operations continue to maintain a steady margin structure. This is on the back of strong positive market demand and we maintain that the market position was balanced.

Similar, the US business reported strong operating performance, due to higher production and sales volume, better utilization and plant efficiency. Out of the total AMT benefit on account of change in US income tax legislation received last quarter, there was a minor benefit coming through this quarter as well. The UK business was subdued due to lower production and sales volume. Salt and Energy business performed well on the back of better sales volume. The performance of our Kenyan business was as per our expectations with higher sales volume, better operational efficiency and realization. The Kenya business continues to focus on improving and maintaining its quality and operational efficiency. Overall, the Industrial Chemicals business has performed well to the plan and continues to attract good traction.

Our Consumer business saw good momentum this year; Tata Salt continues to grow in terms of sales and production, other consumer products were impacted due to lower sales volume, this is mainly due to the changes we were doing with respect to our supply chain mix during the year. We have launched new products under the Pulses platform, this is the value-added products, which includes Multi-Grain Khichdi Mix and Multi-Grain Chila Mix, which were very well accepted in the market, Tata Sampann Spices also continues to move forward as a stronger brand with improvements in its presence in various markets.

With respect to Fertilizer business, we have completed the transfer of assets to Yara India and as on date we have recognized the pre-tax profit of Rs.1,279 crore. The transfer of assets of our phosphatic fertilizer unit to Indoroma is progressing well. We expect to complete this transaction soon.

Rallis, including Metahelix has shown healthy performance and in the Specialty Chemicals biz front, we signed a Business Transfer Agreement (BTA) with Allied Silica Limited for acquisition of its manufacturing facility in Tamil Nadu. As you are aware that board had cleared Rs.295 crore of investment in HDS which is a versatile product and downstream addition to Soda Ash business. We expect the plant to start commercial production anytime during second half of this year provided the transaction gets completed during the current quarter. There is a huge customer interest in both India and overseas, which has encouraged us to push business forward in a very strong manner. In addition, the investment in a new manufacturing facility at Nellore, near Chennai is progressing well. We expect the plant to be ready in about 15-months. Both of these businesses will leverage the capabilities of Tata Chemicals and its Innovation Centre.

Finally, we are happy to inform you that the Board of Directors has recommended a dividend of Rs.11 per share which is maintaining the dividend as per last year and they have also declared a special dividend of Rs.11 per share which takes into account the sale of the Fertilizer business, aggregating a total of Rs.22 per share and this is subject to approval from shareholders at AGM.

To conclude, I would like to state that we are clearly focused on our leadership in Chemicals business and to grow our Consumer business and Specialty business. We are fairly confident of meeting our strategic objectives which we set some time ago.

Now, I would like to invite John to give his Insights on Financial Performance.

John Mulhall: Thank you Mukund. A couple of points, the last quarter saw the transfer of our Babrala operation to Yara India on 12th January 2018 successfully closed. This transaction contributed a significant amount of cash to the business. To extend that, Tata Chemicals standalone had net cash at the end of the year of almost Rs.2,346 crore against debt last year of Rs.1,407 crore. In addition to that we have improved our operational performance in managing cash working capital is now at Rs.690 crore against Rs.1,600 crore last year. Gross subsidy outstanding was Rs.859 crore against Rs.1,680 crore last year.

From international perspective, we saw good production and sales performances in the UK and Kenya, and particularly in the US as well where the outcome of the work to improve the operations through the winter period was very successful and our production is 91,000 tons higher in this quarter as compared to last year. Except for two events which occurred at the start of this year in the UK i.e. power outage and fire, all our operations internationally would have delivered PBT better than last year, UK operations combined with Salt and Soda Ash operations was just below the PBT for last year.

That concludes my remarks; we can now start the Q&A session.

Moderator: Thank you. We will take the first question from the line of Anand Bhavnani from Sameeksha Capital. Please go ahead.

Anand Bhavnani: Sir, I just wanted some color on the Soda Ash supply situation globally? In particular with respect to China, there were some developments that the government has cut down on subsidy i.e. on the fertilizer which is produced during the Hou process and hence Chinese soda ash viability has reduced. So if you can comment on it?

R. Mukundan: I would say if I were trying to not read too much into it, the market is balanced to tight, that is clearly a reflection and in our view going forward it will remain balanced to tight.

Anand Bhavnani: Sir, with respect to anti-dumping duties and about Turkish supply, any color on those two aspects?

R. Mukundan: We have no view on it and we do believe that the market conditions are conducive whatever maybe the outcome.

Anand Bhavnani: For our Kenyan production, oil prices have risen recently. Do you expect any energy cost hike leading to lower profitability at Magadi?

R. Mukundan: I agree with you that, but there is a bit of hedging which we have. So we get some time, in terms of the impact, following through into the operations. But while the energy prices are a concern, I still maintain that the impact on the margin is a function of the market conditions which remains fairly favorable to producers.

Moderator: Thank you. We will take the next question from the line of Saket Kapoor from Kapoor & Co. Please go ahead.

Saket Kapoor: Sir, just wanted to understand, the energy costs have gone up and for this financial year have we taken up any price increases domestically for our inorganic chemicals?

R. Mukundan: There has been one price increase taken which is running now and we are closely monitoring the situation. So I think our view, we need to be respectful of both market conditions and customer interest.

Saket Kapoor: So that price hike was for the first quarter or in the March '18?

R. Mukundan: Q1 of the current year which is running.

Saket Kapoor: What is the quantum of hike we have taken?

R. Mukundan: Rs.600 per MT

Saket Kapoor: Coming to your Specialty Chemicals part sir, by what time that Nellore will come up and what is the margin profile from these business and your competitors are scaling up their capacity in the Soda Ash business and is also contemplating a Greenfield project, how are you looking at increasing your capacity going forward in the Soda Ash?

R. Mukundan: In terms of the new businesses, #1 there are two new businesses; one in Nellore, the ground breaking has already happened, the business is expected to start, at least supplying test products to customers somewhere around end of '19 i.e. about 15 months' time. It is a plant which has been set up to highest FDA standards to cater to pharmaceutical and pediatric market segments, in addition to catering to various other market segments. So it spans a wide range of market, but it is clearly a food additive which is made to the best specifications. In terms of the other plant, Allied Silica business, we are in advanced stage of moving forward on the deal and we expect the plant would be in a position to start supplying to customers in about 3-5 months after we take over. That should give you broadly the timeframe on the two areas. As far as the Soda Ash expansion is concerned, we actively monitor, the Board is fairly supportive of looking at investments and we had stated that the investments both in India and in US will be in a very calibrated way and we will make the necessary statements as and when we are ready.

Saket Kapoor: We can contemplate something in the future, that is what the conclusion is depending upon the market conditions?

R. Mukundan: All I am saying is we can conclude that we are fully supportive, we are watching it closely but unlike many of our competitors, our options are wide. We have three broad pillars of business, we do not have just one business. So we will calibrate it in a way that we drive the growth towards making sure that both revenue and the return on capital continue to improve, so whether it is consumer or specialty business or industrial bulk business, there is a process the Board has laid out and it is watching it carefully and it is all a function of where the returns are highest.

Moderator: Thank you. We will take the next question from the line of Abhijit Akela from IIFL. Please go ahead.

Abhijit Akela: The US EBITDA for this quarter seems to be a little bit lower than it was in the December quarter, so about Rs.141 crore this quarter compared to about Rs.180 in the December quarter despite normal production. So any specific cost items that are responsible for this?

John Mulhall: Yes, there are just some additional maintenance costs and operation costs, nothing huge.

Abhijeet Akela: So this is obviously non-recurring?

R. Mukundan: It should not be, it is I think just some one-off items.

Abhijit Akela: The other thing was on the standalone balance sheet, we have not paid off debt despite having surplus cash which of course has led to interest cost as well as pretty high other income. What are your plans with respect to the cash hoard on the standalone balance sheet?

John Mulhall: The debt left on the standalone balance sheet is ECB which we repay in October this year and October next year and also the Rs.250 crore of NCD that is due to maturity in 2020. So if you look at these, we cannot repay the NCD early but we will look at the opportunities on ECB going forward.

Moderator: Thank you. We will take the next question from the line of Viraj Kacharia from Securities Investment Management. Please go ahead.

Viraj Kacharia: I just had a similar question as the previous participant. So if we look at the last couple of quarters we have restated strategy of exiting commoditize businesses focusing on growth and high return business and in last two to three quarters we have been doing exactly as per our strategy. But if we look at this quarter when we have got a good amount of cash on the sale of Fertilizer business, broadly looking from a return on capital employed perspective, the target of 20%, I am just trying to understand how we are looking to get 20% because even with the current capital base being so high and the current level of soda ash, even with the investments which you are making, we would not be able to reach anywhere close to 20%. So just trying to understand how we are looking to – we are closer to 20% and what are we doing with the cash even after the repayment of ECB?

R. Mukundan: I think one is having capital discipline, so we are certainly investing in businesses which have higher return on capital than the stated number so that we do not slip below, obviously, the cash lying in the books does not earn 20%, so it is a drag on the return. But, we are in no rush to use that up unless we have clear opportunities but we are actively looking at opportunities, the Board has a clear plan and we will come back to you as our strategy rolls up with where these will be deployed. So our retention of the cash in the business has a specific purpose and that purpose is to usefully not keep it as cash, so we will move in the direction.

Viraj Kacharia: Just to add to that, would that mean that a good part of the cash would be redeployed in other opportunities where we have a higher return potential because even if we do that, there still be a considerable amount of time where it will take to reach to 20% because the capital base of the current operations especially soda ash is so large, that even when these investments start to mature, we still would not be able to close to 20%, so are we looking at any other measures in terms of rewarding back shareholders, also takes care some of the capital employed part of the business?

R. Mukundan: Good question. I think we actively keep all options open.

Viraj Kacharia: Second question was on the US business. You said there were some one-off expenses. So can you quantify because on consol basis we have seen a sharp increase in other expenses Q-o-Q and Y-o-Y. So just trying to understand what is it driven by and if you can quantify the one-off expense?

John Mulhall: The US operations have to be shut down and we probably building up some store expenses to take care of the shutdown happening. I think the total expenses of probably $4 million or something, was not a huge number.

Viraj Kacharia: Last question was on the Soda Ash margins. You indicated that you have been taken some price increase in May. So does that fully cover the input cost pressures which we are seeing in India in other locations or…

R. Mukundan: I think some of this will go to mitigate the cost concerns and partly through efficiency improvements we should. So as I said the market conditions are favorable to maintain the margin but we are closely watching it.

Moderator: Thank you. We will take the next question from the line of Rohit Sinha from Emkay Global. Please go ahead.

Rohit Sinha: First question is on Soda Ash business. As we have seen a good margin improvement in that segment, so first of all let us know it was volume driven or realization driven and going forward also is there any further price hike we are expecting in the Soda Ash segment?

R. Mukundan: The last one; I cannot comment about hikes, but I can say, is what the market condition is, which I have already highlighted. Secondly, this quarter has been steady, sometimes we have this whole unsteadiness which used to come because of extreme weather, but this quarter again because of winterization plan, there is no impact and all the units have performed well.

Rohit Sinha: So basically, both the volume as well as realization driven?

R. Mukundan: Yes, it is a combination of the two.

Rohit Sinha: Next question is from the balance sheet side. If we see on consol basis also, we have significant increase in the total debt. So will that come down in coming time or …?

John Mulhall: There is no increase in debt. What you are seeing is reclassification from short-term to long-term debt, where we refinance $200 million in December this year. So it was a short-term debt last year, it is now long-term.

Rohit Sinha: So any future Capex plan for Soda Ash business or any other segment where we can see Capex?

R. Mukundan: I think as far as we are concerned, we will continue to invest to maintain the business at least in the same shape as well. Our investment options are guided by the return conditions across three verticals.

Rohit Sinha: Any quantum we can say roughly about FY'19 or '20 you can assume a figure for the Capex?

R. Mukundan: As I said, we are looking at debottlenecking India and US and as the opportunity presents itself we will come back to you.

Moderator: Thank you. We will take the next question from the line of Sumant Kumar from Motilal Oswal Securities Limited.

Sumant Kumar: Sir, the Gross debt has increased from Rs.6,000 million in December 2017 to Rs.6,480 million in March 2018. What was the key reason for that?

R. Mukundan: It is primarily because of rupee depreciation; rupee was on 63 vis-à-vis the dollar, we budgeted 67 and that is the only difference there is no change in gross debt.

Sumant Kumar: So what is the Soda Ash size increase in US business and Europe as we know there was a price increase happened in the month of January, this contract we have not increased any price between last year and this year?

R. Mukundan: It has been mostly flat.

Sumant Kumar: So coming year the price will be flat for US business?

R. Mukundan: Yes, that is right.

Moderator: Thank you. We will take the next question from the line of Akshay Bhor from Kotak Securities. Please go ahead.

Akshay Bhor: What would be the top line for Consumer business ex of Salt for FY'18 and last year?

R. Mukundan: This year it would be close to approximately Rs.100 crore and last year approximately Rs.350 crore, there has been a drop because mainly pulses prices had dropped, and we have also dropped the volumes, pulses prices dropped by almost half, so it is not just volume, it is also price affected.

Akshay Bhor: Any expectations of this number going forward maybe next couple of years given the product launches that you have done?

R. Mukundan: We had said that overall the Consumer business is approximately Rs.2,000 crore and our expectation is to get to the first figure of about Rs.5,000 crore in about four to five years, give or take a year.

Akshay Bhor: When do you expect in that case PBT breakeven?

R. Mukundan: We are very close to that even this year. I think that is a very small amount. So while the revenues have dropped, I think the margin profile has improved substantially.

Moderator: Thank you. We will take the next question from the line of Amit Kadam from LIC Mutual Fund. Please go ahead.

Amit Kadam: My question is like if the current cash flow what we are generating, I think so by next year we should on consol level also be kind of debt-free. So looking to the further deployment of capital, so we went into this nutrition product and (HDS) Highly disposable Silica. How much such opportunities are there like deploy our incremental cash in such kind of businesses and how can we scale it up this particular opportunity?

R. Mukundan: Clearly, there is an organic growth and also there is inorganic growth and we are looking at all options, but our intention is to focus our capital on Specialty and Consumer business. Consumer business is not very capital intensive but to whatever extent the capital support is needed, we will continue to give it. Specialty business has the capital need and we are continue to look at options and opportunities which both maybe internal as well as external. So at this point, I think all I can say is that the Board is fairly confident of arriving at the opportunities and every year reviewing the cash position and will arrive at the optimum solution for both shareholders, the Company and its customers.

Amit Kadam: But only talking about the Specialty Chemicals segment, so we have chosen these particular two products which looking to them my limited understanding about this particular thing looks very discrete like they do not have any synergies neither to our core products. So like how many products pipeline we are creating or how do we look at this particular space like because it does not gel with the existing things what we do like be it nutrition or HDS kind of a product, so whether it will be the small ticket size products and then we could be adding more products eventually taking more opportunity or every product has the scalability to become almost ticket like Rs.500 crore product kind of?

R. Mukundan: I think it is a gross underestimation of Rs.500 crore firstly, secondly, at least we do not look at a segment which is less than $5 billion to $10 billion globally and these are not India-specific businesses, these are what we are supplying around the world. So, when I mentioned the Nutraceuticals plant has been built to FDA standards to pediatric consumers, most of the consumers are going to be overseas. If you look at the product range, while we are starting with Oligosaccharide which is mostly sugar-based which is put to Oligosaccharide, we also have lactose-based Galacto-Oligosaccharide and then we have polyose. There is a series of platforms chemistry which we are developing which is all the nutrition additives and this is mainly focused currently on Gut Health. The platform solutions are endless after Gut Health, one can go into bone health, one can go into circulatory system health, one can go into neuro health. So there are solutions available for each one of them which are natural made through biochemistry, not through synthetic chemistry. Very clearly, we have solutions which we continue to develop. So, this is a platform technology. We have no reason to believe it is one. In terms of the plant land size which we have acquired there, the plant itself is designed to go 4x its current outcome over a period of next few years. So clearly we are looking at this as a great platform to grow going forward. Similar is the case with Silica; Silica is a great business, it has applications in cosmetics, in toothpaste and tyre and if you look at one segment tyre itself the rubber additive segment is huge as tire shift to green tires which is mandated by law, this demand is going to continue to grow and it is not a demand just in India, it is around the world. So clearly we are not seeing ourselves as looking at these businesses just India-specific. Even as we speak, the two platforms, Silica platform and the Nutraceutical platform offer great opportunities.

Moderator: Thank you. We will take the next question from the line of Pranav Tendulkar from Rare Enterprises. Please go ahead.

Pranav Tendulkar: I just wanted to understand where in our portfolio we are taking the margin risk in terms of not passing the raw material prices to the end consumer within one month, so basically Bulk Chemicals side, for example, suppose you are taking annual contracts for US and UK supplier right, the raw material price risk will be with us?

R. Mukundan: Yes, I agree, but in UK and US we also hedge a lot, so I really do not want to comment on that. So we will come back to you quarter as it pans and in India and in Kenya, but Kenya pricing is rolled up and rolled down depending on market situation and while India the hedging is not there, they are locked on contracts, but in India prices roll up and roll down again.

Pranav Tendulkar: So you mean to state we are adequately hedged in terms of margin per ton?

R. Mukundan: We actively look at ways to sustain our margin. The good news is the market conditions are favoring producers.

Pranav Tendulkar: So in terms of Soda Ash, can you just tell in the last year what has been the various raw material prices in terms of percentage of cost of materials or percentage of sales or can you just tell me the top one or two raw material?

R. Mukundan: So energy cost would be the highest which moves up or down, rest of the materials do not fluctuate that much.

Moderator: Thank you. We will take the next question from the line of Madhav Marda from Fidelity Investments. Please go ahead.

Madhav Marda: I just wanted to check on the two new products which you have launched the HDS and Nutraceuticals for these two particular products what would be our internal three to four years target like for the consumer one say Rs.5,000 crore target in say four years, what about for these two new products, how we are thinking about new capacity and expanding?

R. Mukundan: So clearly, the asset turnover in this is closer to 2, so first we have to reap that, after we make the investment then we will go for expansion.

Madhav Marda: But any internal sort of target that you all are thinking about or anything of that sort?

R. Mukundan: So that is the target, we will get to full capacity before we expand or very close to full capacity before we get that.

Moderator: Thank you. We will take the next question from the line of Anand Bhavnani from Sameeksha Capital. Please go ahead.

Anand Bhavnani: Sir, out of the inorganic chemicals revenue that we had in FY'18, how much of the revenue would be coming from these fixed price contracts in hemisphere US and Europe which has revised annually?

R. Mukundan: So you have the standalone sheet that reflects India, the rest of the world is available, if you work this out, you will get the number.

Anand Bhavnani: So, all the rest of the world business is fixed price contract?

R. Mukundan: I think you need to make the guesstimate on your own but you can work this out.

Anand Bhavnani: Sir, you mentioned about green tires and the opportunity in Highly disposable Silica and this is mandated by law. So if you can help us understand the opportunity in the space?

R. Mukundan: I think that is one of the segments. If you look at there is oral use of Silica in toothpaste, there is use of Silica in various applications which range from other chemicals and various food grades. There is a whole range. I was only highlighting that we are going to be manufacturing the whole range. Even in one segment called tire, the application is huge. The question which the previous participant had asked was "Are these marginal businesses?" They are not and clearly if you do the search on your own you would get to know the size of the market opportunity and they are fairly large. So, as I said, we do not select any market segment which is certainly less than a billion dollar but usually would keep them between 5 and 6.

Moderator: Thank you. We will take the next question from the line of Rakesh Vyas from HDFC Mutual Fund. Please go ahead.

Rakesh Vyas: A few questions from my side; first one on the Consumer Salt. It appears that for the last two years this volume has got stagnant. Any specific reason that you can highlight?

R. Mukundan: No specific reason. It is not really stagnant, it has grown, but broadly we are limited by our growth of capacity.

Rakesh Vyas: Any plans to expand this over next 12-18-months?

R. Mukundan: Yes, we are constantly investing in.

Rakesh Vyas: What is our estimated Capex for this year and next year including the maintenance Capex?

R. Mukundan: Our numbers usually about Rs.500 crore but this year maybe because of the additional investments we are putting in, approximately Rs.250 crore to Rs 300 crore than normal run.

Rakesh Vyas: Lastly, Sir the surplus cash that we have on our balance sheet, even if we explore opportunities to invest, this is a very large quantum for it to get deployed unless we have any acquisition plans or very-very large Capex over time. I am just trying to understand are we seeing any opportunities or seeking any opportunities like that this will get deployed over time?

R. Mukundan: We are actively looking at opportunities and be assured that this war chest is needed, we know it will come.

Moderator: Thank you. We will take the next question from the line of Tarun Lakhotia from Kotak Securities. Please go ahead.

Tarun Lakhotia: Two quick ones sir; one is how much is the revenue from the Salt business in this fiscal year?

R. Mukundan: I think about Rs.1700-Rs.1800 crore.

Tarun Lakhotia: Second is could you just elaborate a bit more on your strategy to get to Rs.5,000 crore revenues in Consumer business in like four to five years as in what are the key product categories which you are focusing on or may look at which will help you get that incremental Rs.3,000 crore of revenues in the next four years?

R. Mukundan: I think I explained the platform of pulses itself is a big category. So we had learning last year as you recall. One of the big shifts which happen between last year and this year is a reconfiguration of supply chain. We had a hit of almost Rs.40 crore in one of the quarters because of the long supply chain which we had. We have now reconfigured, and we actually have sailed through the entire fluctuations in the entire year despite the prices moving up and down at the commodity mandi level we have been able to maintain very close to zero EBITDA level as of now. So we are close to breakeven as far as EBITDA is concerned. So that is a creditable achievement by team in terms of reconfiguring the supply chain. Now we are ready to move forward. So the reason we had slowed down this year was to we could have run harder and kept the risk going or we could reconfigure and derisk the business and then move forward. So we took the decision of moving derisk the business and move forward. Now we are going to be moving forward during this year. If you say what are the opportunities, one is in the pure commodity area there is pulses which are packaged, which have certain margin structure then we have organic pulses which we have recently launched, then you go slight value addition in terms of Besan, but then once you get into mixes, the value addition really ratchets up where you talk about Khichdi Mix or Chilla Mix or we are launching Adai Mix very shortly, then there is a pipeline of dhokla and idli and all coming on the way. So it is a long pipeline. So every Indian product which anyone eats has some pulses in it and we are looking at the entire range.

Tarun Lakhotia: I understand this is too futuristic but could you just give us a sense in terms of what opportunity do you think the pulses market would be just the pure commodity part and the value-added part in say next five years timeframe which you would be able to capture?

R. Mukundan: Broadly put together between pulses, spices and other products versus salt in four to five years' time their contribution will be 50:50.

Tarun Lakhotia: My question actually was more to understand what is the split do you think would be from the value-added products and the pulses or Besan as a commodity, if the first will be Rs.1,000 crore and the pure pulses and other commodity products could be say Rs.2,000 crore or something like that, just to appreciate the size of the opportunity which we are looking at?

R. Mukundan: The reason I mentioned that on Rs.5,000 crore ambition 50:50 because we are focused that our growth will be driven largely in a balanced way where value-added will grow sharply going forward, not just the commodity side.

Moderator: Thank you. We will take the next question from the line of Abhijit Akela from India Infoline. Please go ahead.

Abhijit Akela: A couple of quick ones; the share of profit from JVs pertains to IMACID, is that correct and if so what is the outlook for IMACID, I believe it has not been divested along with the Haldia operations, so what are the plans for that?

R. Mukundan: It has not been divested along with Haldia, it is a profitable business and it continues to generate profits, it is in the right spot. The Board of that company is evaluating options because it is also sitting on cash. So we will come back to you. As far as our position of that business is concerned, post divestment of Haldia, while we are happy shareholders, we are also happy to exit that business, it is not core to us.

Abhijit Akela: The improvement in profit from IMACID is because of the rise in Phosphatic Acid prices is that a…?

R. Mukundan: No, actually, Phosphatic Acid prices have fallen. The improvement in IMACID is due to slightly poor performance previous year because they had a turbine failure which turbine has come on. So, their electricity sales has brought in higher margin.

Abhijit Akela: The outstanding subsidy receivable of Rs.859 crore, now that is pertaining only to the remaining Phosphate operations?

R. Mukundan: Yes, that is right, it is only the remaining phosphate operation, of which I think as we speak today, Rs.250-odd crore has already come in.

Abhijit Akela: This we will collect before divesting the business to Indorama, right?

R. Mukundan: No, partly will be collected over a period of time, we will come back with a specific plan, once the date is announced and whatever the numbers are as on that date is.

Abhijit Akela: What I meant was Rs.375 crore that we may receive from Indorama is exclusive of this subsidy receivable?

R. Mukundan: That is right.

Moderator: Thank you. Ladies and gentlemen, this was the last question for today. I now hand the conference over to the management for the closing comments. Over to you.

R. Mukundan: I think what we wanted to assure everyone is that we are carefully executing a well-calibrated strategy and the strategy requires a bit of patience in terms of deployment of cash. Nevertheless, we are now focused on the three elements of growing revenue neither than two of businesses, Specialty business where we have a large operating presence to Rallis and we are building two new platforms in Nutraceutical and in HDS. The platforms are Agrochemicals, HDS and Nutraceuticals present three pillars which are very-very attractive. So we will continue to look at options and opportunities in them and we are extremely positive on all three of this platform. As far as the Consumer segment is concerned, we have learnt our lessons in terms of how to configure the supply chain and we will move forward with the greater confidence in that market and as far as Sampann brand is concerned, I am pleased to say despite the challenges the brand has established itself in the modern trade format, it is visible now and consumers are extremely happy. That is going to play well for the Consumer business going forward and the kind of pipeline strength the business is built, I can only say that I am extremely confident that business is going to play out. Lastly the Mother business which started this company which is Soda Ash is on our good footing. Thanks to the market conditions and we will obviously explore value adding opportunity to grow that business in a way that the margin structure continues to improve.

With that I would like to thank all of you for joining us and meet you again next quarter.