Tata Chemicals Limited
Q4 FY19 Earnings Conference Call

May 03, 2019

Moderator: Good day, ladies and gentlemen and a very warm welcome to the Tata Chemicals Limited Q4 FY'19 Earnings Conference Call. As a reminder, all participants' lines will be in the listen-only mode. I now hand the conference over to Mr. Suraj from CDR India. Thank you and over to you, sir.

Suraj Digawalekar: Thanks, Ali, and thank you everyone for joining us on Tata Chemicals Limited Q4 FY'19 Earnings Conference Call. We have with us today, Mr. R. Mukundan – Managing Director and Mr. John Mulhall – Chief Financial Officer.

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

R. Mukundan: Thank you, Suraj and thank you, everyone for joining us on the earnings call. I have with me, John who is our CFO and Zarir Langrana who is our Executive Director on board. John will take us through the key financial developments for the period under review and I will go through some of the key operating and strategic highlights.

Before I begin, I just want to start by saying we had a major milestone this year. We actually crossed selling 1 million MT packets of salt and this year is a significant achievement and it takes us one step closer to getting to 1.4 million ton target capacity expansion was announced and the growth in this business continues to be strong. Not just this business, I am just going to walk you through what happened in the Consumer business, who's growth continues to be extremely strong and we are seeing great market traction not just for Tata Salt but for Tata Sampann.

Before I get to details of that, let me go sequentially into each step: Firstly, starting with the Basic Chemistry products, overall domestic demand remain balance during the period. We had pockets of slight tightness in the market which is good for us. Revenue from operations were up 25% on account of higher sales volume, better realizations, margins remain more or less steady despite higher energy cost and that is explained because of tightness in the market we could pull through the margin despite higher input cost.

Moving onto international entity, TCNA operations were in line with expectations, with improved sales realization and operating efficiency. Performance of European operations remain more or less suppressed due to higher energy cost despite improved sales realization. Kenyan operations improved substantially both sequentially and year-on-year. We are continuing to see a better traction in terms of higher volume and improved realization and this trend is likely to continue. Going ahead, we continue to focus on improving operational efficiencies in the business across geographies. The good news in the business is the market is balance to tight and that is likely to be the scenario going forward for certain amount of period in this business.

In terms of the specialty business, the revenue from Nutrition Solutions business for the quarter was a bit subdued but this is a pilot plant with the pilot revenue with high lead. But we are spending marketing spends in this business to bring on stream to be ready for the market with new products coming on stream.

Nutraceuticals along with Silica are still in nascent stage but shaping up well and we are setting up a dedicated state-of-the-art facility. We are confident that in the coming years post stabilization the same will contribute positively to overall growth for the business.

A quick update: The Nellore plant for Nutrition Solutions business is in the final stages of commissioning. We would be commissioning it pretty close to end of this month. The plant will then go through pilot production before it starts to get into commercial production. Our targeted date to launch commercial production is somewhere around the end of December by which time we hope to get both FDA, GRAS and various other approvals needed for export shipments coming out of this plant.

In terms of Cuddalore, which is our Allied Silica plant, we are making highly Dispersible Silica for both food grade as well as rubber grade and tyre grade businesses. Trial runs have been very successful and we expect to start commercial production very soon.

On the Agrochemicals business, which is the third pillar of the specialty products, Rallis' business was suppressed due to higher import price and lower sales volume and the sales volume were suppressed due to higher returns from the market for this quarter. However, we are very confident with the new management team in place in Rallis. it should start performing. They have taken steps, which some of you would have heard during the Rallis analyst call to put the company back on track in terms of growth agenda.

Then going on to our Consumer business. The Salt continues to remain in leadership position. Market share in excess of 25% of the overall salt consumption and salt alone crossed the million tons during the year and it is going to track continued growth. Pulses and Spices platform performed well; revenue growth of over 100% over previous year, in effect Pulses grew by over 230% and Spices grew close to 70%-odd. We continue to see strong traction for our products in the market. We will continue to focus on what we call as modern minded stores and eCommerce and expand in a very calibrated manner for the general trade in the business.

Tata Sampann, the brand continues to get bigger and greater brand recognition. And under its umbrella brand, we have launched two new health products and we will continue to focus on launching products focused on Health and Nutrition. There were a couple of products which were launched especially Tata Sampann sattu and Tata Sampann Virgin Coconut Oil and we have also launched Snacks now which is a high protein, low oil snacks which are under test market and should be expanding into other modern stores very shortly.

The other big breakaway for us has been to expand the scope of the consumer business beyond just food into the home care and fabric care business. The first of the product are Tata Detergent Powder has been test launched in West Bengal and it has been very well received in the West Bengal market. We will continue to remain in West Bengal market all through this year, trying to perfect our operational excellence and delivery to market before getting into another state or another region. That is our stated strategy on this business.

Finally, on the back of improved performance, the Board has declared a dividend of Rs.12.50 per share which is subject to approval from shareholders. You will recall last year we had declared Rs.22 per share which was Rs.11 of special dividend in addition to the normal dividend which was due to the one-time proceeds received from sale of our urea fertilizer unit at Babrala.

To conclude, I would say the growth opportunity in this company are looking exciting. Basic Chemistry business continues to witness steady growth on the back of consistent demand across geographies, Mithapur expansion is progressing as per schedule and will help us continue to maintain market leadership across categories in this business. Our specialty portfolio continues to track excellent market movement and it is backed up with a specific R&D support from our innovation center. Lastly, our Consumer business is shaping up well. The product portfolio continues to remain healthy and exciting.

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

John Mulhall: Thanks, Mukund. I will be brief in the summary but there are a couple of points I would like to make. On a continued basis, we have had highest ever operational profit for the company on a standalone basis and are significantly ahead of last year. Our net consolidated debt is now just below Rs. 2,000 crore or to be precise its Rs.1,959 crore, with taking off cash of Rs.4,184 crore. On standalone basis, we have cash in hand of Rs.3,229 crore, offset against that is debt maturing in the next six months relating to ECB and the NCD repayment, after which our cash will be just shy of Rs.2,500 crore. As Mukund said, the dividend is Rs.12.5 per share, it represents 41.65% of profit after tax.

More detail on the financials themselves. Our consolidated revenue in the quarter was up 8% at Rs.2,759 crore; our consolidated EBITDA was up 4% at Rs.531 and the consolidated PAT on continuing operations is up 26% at Rs.450 crore. This is really driven by the standalone business where our revenue is up 15% to Rs.1,059 crore and our PAT was up 31% to Rs.230 crore.

For the year overall, our revenue was Rs.11,296 crore, represent 9% increase over 2018 and PAT although the overall numbers are down last year, if you add back Rs.252 crore of tax credit we took last year, PAT at consolidated that is up 6.7% on a like-for-like basis. For TCL standalone, revenue was up 16% at Rs.4,081 crore, EBITDA is up 9% at just over Rs.1,000 crore and PAT is up 47% at Rs.918 crore.

On that basis, I would like to open up the floor for questions now.

Moderator: Thank you. The first question is from the line of Viraj Kacharia from Securities Investment.

Viraj Kacharia: Sir, my first question is on the business structure, in the last call we kind of started with the separate reporting structure for the consumer and for the other B2B businesses. So just want to get an idea in terms of if you can provide any update as to where we are with respect to our plans on probably for splitting the company from -- consumer and the B2B business??

R. Mukundan: What we have done to clarify is that to give a better color to our results, to have a greater transparency, we have started doing what is called segment reporting of three distinct segments which have a different characteristics to them, and those three segments we defined are Specialty Chemistry, Basic Chemistry, both are chemistry-led product and consumer product which is the B2C are you refer to. In terms of specialty products, the basic underlying, let us say, strategic strength we need to build is research and development and capability to bring on solutions and products to market. In the Basic Chemistry, the major strategic push you need to do is towards driving cost efficiency and in the Consumer it is more about brand equity and distribution strength. So we have started reporting. As of now, within the company we are clear that we are going to run the three separate business units. Beyond that we have no structural discussions underway.

Viraj Kacharia: Okay, second question is if I look at the Soda Ash and the Basic Chemistry business, the kind of price increase we have seen, the realization improvement, does it fully cover for the input cost pressure we have seen and if not then are you having any plans to take a further price increase in coming quarters? This is in respect to the kind of capacity increase we have seen coming off in India and also in China we are hearing of almost 3 million tonnes of capacity which is coming back onstream, the capacity which was shutdown. So if you can just provide some color on that?

R. Mukundan: As far as India is concerned, you know India is a net import market that there are actually the net imports into India we can build to 1 mn tonne plant. So India will continue to see increased imports and will remain a market in which local manufacturing is below the demand. That we do not see any shift in that position. So even the new capacity which has come in from some of our new competitors who you must be referring to people like RSPL, that is has not upset the balance in the domestic market as the market remains tight. As far as international business is concerned, there was extreme amount of tightness in the market last quarter and quarter before which had led to very high runaway spot prices. The capacities coming onstream in China is going to balance the market a little bit but it is not going to take the demand/supply equation anything out of balance. In our view, we will maintain our stance that markets are going to remain right and the producers will be in a position to pass on reasonable price increases and you will continue to see margin expansion happen and this will continue till a point that the prices become attractive enough to put a fresh Greenfield facility in our view, the prices still are not attractive enough for the additional new Greenfield. These are all mothball capacities coming onstream and they will keep coming onstream as demand increases. So there is still headroom for prices to trend up over a period of time and that is our view going forward.

Viraj Kacharia: One more question was on the volume part. Again, if we look at the US operations, we did something like 2.4 mn tonnes of sales in back in 2014. But despite kind of investments we have been making, we are not able to kind of keep the volume we would have hoped for. Similarly, in India, we kind of in the range of around 7 lakh tons. How should we see on the volume part say for FY'20 – should we see any positive momentum on the volume especially considering the fact that the market overall is quite tight?

R. Mukundan: To answer your question, yes, I think the unit has capability to produce more. This year it has certainly underperformed. I think we have already addressed that in the last quarter. We had an external event wherein they did what was the best they could do. Even this quarter, there was one unintended failure which disrupted the operations for a couple of days. We must have enough internal capacity not to have these sorts of events. So the only thing I would say as far as US is concerned, the plant is fairly capable of producing. Basically, the management needs to roll up its sleeves and perform better, there is no other term beyond that I would share at this point of time. So it is not in the equipment, it is not in the investments, it is just the operational capability and I would not fault the management for the last quarter but certainly this quarter was an incident which could have been avoided but we are focusing on this and making sure we help the management to deliver better numbers.

Moderator: Thank you. The next question is from the line of Parthiv Jhonsa from NVS Brokerage.

Parthiv Jhonsa: Sir, my question is pertaining to the International operations. Can you just throw some light on the UK, Africa and the US operations, what is the mid-term plan for next three, five, seven years kind of thing, any internal understanding?

R. Mukundan: The Tata Chemicals Europe would have addressed its pension fund issue. It would be behind it. It would have completed the investment in two major projects – One of which is it is not putting up capital, somebody else is putting up capital and we are just the beneficiary because we are giving them access to set up the unit. So let me explain the first one where we are putting up capital for which we had taken and the investments have already started. This is the bicarbonate unit using carbon capture out of the flue gas. This will allow the UK unit to convert more and more of its soda ash to bicarb which is a much higher value-added product and will allow for margin expansion to happen. In terms of the second one where they are investing which is energy from waste. This will probably reduce their operating cost. It is not going to do anything in terms of the product availability or product range or product portfolio. As far as the British Salt is concerned, we are investing in fresh equipment there including new boiler and all these will add to efficiency going forward. So in the next three years you would see completely revamped unit. We had committed to you that the sustainable EBITDA out of TCE is about £25 million and with these investments coming in, it is going to trend beyond that and we do expect that with these two investments coming in, which is funded three-ways. When I say three-ways, part funding has come from Government of UK, part funding has come from the company's shareholders which is Tata Chemicals and part of the funding has come from pension fund trustees. This is one of those unique cases where pension fund trustees have stepped up and said that they will also support the project and lastly one part of the funding is coming from land sales. All these put together allows us to go ahead and invest into the tune of about £50 million and the run rate in UK is going to expand by £8 to £10 million. So, from £25 million, we expect a run rate in UK to go up £33 to £35 million. At that point, the UK unit will be fairly sustainable, we will have a product portfolio which is very much tune into specialty products and would be a value delivering unit for us. So that is as far as UK is concerned. In Magadi, our focus remains to ensure the current operations run as well and we consistently hit $10 million EBITDA numbers year on year. Once that consistency is done, we will come back to you with specific plan. As of now there is a major innovation project undergoing there which is low energy soda ash purification project. As you know that the standard ash and pure ash which is what is sold worldwide, there are quality differences and we are trying to upgrade the quality and we have to shut down the pure ash plant because it was consuming lot of energy.

With the new innovative approach which we have come, we will be using some energy to achieve the same result but we do not want to commit anything to you on that, we will keep you updated on where this innovation is going on and once this innovation has been cleared, there will be low Capex but very high value adding approach for improving Magadi further. Magadi does not have any legacy issues. Magadi is a well-run operation. It has the same kind of issues which any commoditized cyclical company would have. As far as US is concerned, I think this continues to be our crown jewel and the biggest cash generating unit which we have. I think our approach has been to fix the operation reliability. It is about how the business forms the same quantity of material year on year. But here as our investments go on the ground in the next two, three years and we complete the current phase of investment, we do see approximately 10% increase in the output which is going to come out of that unit and that is really what you would see as the expansion. Otherwise, what you will see in US is a wellrun unit which is excellent cash generator for us. So big change in UK where it is going from a unit which has been a drag on us to be the unit which is going to be one of our finest operating units. There is a possibility of big change in Magadi with the pure ash project which is based on solar energy and in US it is going to be debottlenecking which would deliver additional volume.

Parthiv Jhonsa: What about the Consumer business? I believe we have just forayed into the home care segment in West Bengal. But what is the road going forward – are we planning to launch more products pan India or are we planning to launch the health based kind of products pan India and what kind of margins can we look into those?

R. Mukundan: Let me just say this. I think I had said we have our near-term plan is to deliver Rs.5,000 crore of revenue and the near-term plan about half of that expansion which is broadly when you look at it from the current number to the number which we are looking at, current number is about Rs.2,000-odd crore, about Rs.1,000, 1,500 crore will be delivered to salt and other current products and the balance Rs.1,500 crore will come from combination of pulses, spices and new product launch, that is our near-term plan and we are well on track to delivering it. If you really look at it year before last and last year, there was a blip in the performance because we are trying to fix some business model and operational issues. After having fixed, you can see really the performance has accelerated this year, the growth rate has trended up, salt has grown at consistent volume, the spices has grown at the rate of about 200%-250% from one year to another as well as the pulses has grown in excess of 60% and we would continue to trend these growth rates YoY. And our near-term target for Spices is to go to about Rs.200-odd crore, our near-term target for Pulses is go to close to about Rs.750-800 crore. That is where we are today. Pulses and spices we should get Rs.1,000 crore, with Salt and our current portfolio of products which we are selling is branded bicarb and stuff like that, they would get another Rs.1,500 crore, that takes to approximately Rs.2,500 crore. Our current year turnover is about Rs.2000 crore, that leaves you with the balance of Rs.500 and balance of Rs.500 will come from combination of various products we had launched.

Moderator: Thank you. The next question is from the line of Sumant Kumar from Motilal Oswal Securities Limited. Please go ahead.

Sumant Kumar: Sir, what was the reason for lower margin in India in Basic Chemistry segment?

John Mulhall: It is more to do with the performance of the cement operations as well as some higher depreciation related to Capex in the last couple of years which has been capitalized and some higher fixed cost. I think the most important point next year is that we got ourselves ahead of energy curve. The question we had in the previous call was when are you going to recover the energy cost increase that we had from the end of 2018 to early 2019. The price increases we put through in May and September have now worked its way through the system and we are ahead of the curve now. So operationally, our margin have improved a bit, but the higher cost this quarter, has to do with Cement and higher overall fixed cost. In some of our trading chemicals again, its the volume piece that pulled down our overall margin.

Sumant Kumar: When can we expect normalized operating performance of UK business?

R. Mukundan: UK business has had one or two one-offs this year. That is not going to repeat the next year. So I think next year you will certainly see an improved performance. As I said, if you ask me when will you be comfortable with UK business delivering and when will you be comfortable that it is value adding to the Tata Group of soda ash businesses, it is going to be a journey when we finish the carbon capture projects and that is going to take about 18-24-months for us to deliver. So all I can say on UK is going to be normal performance in the current year and year after that once the carbon capture is done, it will trend up by another £8-10 million beyond where we are.

Sumant Kumar: For US business, despite lower sales volume in the US, we have shown a strong margin expansion in Q4. Is there any cost reduction or higher realization drove the operating margin?

John Mulhall: As we talked on the call in January, we did expect to see price expansion in North America, that is what you are seeing coming through there. There's an element of foreign exchange difference; INR USD has move from 64 to 70 YoY, so there is Rs. 20 crore, foreign exchange, but you are quite right, we have seen price increases in North America.

Moderator: The next question is from the line of Amar Maurya from Emkay Global.

Amar Maurya: Sir, my question is primarily like what would be the utilization levels now in the US and in the UK business?

R. Mukundan: US is approximately close to 88-90%. UK is close to 90-91%. We run full utilization, we actually run our plants flat out, it is only when they have got some maintenance issue, we would see that numbers dropping.

Moderator: Thank you. The next question is from the line of Meet Jain from Prithvi Finmart. Please go ahead.

Meet Jain: I have a few questions: First, how much realizations are we getting for soda ash in this quarter and are there any price hikes going forward?

Zarir Langrana: As Mukundan mentioned earlier, markets still remain tight both the developed markets and the developing markets. So certainly there are opportunities for price rises. Whether those price rises will actually materialize and when they would I think it is a considered call to be taken. We certainly have beaten the energy price hits that have hit our businesses across geographies. If these markets could bear a price rise, obviously, we need to take those calls in a considered manner.

Meet Jain: What is the current price of soda ash, I mean how much realization for this quarter have you earned?

R. Mukundan: It varies from region-to-region. I think there is a blended number out there. We may not share the data every region but I think as John said, the way the price change behavior happens is US prices are negotiated on a calendar year. So in the Q4 you will see a switch in realization that will tell you about the price realization switch and as far as India is concerned, it is more dynamic, it could change every three months, Kenya again follows the Indian pattern, there is a combination of contracts and the dynamic pricing and UK has annual plus multi-year contracts where they will have a much longer stable prices. So those are the pricing pattern. In terms of specific price itself, I think they are all different in each region. But broadly speaking the soda ash prices if you take the benchmark price which is used for everyone is the Southeast Asian prices and mainly we pick that region because there is no local producer there, all the international players are operating in that market and Southeast Asian prices will be about $280-285.

Meet Jain: My other question is the investment in Tata Industries Limited and like we are converting into a JV, so are we expecting a revenue income from that and what kind of operations are we going to in that JV?

R. Mukundan: It is a joint venture. I do not think we account for revenues. It is a line item on subsidiaries So if you can look at that line, it includes all the JVs and all the associates which we have and it includes Tata Industries, it includes IMACID and JOil going forward.

Meet Jain: And lastly, like other expenses on a consol basis have increased, now it is Rs.700 crore and it is now almost 25% of our revenue as compared to previous 21%. So what basically is the reason for that?

John Mulhall: This is going to catch off lot of manufacturing expenses, source, consumption, packs, materials, maintenance, rent, royalties, taxes, insurances, foreign exchanges, lot of the operational costs.

Meet Jain: They have increased as compared to the previous year by 4%?

John Mulhall: If you look at the total consol number, I think it is Rs.286 crore, half of that is foreign exchange.

Moderator: Thank you. The next question is from the line of Vihang Subramanian from Ambit Capital. Please go ahead.

Vihang Subramanian: My first question is just a normal one. Could you please tell me what was the EBITDA per ton in the India business for FY'19 and FY'18?

R. Mukundan: We don't share per tonne product numbers.

Vihang Subramanian: The next question is you are speaking a little bit about those investments in UK, right, sir. So I just missed a couple of parts. If you could actually just tell me like the second investment in which someone else is investing, so which parties are investing and what is this project exactly like I believe it is an environmental project and it will save us energy cost, but if you could just elaborate on that what is the benefit to us, then it would be very helpful?

John Mulhall: Yes, so there was a press release or some notes which came out last month that said we're investing $400 million in our sustainable energy facility, with basically energy from waste. This is not true. The facilities will be been built by other parties on our land. That is as far as we go. Ten years ago considered investing in that project, but the returns were not there for us and we did not proceed. You will get some benefit from this project. One of the byproduct is steam, where our input is steam. So we have access to steam from the waste plant.

R. Mukundan: So this is basically burning municipality waste and it is transported by train and then it gets unloaded near our yard and then we have got land which is permitted already for waste project and it generates energy for the local community and then we get steam out of that. The quantities and these numbers are being stitched up, but essentially it is going to reduce our operating cost little bit because part of the steam will then be available for energy from this project.

Vihang Subramanian: The last thing the sustainable EBITDA of £25 million for Europe for year or quarter?

R. Mukundan: For the year.

Moderator: Thank you. The next question is from the line of Madhav Marda from Fidelity. Please go ahead.

Madhav Marda: Last quarter you had spoken about research tie-up for battery technology, etc., there are a couple of universities. Any update on that project, what is happening?

R. Mukundan: We have tied up with following agencies in terms of our lithium business. So lithium business we are building it in three broad pillars – First pillar is the battery business itself. where really our intent is to supply lithium battery to automakers. The second business is recycling of these batteries. And the third pillar is actives which is basically the chemical coating which goes into making these batteries. We have as of now technology tie-ups and R&D partnership in the lithium battery and the battery recycling business. For battery recycling our partner is C-MET which is the CSIR Lab based in Pune. The first lot of the trial recycling has been fairly successful, and we are now looking at how do we commercialize it. The first one which I spoke about as far as the battery itself, our two technology partners are CECRI in Karaikudi in Tamil Nadu and ISRO in Bangalore. I think these are the two entities with whom we have tie-up. ISRO is in the process of transferring technology with Karaikudi. It is an ongoing work which has already commenced.

Madhav Marda: How soon do we see us putting up any investments here or it is still a couple of years out and this is going to be research for the next one or two years?

R. Mukundan: In terms of we see the way it is accelerating, the recycling business may start for us and the battery business itself will be in sync with us getting any commercial order from auto majors. As of now we are in discussion with a couple of auto majors. It is only when we get commercial orders from them and that is also dependent on the EV policy of Government of India. It has finally been announced. The car makers are also now ramping up their plants. So we are in discussion with them and we will update you shortly. Our estimated supply time is somewhere three years from now which is ’21, ’22 if things work out fine. As far as battery business is concerned about the auto majors ramping up their production and their plants and sharing with us.

Moderator: Thank you. The next question is from the line of Hari Shyamsunder from Franklin Templeton.

Hari Shyamsunder: I had a couple of questions: First, just continuing along the previous question on the lithium ion project, there is a recent media article about Tata AutoComp are also looking to get into manufacturing battery packs for electric cars. So how does that fit in with what Tata Chem is looking to do? Second question is related to the Basic Chemistry division in India again. I just wanted to know what do you believe the steady state kind of operating margin on that would be?

R. Mukundan: The first question as far as Tata AutoComp is concerned, they have a joint venture with the company called Guoxuan in China and that joint venture is for making battery packs. So the way the business works is battery actives are put together by a battery cell manufacturer and large combination of battery cells go out to make battery packs. So the biggest investment and biggest margins in this value pool is in the battery cell manufacturing. Battery pack is relatively lower investment but also by the very notion it also ends up being in terms of margins much tighter. So Tata AutoComp is putting up for battery packs and it is a business in synergy with us rather than anything because there would be the buyers of battery cells. So if they ramp up their production, it will be good for us, we would be then ending up supplying battery cells to them, but usually the way it works in automotive industry is the battery pack manufacturer has to buy the cells from those cell suppliers which are certified by the auto majors. So we will still have to get the order from auto major, then route it through Tata AutoComp if he is the preferred location for the auto manufacturer. The one additional feature is battery cell manufacturing is usually centralized in one place but battery packs units are located much closer to the auto manufacturer's facility itself because it is about making that putting all the cells together for different kinds of cars. As the cars come off the assembly lines, some cars may be sports version, some cars may be let us say long drive version and each one will have a different combination of cells to enter. So usually the pack manufacturer then makes the pack as per the requirement of the specific vehicle coming off the assembly line. So, as a battery cell manufacturer, we will be supplying too few of the battery pack manufacturers. We may have one or two battery pack manufacturing facility of our own but that is one stage after battery cell manufacturer. I hope I have clarified your first question.

John Mulhall: As to your second question, the EBITDA range for our Basic Chemistry business is probably in the 25-30% range. You have some room for up and down depending on what energy is doing anything else for us.

Hari Shyamsunder: And in this quarter, EBITDA is around 25-30%?

John Mulhall: Yes.

Moderator: Thank you. We will take the last question from the line of Rohit Nagraj from Sunidhi Securities. Please go ahead.

Rohit Nagraj: My question pertains to any capacity expansions announced by the Trona manufacturing process globally?

R. Mukundan: Not really. I think there is no fresh capacity coming in out of Trona process. Most of the capacities that could have come up has come up already in Turkey and there is no fresh capacity in line. The only new additional capacity coming up is about half a million ton of Rohit surfactants in India. Other than that the Chinese capacity basically mothball capacity coming back on line. We are not seeing any fresh capacity for the investments.

Rohit Nagraj: In terms of adding capacity, if someone were to put Trona process, how much time will it take for them to put up the capacity in terms of maybe a couple of years, three years?

R. Mukundan: Very difficult to generalize what kind of existing surplus exist in which cross-section of the plant but usually if you say you were to put up a complete Greenfield end-to-end, I think this is anywhere between 30-36 months and you need to add the time needed for environment clearances which can be very unpredictable.

Rohit Nagraj: For these newer capacities, are the costs little higher than what they are for the existing ones?

R. Mukundan: I did make a statement and I will just stick to that statement which I made that current prices in the market do not lend themselves to fresh capacities being able to do return over weighted average cost of capital.

Moderator: Thank you. I now hand the conference over to the management for their closing comments.

R. Mukundan: Thank you, everyone. I just want to conclude by saying that we are well on our track on building three robust businesses, continuing to run the Basic Chemistry business for cash and bringing capacities of only through debottlenecking. In terms of Consumer business, we are continuing to push the agenda in terms of building revenue and profit through the three existing products which we have the longest experience with. So when I mentioned Rs.4,000 to Rs.5,000 crore, Rs. 4,500 odd crore should come from salt, pulses and spices, the balance Rs.500 crore will be new category. But as we go every year, we will guide you the additional numbers which we are planning. We are well on track in terms of achieving those even in the next year budget. In terms of our Specialty business, as I said, we have four pillars – The first pillar is Agro Sciences which is Rallis, which we have got a new management team in place and it has got Rs.800 crore of exciting investment underway which we are very much on track to delivering. The second business is the Nutrition Solutions business where the plant in Nellore is up for commissioning end of this month and should be able to start commercial production by end of the year by which we expect to get all regulatory approvals. The third pillar is Advanced Material business where Allied Silica which we had acquired in Cuddalore is now ramping up for commercial production and quality approvals have been since gotten for both food and the rubber grade material. And the last one is Energy business which I did speak a bit about. This is the one which is in nascent phase but we are very excited the future of auto industry is electric all the way and we will be there to support them through three broad approaches – one is battery recycling, battery active and battery cell. So we look forward to the journey and your support going forward. Thank you.