TATA CHEMICALS LIMITED

Transcript of Q3 FY 2010 Conference call held on February 01, 2010

Moderator:

Good morning ladies and gentlemen and welcome to the Tata Chemicals Limited Q3FY10 Post Results Conference Call hosted by Dalal & Broacha Stockbroking Limited. As a reminder for the duration of this conference, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference call, please signal an operator by pressing * and then '0' on your touchtone phone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Raj Mehta.

Raj Mehta:

Good morning everybody. This is Raj Mehta from Dalal & Broacha Stockbroking. I welcome you all to the third quarter earnings conference call of Tata Chemicals. We have with us Mr. Mukundan, Managing Director, Mr. P.K. Ghose, Executive Director and CFO, and Mr. Kapil Mehan, Executive Director. I would now like to hand over the proceedings to Mr. Mukundan for his introductory remarks and business outlook after which we can have the question and answer session.

R. Mukundan:

Thanks Raj. I would first like to welcome my colleagues, Mr. Ghose and Mr. Mehan on the call and all of you as well. I will give you all a brief outline of the environment which we are facing right now. What we have faced is a benign environment on the back of easy fiscal and monetary policies around the world. We do believe that if these policies start to tighten much faster than what we anticipate, there could be an impact on demand and an overall buoyancy in the markets. That is the overall economic context for the kind of operations we are having today. This quarter is also a reflection of the broad macro-economic environments for our products. This quarter is the first quarter wherein the entire stock related issues of phosphatic fertilizer have been put behind us. This quarter also represents a return to normalcy for most parts of our operations. This is the first quarter where all four operations, including Rallis, have operated in normal circumstances. Overall, the soda ash demand continues to be robust. Within the domestic market, the antidumping safeguard duty on the Chinese imports has certainly slowed down the flow of Chinese material. But there continues to be pressure from other countries in terms of pushing material because of the general over supply of material globally. Clearly there has been an impact of rough weather on Chinese production as well as in other parts of the world which has resulted in a short-term tightening in the market. In the long run, the market for soda has remained long and our efforts are to streamline the operation. We are glad that we took the step of closure of the Netherlands' operations well in time. In addition to that, our bicarbonate production is fully sold out and that part of the chemical business is also reflecting a strong consumer demand and that has not been impacted by the economic downturn. The consumer products business, which is more or less shielded from the economic stress, has continued to perform well and our market share today is 61% in the national branded segment. Apart from this, we have also launched a water purifier, "Tata Swach", which has in effect been a wonderful launch. Its market acceptance has been beyond our expectations and we do believe that it is going to grab leadership position in its category. What we have launched in the market is only the first variant. Two more variants are in the pipeline which should be in the market by April 1st. They would take the pricing to a level where this product is going be extremely affordable across the board. With the acquisition of Rallis, which has brought in specialty face to the company, has broad based the portfolio into a mix of commodity and consumer offerings. With respect to the fertilizer business, which is the commodity agri input side of the business, the urea operations are running exceeding well. The energy consumption norms have reached an all time low and our production capacity and output has been to the maximum. Going forward, we do expect the fertilizer prices to remain stable. Our outlook for consumer product remains positive. Our outlook on the overall market demand for the chemical side is also positive but it is contingent on continued policy on the monetary and fiscal front. About 30% to 50% of the demand in some of the markets is fed by the construction and automotive industry. The continued positive environment is essential for that part of the business. We are generally encouraged by the gradual up-trend shown in most of the indicators and we do believe we need to be cautious in our outlook. At the same time we are beginning to step up our positive investments on the ground to fuel growth. We have already got clearance to invest Rs 180 crore for salt production, taking up salt capacity up by about 50%. We are also pursing the Government of India for early clearance of our intent to double the urea capacity at Babrala. With these few words, I would like to hand over to Mr. Ghose to share details of our financial performance

P K Ghose:

Let me share with you some details of our financial performance for the quarter under review. Net profit for the group at Rs 212 crore for the current quarter as compared to Rs 91 crore in Q3FY09, up 133%. Profit before tax was up 89% at Rs 338 crore for Q3FY10 as against Rs 178 crore in the corresponding period of last year. Profit from operations at Rs 445 crore was higher by 53% compared to Rs 290 crore in the corresponding quarter last year. The total cash and cash equivalents on the balance sheet as on December 31, 2009 amounted to Rs 1,220 crore. Operating cash flows have been and are expected to continue to be healthy lending strength to Tata Chemicals balance sheet. The consolidated net debt on December 31, 2009 stood at Rs 4,264 crore. Gross debt amounted to Rs 5,482 crore. This comprises borrowings of USD 475 million taken on Tata Chemical's balance sheet and a loan of USD 260 million which is the outstanding balance of the borrowing taken on the GCIP balance sheet. Both these loans have been taken at extremely fine rates. Payment towards the former will commence in June 2012. During the quarter, the company increased its share holding and Rallis to 50.06% by subscribing to preferential issue at Rs 908.51 per share translating to a cost of Rs 89.03 crore. Foreign currency convertible bond conversion notices have been received in January 2010 for USD 42.6 million, which is 97% of the total. This has resulted in an increase in net worth by Rs 232 crore. Net debt to equity as on December 31, 2009 stood at 0.9. Suppliers' credit continues to be the main source of working capital finance and as on December 31 2009, a sum of Rs 616 crore of suppliers' credit was outstanding. I would like to highlight the significant contribution made by our efficiency program ADAPT both in India and Kenya. The implementation of ADAPT, particularly at Magadi, has resulted in considerable cost cutting and enabled the company to better compete with Chinese imports. Let me now take a while to dwell upon RBI's Q3 policy review, which I believe, has shifted the focus from managing a crises to managing a recovery. The combination of the economic recovery and the emergence of inflationary pressures prompted the RBI to raise the CRR by 75 basis points. There are two ways to interpret RBI's decision to keep policy raised on hold. Firstly, policy makers are still uncertain about the economic recovery and do not want to use a tool like policy rates which could have an impact across the board. Secondly, the RBI feels that liquidity needs to be tightened sufficiently before policy rate hikes can be fully effective. Apart from the decision on rates, RBI has expressed concerns about the liquidity management going forward. On one hand, RBI feels that capital flows, which exceed the economy's capacity to absorb them, could hold the policy challenge of draining that excess liquidity. On the other hand, RBI has conveyed the need for a coordinated exit from monetary and fiscal stimulus. This is a very important message which the RBI has given. Overall, the policy review flags the beginning of a phase of monetary policy normalization. Going forward, I believe that there will be a need to use relatively unconventional tools including issuance under the Market Stabilization scheme, the statically liquidity ratio and the open market operations along with most standard tools of repo and reverse repo rates. Moving back to Tata Chemicals' performance and outlook, let me conclude by saying that our performance has been encouraging and I look forward to improved operating performance going forward.

Moderator:

The first question is from the line of Vishal Biraia from B&K Securities.

Vishal Biraia:

The current realization in India would be around USD 270. Natural soda ash material from US or from Kenya could land here by USD 240. So what is leading to higher prices in India?

R Mukundan:

I would go by the import parity number which we normally use as our benchmark. From the benchmark landed price of about USD 190 or 200 at which the material can land, not from US but certainly from China, we have continued to maintain a Rs 1,000 premium over the imported material. That premium is essentially for domestic supplies which is more affordable, more regular and has less administrative hazards for a buyer. We have remained in an average band of Rs 1,000.

Vishal Biraia:

At what price would the material from Kenya be able to land at Kandla or at your port in Mumbai?

R Mukundan:

In term of cash costs, it can land at a considerably lower price but then we would certainly price it at contracts which are there. Broadly, I would say that import parity prices, which are on spot, are today between USD 190 and USD 200. This is prior to duty, handling and other costs.

Vishal Biraia:

But even if you take into account the handling charges and the customs duty, it would not add up to more than USD 220.

R Mukundan:

You have to take into account inland freight as well.

Vishal Biraia:

For the domestic soda ash production, what proportion of it would be to bigger buyers like contract manufacturers of Lever and P&G?

R Mukundan:

The big buyers, which are the global seven or eight companies, would be about 30 percent.

Vishal Biraia:

What has led to the dip in margins in GCIP?

R Mukundan:

In Q3, they have started to push a higher level of exports. Initially, their whole issue was to protect margins and they conceded share to the Chinese. Today, the Americans have taken a view that they will grab back the share which has led to a marginal compression.

Vishal Biraia:

Could you give a breakup on the export front?

R Mukundan:

Exports are mainly to South America, Southeast Asia and partially to Europe.

Vishal Biraia:

Would it be more than 50%?

R Mukundan:

No, it will not be more than 50%. The total export is around 40%.

Vishal Biraia

What would be the implications be if the safeguard duty on Chinese products is not carried forward after April, and what are the chances of it being carried forward?

R Mukundan:

The safeguard duty won't be carried forward because safeguard duty comes with a time period and the ad-hoc duty was imposed and that was converted into permanent duty for a period of one year. So unless there is a very strong review it probably will not be carried forward. The decks have been cleared for antidumping duty and that again is dependent on these prices if they continue to remain at the level which are below prices that the Chinese are selling in the domestic market.

Vishal Biraia

What will be the prices after this in the domestic market?

R Mukundan:

The prices in the domestic market could probably undergo an adjustment but it entirely depends upon how the environment plays at that point of time. So we will take a call on that because we have seen the Chinese trying to push the price. From USD 170 it has already become USD 190 and it is edging towards 200 in the last one month.

Vishal Biraia

Where would this USD 200 be?

R Mukundan:

This is the CFR price they are quoting as of now.

Vishal Biraia

Is it CFR of Shanghai or CFR of India?

R Mukundan:

It is CFR Shangai and if it inches towards 210, there is going to be marginal impact. So, it is another question of USD 15 to 20. We do not know how it is going to move. We also know salt production in China has been impacted because of heavy snowfall. We really have to watch out for what happens once the snowfall clears and once we get better reports from markets on what is the condition of their input and their input cost structure as of now.

Vishal Biraia

There were some reports that some big buyers are importing natural ash material from Thailand. So how severe could be the impact?

R Mukundan:

There is some material coming in from Thailand. These are one of the quantities which are being shifted here by some traders from Thailand. It is highly unexpected material movement which I doubt whether it is sustainable.

Moderator:

The next question is from the line of Hetal Bachkaniwala from LKP Shares.

Hetal Bachkaniwala:

We have seen a strong performance from IMACID. Can you throw some light on the operating level?

P K Ghose:

The operations have certainly improved substantially, particularly after August. But the bottom line performance is due to two reasons. First is due to improved performance and second is that we have also got the trial period rock phosphate prices which are effective from April.

Hetal Bachkaniwala:

What is the price of rock phosphate now?

Kapil Mehan:

IMACID will continue to have a reasonable level of stability going forward.

Hetal Bachkaniwala:

Currently, at what price are we buying phosphoric acid for our Indian operations?

Kapil Mehan:

That price depends on whatever is the Indian import price. We have imported from varying prices from USD 490 per tonne to USD 630 per tonne.

Hetal Bachkaniwala:

This is during Q3?

Kapil Mehan:

This is right from April onwards. The Q3 prices have been about USD 525 to USD 610. The December price will be USD 525.

Hetal Bachkaniwala:

What kind of volumes are we looking at for our phosphatic fertilizer plant for FY11?

Kapil Mehan:

At this stage we believe that we should be able to run our plants at full capacity.

Hetal Bachkaniwala:

Energy efficiency at the urea plant has improved considerably. Can you give some numbers as to what energy efficiency levels are we running the urea plant?

Kapil Mehan:

In winter, the efficiency will always be slightly better. At this point, we are running slightly ahead of what we have achieved in the past. Our best energy consumption has been 5.127.

Moderator:

The next question is from the line of Raj Gandhi from Principle Mutual Fund.

Raj Gandhi:

For urea, do you have any expectations from the new fertilizer policy?

Kapil Mehan:

There are no policy changes expected for urea as of now. Whatever reports which have appeared in the press and in the public domain, urea is likely to be kept out of that. The current policy would continue till end of this year. The next phase of urea policy, which is of the existing production up to the cut-off point, the Department of Fertilizers has set up an inter-ministerial group which is deliberating on those issues.

Raj Gandhi:

Currently, brownfield is not feasible at USD 250. So do you expect that the downside price realization that they are giving you might be raised in the interim because gas cost is also going up now?

Kapil Mehan:

As per the current policy for expansion, there is a linkage provided with the gas prices. At this point of time to talk of any change would be speculative in nature but whatever is visible is the current policy.

Raj Gandhi:

If the gas cost is higher, do you get some compensation?

Kapil Mehan:

There is a USD 25 reimbursement of gas transportation charges. Hence it becomes USD 275.

Raj Gandhi:

It is 85% of USD 250; so in that sense does it comes back to USD 250?

Kapil Mehan:

It is not 85%; it is 90% for the expansion. 5% is for the revamps and de-bottlenecking.

Raj Gandhi:

Since your pipeline transportation cost is much higher than what is reimbursed, do you expect the transportation cap of USD 25 to be increased or is that outside of the policy?

Kapil Mehan:

Our demand with the government is pending and we hope that the government will take a positive view on that.

Raj Gandhi:

Will the decision be taken in the budget or do you have to wait for a fertilizer policy to come in?

R. Mukundan:

Normally, it will happen as a revision to the existing policy of the government policy. This will not just be linked to budget but it will be done in conjunction with various ministries including fertilizer and finances. One is the variation to dollar; second one is the variation to that 250 itself and how it is linked to domestic gas price. Landed at every plant, if all these are not clarified, we have a very thorough process of evaluation of projects and this is contingent on all the policies of the government addressing these issues adequately and mitigating the risk of that investment which we are planning. With a substantial investment it goes to an even higher level of risk review than normal investment of Rs 100 or Rs 200 crore. We are working with the government. We think it is a good investment if these issues are addressed. If they are not addressed then we always reserve a right not to go ahead.

Raj Gandhi:

Have you committed anything to your project as yet?

R. Mukundan:

No, we have committed our resources to the extent of finishing our part of the work which is the technical and scoping work which is what we call Phase I work. If these issues are addressed by government, we should get the plant running in about 36 months. For project commitment some money has been put aside because we have committed resources to it but no capital commitment.

Raj Gandhi:

In terms of soda ash, when we negotiate prices, are 100% of your sales on spot or do you have some sales on long-term contract?

R. Mukundan:

We sell about 4.5 million tonnes globally and if you look at our UK and US volumes, they are mostly on contract except for the exports out of US which part of it may be on spot. Within India our spot to contract ratio keeps varying but it would be anywhere between 40 and 50%.

Raj Gandhi:

What is the duration of this contract?

R. Mukundan:

Usually the duration of contract is one year unless it is specified to be one or two quarters.

Moderator:

The next question is from the line of Vikas Goel from ICICI Securities.

Vikas Goel:

A few players in the DAP segment are converting their plant to complex fertilizer plant. Under the new NPS policy, how does it make sense and are there any similar plans of Tata Chemicals?

Kapil Mehan:

Our plants can produce both complexes as well as DAP. Depending on the market conditions and the demand pattern, crops which are grown in a particular geography during the year keep changing. The trend is to produce more and more of complex fertilizer because that provides balanced nutrition. We encourage production of complex fertilizers but there is no such rule that we have applied to convert everything into complex.

Vikas Goel:

If you utilize the entire capacity for producing only complex fertilizer, how much capacity would that be?

Kapil Mehan:

We can get on an average about 20-25% increase.

Moderator:

The next question is from the line of Gauri Anand from MF Global.

Gauri Anand:

I have three questions. One, I wanted to understand the contract into prenegotiations for GCIP facility, Second is on the doubling of urea that you have mentioned; could you give us some details on what is the G cal available for the new capacity. Third, I hope we have not accounted for any incremental volumes beyond the cut off quantity in the quarter?

P K Ghose:

To answer your third question, we have not considered any incremental volumes beyond the cut off quantity in the quarter. It will come only in the first month of next quarter.

R. Mukundan:

With respect to contracting, GCIP contracting for its contract customers is more or less done and over. On a blended basis, there could be minor shrinkage. But we are still going through the numbers. Overall we are looking at a margin compression by about USD 5 per tonne.

Gauri Anand:

Are you seeing any easing of gas prices because there is a lot of shale gas production and the gas prices are expected to remain low?

R. Mukundan:

We have maintained that the gas prices have come down but 75% of GCIP energy is through coal. This is already on a long-term contract so while the benefit of it coming down is marginal, we are not impacted so heavily when it goes up.

Gauri Anand:

Do we take the price hike for our European facilities in the middle of the year?

R. Mukundan:

No, the European contracts are also done.

Gauri Anand:

The last revision was sometime in August so are they annual or are they half-yearly contracts?

P K Ghose:

The revision was only made in the Netherlands

Gauri Anand:

How are the contracts over there?

R. Mukundan:

They are also annual. In UK, close to 90% volumes are on annual contract of one year and the contracts in UK have been closed. Continent is still under negotioation but overall we expect a fall in margin in both these contracts but we also expect that the volumes will be fully sold out.

Gauri Anand:

And my last question is on the energy consumption for the new urea plant?

R. Mukundan:

We are trying to keep it to the best of what we can achieve so technically we have already achieved 5.1. This should be even better than that, but as of now, the team is working with various technology providers on what is the right configuration.

Gauri Anand:

Assuming that we go ahead with this nutrient base subsidy and we deregulate the potassium and phosphatic leg of the fertilizers, would you not see the consumption shift to urea because urea will still be cheaper. So should one not increase the retail price of urea and then go ahead and deregulate the phosphatic sector?

Kapil Mehan:

We have been told by various people in the government during our interactions with them that there is a concern on this particular issue and there is a proposal that they may increase the urea prices. There is an effort to fix the nutrient base subsidy in such a manner, by taking into account the global prices of phosphate and potassium fertilizer that the consumer price does not go up substantially. The government is alive to this particular aspect that you have just mentioned.

Gauri Anand:

Maybe not as early as 2 quarters, but do you think price hikes will help improve profitability for the industry as a whole later on?

Kapil Mehan:

There will be period of adjustment and turbulence and this will all depend on how the international prices of fertilizers behave. In case the prices are volatile, there will be an impact on demand in India.

R. Mukundan:

We are trying to reduce our dependence over a period of time, in the next three to four years, away from this regulated end of the business in any case by putting up a customized fertilizer plant, the first of which we should be commissioning in August. We have invested Rs 57 crore. Our plan is to invest in 10 more facilities all over India and in fact get our leadership in the fertilizer position through this route rather than let our growth plans be tough because of some government policy. We are really working around that to reshape the business completely and if Babrala is successful in terms of selling itself fully, we are going to forge ahead in that direction in the future.

Moderator:

The next question is from the line of Tarun Surana from SPA Securities.

Tarun Surana:

There are media reports saying that the subsidy payment will go through retailers instead of farmers. Do you expect this to happen from April onwards?

Kapil Mehan:

So far we have been told that there will be pilots run for routing subsidies through the retailers as well as through the farmers but for the time being it will continue to be routed through the industry. We will have to set up its systems and processes and involve the other arms of the government so that consultation process will take some more time.

Tarun Surana:

How much is the subsidy outstanding for Tata Chemicals?

P K Ghose:

It is Rs 607 crore.

Tarun Surana:

Do you believe that the prices of complex fertilizers will go up substantially after NBA's implementation because the government's aim is to reduce subsidy burden?

Kapil Mehan:

The government wants more predictability on their commitment on fertilizer subsidy. That is what they would attempt to do and so the selling prizes would really depend on what is the extent of subsidy that the government announces under the new vision. Once we know that, then only will we be able to definitely know what will be the behaviour of selling prices. As of now based on our understandings and discussions with the government, we do not envisage that there should be any run away increase in prices.

R. Mukundan:

If the government fixes the amount of subsidy outgo and India's consumption continues to increase, per tonne subsidy available is going to be contained. If that number is contained and if the market prices move, you can expect Indian prices to move in tandem with the market price. While no one will talk about whether prices will come down or go up, I think it is going to move both ways.

Tarun Surana:

Will the IPP price be spread across the year or will it be the average of the last quarter IPP?

R. Mukundan:

That amount will be taken in the last quarter. The last time also it was pro-rated for each quarter.

Moderator:

The next question is from the line of Jay Shah from Reliance Mutual Fund

Jay Shah:

Regarding the specialty fertilizer plants, how much will it be sold for and what will be the margins in this business?

Kapil Mehan:

We are in the process of finalizing the type of fertilizers that we will be making there because these will be specific to crops and each crop's formulations will change. The pricing will depend on what kind of formulations and deficiencies are there because we will be adding lot of micronutrients and other nutrients. We will be able to share the pricing ideas only closer to August when we are ready to going into the market.

Jay Shah:

What will be the margins?

R. Mukundan:

In terms of margin structure, when we did the project, we had our own product mix in mind which we would be putting in the market place but even with various sensitivities to various product mixes, this project has attractive return on investment.

Jay Shah:

What kind of capacity utilization are you planning and how would that happen?

Kapil Mehan:

Within 2 to 3 years, we should be running it at 100% capacity.

Jay Shah:

Could you elaborate on the 50% increase in the salt capacity?

R. Mukundan:

We are investing about Rs 180 crore to set up a 900 tonne per day plant in addition to our existing capacity which is about 5 lakh tonnes.

Moderator:

The next question is from the line of Rohan Gupta from Emkay Global.

Rohan Gupta:

On BMGL-Kenya performance, quarterly or sequentially, what is the reason for the reduction in the African soda ash sales volume by 11%?

R Mukundan:

The SAM plant is running full. We are taking the pure ash plant product very selectively. We are not really running it beyond what we would like to place. There is movement which is in sync with what we have decided to place in the market.

Rohan Gupta:

Is this the combination of less demand or is it the increasing input cost because of rising crude prices?

R Mukundan:

It is the combination of both the issues.

Rohan Gupta:

Why has there been no tax implication for IMACID in this quarter?

Kapil Mehan:

There is a certain minimum tax which is payable even if you make a loss. So we have paid tax in the last two quarters when we have reported losses. That would have got partly adjusted here.

Rohan Gupta:

Are we geared up for this nutrient-based policy comparing the current environment and with the UDI still divided in six groups?

Kapil Mehan:

As far as phosphatic fertilizers are concerned, we had already moved to import parity two years ago. What will happen as a next step is that the government will fix its outgo. The price changes whichever happen in the international prices will then be passed on to the farmers and it is the support of the government which gets capped at a particular level. The rest of the increase or decrease in prices passed on to the farmers will have an impact on the demand in the country.

Rohan Gupta:

Before introducing uniform pricing regime, can we move towards the complex or nutrient based policy?

Kapil Mehan:

Urea will be kept out of this nutrient based policy for the time being and only P.K.S are likely to be taken. Because of the complexities involved as you rightly say, the government is aware of these complexities and they would like to see more clarity on these before they move into the next stage of reform which is nutrient based subsidy.

Rohan Gupta:

Will the specialty fertilizer business and the customized fertilizers continue under Tata Chemicals or do you plan to divert this in Rallis?

R Mukundan:

In terms of the fertilizer business, we envisage that it will continue with Tata Chemicals.

Moderator:

The next question is from the line of Kamal Gada from UTI Asset Management.

Kamal Gada:

You spoke about flat or firm prices for the fertilizers production going forward. Can you elaborate on the use of the capacity additions which are planned and if it would it affect the prices going forward?

R Mukundan:

We believe that it is going to be firm going forward and we do not believe it is going to fall but there can be many interpretations of that.

Kamal Gada:

Talking about 3.5 crore of capacity additions, if at all it goes through, then how are we planning on funding it?

R Mukundan:

It is a combination of debt and equity.

Kamal Gada:

Could you elaborate on your Tata Swach venture? What kind of volumes and margins are we expecting in the coming two or three years from that venture?

R Mukundan:

We had expected to sell about a million units in the first full year of operation once we are in all the markets and the timeframe for hitting all the markets is about six months. We are just in the process of covering Maharashtra first and then Karnataka and West Bengal going forward. Parallelly, we will also be coming out with new variants which would be more attractively positioned in the market to expand the market further. In terms of turnover, the gross revenue would be about Rs 99 crore. We expect that we will sell quite a bit of this unit and basic business that we have modelled is around the sale of cartridges which have replenishment cycle of one every nine months.

Moderator:

Next question is from the line of Ballabh Modani from Enam Securities.

Ballabh Modani:

Our interaction with the Fertilizer Ministry is that they are hopeful of the complex fertilizer markets getting developed in next few years. So what is your sense on it and also what are the growth plans for Rallis?

Kapil Mehan:

We share fertilizer usage and move towards complex fertilizer to promote the balanced fertilization of our crops and soil. The first plant which is put up in Babrala is likely to go into production in August and once that is running smoothly, we have plans to expand these customized fertilizers across the country.

R Mukundan:

As far as Rallis is concerned, we are at the final stages of completion of Dahej and Ankleshwar projects and those will be the engines of growth in the next one or two years.

Ballabh Modani:

Since you will be running the debottleneck capacity in the fourth quarter, how is the pricing of the debottleneck capacity going to be done? Will this be an average of the last one year or it will be the average of the last few months?

Kapil Mehan:

There is a monthly and a quarterly icing which gets worked out and our extra production will also get prorated to these monthly and quarterly calculations. It will not be only on the basis of the last three months. So it will be over 12 months full period after the year is over. Then they will do the calculation and then allow price adjustments.

Moderator:

I would now like to have the floor back to Raj Mehta for closing comments.

Raj Mehta:

On behalf of Dalal & Broacha Stock Broking, we would like to sincerely thank the top management of Tata Chemicals for spending their time and discussing the company's third quarter FY10 results and this concludes the conference call. Thank you.