



TATA CHEMICALS LIMITED

Gaurav – Moderator

Good evening ladies and gentlemen, I am Gaurav, the moderator for this conference. Welcome to the Tata Chemicals conference call of hosted by Emkay Share and Stock Brokers. Mr. Rohan Gupta from Emkay Share and Stock Brokers is your call leader for today. For the duration of the presentation, all participants' lines will be in listen only mode. After the presentation, the question and answer session will be conducted for the participants in the conference. Now I hand over the floor to Mr. Rohan Gupta. Thank you, and over to your Mr. Gupta.

Rohan Gupta – Emkay Share and Stock Brokers

Thank you, Gaurav. Good evening ladies and gentlemen. On behalf of Emkay Share and Stock Brokers, I welcome you all to the FY07 earnings conference call of Tata Chemicals. From Tata Chemicals we have Mr. Homi R. Khusrokhhan who is the Managing Director of the Company and Mr. P. K. Ghose, CFO of the company. I would like to thank them both for giving us their valuable time and giving us the opportunity to conduct the conference call for Tata Chemicals. Now without wasting any time, I would like to transfer the floor to Mr. Khusrokhhan. Sir, over to you.

Homi Khusrokhhan - Managing Director – Tata Chemicals

Thank you Rohan. Mr. Ghose and I, will address you on this call. I will start briefly with some perspectives about our operating performance during the fourth quarter and the full year results and Mr. Ghose will thereafter share the financial details with you. After his presentation we will be more than happy to answer questions from all of you.

Tata Chemicals' operating performance over the quarter and the full year has been extremely strong. We have had extremely good results and our market situation has been good. Demand and prices for all our key products, soda ash, urea, DAP, NPK have all been firm and even currently the outlook is that they will continue to remain firm for some time. We will address some of these subjects during the call. Efficiency improvement programs at our plants have worked well and have been well timed. Through these programs we have managed to contain our cost and some of the inflationary pressures which have been developing. The year has seen the highest ever sales for almost every item we have made. It had the highest sales of soda ash, highest sales of salt, highest sales of urea in any single financial year. We have also witnessed a very high level of capacity utilisation in all our factories. All our factories have produced almost up to the hilt. We had a little interruption of production during the monsoon in Mithapur and in Babrala because of water leakage and flooding problems in Gujarat, but after that things stabilised quite well and the rest of the year has gone well.

Coming to soda ash, internationally, the prices have been firm. Even today the spot price is \$20 above the international price, so I would imagine that this is an indication that they will

continue to remain firm for some time. There has been a downturn of soda ash exports from China and the domestic market has certainly been growing pretty well fueled mostly by the architectural glass sector, which probably is linked to the infrastructure and the construction activities happening in India today. Tata Chemicals has retained its leadership position with a 32% market share. While operations continued to be smooth, there have been indications that costs are likely to rise in the future and therefore, I think, our efficiency improvement programs will be very timely and useful. The performance of Brunner Mond which was our acquisition last year, has been very healthy. The expansion of our Magadi facility that started briefly for some time, has run into a some problems and we are hoping that by July this year, we will get up to full capacity working in Kenya.

Moving to food additives, salt sales have been 4.75 lakh tonnes, higher than ever before. Tata Salt continues to dominate the domestic market, with a 47% market share in the national branded segment. We have introduced a second brand now called I-Shakti. This is being introduced in the south of the country where traditionally Tata salt has been a little weak. So we now have a brand positioned exactly where we wanted it in the southern parts of the country. This is at a cheaper price point from Tata Salt. So it is like a challenger brand and it takes on some of the local competition in the southern market.

Fertiliser performance during the quarter has been good and for the whole year we had excellent performance in terms of urea, which had an all-time high. We've had the best energy efficiency at Babrala, and we have also now got the good news that the NPS III pricing policy is now in place and therefore we have cleared our de-bottlenecking project that has just commenced this month in May and within 18 months we will have an expansion of capacity at Babrala.

During this quarter, we announced a 50-50 joint venture with Total Produce of Ireland. This is our Fresh Produce business. It is one of the two or three new things we are doing now at Tata Chemicals. For years we have been operating in the agri space, but we have almost always treated ourselves as a supplier of fertiliser. Today with the amount of activity happening in rural India there is a huge business opportunity there and Fresh Produce is one of the first businesses we have started with. We will be working on the supply chain end of the fresh produce business; we are not getting into retail, but we feel that this is where the real value lies and if we get this right then the business succeeds, then companies who get into retail without tying up the back end or really asking for trouble. The initiative has started well. We have two distribution centres planned. This should be coming up by the end of this calendar year.

We have also announced that we are entering into biofuels. This is something, which I think is relevant and important to the country. In fact, globally, other countries have moved streets ahead of us. In India we are lagging behind. In most countries the programs on biofuels are financed or subsidised by the government. In India the government has not done much, but we are hoping that companies like ours will be able to make a meaningful difference in biofuels. We are actually launching or getting into the business with existing and known technology, but at the same time our R&D centre, the innovation centre as we call it is working on new technology and hopefully within the time when we set up our facilities they will be ready with some new technologies and new processes, which will bring down our cost of production and make us even more competitive.

Overall, it has been a good quarter, an excellent year and I think we are positioned to further accelerate our growth momentum. I just mentioned at a press conference a while ago that we have a 32% compound growth rate if you take the change between 2003-04 and today. A 32% year-on-year compound growth rate is a pretty good achievement I think. I will now request Mr. Ghose to give you some financial perspective and then we will start with the questions and answers. Prashant, over to you.

P.K. Ghose – Chief Financial Officer – Tata Chemicals

Thank you Homi. I will share with you some key elements of our financial performance for the quarter and the financial year being reviewed. Our consolidated revenues for the year improved 44% to Rs. 5810 crore while our profit from operations rose higher by 37% at Rs. 1007 crore. On a consolidated basis PAT for the year on the review amounted to Rs. 508 crore, an 18% increase. Let me also give you a brief of our performance on a standalone basis.

Tata Chemicals FY'07 standalone sales increased 13% to stand at Rs. 3991 crore, while PAT increased 26% to Rs. 444 crore. This translates to a basic earnings per share of Rs. 20.65 and a diluted EPS of Rs. 18.31 for the year. The consolidated debt as on March 31, 2007 stood at Rs. 1864 crore. The debt comprises low cost short-term buyers credit for our phosphatic business and the foreign currency convertible bond that we raised in 2005 of \$150 million. In addition to this, quite a large portion of the debt is for the European facility at Brunner Mond, Europe and towards the expansion of our Magadi facility in Kenya. Our return on average capital employed and our return on average net worth ratios for the year ended March 31, 2007 are both healthy at 17.5 % and 19.8%. The board of directors have recommended a dividend of Rs. 8 per share, which translates to a dividend pay out of Rs. 201 crore, a 45% pay out ratio.

I share Mr. Khusrokhani's optimism and look forward to maintaining our continued strong financial and operating performance.

Thank you for your time. We will now be happy to accept any questions that you may have.

Gaurav – Moderator

Thank you sir. We will now begin the question and answer interactive session for the conference participants. Participants who wish to ask questions may please press “*1” On pressing “*1” participants will get a chance to present their questions on a first in line basis. To ask a question, please press “*1” now.

The first question comes from Mr. Prashant Poddar from ICICI Asset Management from Mumbai. Mr. Prashant you may ask your question now.

Prashant Poddar – ICICI Asset Management

Hello sir. Congratulations on a great set of numbers. One of the questions that I have is regarding soda ash. Is rupee appreciation hurting the domestic margin?

Homi Khusrokhani – Managing Director – Tata Chemicals

Fortunately not so far. As you know the Indian prices always command a slight premium over the import prices and as of now I think the situation is so tight in the market that it has not really worried us too much.

Prashant Poddar – ICICI Asset Management

What is the difference between the landed prices and prices today?

Homi Khusrokhan – Managing Director – Tata Chemicals

There is a marginal premium.

P. K. Ghose – Chief Financial Officer – Tata Chemicals

It will be about \$190 to \$200, which is the maximum international price.

Homi Khusrokhan – Managing Director – Tata Chemicals

Around Rs 500 higher than the average international price.

Prashant Poddar – ICICI Asset Management

What has been the difference in these prices during the period that the rupee has appreciated by around 10%?

Homi Khusrokhan – Managing Director – Tata Chemicals

I don't think that it has changed much. In fact there has been a small domestic price increase taken in May itself so I do not see any real risk at this point in time. There are also signs that suggest that the rupee may start weakening a little again versus the dollar in the next five to six months or so.

Prashant Poddar – ICICI Asset Management

As the number three player in global soda ash, what do you think is really driving the growth?

Homi Khusrokhan – Managing Director – Tata Chemicals

Globally, I think, it has been glass, which has been the predominant sector. In India it is the other way around, detergents are the larger user of soda ash but internationally it is the glass sector and industrial soda ash, which drives growth. I think the major growth is coming today from the eastern markets such as China and India mainly because of the enormous amount of construction taking place, so architectural glass and automotive glass are the highest growing components today. That is probably driving Indian growth as well. In addition to that you will see that the growth is not only in India and China but countries like South Africa, where there has been enormous growth. Wherever there is a developing economy and construction activity is taking place the demand for soda ash goes up.

The other thing is that if you see the per capita consumption of soda ash in India, it is really low. It is even lower than Pakistan, so there is a huge possibility of more soda ash being

consumed as there is greater prosperity. As India progresses, the growth in the economy should keep soda ash demand in India buoyant.

Prashant Poddar – ICICI Asset Management

A large part of this growth has also been coming from the United States. So do you think the US slowdown may affect soda ash market?

Homi Khusrokhhan – Managing Director – Tata Chemicals

Not so much because today the international freight rates are so high that, as much as some US material may go into Europe, there is hardly any chance it will come to India, at least not in large quantities.

Prashant Poddar – ICICI Asset Management

But can it affect the prices globally?

Homi Khusrokhhan – Managing Director – Tata Chemicals

Not much, but I would say the prices in our part of the world are certainly stronger today than they would be in Europe. They are firm in Europe, but in India there is also a rising trend whereas in Europe it is fairly stable.

Prashant Poddar – ICICI Asset Management

I have heard from the fertiliser ministry reports, that there is a huge amount of subsidy which has not been paid to the industry. What is the amount?

Homi Khusrokhhan – Managing Director – Tata Chemicals

Rs 11,000 crore is the amount outstanding as of the end of last year, as of March 31, the outstanding dues of government to the industry is Rs 11,000 crore. The requirement for fertiliser subsidy during this year is placed at Rs 53,000 crore and the union finance minister has only allowed for Rs 22,000 crore in the Union Budget. So there is a slowdown in receipt of subsidies, but it is not that it has ground to a halt. I think even in the last month we received about over Rs 100 crore of subsidy. So payments are coming, but they are coming at a slower rate than they should. The issue is really a bit of a tussle between the Finance Ministry and our Chemicals and Fertiliser Ministry where Chemical and Fertiliser ministry seems to want higher subsidies and the Finance Minister is saying that this is nontenable and it cannot continue in definite terms. He is trying to drive some changes in policy and encourage some changes in fertiliser prices because prices have not been changed for five to six years so until they raise the prices the government is going to be in a stressful situation. Worldwide fertiliser prices are zooming up and even imports are being effected at ridiculously high prices. We could produce fertilisers much cheaper in India than what they are importing at, but unfortunately they have not encouraged people to put up capacities. If only their policy was a

little more sensible and forward-looking, people would have invested and today have been able to meet the demand.

Prashant Poddar – ICICI Asset Management

With urea, what could be the difference between what the government today is importing and what you would be supplying at after your profits?

Homi Khusrokhhan – Managing Director – Tata Chemicals

It will be much cheaper and I will get it to you before we close the call.

Prashant Poddar – ICICI Asset Management

Thank you, very much sir.

Gaurav - Moderator

The next question comes from Mr. Sumant Kumar from Karvy Stock Brokage Limited, Mumbai. Mr. Kumar, you may ask your question now.

Sumant Kumar - Karvy Stock Broking Limited

Revenues in Q2 FY'07 and Q3 FY'07 are Rs. 11,259 and Rs. 16,072 whereas in Q4 it is only Rs. 8,000 million, which is significantly lower, why it is so?

P. K. Ghose – Chief Financial Officer – Tata Chemicals

Let me answer this question. If you look at our quarterly trend you normally have Q1 and Q4 are always lesser compared to Q2 and Q3 because of the seasonality of products. For instance if you see Q3 of this year, it is at Rs 1,307 crore and in Q4 it is Rs 803 crore. Similarly if you look at last year's figures we did Rs 1,258 crore in Q3 and Rs 754 crore in Q4. So you got to take into account the seasonality. Q1 and Q4 are less turnover quarters. Q2 and Q3 are larger turnover quarters.

Sumant Kumar - Karvy Stock Broking Limited

I have seen some shutdown on maintenance of soda ash plants is this one of the reasons as well?

P. K. Ghose – Chief Financial Officer – Tata Chemicals

The majority is due to the fertiliser sale in Q4 but the other reason is this shutdown for a few days in Mithapur.

Sumant Kumar - Karvy Stock Broking Limited

Okay. Thank you.

Gaurav - Moderator

Thank you sir. The next question comes from Mr. Nirman Morakhia, Amit Nalin Securities. Mr. Nirman, you may ask your question now.

Nirman Morakhia - Amit Nalin Securities

Good evening sir. Congratulations for the performance.

Homi Khusrokhana – Managing Director – Tata Chemicals

Thank you.

Nirman Morakhia - Amit Nalin Securities

Sir I just wanted to ask a few questions regarding the very interesting sector called biofuels where you are making an entry. Firstly, I would like to know how many players do you think you may have competition with in this segment?

Homi Khusrokhana – Managing Director – Tata Chemicals

As of now very few have really entered in the large and organized sector. Most of the players have been fairly small so we would be one of the larger ones entering. There have been indications that Reliance has been talking about it. Certain other large companies have been talking about biofuels but I think again we are one of the early entrants.

Nirman Morakhia - Amit Nalin Securities

Right sir. Apart from that how do you find that the sector will contribute to the top line of the company in the coming future?

Homi Khusrokhana – Managing Director – Tata Chemicals

The business can be large because if you see many other countries are putting a lot of attention behind biofuels. Fossil fuels are getting more costly, getting scarcer. People are also conscious of the fact that they must preserve the environment; preserve natural resources, so I think there is a growing awareness in the trend that is developing worldwide. The latest indication was about six months ago when Mr. Bush started his incentive program in the US with a huge amount of area. Corn has been cultivated for making bio ethanol and he has forged a relationship between US and Brazil so they can interchange. He has provided for subsidies for the manufacturers of corn ethanol. So there is a huge interest being taken in the

subject. Europe has been subsidising bio diesel for some time now. They generally use soya or palm oil as their feedstock. Malaysia and Indonesia are really concentrating on palm and we are even seeing the effects of this in our fertiliser industry where there is a shortage developing in DAP because a huge quantity of DAP is now being used for corn. There is a shortage developing in potash because potash is used for palm oil. So it is really affecting the entire agri sector.

Nirman Morakhia - Amit Nalin Securities

Right sir. Can we get any quantitative numbers of how much percentage this sector will contribute to the company?

Homi Khusrokhana – Managing Director – Tata Chemicals

It is too early to say. It is completely on a green field blue-sky basis at the moment. Somebody has to make us start and we want to be one of the early entrants.

Nirman Morakhia - Amit Nalin Securities

Are there any government norms which will be a hurdle or are there any incentives given by the government to start?

Homi Khusrokhana – Managing Director – Tata Chemicals

No, I think the government cannot put a hurdle. It has got to be the other way around. They have to start thinking about incentivising, subsidising and encouraging oil companies to blend, use our mixtures, take ethanol, take prior diesel, I think most governments are looking the way of incentivising more than discouraging anything.

Nirman Morakhia - Amit Nalin Securities

Right sir, but in the European countries we find that the subsidised norms or incentives given for the production of biofuels has not been so substantial enough or encouraging toward the production for the company itself. So, do you think that we'd be able to cope with this in India for this particular sector?

Homi Khusrokhana – Managing Director – Tata Chemicals

I think first of all even the blending, which they have stipulated 5%, 10% going to 15% is not being observed in most states. So I think a little bit of insistence on people at least starting the blending would be necessary. At the same time perhaps some incentivising of people who get into this field and want to produce more quantities would also be called for. Most of the countries where this is taking root is where the government has actually given subsidies to people who produce the biofuels.

Nirman Morakhia - Amit Nalin Securities

Right sir, but it is not so encouraging for the producers to go for the biofuels in the European countries. Sir how do you find that India will be the most efficient country or Tata Chemicals should be the most efficient one to get into biofuels at with an early start?

Homi Khusrokhan – Managing Director – Tata Chemicals

I do not think, you can base the fact that you are going to be the most efficient on the nature of your business. I think you have to consider, in your market situation who are the people who can make a difference in this field. We have all the strength, we have our entire agri business, we have our contact with farmers, we know how to do farm management, we have done procurement, all the necessary skills for the back-end are already there.

Nirman Morakhia - Amit Nalin Securities

Thank you very much.

Gaurav - Moderator

Thank you, sir. The next question comes from Mr. Sadeep Anand from Religare Securities, Mumbai. Mr. Anand you may ask your question now.

Sadeep Anand - Religare Securities

Sure. Good evening sir and congratulations for very good results this quarter.

Homi Khusrokhan – Managing Director – Tata Chemicals

Thank you.

Sadeep Anand - Religare Securities

Sir my question is that during the year FY'07 did you have any kind of capacity expansion in either chemicals or fertiliser or are there any such plans going forward?

P. K. Ghose – Chief Financial Officer – Tata Chemicals

Actually we did have a capacity expansion. You see the Mithapur soda ash capacity is 875,000 tonnes, which we have increased in the first phase to 917,000 tonnes. Over a period of the next one year or so it will go up to about 1.2 million tonnes. So the first part of the expansion is over, which takes the capacity up to 917,000 tonnes and consequently, there will be some changes in the capacity of salt.

Homi Khusrokhan – Managing Director – Tata Chemicals

One thing I would like to clarify. It is not that we have added physical assets; we have been working on efficiency improvement and sweating our assets more. Is that right?

Homi Khusrokhan – Managing Director – Tata Chemicals

We have put in a lot of effort into the program which we call Udaan at Mithapur and through that program we have certainly improved our efficiencies and therefore we have got more throughput out of the same plant.

Sadeep Anand - Religare Securities

Sir, how much revenue and PAT margins are you expecting from your fresh produce business and when is the realisation expected?

Homi Khusrokhan – Managing Director – Tata Chemicals

We are starting in a sequential manner. We are starting with two distribution centres, which would be probably ready by December this year, so really in this financial year you will not see much revenues flowing in from the business. We will roll out over the next three years, we should have about 40 centres all over India, but our first two centres will be in Ludhiana and in Kolkata. Those two sites have been chosen and it is again a starting business on absolute greenfield basis so by the time we get to critical mass it will be at least one or two years.

Sadeep Anand - Religare Securities

Can you give any numbers?

Homi Khusrokhan – Managing Director – Tata Chemicals

No, not at this stage, it is too early to and it would only be two distribution centres that we will have to start up work.

Sadeep Anand - Religare Securities

Fine that is it from my side. Thank you.

Homi Khusrokhan – Managing Director – Tata Chemicals

Thanks.

Gaurav - Moderator

Thank you sir. The next question comes from Mr. Abhijeet Dey from Kotak Mutual Fund, Mumbai. Mr. Abhijeet, you may ask your question now.

Abhijeet Dey – Kotak Mutual Fund

Good evening sir.

Homi Khusrokhhan – Managing Director – Tata Chemicals

Good evening.

Abhijeet Dey – Kotak Mutual Fund

Congratulations on a good set of numbers.

Homi Khusrokhhan – Managing Director – Tata Chemicals

Thank you.

Abhijeet Dey – Kotak Mutual Fund

Just wanted to understand the kind of realisations you have achieved for complex fertilisers and urea?

Homi Khusrokhhan – Managing Director – Tata Chemicals

The actual amount is that what you mean?

Abhijeet Dey – Kotak Mutual Fund

Yes, or at least the trend over the last year, what has it been?

P. K. Ghose – Chief Financial Officer – Tata Chemicals

It is a fixed price. During the year our turnover went up by about Rs 472 crore in terms of realisation. Urea in the current year was Rs.8,334 a tonne against Rs.7,528 last year. DAP was Rs.16,356 against last year's Rs.15,357. NPK was Rs.14,749 against Rs.14,151.

Abhijeet Dey – Kotak Mutual Fund

There seems to be an increase in urea prices just like last year there was a dip of about 12 odd percent, any reason for that?

Homi Khusrokhana – Managing Director – Tata Chemicals

Yes, prices are higher because you have a pass through cost. We have the administered price mechanism gas that we buy, then we have spot gas when this is unavailable and when there is a shortage we buy naphtha so all these gas elements are straight pass through costs.

P. K. Ghose – Chief Financial Officer – Tata Chemicals

Realisation goes up and the cost also goes up simultaneously. So both move in sync.

Abhijeet Dey – Kotak Mutual Fund

Right. Sir, did you do naphtha last time in FY'07?

Homi Khusrokhana – Managing Director – Tata Chemicals

Yes, we did. Whenever there was a shortage, we have a multi feedstock plant.

Abhijeet Dey – Kotak Mutual Fund

But in terms of percentage could you tell me, percentage of total feed or fuel?

Homi Khusrokhana – Managing Director – Tata Chemicals

It would not be very large. It will be small.

Abhijeet Dey – Kotak Mutual Fund

In terms of the figure, which you always give in terms of giga calories per metric tonne the energy efficiency for urea, what was it for FY'07?

Homi Khusrokhana – Managing Director – Tata Chemicals

5.12

Abhijeet Dey – Kotak Mutual Fund

It seems to have gone up sir from FY'06?

P. K. Ghose – Chief Financial Officer – Tata Chemicals

It is marginally higher than last year, but it is still very good.

Abhijeet Dey – Kotak Mutual Fund

Thank you, very much.

Gaurav - Moderator

Thank you sir. The next question comes from Mr. Sachin Kasera from Pinc Research, Mumbai. Mr. Kasera, you may ask your question now.

Sachin Kasera – Pinc Research

Good afternoon sir and congratulations on an excellent set of numbers.

Homi Khusrokhhan – Managing Director – Tata Chemicals

Thank you.

Sachin Kasera – Pinc Research

I have a couple of queries. Firstly you mentioned that the capacity, because of the de-bottlenecking and certain productivity measures you have taken has now increased to 917,000 tonnes, so what is the type of volume we can expect in the current year for the soda ash business in the Indian operations?

Homi Khusrokhhan – Managing Director – Tata Chemicals

It will be slightly higher in the sense that the capacity increase which took place last year to 917700 tonnes was only for part of the year, for six months. So we should expect a higher sale in terms of tonnage roughly that increase would be about 40000 tonnes,

Sachin Kasera – Pinc Research

But I think this quarter the volumes are impacted because of a scheduled maintenance shutdown. Is it an annual event or one time event.

Homi Khusrokhhan – Managing Director – Tata Chemicals

It is an annual event, but we choose the time when we prefer to take the shutdown.

Sachin Kasera – Pinc Research

Okay. So which effectively means that this 917000 capacity is for 365 days of production or does this account for the maintenance shutdown?

Homi Khusrokhana – Managing Director – Tata Chemicals

It allows for the maintenance.

Sachin Kasera – Pinc Research

Secondly sir, regarding the soda ash pricing on the domestic front I understand that we follow, the policy of benchmarking to import parity prices. Now with the dollar depreciating against the rupee, would that also start impacting our domestic realisations?

Homi Khusrokhana – Managing Director – Tata Chemicals

No, I do not think we are seeing signs. We are still seeing that domestic market is very tight, and in fact in May a small increase has been done.

Sachin Kasera - Pinc Research

But is it because of the fact that the domestic prices used to get a small discount to the import parity prices? Is it that we have moved in line with import parity or it is tax premium over the period the dollar prices have gone up?

Homi Khusrokhana – Managing Director – Tata Chemicals

Actually we have a slight premium. That is a clear indication that there is a short supply situation actually in India.

Sachin Kasera - Pinc Research

Okay. Secondly, regarding exports sir, what is going to be the strategy this year for exports, because from what I understand one is that international prices would have come down because of the rupee appreciation, and secondly I think you are getting a better realisation in the domestic market. So, what would be your strategy for exports in FY '08?

P. K. Ghose – Chief Financial Officer – Tata Chemicals

International prices are about \$190 to \$200. It is ruling pretty high as compared to previous year. Also if you look at the export tonnages this financial year which has just ended, it is lower than last year and this has been as a result of a conscious decision. We normally used to export about 15% of our tonnages. This year it is marginally lower by a few percentage points, and I think that strategy will continue.

Sachin Kasera - Pinc Research

So, do you expect the same percentage level as last year?

P. K. Ghose – Chief Financial Officer – Tata Chemicals

I think we should expect the same percentage as of last year.

Sachin Kasera - Pinc Research

Okay, regarding Kenya, I believe there are some operational delays because of technical problems, what is the update right now in the Kenya plant?

Homi Khusrokhhan – Managing Director – Tata Chemicals

There are two plants in Kenya. There is the old standard soda ash plant which is actually working better than last year, and the capacity has grown, the quantity produced has increased. The pure ash plant is the one where we remove the fluoride content from the soda ash and it is a brand new plant, and was under commissioning. There has been a slight amount of delay in the April-May period, one or two critical pieces of equipment needed to be replaced, teething problems, but I think by the middle of July we should have the plant up and running.

Sachin Kasera - Pinc Research

How do you expect to ramp up the new capacity in Kenya?

Homi Khusrokhhan – Managing Director – Tata Chemicals

The new plant will actually double capacity.

Sachin Kasera - Pinc Research

I understand but in terms of the ramp up will you start post July?

Homi Khusrokhhan – Managing Director – Tata Chemicals

Say we will go to 60% of the new capacity straight away and then thereafter gradually go to 75%, 80%, 100%.

Sachin Kasera - Pinc Research

So can we expect this ramp up in March next year?

Homi Khusrokhhan – Managing Director – Tata Chemicals

Yes. Well before that. The last six-eight months of the year should be full capacity.

Sachin Kasera - Pinc Research

Similarly sir, regarding the currency movement of dollar, what sort of impact it could have on the Kenya operations? My understanding is that we export a substantial portion out of Kenya also.

P. K. Ghose – Chief Financial Officer – Tata Chemicals

See, we are exporting in dollars, and Kenya's loans are also in dollars, very small amount of their local costs are in the local currency, and they have adequate hedging strategies, so I do not think we need to worry on that front.

Sachin Kasera - Pinc Research

Lastly regarding the raw material prices, specifically coke, I believe coke prices have once again moved up, and I have heard some mentions regarding some hedging being done by the company, if you could highlight on down there?

P. K. Ghose – Chief Financial Officer – Tata Chemicals

Hedging on coke?

Sachin Kasera - Pinc Research

Basically the raw material, I believe the coke prices have gone up?

P. K. Ghose – Chief Financial Officer – Tata Chemicals

Coke prices have seen an upward trend. That is true. But you know, we have contracts, which we have entered into which are slightly long-term. They are one-year contracts and therefore to that extent we are not affected yet and the next time the contract comes down for renegotiation, towards the end of March-April that will come up again.

Homi Khusrokhhan – Managing Director – Tata Chemicals

I think we have covered almost 75% of our next year's requirements with long-term contracts and we get most of our coal from Indonesia.

Sachin Kasera - Pinc Research

But in terms of this year renegotiation of contract if you get a price higher than last year or so, would you bid for coke?

P. K. Ghose – Chief Financial Officer – Tata Chemicals

I think it is slightly higher, but since we have tied up our requirements, we are reasonably safe now.

Sachin Kasera - Pinc Research

Could you throw some light regarding the revenues from the salt business and how the realisation there has been in the current year?

P. K. Ghose – Chief Financial Officer – Tata Chemicals

We normally do not disclose the realisation on salt, but roughly I would say it is in the region of about Rs 325 crore in terms of revenues.

Sachin Kasera - Pinc Research

Sir, lastly regarding Brunner Mond if one were to see the numbers, the profits from operations is close to around Rs 265 crore, PBT, I think, is close to around some Rs 100 crore. There is a substantial gap of Rs 160 crore, which is primarily because of high interest and depreciation in the books of Brunner Mond, is it?

P. K. Ghose – Chief Financial Officer – Tata Chemicals

No, I will tell you the reason. You see, what has happened is Brunner Mond UK has performed according to expectations at the EBITDA level. It would be about 17.3 million pounds. With Kenya, the issue is that they commissioned the plant in December and for this there will be investment deduction allowed just like we had the old investment allowance in India. Now for this facility to be available, they had to commission their plant before the end of December although it produced a small tonnage. Post December, because of this slight delay in commissioning, because of the teething problems, what has really happened is the entire interest and depreciation has started kicking in with no corresponding sales, and which I think will continue into the next quarter. As Homi explained, the full blown capacity is expected to be operational towards the end of July. So, even in the first four months of the current financial year, you might face a similar situation. But once the sales tonnages keep going up there, these will offset the higher interest and depreciation charges.

Sachin Kasera - Pinc Research

But sir, could we get a brief idea in terms of what is the quantum of extra hit we have taken because of the interest and depreciation this quarter roughly?

P. K. Ghose – Chief Financial Officer – Tata Chemicals

That interest and depreciation would be the entire loan of Kenya, which will be around \$88 million. I will come back to you and give you the exact figure of what is the interest and

additional depreciation and interest, which is applicable to Kenya during the course of this talk. We can just proceed, and then I will come back to you with the exact figure.

Sachin Kasera - Pinc Research

Okay, sir. That is all from my side right now. In case of any further questions, I will come back.

Homi Khusrokhana – Managing Director – Tata Chemicals

I think Prashant of ICICI had asked a question about imported cost of fertilisers and what we can produce that in India. Let us start with urea. About 4.7 million tonnes have been imported by the government last year. The average import price would be around \$340 per tonne plus inland freight of about \$40, so \$380, which would translate to a price of about Rs. 15,500. As against that, we can produce and sell urea at Rs 8500. So, that is the magnitude of the difference. So, that is why I was saying the policy of the does not encourage more manufacturers in India, and then we get into a situation today of importing at these very high prices. As far as DAP is concerned, the gap is not so huge, but DAP also is just now coming in at about \$475 to \$500 plus another \$40 of inland freight, so we are talking about Rs. 22,000-23,000 per tonne, and the Indian manufacturers could easily produce at about Rs 18,000 to 19,000, so about Rs.4,000-5,000 per tonne cheaper.

P. K. Ghose – Chief Financial Officer – Tata Chemicals

Okay, can I also revert back to Sachin, with regard to his question on the higher interest and depreciation in Kenya this year over last year? During April to March '06, the interest and depreciation taken together was 1.5 million pounds as against 4.6 million pounds this year. So, that is an increase of about 3.1 million pounds. So, if you multiply that by 85, that will be the rough impact of the additional interest and depreciation charges this year as compared to last year.

Gaurav – Moderator

Right sir. Shall I proceed with the next question?

P. K. Ghose – Chief Financial Officer – Tata Chemicals

Yes.

Gaurav – Moderator

Thank you. The next question comes from Mr. Surender Singh from Anand Rathi Securities. Mr. Singh, you may ask your question now.

Surender Singh - Anand Rathi Securities

Sir, congratulations on a good set of numbers. Sir, just going through the segmental results for Q4 '07 versus Q4 '06, there has been almost a four-fold jump in the margin, EBIT margins for the fertilizers segment. Could you explain the buoyancy there?

Homi Khusrokhana – Managing Director – Tata Chemicals

I think with these very high prices, we have not been importing for trading, so the traded portion of the turnover has come down, therefore we have had a slightly better margin on our own production. Trading used to bring down the margin, and because of these high prices with short supplies we have not been trading this now.

Surender Singh - Anand Rathi Securities

Sir, what would be the subsidy receivable from the government as on March?

P. K. Ghose – Chief Financial Officer – Tata Chemicals

Rs 565 crore is the outstanding out of which I think more than Rs 250 crore has been received during April and May.

Surender Singh - Anand Rathi Securities

Okay, sir. I just want to get better clarity on the JV that we have with Total Corp. What kind of capitalisation are we talking about for this company and what kind of business model in terms of supply chain, does this entity intend to get into?

P. K. Ghose – Chief Financial Officer – Tata Chemicals

The total equity that we propose to have over a period of time will be around Rs 26 to Rs 30 crore.

Homi Khusrokhana – Managing Director – Tata Chemicals

This will be a 50-50 joint venture. The business model is basically related to the supply chain. We will do the contract farming, through our TKS network. TOTAL will help us with all the packaging, sorting, cold chain, and then we will put the produce in distribution centres. We are starting two centres, one in Ludhiana and one in Kolkata, and those will be gradually replicated across the whole country, so by December, we will have two centres, but over the next three years, it will get to about 40 centres all over India.

Surender Singh - Anand Rathi Securities

But where will the products go thereafter from the distribution centre that you have in Ludhiana and Kolkata?

Homi Khusrokhana – Managing Director – Tata Chemicals

It will be collected by either wholesalers or retailers from the centres, so, we will stop at the distribution end of chain, we will not get into retail ourselves.

Surender Singh - Anand Rathi Securities

Sir, in terms of price competitiveness between India and China on the soda ash front, what could be the production cost of China versus what we can do in India? Some broad ballpark figures so as to understand how competitive China is with respect to us?

P. K. Ghose – Chief Financial Officer – Tata Chemicals

There are some indications, you see, this Chinese cost figures are almost always a question mark. But in terms of what we have found out in India is that in soda ash prices we stand third and there is only one small Chinese plant, which produces at a cost lower than us. How reliable those figures are, is a question mark. Definitely there is one plant which produces lower cost soda ash, I would say, the difference is about \$7-\$8 per tonne between what we produce and that Chinese plant.

Homi Khusrokhana – Managing Director – Tata Chemicals

The other thing is we get a huge advantage from Magadi because natural soda ash is produced at about 50% the cost of synthetic soda ash, which is probably the cheapest in the world because it is not even underground, it is on the surface of the lake. All you have to do is dredge it and calcify it, a very simple process. So, that gives us a huge cost advantage going forward and Lake Magadi actually replenishes at a rate of almost one million tonnes a year, like almost an unending source of natural soda ash.

P. K. Ghose – Chief Financial Officer – Tata Chemicals

There would be a difference of around 50% in cash costs.

Surender Singh - Anand Rathi Securities

Sir, another thing about your biofuels division that you talked about, what kind of input material are we looking at? Is it molasses based, is it sugarcane based?

Homi Khusrokhana – Managing Director – Tata Chemicals

We are entering both the business, the bio-diesel and bio-ethanol. In bio-ethanol, our starting material at the moment of course is not cast in stone, we can use other starting materials also. Most of these plants run on multi-feed stock. We are starting with a plant called sweet sorghum and it will be largely in Maharashtra. Our first facility will come up in a place called Parbhani and we will be cultivating around that area, also we will probably go into some of the districts which have been notoriously weak in agriculture, I think that part comes into the footprint, to give them as farmers, a viable crop system. It does not require much water and

grows quite well in those districts. It also grows in Karnataka and Andhra Pradesh. So, over a period of time we will move and have plants in those areas also.

Surender Singh - Anand Rathi Securities

Could you give us some sense on the kind of capacity we are talking about here?

Homi Khusrokhhan – Managing Director – Tata Chemicals

The first plant we are putting up is half way between pilot and commercial. It is probably the smallest sized commercial plant. It is commercial. You will have 30 kiloliters a day. It will certainly produce quite a fair amount of ethanol but it is not a gigantic plant. It could go up to 100 kiloliters a day or so.

Surender Singh - Anand Rathi Securities

Then we have identified some location for that?

Homi Khusrokhhan – Managing Director – Tata Chemicals

Well as I said the first plant is coming in Parbhani.

Surender Singh - Anand Rathi Securities

Sir, the sweet sorghum is not really grown in volumes in that locality. So you will have to probably interact with the farming community to have a greater reliable resource for that.

Homi Khusrokhhan – Managing Director – Tata Chemicals

That is right. That is why we have strength in contract farming and farm management and we feel confident we will be able to use those strengths.

Surender Singh - Anand Rathi Securities

Okay, thank you sir.

Gaurav – Moderator

Thank you. The next question comes from Mr. Dhawal Doshi from Aviva Life Insurance, Mumbai. Mr. Doshi, you may ask your question now.

Dhawal Doshi - Aviva Life Insurance

Hello, sir. Congratulations on the good results, sir a couple of questions. Firstly on the stand-alone performance of inorganic chemicals. If you look at the operating margins for the past three quarters, that is from the second quarter of this fiscal onwards, margins have been going down. So, what is the primary reason for the same?

P. K. Ghose – Chief Financial Officer – Tata Chemicals

It is actually cost inputs but if you look at the average over the year, EBITDA margins of the chemicals business would be fairly high.

Dhawal Doshi - Aviva Life Insurance

Sir, the average for 12 months was 24.3 for '07 and 24.2, so not much of a difference, but for the past three quarters, we have seen it slipping. For the fourth quarter it is 22.6, third quarter was 24.8, and the second quarter was 25.3. So, maybe purchase of limestone rather than mining is the primary reason for this?

P. K. Ghose – Chief Financial Officer – Tata Chemicals

There was a period of time when there was a shortage of local limestone and problems with some of the mines

Dhawal Doshi - Aviva Life Insurance

Exactly, sir, which was there in the third quarter, if I am not mistaken.

P. K. Ghose – Chief Financial Officer – Tata Chemicals

At that stage we imported limestone from Oman. We also used some Rajasthan limestone, which is more expensive, but that has come under control now. Limestone supplies have resumed. But the cost is higher. If you take the cost inputs on an average, I think the cost of mined limestone which we used is about Rs. 500 a tonne, and compared to that if you take the imported limestone from Oman and the Rajasthan limestone the costs were definitely higher. On the other hand, the coke prices have also increased, so raw material input cost have gone up this year definitely, but I think going forward, as Mr. Khusrokhan mentioned a little while ago there is another price increase. That will offset this cost increase.

Dhawal Doshi - Aviva Life Insurance

So, what is the price increase that you have taken?

Homi Khusrokhan – Managing Director – Tata Chemicals

Rs. 350.

Dhawal Doshi - Aviva Life Insurance

Sir, also with regards to margins of Brunner Mond and IMACID Q4 has seen a significant jump in the Brunner Mond margins. Would it be basically because of the integration process that we have seen or is there some other factor?

P. K. Ghose – Chief Financial Officer – Tata Chemicals

You see Brunner Mond EBITDA margin is 17% which is equivalent to ours. If you see our EBITDA margins for the year including fertilisers and chemicals, it would be 17%. As we mentioned last year also there is a revaluation of the pension fund which is done at the end of each year, and that has given a benefit of Rs 40 crore this year. So, Rs 40 crore of the total Brunner Mond operating profit is because of the pension fund reducing the liability. The unfunded liability reduces from 45 million pounds to 39 million pounds but we need to understand that this is an accounting requirement. In UK such a change is normally routed through the reserves while Indian GAAP requires that you must route it through the P&L account. So you will see these variations. Right now the debt and equity markets in UK are doing well, so the impact is positive. If the interest rates and the equity market move in the other direction there could be reverse movement.

Dhawal Doshi - Aviva Life Insurance

So as of now 17% on an average is the normalised margins?

Homi Khusrokhhan – Managing Director – Tata Chemicals

EBITDA margins are 17% on an average for the Brunner Mond Group.

Dhawal Doshi - Aviva Life Insurance

Sir for IMACID we have seen the Q4 margins going down?

Homi Khusrokhhan – Managing Director – Tata Chemicals

We had some shutdowns and all that, but otherwise IMACID margins on an overall basis are stable.

Dhawal Doshi - Aviva Life Insurance

What is this shutdown about sir?

Homi Khusrokhhan – Managing Director – Tata Chemicals

At IMACID, they had a supply problem with sulphur. There was a global shortage in sulphur and they had also a breakdown in the sulphuric acid plant which is run by OCP on a common

shared basis for the entire site. We had two interruptions and that could have affected the margin.

But actually with the new prices, which have been fixed by the government for phosphoric acid, it is a \$105 increase, so you will see much better margins next year.

Dhawal Doshi - Aviva Life Insurance

Sir could you come back with the figure?

Homi Khusrokhani – Managing Director – Tata Chemicals

\$105 increase in phosphoric acid price, it is now \$566.25 from April 1 this year against \$461.25.

Dhawal Doshi - Aviva Life Insurance

That is a significant increase

Homi Khusrokhani – Managing Director – Tata Chemicals

Very significant increase.

Dhawal Doshi - Aviva Life Insurance

Secondly sir, biofuels, what kind of capex are we looking at?

Homi Khusrokhani – Managing Director – Tata Chemicals

Capex at this point of time for our first plant as I said will be the bio-ethanol one in Parbhani. It will be in the region of Rs 30 to Rs 40 crore.

Dhawal Doshi - Aviva Life Insurance

Small capex?

P. K. Ghose – Chief Financial Officer – Tata Chemicals

Overall expenditure in the bio-fuels business over the next two three years including the pilot plant would be about Rs.50 to Rs.60 crore, but if this really develops into a big business opportunity then there would be a large investment.

Dhawal Doshi - Aviva Life Insurance

Sir some \$1 billion investment program is being talked about, could you throw some light on the same?

Homi Khusrokhana – Managing Director – Tata Chemicals

We are growing in almost every business of ours and of course we have to keep our momentum up also and as I said earlier in the conference the overall compound average growth rate over the last three years has been 32%. We would be looking at acquisition opportunities, we are looking at greenfield as well as brownfield expansion, when you add it all up it comes to about \$1 billion.

Dhawal Doshi - Aviva Life Insurance

Sir, cash in the investments from the books as of FY'07?

P. K. Ghose – Chief Financial Officer – Tata Chemicals

Cash including mutual funds would be about Rs 560 crore. The value of quoted investments at cost is about Rs 135 crore, the market value on March 31 was more than Rs 1,300 crore. That would be very different today because of the huge increase in the stock markets, but as on March 31 it was 1300. This does not include the value of unquoted investments.

Dhawal Doshi - Aviva Life Insurance

Thank you sir.

Gaurav - Moderator

Thank you sir.

Rohan Gupta – Emkay Share and Stock Brokers

Gaurav we could take the last question or last two questions and end this please.

Gaurav - Moderator

The next question comes from Mr. Amit Khurana from IL&FS Investsmart Securities Limited. Mr Khurana you may ask a question now.

Amit Khurana -IL&FS Investsmart Securities Limited

Thank you very much. Just some clarity on the cash component, you said it is 5.6 billion of cash including?

Homi Khusrokhana – Managing Director – Tata Chemicals

Around Rs 564 crore of cash which we have as on March 31 in terms of mutual fund and cash and bank balance.

Amit Khurana -IL&FS Investsmart Securities Limited

The quoted investment you said was Rs.13 billion?

P. K. Ghose – Chief Financial Officer – Tata Chemicals

Yes, Rs 1,300 crore on a cost base of 135 crore.

Amit Khurana -IL&FS Investsmart Securities Limited

Okay, any longer term plan to liquidate any of these investments to fund the acquisitions, acquisition or other plans or would you like to step out on that?

Homi Khusrokhana – Managing Director – Tata Chemicals

Actually, very clearly, you know if we require funding by liquidating some of our investments we will certainly be looking at that option.

Amit Khurana -IL&FS Investsmart Securities Limited

Okay. Sir most of my questions have been asked. Thanks.

Gaurav - Moderator

Thank you sir. Sir should I ask for the next question in the last question?

Homi Khusrokhana – Managing Director – Tata Chemicals

Yes. Sure.

Gaurav - Moderator

Next question comes from Mr. Nadeem Parkar from Daulat Capital Limited. Mr. Parkar you may ask a question now.

Nadeem Parkar - Dolat Capital Limited

Good evening everyone. My question is you said you consolidated debt as on March 31 is Rs 1,864 crore. Can you give a component of FCCB in that please?

P. K. Ghose – Chief Financial Officer – Tata Chemicals

Our FCCB is \$150 million which when we took it would be about Rs 654 crore considering the Rupee dollar rate at that time. If you take it as on March 31 the value will be marginally lower so you have to take the calculation on 150 million dollars. The other components would be \$88 million in Kenya, about £66 million in UK and the balance is all working capital. Very substantial portion of this Rs 1,864 crore is in the form of buyers credit, which would be I think about 400 to 500 crore as on March 31.

Nadeem Parkar - Dolat Capital Limited

Okay that is it. Thank you.

Gaurav – Moderator

Thank you sir. At this moment, I would like to hand over the floor back to Mr. Rohan Gupta for the final remarks.

Rohan Gupta – Emkay Share and Stock Brokers

Thanks a lot Gaurav. Thank you for giving us the time sir. Before we wind up the call, I have couple of questions. Can I proceed now?

Homi Khusrokhan – Managing Director – Tata Chemicals

Sure okay. No problem.

Rohan Gupta – Emkay Share and Stock Brokers

I just wanted to know our development on Tata Kisan Sansars, what is happening there and how many retail outlets we were able to open during the year and can you throw some more light on that sir?

Homi Khusrokhan – Managing Director – Tata Chemicals

Every year we are adding at least anywhere between 60 to 80. So I think now our count should be something like 589 getting close to 600 outlets.

Rohan Gupta – Emkay Share and Stock Brokers

You must be monitoring the revenues, which you are generating from each and every TKS. So can you throw some light I mean average revenue as of what will be the kind of average revenue for each and every TKS sir?

Homi Khusrokhhan – Managing Director – Tata Chemicals

I do not think it is a business where we are merely looking at the money returns out of these things. It is a business of building relationship with farmers and through these TKS centres we are getting an enormous number of farmer touch points. We help them with their agricultural practices. We do soil testing for them, we gradually moving into service areas like even going in fertilising their fields, spraying of pesticides for them. So it is relationship building for a sector of economy, which I think has great potential in the years ahead. As India's prosperity increases GDP per capita rises. 70% of our population is living in rural areas and we need a really large presence there. So we see this as relationship building at a very reasonable cost. Most of these outlets are franchised, we do not invest much money in them and the relationship is more valued than the small bottom line we get out of these activities. It is not at a loss that I can assure you. We would not run this activity at a loss, but we do not run it as a huge profit motive in mind.

Rohan Gupta – Emkay Share and Stock Brokers – Mumbai

Okay and sir the huge capex which we have planned around \$1 billion, so right now we are a well diversified business with presence in a bio-fuel, fertilisers retail and soda ash and other chemicals. What would be the focus areas of the investment?

Homi Khusrokhhan – Managing Director – Tata Chemicals

We have three focuses, one is the chemical business, one is the fertilisers and agri business and the third is totally new businesses, which will come out of our innovation centre and sectors that we are entering today like bio-fuels. So each one has an independent focus. It is like each has a business unit of its own. Chemical and fertilisers are certainly organised in strategic business unit and they are growing their business. The mission or vision of the fertiliser business is changing. We are not seeing ourselves now just as a fertiliser company. We are seeing ourselves as a company, which is operating in the agri space and we are using our relationship with farmers to grow new businesses. So I think that business will change considerably. The focus will widen and not restrict itself to just selling fertilisers.

As far as the innovation centre is concerned we are looking at products, which can come out of biotechnology and nano-technology and there is an overlap of those two technologies, which we call the bio-nano space and that has huge attraction. These are very clean, efficient, new technologies. I can give you an example - metal oxides can now be made by using enzymes for funguses and really the boundaries between the different fields of science are blurring and we think the bio-nano space is very promising and from that a new whole stream of products can emerge like biopolymers for instance. So it is early days we cannot tell you exactly what range of products will come out, but these will be either biotech or nano-tech or bio-nano products and these could be of very high value. A different range will emerge, it would not be the heavy inorganic chemicals, it will be knowledge based, it will be cleaner, greener chemistry using biotech processes. So a whole new stream of businesses can emerge out of the innovation activities we are carrying out today.

Rohan Gupta – Emkay Share and Stock Brokers – Mumbai

Thanks a lot sir. I must say that it was a really a pleasure to have you on the conference call. I will thank all the participants, who have participated for the conference call of Tata Chemicals. Once again thanks to the management for giving us the opportunity to conduct this conference call.

Homi Khusrokhan – Managing Director – Tata Chemicals

Thank you, very much.

Gaurav - Moderator

Thank you sir. Ladies and gentlemen, this concludes the conference call. You may now disconnect your lines. Thank you for connecting to audio conference service from Airtel and have a pleasant evening. Thank you.