TATA

TATA CHEMICALS LIMITED

Transcript of the Conference call held on April 1, 2008 at 04:00 p.m.

Moderator: Good afternoon ladies and gentlemen, I am Rochelle, the moderator, for this conference call. Welcome to the conference call with the management of Tata Chemicals Limited. For the duration of this presentation all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Please note this conference is being recorded. This conference will last for 60 minutes. I would now like to hand the conference over to Mr. Gavin Desa of Citigate Dewe Rogerson. Thank you and over to you Mr. Desa.

Gavin Desa: Thank you, Rochelle. Welcome everyone to the Tata Chemicals Limited Conference Call. We have with us Mr. Homi Khusrokhan, the Managing director of the company, Mr. P.K. Ghose, Executive Vice President and Chief Financial Officer and Mr. R. Mukundan, Executive Vice President (Chemicals).

Before we begin, I would like to state that some of the statements made in today's discussions may be forward-looking in nature and may involve some risks and uncertainties based on the present business environment and regulatory framework. The company assumes no responsibility for any action taken based on the said information or to update the same as circumstances change. The conference call will be archived and the transcript will be available on Tata Chemicals Web site www.tatachemicals.com.

I now request Mr. Homi Khusrokhan to provide a brief overview of the acquisition.

Homi Khusrokhan: Thank you, Gavin. Good afternoon, and welcome everybody to this call which we have organized especially to discuss the Tata Chemicals acquisition of General Chemical Industrial Products. I am happy to inform you that the transaction closed very smoothly and very successfully within what I consider record time of about 75 days from the time we commenced the due diligence. We are delighted with this transaction. It makes us now the second largest soda ash player in the world. It gives us access to about 5.5 million tons of soda ash and it enables us enter into a new faster growing geographies, Latin America, and other developing countries around the world. And most importantly, it gives us access to a very significantly low soda ash operation significantly low cost soda ash operation, perhaps one of the lowest costs in the world.

The cost of mining soda ash is always lower. Natural soda ash is lower than the synthetic soda ash. And this particular company is one of the most efficient and operationally efficient players in this segment. And therefore, we are delighted that General Chemical is now part of the Tata Chemicals family. This acquisition now gives us actually access to about 35% of the global low cost natural soda ash capacity which is of a huge strategic advantage in a commodity business which as you know is quite prone to cycles, not that are immediate risks to the cycles turning adverse. in fact, we feel that the current prices will sustain for some period of time. At the same time, it's always good strategically to have a low cost source of soda ash in your portfolio. The transaction also gives us access to many of the leading companies around the world of customers and General Chemical is a loyal customer base of over 100 customers to158 customers to be exact.

We will share with you some details about the acquired company during the call, but top headlines are that it's located in Wyoming, in the Green River Basin, which is the home of several other large producers of soda ash like OCI, FMC and Solvay. It has mining rights for a long duration of time. Given by the state Wyoming and Anadarko Petroleum Corporation, the mines have life of 96 years of extractable trona and the current mine which is being mined has a current life of 35 years.

I would like to now hand you over to Mr. Ghose who will just give you a brief instruction and then we will be happy to have your questions.

P.K. Ghose: Thank you, Homi. I am delighted to be with you on this call. I will briefly share with you the financial details of this transaction. Tata Chemicals has completed the 100% acquisition of General Chemical Industrial Products, USA for a total consideration of USD 1,005 million. The entity was acquired from Harbinger Capital Partners, funding comprises of an ECB of USD 500 million raised by Tata Chemicals and an amount of USD 350 million raised via bridge loan, raised by a special purpose vehicle.

As you are aware, we have completed a US private placement earlier this year. As a part of which, we have drawn down USD 25 million. Hence in accordance with the ECB norm, we have drawn down USD 475 million this year, and the balance USD 25 million will be drawn in financial year '09. The cost of borrowing of the USD 500 million is LIBOR plus 1.35% translating to a fully-hedged post tax rupee cost of borrowing of around 4.25%. I think you should compare this in the context of the rupee cost of borrowing if you had done on a rupee basis which would be certainly be in excess of 11% today. The tenure for this borrowing is door-to-door, 6.3 years. The tenure for the USD 350 million is presently six months and has been completed at LIBOR plus 0.75% per annum. This amount will be serviced from the cash flows of the acquired company. The remaining amount of around USD 180 million has been funded via a combination of internal accruals and the monetization of some of our investments, particularly in Tata Investment Corporation and Tata Consultancy Services. The acquired company has no debt on its book. Let me add that the acquired company General Chemical Industrial Products has 75% ownership of GCSAP, which owns the leases to the mine. GCSAP too is a debt-free company with 25% ownership in Owens-Illinois, the world's largest container glass manufacturer. As a result, we will have access to 75% of the cash flows from the operations. In financial year '07 General Chemical had a revenue of USD 375 million. Thank you for your time. We are now open for any queries.

Moderator: Thank you very much sir. Ladies and gentlemen we will now begin the question-and-answer session. Participants who wish to ask a question at this time may press * and 1 on their phone. Participants are requested to use only handsets while asking a question. The first question is from the line of Prashant Poddar from Prudential ICICI Asset Management.

Prashant Poddar: Congratulations on the acquisition. Can you please explain the acquisition again, I mean, in the sense this GCSAP and GCIP, what is the relation, can you explain we have acquired GCIP?

Homi Khusrokhan: We have acquired 100% of the equity of General Chemical Industrial Products. General Chemical Industrial Products own the leasing rights. GCIP in turn has a subsidiary company called General Chemical Soda Ash Products that own the mining rights. In GCSAP there is a 25% partner and equity holder, Owens-Illinois which is the largest container glass manufacturer in the world. The access to the total quantity of soda ash mined is entirely under the control of General Chemical Industrial Products. But the enterprise value of General Chemical Industrial Products is based on 75% of the cash flows because 25% of the cash flows accrued to Owens-Illinois.

Prashant Poddar: So, this largest glass manufacturer which owns 25%, was this stake originally with this company also?

Homi Khusrokhan: Yes, it’s always been with this company and we have complete access to 75% of the cash flows. There is no restriction on that. So, the enterprise value of the General Chemical Industrial Products is based on 75% of the cash flows but Owens-Illinois buys its requirement of soda ash on an arm length basis like any other purchase of soda ash. So the total quantity of soda ash mined is at the disposal of General Chemical Industrial Products.

Prashant Poddar: And do we have long-term supply agreements with this manufacturer?

R. Mukundan: Prashant, the Owens-Illinois is a strategic customer of General Chemical and the contracts are at arms length basis. And the benefit which we get is because this relationship is pretty stable, there is a stability of off takes from a company which also co-owns the mines.

Prashant Poddar: And just to understand what percentage of your production could be going there?

R. Mukundan: Broadly, it very closely mirrors the shareholding.

Prashant Poddar: And what is the operational capacity of GCIP, currently?

R. Mukundan: The production capacity of GCIP is about 2.6 MT, the production is 2.5 million tons. When we say production it is 2.5 million ton, that is what we have rated capacity as you want to be more accurate, it is 2.54 million ton.

Prashant Poddar: That is the production that we are doing there?

R. Mukundan: Yes.

Prashant Poddar: You mentioned about cost of manufacturing being lower than Natural Soda Ash is generally lower cost, and this one is a more efficient Natural Soda Ash manufacturer also? Can you also highlight what is the relative cost of manufacturing differential say with your existing operations in Kenya, and how would the cost of distribution fair with the say Solvay’s operations or with our Kenyan operations?

Homi Khusrokhan: I think for most of the Wyoming manufacturers their cost would vary between USD 65 to USD 75 per ton. That’s the broad range. Costs in Africa are about USD 10 - 15 lower than that. But that is largely made up by the additional transportation cost. I would imagine that, net, it will come to probable the same, but those two countries, US and Africa would be the lowest cost producers in the world.

Prashant Poddar: On the comparison between existing prices of coke, sulphur and whatever is required for soda ash, what would be the distribution cost when you include in Kenya and the US. What would be the differential in cost of manufacturing of Natural Soda Ash and Synthetic Soda Ash today?

R. Mukundan: Broadly, the cost of manufacture of Synthetic Soda Ash depends on where you are located. It would vary between USD 1.25 to USD 1.50 a ton whereas Natural Soda Ash would vary as Mr. Khusrokhan has said between USD 65 and USD 75 in USA, Wyoming, Green River Basin and it is around 55 to let's say USD 60 odd in Kenya.

Prashant Poddar: So cost of distribution in these locations would be?

R. Mukundan: The cost of distribution depends on the market. For example, if you access the Latin American market from USA it will be the lowest cost of accessing Latin America would be from US, whereas if you say South Africa is easily accessed from Kenya, and similarly, if you look at synthetic operations like Mithapur, it would access Middle Eastern markets very attractively. So, one of the key things which we want to emphasize as part of this acquisition is that this business is very logistic intensive, it is firstly, energy intensive, so you need to have low cost of production, but you also need to have multiple production centers to cater to demand centers around the world quite efficiently.

Moderator: Next question is from the line of Bharath Subramanium from Sundaram BNP Paribas AMC Ltd.

Bharath Subramanium: In terms of the existing financials of the company, when the deal was done, could you share with us what kind of numbers were the company to put in?

Homi Khusrokhan: I can only give you historical numbers because we do not give you forward looking projections as this couldn't be right. Last year the turnover was around USD 375 million.

Bharath Subramanium: What was the profit?

Homi Khusrokhan: The EBITDA margins are around 30%

Bharath Subramanium: 30%?

Homi Khusrokhan: Yes.

Bharath Subramanium: And would that mean that the payback for us would be investment of 7 to 8 years?

Homi Khusrokhan: I can assure you that from year one it will be earnings accretive to us.

Bharath Subramanium: How would we be deleveraging the balance sheet? I mean since we have taken billion dollars of debt or billing dollars to invest in this company what would be our debt component in Tata Chemicals and what would be the equity component?

Homi Khusrokhan: The overall consolidated debt equity ratio will be 1.4 :1. So we still are not over-leveraged. Our cost of borrowing is extremely competitive as we have referred from Mr Ghose's first introductory remarks, we are paying up debt is about net of tax cost of 4.5% on a fully hedged basis.

R. Mukundan: You see, your question was that how much taken on the Tata Chemicals balance sheet. We have taken USD 500 million ECB as I mentioned on our balance sheet. As a result of which the debt equity ratio the leverage goes up to about 1.34.

Bharath Subramanium: 1.34.

P. K. Ghose: But the balance USD 350 million is actually taken on the cash flows of the target. So to that extent, Tata Chemicals is not affected at all. I mentioned that the net of tax cost is about 4-5% on a fully hedged basis and if you had done a rupee borrowing that would cost you more than 11%.

Bharath Subramanium: Is it fully leveraged kind of a acquisition? I mean is it 100% advances?

P.K. Ghose: I mentioned to you that out of USD 1,005 million, we have put in USD 180 million from our internal accruals and sale of investments. And the balance USD 850 million is debt so roughly about 85% is debt and the balance 15% is to internal accruals and sale of investment.

Bharath Subramanium: Lastly in terms of the revenue details that you shared you were hinting that USD 375 million revenue for a production of 2.5 million tons last year. So the realization works out to roughly USD 150 per ton, is the assessment correct?

P.K. Ghose: Your assessment is correct. USD 300 – 350 is the present spot price but the Free at Works contracted price is around USD 160 which is what the Company is selling at.

Bharath Subramanium: In terms of the bridge loan that we have on the books, what is our plan over there, sir in the SPV? Would we be looking at bringing in some equity component there or will it remain as a debt component?

P.K. Ghose: It will remain as a debt component. We will convert it shortly within six months' period into a term loan on the target**.**

Bharath Subramanium: Fine.

Moderator: The next question is from the line of Ashwin Punjabi from Sattva Investment Advisors Ltd.

Ashwin Punjabi: Are you able to mine your soda ash year round in Wyoming. As I understand that all the gas companies over there have winter restriction. And two, if you could separate from the acquisition, I was wondering if you could add any colour to the fertilizer policy in India, when do you expect IPP and at what level?

Homi Khusrokhan: I think all the soda ash companies in Wyoming do have to watch out for extreme weather conditions in winter. They do continue to work, but occasionally there are sort of big snow storms and freezes up, temperatures go to minus 40 degrees. It is an extreme winter. But I mean they have lived with these conditions for over 100 years now. So I don't see any great issue there.

As far as the fertilizer policy is concerned, I think the government has to now change its policy with regard to DAP and for phosphatic fertilizers and we are hopeful that a new policy will recognize import parity pricing at least in that segment. We understand that the Ministry is recommending this to the cabinet very shortly. And hopefully, we will have some news within the next fortnight.

Ashwin Punjabi: This is for DAP you said.

Homi Khusrokhan: This is for, Phosphatic fertilizer, yes.

Ashwin Punjabi: What about urea?

Homi Khusrokhan: Urea, I am not sure about, that's such a great priority, but today, the main shortage in the sky rocketing prices on the phosphatics, basically rock and sulphur itself you know added fuel to the fire. So government perceives this as a problem, let's hope some favorable decision is taken by the cabinet in the next fortnight or so.

Moderator: The next question is from the line of Abhijit Attavar from ABN - Amro Asia Securities (Singapore) Pte. Ltd.

Abhijit Attavar: Just wanted to understand a bit more about the financials of GCIP, you mentioned that the EBITDA margins was 30%, is that the margin at USD 150 per ton prices?

P.K. Ghose: Revenues we can estimate at about USD 375 million for last year and we are talking of in excess of 30% EBITDA margins going forward.

Abhijit Attavar: Is GCIP a tax paying entity or do you have any carry forward tax losses there?

P.K. Ghose: There are no carried forward tax losses.

Abhijit Attavar: So we have to pay taxes at whatever marginal tax rate of 40 odd percent.

P.K. Ghose: No, their tax rates are at 20%.

Abhijit Attavar: 20%.

P.K. Ghose: Yes.

Abhijit Attavar: What would be your investment requirements for normal maintenance purposes for GCIP over the next couple of years? And would you be looking to raise capacity and if so, what would be the cost of raising capacity there?

R Mukundan: Abhijit, just one correction. I think since GCIP sells about 60% of its output within USA, the tax rate, the blended the way its works out overall blending blended tax I think it would be 22.5 we will confirm that range. With respect to raising capacity I think we will be looking for opportunities to increase capacity in all our more margin accretive assets which we own and the cost of increasing capacity in US is highly competitive. It is going to be one of he lowest cost of the figure.

P.K. Ghose: The sustenance CAPEX required for such mines is very nominal, it's about USD 3 to USD 4 million. As you know we are mining bed No. 17 and if we considered the next bed which is bed No. 14, and look at a slightly long-term 10-year scenario, then we will have to at a later stage invest about USD 30 million.

I think if we increase capacity by another 350,000 to 500,000 tons which is approximately the range which one can quickly debottleneck the cost per ton is less than USD 100.

Abhijit Attavar: And what is the normal price rise cycle for GCIP, does it happen in January every year or is it more likely in May and June?

R. Mukundan: The normal contracts except for India, for all our entities around the world are for a January to December cycle. And we are moving away from annual contract. Most of our entities are shifting in to six-month contract, and that's the way the contractual position is now in market too.

Moderator: The next question is from the line of Charulata Gaidhani from Almondz Capital Market Private Ltd.

Charulata Gaidhani: I want to know what is the demand for natural soda ash globally and in India?

R. Mukundan: Natural soda ash doesn't have any specific demand. Soda Ash has a global demand of 43 million tons. Natural Soda Ash is a way of manufacturing soda ash and that's about 30% of the capacity, 70% of the world capacity is synthetic.

Charulata Gaidhani: 70% synthetic. What is the price difference between synthetic and natural?

P.K. Ghose: No, none at all. In fact, Natural Soda Ash made in Wyoming is the best quality Soda Ash and it commands a premium.

Charulata Gaidhani: What is the price difference?

P.K. Ghose: There is none in fact, in marketplace they are hardly maybe 5%-6%, but what you do get is because of the quality is so good, it has a first right of entry into all the key customers.

Charulata Gaidhani: You plan to export this or sell it only through the US markets?

P.K. Ghose: 60% of their sales are domestic while 40% comprises exports.

Charulata Gaidhani: What is the percentage increase in the price over the last one year?

P.K. Ghose: Depending on which plant we are talking about and for which customers, the band of increase in prices is between USD 25 and USD 50.

Moderator: The next question is from the line of Chetan Vora from BRICS Securities.

Chetan Vora: I just wanted to know the logistics rate you know from US to Middle East countries and from US to Asian markets?

R. Mukundan: Freights again, let me just state that the broad spot freights would be anywhere between USD 60 and USD 70, but it's most of the exports of General Chemicals is handled mainly through Ansac has its own ships, partly and also works on pretty long-term contracts.

Chetan Vora: So what will be the rate, you know, will it be in the range of USD 50 to USD 70 per ton?

R. Mukundan: I don't want to be specific, but certainly I would say that Ansac because of its bulk negotiating position probably enjoys the benefits of bulk negotiation rates.

Chetan Vora: Whether it will be cost competitive for you know, goods are being exported from US to India?

R. Mukundan: If you look at the cost structure which we explained to you the material from US on a cash cost basis, broadly can land at about USD 280 - 300

Moderator: The next question is from the line of Sumant Kumar Karvy Stock Broking.

Sumant Kumar: My question is what is the net profit for General Chemical in FY07?

P.K. Ghose: Net profit we cannot give at this moment because the audited accounts are not out yet.

Sumant Kumar: So one of my questions is the US economy and housing sector in USA is going down, so how you expect in one or two year soda ash demand will be low, and if you will export from there it will impact on bottom-line for General Chemical? What is your view on that?

Homi Khusrokhan: There are lots of opportunities particularly in Latin America which is growing almost at the same rate of India and China. Already 40% of the production of General Chemical is exported. So demand in the US is not going to make much difference to this company there is enough demand around the world and therefore we don't take our view that there will be slow down in the soda ash.

Moderator: The next question is from the line of Shelma Dcunha from Treeline Investment Advisory Services.

Shelma Dcunha: I wanted to know to what extent will this entire acquisition if it will, affect operations in India, both with respect to the organic and the synthetic sector?

Homi Khusrokhan: I do not think there is any direct impact on India as there is such a huge market around the world. There is yet another location on from which the source material is a very low cost material. It will improve the overall profitability of the business. There are also synergies through efficiencies in distribution. We get flexibility in sourcing, we get new customers, new geographies, so the advantages are not really India centric it is around the world.

Moderator: Our next call is from the line of Ashwani Agrawalla from Infinity.com Financial Securities Ltd.

Ashwani Agrawalla: Few questions. Sir is there any off balance sheet item which needs to be taken care of from GCIP or any other liabilities?.

P.K. Ghose: No there is no off balance sheet item, but Mukundan may like to clarify on the liabilities

R. Mukundan: In our enterprise value number, there are certain liabilities we have taken into account which will come on to us during the lifetime of the mine. Certainly when we run a mine when there is a mine closure cost which has to be taken into the account let say after 35 years then the bed No. 14 takes us to 100 years, so at the end of 100 year again there is end of life calculation one has to put in. These are detailed numbers which are calculated by mining engineers who are pretty clear about what that number is, but when you do enterprise value by the time you that you take a hit in the 35th year and role it forward at a discount rate it has minimal impact. That is really the methodology. We have used a very standard methodology in terms of calculating the operational cash flows.

Ashwani Agrawalla: Sir the bridge loan which you have taken as it with recourse or without recourse in the balance sheet of Tata Chemicals.

P. K. Ghose: Right now the bridge loan is guaranteed by TCL but once we convert this into a term loan it will be without recourse.

Ashwani Agrawalla: Sir what are the prices for coke and coal and phosphoric acid which you are contracting for in FY09.

R. Mukundan: With regard to coal and coke you would know most of the coal and coke contracts from the index which is available publicly and essentially coke is running at about between USD 450 to USD 500 a ton, coal is running in excess of USD 120 to USD 150 a ton depending on various source coal from whether it is Indonesian coal or is it a South African coal. So broadly that is the kind of band and you want to compare with the last year what is quoting today at USD 120 odd a ton was selling at USD 50 a ton year ago.

Ashwani Agrawalla: You had some expansion plants at Mithapur and Babrala, when are they getting completed sir?

P. K. Ghose: Babrala should be debottlenecking by the end of this year and Mithapur expansion plan is pending with the government for environment approval and that expansion plan is a comprehensive scheme which takes the Mithapur site to 1.5 million tons.

Ashwani Agrawalla: When it will be completed?

P. K. Ghose: We can not give a figure exactly but usually these kind of expansion plans post the environment approval take anywhere between 24 months to 36 months.

Ashwani Agrawalla: Sir what is the status of biofuel plants, when is it likely to produce commercially?

Homi Khusrokhan: It is not the subject of this call, but to answer that, the first center will be up and running by April.

Moderator: The next question is from the line of Vivek Kumar from Anand Rathi Securities Pvt. Ltd.

Vivek Kumar: Most of my questions have been answered but I would like to know if there any major addition in the capacities are you witnessing around the world in soda ash?

R. Mukundan: I do not think there is any major addition, but some of the capacities of China which closed down because of the shifting of certain factories are gradually coming back on stream. At the same time, the Chinese demand is so high that we have not seen any significant increase in exports out of China.

Homi Khusrokhan: I think as the Chinese demand is so great we are not seeing any impact of these capacities in any other country.

Vivek Kumar: So more or less the demand supply situation is tight.

Homi Khusrokhan: Very tight just now.

Moderator: The next question is from the line of Jamil Ansari from the Lehman Brothers.

Jamil Ansari: Just wanted to understand the difference in realization for GCIP compared, is it just because of the freight cost? Why is it so low at USD 150.

R Mukundan: I can give you some pointers what you could do for your mathematics without leading you forward in any direction. Internal freight in US is about USD 40 broadly depending upon where you are selling it and I am just saying is a broad thumb route freight from US to many markets will vary between USD 60 to USD 70 broadly so that should give you mathematics so how to arrive and what is the end market price.

Moderator: The next question is from the line from Pramod Gupta from Principal PNB Asset Management Co. Ltd.

Pramod Gupta: Can we expect just to get consolidated from the current quarter or will it take time?

P. K. Ghose: No, because there has been only three or four days operations we will not be taking revenues of General Chemicals this year, we will consolidate only at the balance sheet level and starting next year we will consolidate in the P&L.

Pramod Gupta: What will be the total debt on the books post this acquisition on a consolidated basis that we will have?

P. K. Ghose: You will add another 850 million to the debt as on 31st December 2007 which was a little less than 500 million.

Homi Khusrokhan: See on a consolidated basis the debt equity ratio will be 1.4:1.

Pramod Gupta: Lastly I just want to know is there any more plan to dilute or sell off some of the other investments?

Homi Khusrokhan: As I said last time also that we only sell these investments when there is need. As of now we do not see any immediate need. We have financed the entire acquisition but that ability to use that has been proved now. We have actually monetized some of those investments.

Moderator: The next question is from the line of H. R. Gala from Quest Investment Advisors.

H. R. Gala: This 375 million revenue which you said is only of GCIP can you just give some flavor as to how much is that other company which has owned 75% GCSAP its revenue?

Homi Khusrokhan: No it is a holding company, I mean, mining operations are done by the company which is at the next level GCSAP.

H. R. Gala: Okay. My second question is what is the current ruling price of soda ash in India and generally in world, current ruling price?

P. K. Ghose: It depends on market to market but the spot price band is between USD 300 to USD 350.

H. R. Gala: Okay so it has almost more doubled than what average price we are working out for GCIP am I right?

P. K. Ghose: No. The USD 300 – 350 price is freight inclusive

H. R. Gala: USD 300 to USD 350 is CIF.

P. K. Ghose: That is right.

H. R. Gala: Whereas at USD150 which the notional price we worked out was FOB?

P. K. Ghose: It is ex mine. Just one more clarification to be made so that you are on the right track. USD 300 to USD 350 please remember is the spot price. As compared to this we have long term customers all across our sites, therefore the prices need not be the same because there long term contracts are over a longer period.

H. R. Gala: So how much would be the differential between those spot and long term contract, very roughly?

R. Mukundan: It depends from customer to customer.

H. R. Gala: Do you expect this price increasing trend to continue since the demand for glass etc is going to remain high in almost all the markets excluding probably US where there is housing slump?

R. Mukundan: It is not the demand I think if you look at the cost of manufacture has gone up

H. R. Gala: Coke, coal etc.

P. K. Ghose: For synthetic soda ash coal and coke costs are critical. Last year when we were discussing this, the coke prices were at USD 200 a ton, it has closed at USD 450 or USD 500 per ton. Coal was at 50, it has gone up to 120 so you can appreciate the impact of cost price increases

H. R. Gala: Is that one of the reasons why in the segmental results that we are giving in the results the PBIT percentage for inorganic chemicals which I think is mainly soda ash has drastically comedown in this year as compared to last year for consolidated numbers? The standalone difference is not really much. If you see nine months there is hardly 2% differential and I think in Q3 there was hardly any difference. I am talking about consolidated.

P. K. Ghose: In the last conference call, I had given a very clear explanation of this. One was that there was some problems in the Kenya operations as you know, because of the political situation, which resulted in some loss of production. Second was that there were high cost loans in Kenya, which we had paid off, so last quarter's statement included a onetime prepayment premium. The third reason has been the change in the pound-dollar substantially in the UK as compared to the corresponding quarter of the previous year.

In Mithapur we lost some production because of the monsoons earlier which slowly has been made up subsequently.

H. R. Gala: With this GCIP acquisition what you are saying that is giving EBIDTA margin that before interest, depreciation, and tax of 30% plus, I think overall our operating margins should improve on a consolidated basis?

P. K. Ghose: Yes.

Moderator: The next question is from the line of Trilok Agarwal from Birla Sunlife Insurance, Investments and Treasury.

Trilok Agarwal: The total capacity utilization is full 2.5 million tons there in GCIP.

Homi Khusrokhan: No as Mr. Mukundan has said the capacity is about 2.6.

Trilok Agarwal: And the utilization is close to production is 2.5.

Homi Khusrokhan: Close to full capacity.

Trilok Agarwal: Is there any kind of mention liabilities on GCIP employees or something like that?

P. K. Ghose: Yes there are but they are very negligible. The total medical plus pension liabilities would amount to hardly about USD 28 million both taken together.

Trilok Agarwal: As you rightly mentioned in the call that the contract is been renewed in January every year. Can you just give us sense of how is contract prices going to be for the year.

R. Mukundan: Contract prices I said I will not be specific on any numbers because we have got a range of plans.

Moderator: The next question is from the line of Rishi Shah from NVS Brokerage Pvt. Ltd.

Rishi Shah: I wanted to know the reasons for your selling investments in the companies of your group, Tata Consultancy Services only to finance the acquisition?

Homi Khusrokhan: As I had always said when asked the question earlier that if the need arises, it is like part of our warchest we have investments that can be monetized provided there is a good reason to doing it and we had a good reason.

Moderator: The next question is form the line of Hemal Marfatia from Yashwi Securities Pvt. Ltd.

Hemal Marfatia: Congratulations on the takeover.

Homi Khusrokhan: Yes thank you.

Hemal Marfatia: I wanted to know whether we have taken any provisions, against any increase in interest rates?

Homi Khusrokhan: We have tied up our borrowings on these rates, so I do not think any need any further provisions now.

Hemal Marfatia: At the times of global uncertainty how do you see the consolidated performance of a company?

Homi Khusrokhan: I think we are very well insulated against any sort of major swings now. As I said right in the beginning that gives us strategic advantages we have yet another source of low-cost soda ash. We are protected against the down swings on the cycles. I think this acquisition is certainly very good for us in the longer term.

Moderator: The next question is from the line of Kavita Parab from Axis Shares and Securities Private Limited.

Kavita Parab: You mentioned that you have access to 75% of cash flow of that glass manufacturing company.

Homi Khusrokhan: No, of General Chemical soda ash partners GCSAP. We have 75% of equity and 25% of the equity with that company is owned by Owens Illinois which is the largest container glass manufacturer in the world.

Kavita Parab: Can you give me post acquisition operating margin?

Homi Khusrokhan: As such there is an improvement in the overall operating margin of the company because of the acquisition and the access to a natural soda ash operation. We do not give any guidance.

Moderator: The last question is from the line of Ghanshyamdas Agarwal from Kelusa Capital Asia Pte. Ltd.

Ghanshyamdas Agarwal: When you said USD 375 million of revenue is it for the 75% stake or is it for the 2.5 million, because if I take 75% and the realization is USD 200 which I think is published list price for GCSAP?

Ghanshyamdas Agarwal: Basically you know this GCSAP price list which is published sometime in May every year gives an average realization of 185 to 205, I was just wondering you know why is this difference?

R. Mukundan: Let me just explain. I think there have been some interim prices, the way it is done is the contracts are negotiated January to December but pricing increases in the list price can happen any time in the year.

Ghanshyamdas Agarwal: Is the pricing set in January or in May?

P. K. Ghose: January.

Ghanshyamdas Agarwal: The long term prices?

Homi Khusrokhan: January.

Ghanshyamdas Agarwal: And second question I have heard that we are looking to expand capacity significantly in this company, new company.

Homi Khusrokhan: Probably debottlenecking year-to-year but I think no significant substantial expansion.

Homi Khusrokhan: Minor debottlenecking every year.

Moderator: Ladies and gentlemen that was the last question. At this time I would like to hand the floor over to Mr. Homi Khusrokhan for the final remarks. Over to you sir.

Homi Khusrokhan: Thank you very much for all the interest you have taken. I think personally this is an extremely important and strategic acquisition for the company which would really be a turning point in the company's fortunes in the years ahead. The small debt we have taken today will be worked out with the system within four to five years and I think longer term this acquisition is going to give us huge amount of value. We also very proud of the fact that we could complete the acquisition so rapidly within as I said 75 days and more than that we could even tie up the financing and almost concurrently with the completion of the transaction, announce the funding proposals. So all in all we feel quite satisfied and happy within the company today and I think over the years we will see great benefits coming from this. Thank you very much.

Moderator: Thank you Mr. Khusrokhan. Thank you gentlemen of the management and Mr. Desa. Ladies and gentlemen that concludes this evening's conference call. Thank you for joining us on the Chorus Call Conferencing Service. You may now disconnect your lines. Thank you.