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Company	Coromandel International Limited
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Operator:

Thank you for standing by and welcome to the Q1 FY11 earnings conference call for Coromandel International Limited hosted by Enam Securities. At this time, all participants are in a listen-only mode. There will be a presentation followed by a question and answer session at which time if you wish to ask a question, please press *1 on your telephone. Please be advised this conference is being recorded today. I would like to hand the conference over to Mr. Parikshit Shah. Over to you, sir.

Mr. Parikshit Shah:

Good morning everyone. On behalf of Enam Securities, I welcome you to the first quarter's conference call of Coromandel International to discuss results. We have with us Mr. Nagarajan, Chief Financial officer, and Mr. Shankar Subramanyam, Vice President, Finance. Without further ado, I would like to handover the floor to Mr. Nagarajan for the initial remarks followed by a Q&A session. Over to you, sir.

Mr. Nagarajan:

Good morning, Parikshit. Good morning to all of you. I am Nagarajan, CFO of Coromandel International Limited. My colleague, Mr. Shankar, Subramanyam will be joining me shortly. To start with, the overall performance for the company during the quarter has been pretty good. Thanks to good sales of fertilizers and the improved performances of agro chemicals and specialty nutrient businesses. It must be gratifying to note that the southwest monsoon has now covered the entire country and has made a good progress in our marketing territory including Andhra Pradesh, Karnataka, Tamil Nadu, Orissa, Maharashtra, etc. During the quarter, we achieved a total production volume of 6.36 lakh tons of phosphatic fertilizers which is more or less in line with last year's volume of 6.6 lakh tons. As regards the sales, we achieved a total sale volume of 6.06 lakh tons compared to 7.17 lakh tons achieved in the first quarter of last year. The last year sales was higher mainly due to liquidation of opening inventory which we had accumulated. Some of the highlights of this quarter's performances are the nutrient based subsidy policy that is the NBS has come into effect from 1st of April 2010. The NBS has been extended to single super phosphate that is SSP effective May 01, 2010. All our phosphatic fertilizers including SSP are now covered under NBS. Besides product subsidy, the companies are also given freight subsidy for all the rail and road movement. As regards the financials are concerned, the net sales income for the quarter was marginally lower at 1548.87 crores compared to 1587.98 crores during the corresponding quarter last year. The marginal drop in turnover is due to lower fertilizer sales in the current first quarter.

Effective April 01, the company has increased the selling price of its fertilizer, the range between 600 top 800 per ton excluding SSP. SSP, there has been no increase in the selling price. In the case of SSP in fact there was a reduction in the selling price, consequent to the increase in subsidy as the same has been aligned to the NBS policy. As regards the profitability, there is an increase in EBITDA from 107.64 crores to 210.13 crores an improvement of about 95%. This improvement in EBITDA has come about mainly due to better procurement strategy in the fertilizer business with respect to raw materials, timely sourcing of key raw materials like phosphoric acid to maximize medication, increase sales and contribution from pesticides and specialty nutrient businesses, stable raw material prices in the current quarter, compared to volatility witnessed during the last year first quarter which impacted the inventory holding cost in the last year. The PVT for the quarter is 177.45 crores compared to 76.15 crores during the corresponding quarter of last year. The net profit after tax is Rs.121.45 crores compared to 52.15 crores in Q1 of last year reflecting an improvement of about 123%. Interest cost for the quarter was lower due to lower cost of borrowing by tapping cheaper sources of funds. During the quarter, the company has acquired 100% of equity share capital of M/s. Pasura Biotech Private Limited which operates a pesticides formulation plant at Jammu. The board has approved merger of Pasura Biotech Private Limited which is a wholly owned subsidiary company with the company. In line with the strategy for the pesticides business, the technical grade manufacturing facilities have been consolidated at the new plant at Ankleshwar, Gujarat. Consequently, the manufacturing operations relating to these products have been suspended at the Navi Mumbai Plant. As part of the overall strategic increase in the production capacity of phosphatic fertilizers from the current 3 million to 4 million tons, the board has approved a proposal for setting up an additional granulation train at Kakinada. This project would involve a capital outlay of about Rs.330 crores and the project will take approximately 16 to 18 months. We also expect that TIFERT project that is the Tunisian Joint Venture project to be commissioned by the first quarter of 2010 and phosphoric acid supplies from this project will resume from June 2011 onwards. That is all I have to say as regards to quarter one performance is concerned. Any questions, please.

Operator:

Thank you. At this time, participants who wish to ask a question, please press *1 on your telephone and wait for your name to be announced. First in line, we have question from Mr. H.R. Gala from Quest Investment. You can go ahead.

H.R. Gala:

Hello.

Mr. Nagarajan:

Yes.

H.R. Gala:

Yes, Mr. Nagarajan, congratulations for very good set of numbers.

Mr. Nagarajan:

Thank you.

H.R. Gala:

Yes, seeking clarification on this Kakinada expansion. Are we going in one shot to 1 million ton expansion?

Mr. Nagarajan:

No. This expansion will increase the capacity by about 6 to 7 lakh tons depending upon the product that we decide to manufacture there, but in addition we are also carrying out some debottlenecking operation as a result of which our capacity will go up to about 3.2. From 3.25 this expansion will take it up to 4 million.

H.R. Gala:

Okay, together with the debottlenecking.

Mr. Nagarajan:

That is right.

H.R. Gala:

And that the total 330 crores capex which we are planning?

Mr. Nagarajan:

That is right.

H.R. Gala:

Okay. And you said the date of commissioning of this will be quarter one of calendar year 2011?

Mr. Nagarajan:

No. This will take about 16 to 18 months to complete, which means that it would be sometime towards the end of 2011 calendar year.

H.R. Gala:

Okay. So, you mentioned about the quarter one of 2011. Which was that project?

Mr. Nagarajan:

That is the Tunisian project.

Mr. Nagarajan:

Commissioned by first quarter of 2011. The increase asset acquirement will be available from that project from the first quarter of 2011.

H.R. Gala:

2011 onwards, okay fine I understand. Sir, can you throw some more light on this exceptional item of 21.16 crores, the raw material shipment detained by some third party claim and all that?

Mr. Nagarajan:

Yes, this is one of our _____ import. The ship was on its way to India, en route it was arrested or detailed by one of the parties who had supplied some material to this ship owner and the ship owner obviously appears to have not paid. There were quite a few claims against the ship owner. So, we are in the process of getting the ship released, and in the mean time of course as a matter of caution we have provided for this cargo liability.

H.R. Gala:

Okay. Where exactly the cargo is lying currently?

Mr. Nagarajan:

Somewhere near the African coast.

H.R. Gala:

Oh, it is at the African port, okay. So, do you think the resolution of these issues to take place in the next few months?

Mr. Nagarajan:

It should get resolved very soon.

H.R. Gala:

Very soon, okay. And sir how do you see our EBITDA shaping up going ahead because we have seen substantial jump in EBITDA margin for some of the reasons which you have indicated, the procurement efficiency and other things.

Mr. Nagarajan:

See, you have been seeing our performance over a period of time. It has shown a steady growth and we expect to continue on the same way. The season has been good and the sales has been pretty brisk and we do not see any difficulty in maintaining our levels.

H.R. Gala:

Okay. Sir, what is the level of total debt, consolidated debt?

Mr. Nagarajan:

As of end June, one second; can I just check and come back to you?

H.R. Gala:

Yes, sure sir, anyway. Wish you all the best, sir.

Operator:

Shall we take the next question?

Operator:

Thank you sir. Next in line, we have a question from Mr. Bharath Seth from Quest. You can go ahead sir.

Mr. Nagarajan:

I am able to hear you, tell me.

Mr. Bharath Seth:

Hello sir, this is Bharath Seth from Quest. Sir, just congratulations on a good set of numbers. Now, we want to know two to three; our strategic plan I is for this agri-compost that we are going ahead. Last year we did around 80,000. So, how do you see I mean over a two three years timeframe of this agri-composition, how is the profitability vis-à-vis chemical fertilizer?

Mr. Nagarajan:

Well, this is one of those areas where we have mentioned it even in our investor meet that we had recently. Currently, last year we ended with a volume of about 80,000 tons. We are working on a strategy to take it up to about 10 million tons.

Mr. Bharath Seth:

Million tons?

Mr. Nagarajan:

Yes, over the next two to three years' time.

Mr. Bharath Seth:

Okay. And sir, how is profitability vis-a-vis this chemical fertilizer?

Mr. Nagarajan:

It is not comparable. In fact the margins are not comparable, but this is basically volume gain.

Mr. Bharath Seth:

Okay. And second thing sir, recently we have started providing our services to the farmer for mechanized harvest. So, can you elaborate on that our strategy and how do you see I mean going ahead?

Mr. Nagarajan:

Yes, as explained by us at the recent meet, see this is one of the future growth area. Consequent to the labor shortages available in the rural area, we are planning to provide machinery required for transplantation as well as for harvesting. To start with we have taken this operation in about 800 acres we have completed in the first quarter. We want to scale up this volume to the, this we did in one district of Andhra Pradesh, but we proposed to take it up to other districts of Andhra Pradesh as well.

Mr. Bharath Seth:

Hello. Sir, what is our revenue model for this, can you explain? And going ahead where do you see I mean what easier ways?

Mr. Nagarajan:

See, these are our own machineries. We will be providing the services using this machinery for an income, right.

What I am trying to say is we are not renting out these machines. We are operating the services and providing the services to the farmer.

Mr. Bharath Seth:

Okay. Providing the services we are not renting out.

Mr. Nagarajan:

No, we are not renting out. We are providing the services and all . . .

Mr. Bharath Seth:

Charges are on acre basis?

Mr. Nagarajan:

Sorry.

Mr. Bharath Seth:

Charges, I mean how do we recover from the farmer?

Mr. Nagarajan:

We recover the charges in advance in fact.

Mr. Bharath Seth:

No, and what are the charges, I mean they . . .

Mr. Nagarajan:

Charges depend on the various services. We do the transplantation operations, a number of other services we are providing, and the charges are being recovered based on the services being rented. What is very important is scaling up the volumes.

Mr. Bharath Seth:

And can you give some guidance regarding our volume growth. Do we encase with . .

Mr. Nagarajan:

You know we do not give normally any guidance from this thing. Last year we ended up with a volume of 2.6 million tons. We expect to improve on this in the current year.

Mr. Bharath Seth:

And sir, on the pesticide side do you, how much do we expect?

Mr. Nagarajan:

Sorry, sir.

Mr. Bharath Seth:

Pesticides?

Mr. Nagarajan:

Pesticides again, we have done quite well. The season has just started. The season really starts in the second quarter of the year and it has just started pretty well.

Mr. Bharath Seth:

Okay. Thank you very much sir, that is from my side.

Mr. Nagarajan:

Thank you.

Operator:

Thank you sir. Next question comes from Mr. Bharath Subramanyam from Sundaram BNP Paribhas. You can go ahead sir.

Mr. Bharath Subramanyam:

Good morning sir.

Mr. Nagarajan:

Good morning.

Mr. Bharath Subramanyam:

Just a couple of questions. For last year have the concessions rates been announced from July to March?

Mr. Nagarajan:

No, the concession rates from July 2009 to March 2010 is yet to be announced. We are waiting for the announcement.

Mr. Bharath Subramanyam:

Okay. So, will it be fair to assume that then whatever we provided until date would have been based on our estimate.

Mr. Nagarajan:

Correct, correct.

Mr. Bharath Subramanyam:

And would it be similar to what was announced for Q1 or would it be a bit different based on your assessment?

Mr. Nagarajan:

But it is based on the formula. There is a certain formula provided first and estimate the raw material prices and we have accordingly provided for the income. These prices may marginally but then we do not expect any, the income being lower than what we have estimated.

Mr. Bharath Subramanyam:

Okay, fine. Now, when you stir up a case for the incumbent higher than what you have estimated. That is, in terms of our provisioning, have you been a bit conservative in terms of . . .

Mr. Nagarajan:

See, we have generally been conservative.

Mr. Bharath Subramanyam:

And there was an item called other sales in the last year's annual report for almost 380 crores. Would it be the sales through a monogram center?

Mr. Nagarajan:

This 380 crores includes gypsum sales, it included the other than fertilizer, pesticides, you are working about others appearing in sales?

Mr. Bharath Subramanyam:

Yes, sir.

Mr. Nagarajan:

It excludes fertilizers, plant protection can occur, and all other things are there, like you know the specialty nutrient is some, then you are right, the training volumes through MG6 monograma centers are will be include.

Mr. Bharath Subramanyam:

Okay. Sir, monograma centers alone would have been achieving a turnover of around 200 crores as of last year. I do not have the figures readily, but it may not be so high. Monograma center, you are talking about last year figures, is not so?

Mr. Bharath Subramanyam:

Yes, sir.

Mr. Nagarajan:

Last year, this is the tradal volumes. I am not talking about own product, vis-à-vis turnover from other third party partners.

Mr. Bharath Subramanyam:

Okay, fine. Sir, and you know, I was just reading through some of the initiatives like you know, you are trying to provide more flexibility to the Vizag plant in terms of handling various types of rocks. So, you know would it mean that you will be able to tap other sources of rock and you know process it over here apart from the traditional suppliers?

Mr. Nagarajan:

You are aware, we have a pilot plant a one of which kind in Vizag, wherein we have the facility to try out various sources of that. So, what we do from time to time we import small quantities of various grades like countries like Tunisia, Vietnam, and a number of other sources we have been tapping regularly. So, which our rock suits her whichever rock can be blended with other rocks, we try and use it and then take it to the main plant. We are a flexibility, you are right.

Mr. Bharath Subramanyam:

Okay, fine. Sir and in terms of our tie-up with SQM for water soluble fertilizers, where are we now at this point of time.

Mr. Nagarajan:

We have got the, now the clearance was from the Pollution Control Authority. Hopefully, by the end of this year, before the end of this year, the plant should be commissioned.

Mr. Bharath Subramanyam:

And what size would it be sir, roughly?

Mr. Nagarajan:

Sorry.

Mr. Bharath Subramanyam:

What kind of size are we looking at initially?

Mr. Nagarajan:

Normally size, it is about 20,000 tons but I need to check, I do not have the figures readily, I can check and get back to you.

Mr. Bharath Subramanyam:

Fine, sir. And in terms of product-wise you know product mix overall. You know, we are just looking at the volumes that you know we have done between FY09 to FY10 there has been a shift in certain products in terms of volumes in terms of push. Is it more market drive or is it from our end you know say in case of FY10 you know we notice that 14:35:14 was much lower than what it was in FY09. So, how do that changes happen, is it more market driven changes or is it that you know we push the products where we you know see a higher contribution?

Mr. Nagarajan:

There are two to three factors that determine the product mix. One is the availability of the phosphoric acid. See in this quarter, as you said availability was much better compared to last year and the second thing was it is definitely market driven, market requires different grades of fertilizers for different crops. So, we have a market for almost all these grades. The third thing of course takes into account the contribution margin also.

Mr. Bharath Subramanyam:

Okay. So, but in terms of swinging between say two products, how elastic is the demand for that if you were to say push between say 14:35:14 and an equivalent product of 20:20:13, I mean how would the elasticity be normally in case of these products.? Is it so rigid that you can only push up to some extent or is it?

Mr. Nagarajan:

All products ultimately you have to take into account the market demand also. But there has not been much shift. If you see last year I did about 1.5 lakh tons of 20:20, this year I have done 1.46 lakh tons of 20:20, these is hardly any gap. Similarly, 14:35 was in fact this year it is lower compared to last year 14:35:14. On the other hand DAP has been slightly higher. There is not much of change compared to last year in terms of product mix, but definitely we do take into account market requirement.

Mr. Bharath Subramanyam:

Okay. Sir, and lastly in terms of ammonia sourcing you know how does the pricing happen for us? Is it benchmark with each shipment or do we have a fairly longer term pricing for ammonia?

Mr. Nagarajan:

We have a fairly long term agreement in so far as supplies are concerned. The prices are benchmarked to international pricing.

Mr. Bharath Subramanyam:

Okay, fine. I mean in terms of pricing would it be again fair to assume that similarly to FOS we might have a quarterly arrangement or again it is even more shorter?

Mr. Nagarajan:

No, it is not quarterly any more.

Mr. Bharath Subramanyam:

Okay. Fine, sir. thank you, that is all from here.

Mr. Nagarajan:

Thank you.

Operator:

Thank you sir. Next question comes from Mr. Prakash Goel from ICICI. You can go ahead sir.

Mr. Prakash Goel:

Good morning sir. Congratulations on a very good set of numbers.

Mr. Nagarajan:

Thank you.

Mr. Prakash Goel:

Yes, just a couple of things. Beginning with, what has been the volume, it could not take down the number, this quarter versus last year same quarter?

Mr. Nagarajan:

In terms of production, last year was 6.6 lakh tons, this year it is 6.37 lakh tons. Sales last year was 7.17 lakh tons, this year it was 6.05 lakh tons.

Mr. Prakash Goel:

Okay, sir. And the other thing which I wanted to understand, like you know if I am building the model, what kind of EBITDA margin per ton is something sustainable. We have been seeing a very fluctuating trend in the past. Obviously, it has been improving over the period with NBSS policy coming in place. So, what is the kind of margin is sustainable?

Mr. Nagarajan:

It is difficult to predict the margins, but the whole thing is the price of phosphoric acid and the price at which you are able to sell in the market. See, today the market is open to you. If tomorrow there is a fluctuation in the price of the raw material, then you should be able to effectively cover it in your price cost.

Mr. Prakash Goel:

Okay. And your ability to influence the margin through product mix, I guess Bharath has asked this question. Just try to understand like you know over the period, would you be able to drift the product mix towards high margin product compared to a low margin product? Would it be . . .

Mr. Nagarajan:

We are able to do in subject to market consideration. As Prakash said, I cannot ignore the market altogether, but the only thing is we have developed, over a period of time, we have developed a number of products which contain different nutrients and which we can cater to different crops and different soils. So, we have a wide flexibility in terms of product mix. That gives us a tremendous advantage.

Mr. Prakash Goel:

And if I understood correctly that the volumes manufacturing in PNK with the Kakinada expansion would reach about 4 million tons by FY13?

Mr. Nagarajan:

That is right, not by FY10-11, by FY2011.

Mr. Prakash Goel:

Okay. So it means a full year impact would come in FY13?

Mr. Nagarajan:

Correct.

Mr. Prakash Goel:

Thanks sir. That is all from my side, thank you.

Operator:

Thank you sir. Next question comes from Mr. Prashant K Srisagar from Unibet Corporate Private Limited. You can go ahead sir.

Mr. Prashant K Srisagar:

Congratulations sir on excellent results.

Mr. Nagarajan:

Thank you.

Mr. Prashant K Srisagar:

I just wanted to have one clarification. In the opening remarks, you had said about the production of 6.37 lakh tons, that is phosphatic fertilizers and DAP or it includes SSP also?

Mr. Nagarajan:

This includes SSP of 16,000 tons, rest of it is all DAP and complex fertilizer.

Mr. Prashant K Srisagar:

Would you give us a figure of DAP for that production on field.

Mr. Nagarajan:

See phosphatic fertilizers includes DAP.

Mr. Prashant K Srisagar:

Okay. Separate figures are not available which you could have given the annual figures?

Mr. Nagarajan:

DAP is 2.3 lakh tons.

Mr. Prashant K Srisagar:

2.3 lakh tons is DAP. Okay, thank you, sir. That is it.

Operator:

Thank you sir. Next question comes from Mr. Jayesh Shah from Reliance Mutual Fund. You can go ahead sir.

Mr. Jayesh Shah:

Good morning sir. Hello.

Mr. Nagarajan:

Hello, yes.

Mr. Jayesh Shah:

Good morning sir. Sir, my question was, some of the fertilizer companies are talking about expanding their market from Maharashtra to North like in Punjab and Haryana. What are your plans in future? In future two to three years down the line, do you plan to expand your market from Karnataka, Andhra Pradesh, Orissa, Maharashtra to North?

Mr. Nagarajan:

Well, as you know, fertilizer is a highly freight-sensitive item. It cannot be moved to very long distances and today there is a policy of allocation by Government of India. The government says yes you must go and sell a small quantity or whatever quantity in Punjab or Haryana, we have no more option but to sell it. The government obviously gives us the railway freight wherever we sell. But we have a fairly good market share in some of the southern states as well as in Maharashtra and Orissa. So, we would rather like to focus our attention on these markets and these markets can absorb whatever we produce.

Mr. Jayesh Shah:

Okay. So, you do not plan to set up any plants in north, I mean have not planned?

Mr. Nagarajan:

No, we have not thought of it.

Mr. Jayesh Shah:

No. And sir, regarding phosphoric acid in Q1 all the companies said they were getting phosphoric acid for 775 dollars. Is that the same rate in this quarter also, or the rates have decreased for it?

Mr. Nagarajan:

The price for Q2 has been fixed at 780, marginally higher by 5 dollars.

Mr. Jayesh Shah:

Oh, 780 dollars. Okay, sir. And this will be stable or will it go down in Q3-Q4?

Mr. Nagarajan:

I have no idea. Too early to predict.

Mr. Jayesh Shah:

Okay. And sir regarding long-term contracts, in future in FY12, would you be going for a one-year contract for volumes in prices or will this continue on quarterly basis?

Mr. Nagarajan:

No, volumes are decided on an annual basis and we have a long term contract. After all the prices, these are negotiated between the parties between the supplier and the buyer depending on the market price movements.

Mr. Jayesh Shah:

So, right now it is done on a quarter basis?

Mr. Nagarajan:

Right now it is valid for the quarter.

Mr. Jayesh Shah:

So, in future, could we see a scenario where they would be decided for an yearly basis?

Mr. Nagarajan:

No, it depends. How volatile is the market. You know, it is very difficult to predict. If you are going to come across a volatile market, then the parties may not agree for a long term pricing. If there is a fairly stable pricing, they may agree. It depends on how the parties negotiate.

Mr. Jayesh Shah:

Okay, sir. And sir, my last question would be, could you just give a breakup of sales, how much for fertilizers and how much for pesticides and others for this quarter?

Mr. Jayesh Shah:

We don not normally give the segment-wise results, but as we mentioned in our relay, all the divisions have performed well. Fertilizers have shown a significant improvement in terms of profitability. The pesticide and the specialty nutrient business also has shown a good growth. But the real test is in the second quarter which is a season.

Mr. Jayesh Shah:

Okay. And sir, regarding specialty fertilizers, what kind of nutrients would be zinc, boron, or what, because there are a lot of reports mentioning that zinc is deficient in Indian soil. So, what share will be it for the company?

Mr. Nagarajan:

We are basically into four segments in specialty nutrients. One is the sulfur segment where we are the market leaders. Then we have the micro nutrients like zinc and boron where again we are building up the volumes in the last few years. Then there is the organic compost which as I have already mentioned to you, we started up about two years back with a small volume of say less than 20,000, last year we ended up at 80,000. Going forward on our target is to take it up to about one to two million tons. This is another big area. Then, we are also going into water soluble fertilizers. Today, currently, we are producing some of the water soluble fertilizers in our own plant, but most of it is traded from our imports. Going forward we have kind of a joint venture agreement with SPM, and we should be able to scale up the volume in this business as well.

Mr. Jayesh Shah:

Okay, sir. Thanks a lot, sir.

Mr. Nagarajan:

Thank you.

Operator:

Thank you sir. Next question comes from Mr. Ritesh Poladia from Almond Global. You can go ahead sir.

Mr. Ritesh Poladia

Thank you very much sir. Sir, on SSP, the MRP has fallen mainly on the rise in the subsidy. Do you believe that there would be a chance that farmers would increasingly replace DAP with SSP?

Mr. Nagarajan:

Definitely, there is a fall in the price of SSP, it was around 4500 to 5000, it has now come down to 3200 rupees. But you must understand that SSP catches a certain segment of the market, it cannot replace DAP per se, just a very small percentage it can, especially in the case of small farmers, it can have some impact, but really speaking SSP function does not have nitrogen whereas DAP has got 18 units of ion. So, it is not a one to one substitute as such, it cannot be a substitute, and the price reduction has helped in increasing the volume of sales of this.

Mr. Ritesh Poladia

Okay. But the price reduction and the subsidy increase, I guess, profitability has improved for SSP?

Mr. Nagarajan:

Yes.

Mr. Ritesh Poladia

That would be as you mentioned greater than the DAP?

Mr. Nagarajan:

It is not greater than DAP, I will not put it that way. See, today SSP, earlier SSP was an kind of ad hoc subsidy. There we just linked to NVF. So, the subsidy for SSP is now linked to the peak content equivalent to DAP.

Mr. Ritesh Poladia

Okay. Just to put the question in a different way. Given a choice, would you produce more DAP or SSP?

Mr. Nagarajan:

No, we will produce both. This is not a substitute. See, SSP is a different operation, completely different than DAP. I cannot produce SSP in DAP plant.

Mr. Ritesh Poladia

No, just given a choice, in terms of where the profitability is more?

Mr. Nagarajan:

Profitability, as I told you has improved in the case of SSP, but we will definitely go all out and produce SSP, but it is not a substitute for DAP.

Mr. Ritesh Poladia

Okay, yes. Thank you very much sir, that was my question.

Operator:

Thank you sir. Next question comes from Mr. Janaki Raman from Franklin Templeton. You can go ahead sir.

Mr. Janaki Raman:

Mr. Nagarajan, good morning.

Mr. Nagarajan:

Morning.

Mr. Janaki Raman:

See, you said this, phosphoric acid price is about 775 dollars for the June quarter, and I mean if you look at the chart then it has actually increased from the March quarter.

Mr. Nagarajan:

That is right.

Mr. Janaki Raman:

Now, had the DAP price kept pace with this phosphoric acid price movement?

Mr. Nagarajan:

The DAP price increased and phosphoric acid price also increased. Today, Janaki Raman you should understand, that these prices get more or less aligned. If you ask me is it one to one alignment, it may not be, but definitely they go in the similar direction. If the DAP price goes up, phosphoric acid also goes up.

Mr. Janaki Raman:

Okay, but the percentages may vary?

Mr. Nagarajan:

It may not be one to one. There is always a lag between the increases.

Mr. Janaki Raman:

Right. Now, at the current price of 775 of phosphoric acid, would you prefer to go in for long term contracts? Do you think the price has got more upside risk?

Mr. Nagarajan:

Well it is not entirely within my hands. See, today the price for Q2 is 780, this is the price we have contracted for the quarter July to September. So, whatever quantities we have agreed with the suppliers will be we will take it in full and we will have to see what prices emerge for the Q3. At this stage, I cannot say whether the price will come down or it will go up. See, if I decided to buy all out and then tomorrow the prices crash, then I will end up losing.

Mr. Janaki Raman:

Sure. And since we are such a large importer of both rock as well a phosphoric acid, the country as a whole I mean, the NBS price which the government announces for DAP, is it a very significant influencing factor on phosphoric acid prices globally?

Mr. Nagarajan:

Well, NBS, the price announced for NBS definitely has an influence on the price that the suppliers offer as well as the price that we negotiate, but all these ultimately get linked to the international prices. The only difference is NBS is supposed to be for a fairly long time, they are not supposed to be changing every month. As of now, the price is announced from April which still holds good and we feel that it may hold good for the entire year, they might not disturb the prices.

Mr. Janaki Raman:

Okay. And phosphoric acid at 780 and DAP at current levels of 460 or 470, can your current levels of profitability be maintained at these price points?

Mr. Nagarajan:

I have not done some set, but I hope so. The price of DAP is currently between 480 to 500, not at 460.

Mr. Janaki Raman:

Okay. So, if prices remain at those levels, then this quarter's profitability can be reasonably sustained?

Mr. Nagarajan:

Yes, these are the prices for Q1.

Mr. Janaki Raman:

Fair enough. Thanks a lot, sir.

Mr. Nagarajan:

Thank you.

Operator:

Thank you sir. Next question comes from Ms. Gauri Anand from M.S. Global. You can go ahead.

Ms. Gauri Anand:

Congratulations sir, on a very good set of numbers.

Mr. Nagarajan:

Thank you Gauri.

Ms. Gauri Anand:

Sir, you said that you want to take your, the volumes could go up to 4 million or so. Just wanted to understand the phosphoric acid arrangements to take our volume to 4 million. I mean generally the ratio has been 3, so for taking your volumes to 4, let us assume you will require an acid of about 1.3 million. So, could we just have a rough cut breakdown of the volumes for TIFERT at Tunisia, and would it be more of the rock sourcing or would it be acid sourcing, sir, and where are the arrangements like?

Mr. Nagarajan:

Let me put it this way. The incremental acid requirement is about 2 lakh tons. From the current level, I need about additional 2 lakh tons. The TIFERT project should go on stream by middle of 2011 and that should enable us to take care of the acid requirement for the entire 4 million tons. As you know we ourselves produced about 2.5 lakh tons and Vaskar and DCT give us about 4.5 lakh tons, then TIFERT should give us about 2 lakh tons, and the rest of it we procure from various sources like Isrel, Foscan, Sterlite, etc.

Ms. Gauri Anand:

Sir, last year, we have sourced somewhere around 600,000 that was for the volume of about 2.6 million. Now, this year, we would go up to about 3 million which means we will require at least a volume of about 700,000 tons sir. So, how are we placed for sourcing our acid to about 0.7 million sir, this year?

Mr. Nagarajan:

See, as I told you, we are fully tied up for our current requirement of about 3.2 million tons, and our additional requirement as I mentioned is about 2 lakh tons, that could be taken care of mostly from the TIFERT project and may be if required a small quantity from this Vaskar project.

Ms. Gauri Anand:

Sure, sir. And sir last year on a very rough card you would have done about 200,000 kind of own manufacturing of phosphoric acid, so would the utilization rate of the acid plant also go up sir, to about 250,000 tons this year?

Mr. Nagarajan:

No, we have a capacity to produce 2.5 lakh tons. It depends on the availability of freight, and the product that we produce. A lot of things depend on those factors and also how much is weak acid, how much is strong acid, you know a lot of chemistry is involved in that. So, depending on our requirement, we can increase the production to about 2.25 to 2.5 lakh tons.

Ms. Gauri Anand:

Okay. Sir, and questions pertaining to the results. Sir, what was the trade volume sir, this quarter?

Mr. Nagarajan:

Sorry.

Ms. Gauri Anand:

The traded volume sir, the DAP and MOP.

Mr. Nagarajan:

Trading volume was not much, it is hardly around say some 4000 tons or 5000 tons.

Ms. Gauri Anand:

Sure, okay. And sir this 185 crores of EBITDA that you have done this quarter, could we have a rough card to breakup of you know how much could that be, I mean I heard you out very clearly but sir how much of that could be as a percentage from pesticides and specialty?

Mr. Nagarajan:

Gowri, you know we do not share such information. We leave it to you to work it out to be frank in my listing.

Ms. Gauri Anand:

All right, sir. Thank you sir. All the best to you. Thanks.

Mr. Nagarajan:

Thank you.

Operator:

Thank you madam. Once again, if you wish to ask a question, please press *1 on your telephone and wait for your name to be announced. Next question comes from Mr. Rohan Gupta from M.K. Global. You can go ahead sir.

Mr. Rohan Gupta:

Good morning sir.

Mr. Nagarajan:

Good morning Rohan.

Mr. Rohan Gupta:

Sir, just wanted to understand that you said traded volume for the quarter was not much. However, the purchase of good sales indicated almost to 73 crores you have spent on that. So, the inventory build up has happened that was already reflected in the number.

Mr. Nagarajan:

That is right.

Mr. Rohan Gupta:

So, it is all about DAP or MOP, SSP buildup which you have done for the quarter?

Mr. Nagarajan:

This is only DAP and MOP.

Mr. Rohan Gupta:

This is only DAP and MOP.

Mr. Nagarajan:

We are selling in the same quarter, we have started selling them.

Mr. Rohan Gupta:

See, if I just work back on the number that roughly you are saving almost one and half lakh ton of inventory of DAP and MOP?

Mr. Nagarajan:

No, this also includes the own products also. Own products also we had some extra production over the sales so that also is included.

Mr. Rohan Gupta:

Okay. So, in terms of volumes, how much of volumes we are having right now in terms of trading volumes?

Mr. Nagarajan:

Now, we need to decide it, it could be roughly about a lack of tons of DAP. MOP we are still working it out. In the case of MOP we have an option to convert it into complex.

Mr. Rohan Gupta:

Okay. Sir, you have I mean, many investors I mean analysts have been asking you about the breakup. Sir, is there any strategic thing about that you generally do not share the breakup about your fertilizers and non-fertilizer revenues every quarter, because at the end of the year we get to know about that, but at the quarter it is always a surprise element which is there. We are not able to understand that.

Mr. Nagarajan:

Even at the end of the year, I do not think we have keyed you. We would like you are going to do some work.

Mr. Rohan Gupta:

So, I mean, that is the first thing which you want to create at.

Mr. Nagarajan:

Any way I will leave that with you.

Mr. Rohan Gupta:

Okay, sir. Thanks a lot.

Mr. Nagarajan:

Thank you.

Operator:

Thank you sir. Next question comes from Mr. Anirudh Naha from Mirae Asset. You can go ahead.

Mr. Anirudh Naha:

Sir, this is with regards to your specialty nutrient division. Just wanted to understand the scale that we can achieve in three years. So, in three years' time or say in the next couple of years time or three years' time, what percentage of your top line would be this division?

Mr. Nagarajan:

This is a business we are focusing on and we intend to scale it up significantly in all the segments like sulfur, water soluble fertilizers, as well as once it is compost. In terms of overall percentage as you know as we mentioned at the investors meet also, that currently we have a non-subsidy based business contribute about 30% at the bottom line and our intention going forward if you take it up to 50% and that is what we are working on.

Mr. Anirudh Naha:

And 50% is above what time frame do you intend to achieve that?

Mr. Nagarajan:

May be in the next three years' time.

Mr. Anirudh Naha:

Next three years time. And sir, just to understand what is the difference in profitability for your subsidy base versus your adjusting the other part of the business?

Mr. Nagarajan:

For non-subsidy base businesses generally the margins are high, but would you, has that based is to historically at least what kind of trend you have seen in the sense of what kind of EBITDA margin should one guess?

Mr. Nagarajan:

Historically, all from the margins have been fairly good and we intend to maintain those margins.

Mr. Anirudh Naha:

Okay, fine. Thank you sir. Thank you very much.

Operator:

Thank you sir. Next we have Mr. Jayesh Gandhi from Morgan Stanely. You can go ahead sir.

Mr. Jayesh Gandhi:

Good morning sir.

Mr. Nagarajan:

Morning.

Mr. Jayesh Gandhi:

You have been evading the questions, I am going to attempt once more. Sir, in the investor presentation you mentioned about sulfur and you know your organic manure targets you know over the three years, you know 50,000 for sulfur and then 1 million for organic manure.

Mr. Nagarajan:

Correct.

Mr. Jayesh Gandhi:

In terms of turnover, you know broadly if you can indicate to me what is the current turnover or what turnover did we achieve in FY09-10?

Mr. Nagarajan:

FY09-10 you are asking now, I do not have the figure. I thought the query is going to be more with regard to quarter one.

Mr. Jayesh Gandhi:

Yes sir, quarter one is also fine. If you can give me the figures.

Mr. Nagarajan:

Quarter one, of course, let me tell you. See quarter one is just the beginning of the season. So, all the businesses are in the process of you know picking up the volume. So, may be at the end of the year it could be fair enough to give you some kind of a breakup, but as we mentioned, see our breakup is somewhat like 70 to 30, you know 70 you take it fertilizer and 30 as nutrient, and that percentage can slightly vary from quarter to quarter. But quarter one of course this year the specialty nutrients and pesticides also have done better compared to last quarter 2009-2010.

Mr. Jayesh Gandhi:

Okay. So, sir when you mentioned your organic manure business to have done 80,000 tons last year, what would be the turnover and would it get clubbed in the balance sheet?

Mr. Nagarajan:

Sorry, come again.

Mr. Jayesh Gandhi:

Sir, in your balance sheet, where would it get reported in your sales, is it other sales where it could . . .

Mr. Nagarajan:

See, it is part of other sales.

Mr. Jayesh Gandhi:

Okay. And what would be the estimated turnover broadly?

Mr. Nagarajan:

Which item?

Mr. Jayesh Gandhi:

The organic manure.

Mr. Nagarajan:

Well, I do not have the details, I do not have it.

Mr. Jayesh Gandhi:

Okay. And what about the water soluble fertilizer?

Mr. Nagarajan:

All that comes under the specialty nutrients. The water soluble fertilizers, sulfur, organic manure, then the micro nutrients, they all come under the segment, and if my memory is right we achieved about 150 crores turnover last year.

Mr. Jayesh Gandhi:

Of organic?

Mr. Nagarajan:

All put together. I mean an entire four segments of it put together I remember, right, we achieved about 150 crores.

Mr. Jayesh Gandhi:

150 crores?

Mr. Nagarajan:

Yes.

Mr. Jayesh Gandhi:

And so when you said 30%, this 150 crores is included?

Mr. Nagarajan:

No, this is only one part of the non-fertilizer plant. This is only one part of non-fertilizer, then we have this rest of sales, then we have this division also which comes in.

Mr. Jayesh Gandhi:

Okay, so pesticides also part of your . . .

Mr. Nagarajan:

Pesticides point last year ended up with something like 350 crores.

Mr. Jayesh Gandhi:

Sorry, come again sir.

Mr. Nagarajan:

350 crores.

Mr. Jayesh Gandhi:

350 crores is what number sir?

Mr. Nagarajan:

The turnover of pesticides division last year.

Mr. Jayesh Gandhi:

So, pesticides plus 150 crores of the water soluble, etc., is the 30% that you are suggesting.

Mr. Nagarajan:

It is not the end of the year, then you have the retail business is there, then we have gypsum is also there; these are all outside the subsidy. We got subsidy versus non-subsidy.

Mr. Jayesh Gandhi:

I understand. And what you are saying is that that the EBITDA margin of the non-subsidy business is higher than the average EBITDA margin for the company?

Mr. Nagarajan:

That is right.

Mr. Jayesh Gandhi:

Okay. And this portion is likely to increase to 50% in the next two to three years?

Mr. Nagarajan:

I am not saying margin, I said the overall profitability of the non-subsidy base businesses will increase to about 50% of the total profitability of the company over the next three years.

Mr. Jayesh Gandhi:

I am sorry, I lost you.

Mr. Nagarajan:

The overall profitability of the non-subsidy businesses is currently around 30% of the total profitability. Our intention is to scale it up to 50% in the next three years' time.

Mr. Jayesh Gandhi:

Okay. And this profitability you mean EBITDA level?

Mr. Nagarajan:

Well, you can take it that way, yes.

Mr. Jayesh Gandhi:

Wonderful, thank you sir.

Mr. Nagarajan:

Thank you.

Operator:

Thank you sir. Next question comes from Ms. Shagun Thakural from Bajaj Alliance Life Insurance. You can go ahead.

Ms. Shagun Thakural:

Yes, good afternoon sir. Congratulations on a very good set of numbers.

Mr. Nagarajan:

Thank you.

Ms. Shagun Thakural:

Sir, I have two questions. Like you mentioned, you are taking various initiatives. Sir, I wanted to know like for example you are doing expansion in Kakinada plant plus you are doing some debottlenecking, then this Tunisia is there, then compost, and water soluble fertilizers. I wanted to know how much are you going to spend in each of these initiatives?

Mr. Nagarajan:

See, TIFERT project, we have already funded. We have already given our contribution of 118 crores which is our share of the share capital. Then as we go ahead . . .

Ms. Shagun Thakural:

Which one 180 crores you said?

Mr. Nagarajan:

118 crores is TIFERT project Tunisia.

Ms. Shagun Thakural:

Okay.

Mr. Nagarajan:

SQM is hardly about 5 crores. The main investment is going to be in the additional granulation train which you are going to put it up in Kakinada. It will cost around 330 crores. We intend to fund this partly through loans and partly through internal accruals.

Ms. Shagun Thakural:

Okay. So, this 118 crores is already there in your books, whatever you spent for . . . nothing more that you are going to spend for this?

Mr. Nagarajan:

No.

Ms. Shagun Thakural:

Okay. And what is that for compost and water soluble fertilizer, how much do you plan to spend?

Mr. Nagarajan:

It is not much, it is all small amount.

Ms. Shagun Thakural:

And for debottlenecking?

Mr. Nagarajan:

Debottlenecking is about 2 crores, sorry it is about 5 crores, I am sorry.

Ms. Shagun Thakural:

Okay. And sir, my second question is regarding the consolidated that you are going to give us the figure of consolidated debt as of June.

Mr. Nagarajan:

Consolidated figures have been given.

Ms. Shagun Thakural:

Debt?

Mr. Nagarajan:

It is there in this thing, there is not much difference in the standalone and the consolidated if you can see the numbers. At the PBT level, standalone was 177.45, consolidated is 176.11.

Ms. Shagun Thakural:

Okay. Sir, I needed amount of loans, debt?

Mr. Nagarajan:

Debt, as on June 30th, see total loan is about 1800 crores, much of it is only working capital.

Ms. Shagun Thakural:

Okay. And how much bonds do you have as of June?

Mr. Nagarajan:

Bonds, we are sitting on the same level of 1000 crores, we have not yet sold it.

Ms. Shagun Thakural:

Okay. And there was some 500 or 600 odd crores of subsidy receivable as of March, it still continues at the same level?

Mr. Nagarajan:

As of end June I think the figure is slightly higher, now in July there has been good inflow. As of end June it is about 1000 crores.

Ms. Shagun Thakural:

1000 crores, and how much of cash?

Mr. Nagarajan:

Not much I suppose, cash will be just a small amount, it is about 10 crores.

Ms. Shagun Thakural:

Because as of March you had around 800 crores of cash?

Mr. Nagarajan:

As of end March, we had about 800 crores of cash.

Ms. Shagun Thakural:

So that has come down to 10 crores now?

Mr. Nagarajan:

Yes 10 crores, but our subsidy outstanding has gone up and that money incidentally has been put on in July.

Ms. Shagun Thakural:

Okay. Thanks a lot sir and all the best for future.

Mr. Nagarajan:

Thank you.

Operator:

Thank you madam. Next question comes from Mr. Erick Ruster from Necu. You can go ahead.

Mr. Erick Ruster:

Hi, this is Erick Ruster from Nassor in Hong Kong. We are a share holder. I have may be two very basic questions here but with all the change in the government policy, do you expect the EBITDA margins to dramatically improve and the capex over the longer term to significantly improve because we think like it is a dramatic change, that would be my first question. Second question is what type of guidance are you providing on your production forecast the next three years?

Mr. Nagarajan:

Answer to your first question, the new investment policy is supposed to encourage new investments and is supposed to provide flexibility in terms of pricing. As you know, under the old policy, the selling price remained constant for a fairly long time. Today, as a result of the new policy, the companies including Coromandel has increased the selling price by about 600 to 800 rupees per ton effective April. Going forward, this pricing will depend on your brand image and the demand for your products. This is where the company has over the years built in a strong brand and it should be able to leverage on its brand going forward. Today, there are certain informal regulations with respect to the price that I can increase, but as we go forward we feel that these pricing restrictions will go and the company should be able to fix the prices depending on market conditions and that in turn should encourage investment opportunities into this field. As a first step as I mentioned, we have decided to put up an additional granulation train in Kakinada which is one of our main plant and that should scale up our volume from the current level of about 3 million tons to 4 million tons. So, we are definitely feeling optimistic about the new subsidy policy and we are working in that direction.

Mr. Erick Ruster:

Okay. I guess I have another question. So, how often can we expect price hikes to occur or that simply depends upon the domestic versus international arbitrage?

Mr. Nagarajan:

Well, that also depends on the market acceptance. See, for years the prices have remained constant and we will have to see how the farmers accept the revised level of prices. Hopefully, with the Indian agriculture doing well and the farmers reaping a better benefit from the market prices, we should be able to you know align ourselves with the international prices.

Mr. Erick Ruster:

Okay. And how the international prices currently or domestic prices align with the international prices?

Mr. Nagarajan:

Not entirely, that is why we have a subsidy. The current subsidy works out to something like say, it was on an average I am saying, is about 320 to 330 dollars, whereas the market price is still around about say 222 dollars. So, over a period of time this subsidy we feel may come down and the market prices may go up. It is too early to say, the new policy has been put into place on the 1st of April.

Mr. Erick Ruster:

Okay. And can I also ask do you have any forward guidance on the next quarter's or this year's production or margins?

Mr. Nagarajan:

Well, last year we ended up with around 2.6 million tons and this year our capacity is about 3 million tons, we hope we should be able to go to the full volume. The crux for the whole issue depends on availability of phosphoric acid and in that respect we have tied up our requirement and we hope that we should be able to do our full capacity. Our new capacity will come into implementation only from end of calendar year 2011.

Mr. Erick Ruster:

Okay. And can I ask just one last question. What is the strategy on what percentage of raw materials can you source from your equity partners and is that going to increase?

Mr. Nagarajan:

We have a long term agreement with both South Africans as well as Tunisians, and we have tied up our requirement of phosphoric acid and they have been pretty regular in supplying our requirement, plus we also have a joint venture project going on in Tunisia, that should get commissioned by the first quarter or the second quarter of 2011 and that should again give us our additional requirement of phosphoric acid for our expansion project.

Mr. Erick Ruster:

Okay. Thank you very much.

Mr. Nagarajan:

Thank you.

Operator:

Thank you sir. Next question comes from Mr. Satish Mishra from Pink Research. You can go ahead sir.

Mr. Satish Mishra:

Yes, a very good morning sir.

Mr. Nagarajan:

Morning.

Mr. Satish Mishra:

Sir, just one query, like currently our capacity is around 3 million which will go to 4 million by FY13.

Mr. Nagarajan:

By the end of 2011 I said.

Mr. Satish Mishra:

Yes sir, so roughly in FY13 we will get full advantage of that.

Mr. Nagarajan:

Yes.

Mr. Satish Mishra:

So, sir, FY12 how much capacity we will have post debottlenecking and . . .

Mr. Nagarajan:

I said 4 million.

Mr. Satish Mishra:

No sir, by beginning of FY12?

Mr. Nagarajan:

Beginning of FAMILY?

Mr. Satish Mishra:

FY12 means end of March FY11, how much capacity we will have, means FY11 we will have 3 million, FY12 . . .

Mr. Nagarajan:

I am confused. Are you talking about beginning of 2011 or beginning of 2012 you are talking?

Mr. Satish Mishra:

Beginning of 2011 sir.

Mr. Nagarajan:

Beginning of 2011, only about 3 to 3.2 million tons.

Mr. Satish Mishra:

So, sir, just I was trying to understand, then probably if we go for full capacity this year, then next year, like capacity wise we can go just from 3 to 3.2, so we do not have much upside in volumes until we implement full 4 million which will come by end of FY11. Am I right in thinking part?

Mr. Nagarajan:

No, but a part of that expansion capacity volume should come by end of 2011 calendar year.

Mr. Satish Mishra:

Okay, but sir that will be end of Q3 FY12.

Mr. Nagarajan:

That is right.

Mr. Satish Mishra:

So, probably just one quarter we will have advantage of that?

Mr. Nagarajan:

That is right.

Mr. Satish Mishra:

Okay, fine. Fine, thanks sir.

Operator:

Thank you sir. Next question comes from Mr. Rohan Gupta from M.K. Global. You can go ahead sir.

Mr. Rohan Gupta:

Sir, please pardon my ignorance. Once again, I would like to confirm the number. You said for the year in FY10, especially the profit contribution from non-subsidy base business was roughly 30%. This assuming that at EBITDA level, right sir?

Mr. Nagarajan:

Yes.

Mr. Rohan Gupta:

So, your last year EBITDA was somewhere 770 crores.

Mr. Nagarajan:

Do not start probing me on numbers. I have not had such a detailed working. I gave you the indications that is it.

Mr. Rohan Gupta:

I will work on a fairly . . .

Mr. Nagarajan:

You work it, the numbers part I leave it to you, okay.

Mr. Rohan Gupta:

Just I wanted to confirm like this thing, even as a 30% EBITDA, so last year 770 crores that comes close to 230 crores rupees. Is that kind of contribution we have made from non-subsidy based business because I remember Mr. Subramanyam in the last conference call discussing about the non-subsidy based business, revenue was just around some 600 crores rupees. So, on a 600 crores rupees, have we made 200 crores plus kind of EBITDA.

Mr. Nagarajan:

First of all you have to understand, this non-subsidy based business includes gypsum also.

Mr. Rohan Gupta:

Okay. Sir, what kind of, so there is only element which is not there in the 600 crores rupees, right?

Mr. Nagarajan:

Yes.

Mr. Rohan Gupta:

So, gypsum revenues cannot be, I mean cannot exceed more than 250 crores. So, are we talking about that 800 crores revenues we are making 200 crores plus EBITDA.

Mr. Nagarajan:

Please I told you, numbers I leave it to you.

Mr. Rohan Gupta:

Okay, sir. Fine, thanks very much.

Operator:

Thank you sir. Next we have a follow on question from Mr. Prashant K. Srisagar from Unibed Corporate Private Limited. You can go ahead sir.

Mr. Prashant K. Srisagar:

Just to come back sir, on one more point, sir. You said that the increase of 600 to 800 per ton after the NBS policy, can you give us average increase per ton or this 800 rupees was for which complex you said?

Mr. Nagarajan:

No, most of our products were at 600 per ton, one of our product was 700, and another product was 800.

Mr. Prashant K. Srisagar:

So, on an average what should be the increase per ton?

Mr. Nagarajan:

Average, again I have to take a calculator and start working. It could be anywhere around 700 or 650 you can take it. I have not done the sum, 650 you can take it, it is an average working, I do not remember the figures correctly.

Mr. Nagarajan:

Okay, sir. Sir, secondly, the production this year should be around 3 million tons which you are expecting, am I right sir?

Mr. Nagarajan:

Yes.

Mr. Prashant K. Srisagar:

Okay sir. Thanks a lot.

Operator:

Thank you sir. Next question comes from Mr. Bharath Subramanyam from Sundaram BNP Paribhas. You can go ahead sir.

Mr. Bharath Subramanyam:

Sir, just a couple of questions. One in terms of a broad strategy in terms of ammonia, are we pursuing opportunities to have any backward integration in places where gas contracts are being made available?

Mr. Nagarajan:

We did look at opportunities, we have not materialized so far, but that is something which we will definitely consider if a good opportunity comes.

Mr. Bharath Subramanyam:

Okay, but I mean at this point of time are there gas contracts being made available even if no one has approached?

Mr. Nagarajan:

We have no plans to set up an ammonia plant based on gas in India, in the UK the gas price is very high.

Mr. Nagarajan:

No, I am saying in terms of Middle East, I mean . . .

Mr. Nagarajan:

Yes, we did look at some options in this, unfortunately it has not yet materialized. But if anything happens, definitely we will share the information with you.

Mr. Bharath Subramanyam:

Fine. Sir, and second in terms of freight you know being regulated sales I mean are there under recoveries in freight or we are fully compensated in terms of freight?

Mr. Nagarajan:

As regards freight is concerned, the railway freight is fully compensated, there are no under recoveries. So far as road freight is concerned, they are today restricting the road movements to 500 km, if it is beyond 500 km then there could be some under recovery, but we have tried and you know restricted our road movements to not more than 500 km.

Mr. Bharath Subramanyam:

Okay, fine. And lastly in terms of you know the consolidated numbers, where is the dividend Foscar recognized, is it . . .

Mr. Nagarajan:

Foscor did not declare any dividend dues in the current year.

Mr. Bharath Subramanyam:

In FY10, I mean for the year ended . . .

Mr. Nagarajan:

FY10, there was no declaration on dividend, it was there only in FY09 which has been reflected in the Mauritius books and taken into their books.

Mr. Bharath Subramanyam:

Okay, fine sir. Thank you.

Operator:

Thank you sir. Next we have follow on question from Mr. H.R. Gala from Quest Investment. You can go ahead sir.

H.R. Gala:

Hello.

Mr. Nagarajan:

Yes.

H.R. Gala:

Yes, sir, we did not discuss more about our retail initiatives like we had in the last analyst we discussed that from 423 centers, we have aggressive plans to go ahead. So, what is the current status sir?

Mr. Nagarajan:

Well we are still consolidating those 400 and odd centers in Andhra Pradesh, plus we are also working on setting up some centers in Karnataka. We have plans to set up about say about 20 centers in Karnataka, we are working on that. The other states we will take it up only after these two are consolidated.

H.R. Gala:

Okay. And do we have sir plans to break even in the current year as we were envisaging in retail?

Mr. Nagarajan:

Yes, we hope so.

H.R. Gala:

We hope so, okay. Sir, beyond that 330 crores capex which you mentioned which we will be spending mainly at Kakinada and debottlenecking, is there any other capex plan also?

Mr. Nagarajan:

We normally spend about anywhere around 200 crores of capex for a normal debottlenecking maintenance and all those things.

H.R. Gala:

How much sir?

Mr. Nagarajan:

That is roughly about 200 crores per year across all the plants.

H.R. Gala:

So, 200 crores plus this will be 330 crores?

Mr. Nagarajan:

Yes, this 330 will be spread over the next 18 months.

H.R. Gala:

Okay, so 200 crores capex will be there?

Mr. Nagarajan:

Yes, that will be there.

H.R. Gala:

That will be the normal capex?

Mr. Nagarajan:

That is a normal capex.

H.R. Gala:

Okay, that much high magnitude?

Mr. Nagarajan:

It is a normal capex for us. See our turnover as you know is about 7000 crores, 200 is not a big number.

H.R. Gala:

Okay. So, that will be there, we should consider every year?

Mr. Nagarajan:

Yes, I mean it is a chemical plant, obviously it requires regular maintenance capex.

H.R. Gala:

Okay. But does it increase the capacity in any measure, this kind of magnitude?

Mr. Nagarajan:

One thing, if any business sustains the volume, and second thing is yes it does help. Whenever we replace we do not do one to one replacement, we will for improvement and obviously the improvements will help us to improve the production as well as productivity.

H.R. Gala:

Okay, fine. Thank you sir.

Mr. Nagarajan:

Thank you.

Operator:

Thank you sir. Once again, if you wish to ask a question, please press *1 on your telephone and wait for your name to be announced. Next, we have a follow on question from Mr. Janaki Raman from Franklin Templeton, you can go ahead.

Mr. Janaki Raman:

Mr. Nagarajan, just one question on the seasonality. Which is your best quarter typically in terms of volumes?

Mr. Nagarajan:

Q2.

Mr. Janaki Raman:

Okay, and okay Q2 is the best quarter, okay. Thank you.

Operator:

Thank you sir. Next question comes from Mr. Ram Hegde from Primus Investment. You can go ahead sir.

Mr. Ram Hegde:

Sir, this Ram Hegde from Primus Investment Advisor. Sir, just a little bit of clarification on the capex part, sorry I missed it. You said, 330 crores and you also mentioned the normal run rate is 200 crores. So, this year number is 330 plus 200 or this is . . .

Mr. Nagarajan:

330 will be over a period of time. I said it is close to . . .

Mr. Ramchandra:

330 over 18 months.

Mr. Nagarajan:

This project will take about 16 to 20 months to complete and this 330 will be spread over the next one and half years.

Mr. Ramchandra:

Okay. And sir, just on the Kakinada granulation unit, how much did you say exact number was in terms of capex?

Mr. Nagarajan:

I told you 330.

Mr. Ramchandra:

Okay, 330 minus debottlenecking 5 or 10 crores,

Mr. Nagarajan:

Yes, that is about 5 crores.

Mr. Ramchandra:

And the subsidy amount of 1000 odd crores, this was as of June, presumably something of that has been recovered this month, is that fair?

Mr. Nagarajan:

Not entire, only a substantial amount has been since June.

Mr. Ramchandra:

Fine, Thank you very much sir, that is it from my side.

Operator:

Thank you sir. Once again, if you wish to ask a question, please press *1 on your telephone and wait for your name to be announced. I repeat, if you wish to ask a question, please press *1 on your telephone and wait for your name to be announced.

Mr. Nagarajan:

I have my colleague Mr. Shankar Subramanyam here. If you wish to seek any clarifications from him, you can ask him.

Operator:

I repeat, if you wish to ask a question, please press *1 on your telephone and wait for your name to be announced. There are no further questions sir. At this time, I would like to hand the floor back to Mr. Parikshit Shah. Over to you sir.

Mr. Parikshit Shah:

Yes, Mr. Nagarajan, thank you so much for your time. It was a good session and just want to say thanks again for your time.

Mr. Nagarajan:

Thank you Parikshit, thanks a lot

Operator:

Thank you sir. That does conclude our conference for today. Thank you for participating on Reliance Conferencing Bridge. You may all disconnect now.