



## CHAMBAL FERTILISERS AND CHEMICALS LIMITED

### Q4 FY2011-12 Results

Investor/ Earnings Call Transcript  
May 15, 2012

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- Moderator** Ladies and gentlemen good day and welcome to the Q4 FY12 Result Conference Call of Chambal Fertilisers and Chemicals Limited. As a reminder for the duration of the conference, all participants' line are in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call you may signal for an operator by pressing '\*' and then '0' on your touchtone phone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Mr. Abhishek Vora from Perfect Relations. Thank you and over to you, Sir.
- Abhishek Vora** Good afternoon everyone and thank you for joining us on Chambal Fertilisers and Chemicals Limited Q4 & FY12 Earnings Conference Call. Today we have with us Mr. Anil Kapoor, the Managing Director; Mr. Abhay Bajjal, CFO; Mr. M.S. Rathore V.P. Legal, Company Secretary and Corporate Communications and Mr. V.K. Gupta, VP, Marketing. Before we begin I would like to add that some of the statements to be made in today's discussion may be forward looking in nature. We would begin the call with the opening remarks from the management following which we will have the forum open for an interactive Q & A session. I would now request Mr. Kapoor to make his opening remarks.
- Anil Kapoor** Welcome to our earnings call. I hope by now you have had the opportunity to peruse our results. First I would like to share some of the highlights of the year.
- Last year has been a very safe year for Chambal and we did not have any loss-time accident during the year. This includes all our employees and contractual employees. We have also had a highest ever production of 2.146 million tonnes, highest ever dispatches, highest ever sales of 2.126 million tonnes, best ever energy efficiency norms, good trading profit and as I said earlier the company completed 9.3 million man-hours of safe

operation. The company during the year has won many awards for energy efficiencies and environment etc.

As regards the shipping business, it improved marginally in the fourth quarter. We feel that the market has reached the bottom and can only improve from here. The US market is rebounding from the lows; however Europe still is the concern. Textile business continues to show some improvement and we expect better results during the year.

We have shifted from tonnage tax to normal tax for shipping business effective 1<sup>st</sup> April 2011. Accordingly we had provided for a deferred tax liability of approximately Rs. 93 crores in third quarter. This liability for the whole year stands at Rs.184.21 crores. The liability is on account of the difference between WDV of fixed assets of the shipping business as per the book of accounts and income tax act; mainly as a result of the above liability net profit for the year comes to Rs. 247 crores against Rs. 325 crores for 2010-11.

You will also recall, that there is a one time special dividend which we have received from our JV- IMACID, Morocco, which is included in this result. The value of one time special dividend is Rs. 88.4 crores. As far as our future is concerned our Gadepan-III is awaiting Government policy and it is being actively pursued. We will make firm announcement only after the policy is in place.

I will now request all the participants to ask questions, you may have with regards to the result.

**Moderator**

Thank you Sir. We will now begin the question and answer session. Our first question is from the line of Mr. Prakash Goel from ICICI Securities. Please go ahead.

**Prakash Goel**

My concern again remains around the software business while I had discussion with the management, what we are trying to understand primarily is that there is significant value erosion so far as the reported numbers are concerned in the software segment. Typically your stocks looked at the EPS level and wherein the contribution is close to rupee kind of negative valuation or EPS from this mid segment and which is eroding a lot of value for the shareholder. I would like to know, what are the plans in terms of, how things will pan out and what is the current trend, exit rate and what is the long term plan the company has with regard to the software segment?

**Anil Kapoor**

I will let Abhay answer this question in the beginning and then I will sum it up at the end so that all the investors who have these similar questions, their doubts would be taken care of.

**Abhay Baijal**

As you all know friends that software business is focused on the mortgage vertical in the US. It has three different and distinct segments. One segment is the technology segment which continues to be strong where we provide certain software to banks for doing mortgage activities.

The other segment is the segment of the KPO. The KPO segment is also further divided into three which is the valuation, title and also mortgage processing. If you remember that in the last to last year when we went into the mortgage processing sector there was certain issues which we had not fully factored and because of that we had a problem in running the business model. That correction took the better part of the first quarter of this year i.e. Jan – March 2012 calendar quarter. There was a big USD 8 to 9 million kind of loss. It is the basic number which distorts the reality in so far as this year's number is concerned. But going forward we have turned EBITDA positive and even in the first quarter of this year i.e. January to March we are still EBITDA positive and now we are only awaiting a slight upturn in the volumes which will help us to cover up the losses in this business. We feel that the business is fundamentally sound. The segment is good and the management is now hopeful of turning around the business to a large extent and we see a significant value going forward in this business. That is why we are at this moment persisting with this particular business and its model.

**Prakash Goel**

At EBITDA positive level I would like to know what will be the reported numbers, say if you turn EBITDA positive for the full year and there is no improvement from the current quarter what will be the losses reported next year?

**Abhay Baijal**

I would like to put it this way that there is something like a USD 0.75 million to 1 million charge per month after the EBITDA because of interest and depreciation and amortization. As the company improves its volumes and the EBITDA turns more positive, things will change. Today the EBITDA is very low, something of the order of 100K per quarter. The moment it goes up to a higher level this part will automatically be taken care of. So I am not predicting a number. I am just saying that even a small increase of about \$25 to \$30 million dollars in volumes will make a lot of difference in terms of the final reported numbers going forward.

**Prakash Goel**

Okay. And what about the strategic move like Mr. Kapoor wanted to comment upon?

**Anil Kapoor**

What I would like to say is that as an organization, we ourselves are very concerned about our software business. However in the last one year we have seen things turn for better and this is the first time after so many years that software business now looks comfortable to us. We are confident of the future. We are looking at certain strategic changes also in

that business. We have global banks talking to us at this moment. At a given time whenever some deal fructifies we will inform the shareholders but I can assure you that Chambal at this moment is more confident of its software business than it has ever been.

**Prakash Goel**

Just a humble suggestion from my side. As in case of sitting you need the balance sheet support to the business and there is value erosion which is happening to the normal shareholder even if there is a profitability being reported because of the diversification the value doesn't get captured. Is there any issue in splitting this, as you are saying this business is going to eventually turn positive, may not need any balance sheet support, may not need any cash flow support, is there any possibility of splitting this business at all and probably like giving separate share to the shareholders so that people who want to be in that kind of business at least have an option that whether we want to hold at company per se.

**Anil Kapoor**

All those things happen when we turn PAT positive. Let's have some patience as shareholders, people as I know all our shareholders have been with us and have gone through this grind. I think, we should be turning PAT positive soon. If and when we turn PAT positive we start looking at the suggestions which you have given.

**Prakash Goel**

Thanks a lot. Just one more question about the shipping segment. We have seen this segment now turning EBIT positive and the loss is only happening at after interest. What is the outlook that you are seeing and would like to know, what are the plans that company has. Last quarter you had suggested certain plan? So just want to get a reaffirmation of the same.

**Anil Kapoor**

Shipping business at this moment with European crisis I would not like to hazard a guess. Let me be honest. While we are seeing some improvement in the tonnage rate our forecast would be that this year would be at around the same rate at what we are presently. Going forward next year by then European crisis should be better and we expect better rates. As I said in the beginning we have just come out of tonnage tax and we have got no plans at this moment to do anything and shipping business will lie in the books of Chambal for sometime till the whole business becomes profitable.

**Prakash Goel**

Okay. Just the last thing about the depreciation charge reduction, how would it impact the tax rate going forward? Because one of the plant is now completely written off kind of or part of the plant is written off because of completing 18 years of age. So incrementally how will it impact the profitability positively but how will it impact the tax rate per se?

**Anil Kapoor** Gadepan-I is now getting fully depreciated. And that benefit we will get this year.

**Prakash Goel** So that will boost the profitability by around.

**Anil Kapoor** We got some of it in the fourth quarter of FY 2011-12. The full benefit will come this year. But the benefit which the shareholders can get is our SSP plant. SSP plant is getting commissioned now and with the Government allowing a full 150% depreciation for a fertilizer plant. We will get 150% depreciation for the current year for whatever investment we make in SSP plant.

**Prakash Goel** Ok, how much is your total investment in SSP plant?

**Anil Kapoor** It will be between Rs. 30 and 35 crores.

**Prakash Goel** So basically you would get a depreciation benefit of one time of something to the extent of Rs. 45 – 50 crores but again you will be providing deferred tax liability so report profitability may not inch up much.

**Anil Kapoor** True.

**Moderator** We will take the next question from the line of Varun Guntupalli from Edelweiss Securities. Please go ahead.

**Varun Guntupalli** My first question is with regard to the trade receivables. They have jumped up quiet sharply this year compared to last year, the reason for the same?

**Abhay Baijal** As you know that the last year was a very bad year for the Government finances and roughly from October 2011 we started facing a slowdown in the receipts of Government subsidy. So that was the major reason for that, about 60% - 65% of the trade receivables jump is because of that only. That has rectified to a large extent in the first two months of this fiscal, the Government passed the bills and we have got the money. But there was also a small element when we sold certain fertilizers into the market at credit terms. So that will also get liquidated in the first quarter end or may be in the very beginning of the second quarter. So that is the reason for the sharp growth.

**Anil Kapoor** Our first quarter results will reflect the true receivables. You will find a substantial reduction in the receivables.

**Varun Guntupalli** Okay. So something like the FY 2011 numbers we would be looking at a similar kind of receivables by end of this first quarter or may be by mid of second quarter we can say, right?

**Anil Kapoor** Yes.

**Varun Guntupalli** Okay. And my second question - how is the demand environment right now and the inventory level being very high, how do we go about our trading business during this year?

**Anil Kapoor** I will put it this way. Our trading business can be divided into two segments. One is a more robust line of business which is due to agrochemicals, micronutrients, feed, that's a more reliable and a robust line of business. There we do a turnover of Rs. 500 to 600 crores and assured returns. That business continues to grow at an average rate of 10% to 15%. That will remain. That business will not go.

The segment of the business which can come into a stretch during the year is the phosphatic business but Chambal has a strong dealer network. It is second to none in Northern India territories. Our channels can take substantially more products if they want to and if the margins are adequate. The key thing would be the availability of the product and the rupee movement how it stands out in the near future because based on the two there will be a certain market pricing mechanism for entire phosphatic industry. We really do not know at this moment what is the elasticity of the pricing in the market place. Will the farmer be able to buy substantial quantities at the high prices which are prevalent and are going to prevail? The season has not yet started so it is an early call. I think by first week of June, we will really come to know how the market starts behaving and if the market behaves well our trading segment will continue to do well.

**Varun Guntupalli** Okay. And currently if you can put any number to the inventory level that is there in the system and how much it is more than the typical normal level say last year or last before year, compared to that levels?

**Anil Kapoor** As far as phosphatic business is concerned we have no inventory. We have sold out the material.

**Varun Guntupalli** Okay. In the industry I am talking about per se.

**Anil Kapoor** As far as the industry is concerned I think you should ask the Fertiliser Association of India. They will be in a better position to answer that question. But yes, there is a substantial inventory.

**Varun Guntupalli** Okay and my last question is regard to our trading. Are we contracting any volumes currently for our trading business right now or we would like to wait for some more time to do the contracting?

**Anil Kapoor** We always contract some quantity at any given time. We have contracted quantities but those contracts are price sensitive. So in a sense if the price is higher than our expectation then we are not bound to pick the quantities.

**Moderator** Our next question is from the line of Paresh Jain from MNYL. Please go ahead.

**Paresh Jain** You said that the contracts are price specific and the prices are high then you may not buy. Is it also the reverse way that the prices are low the supplier may not sell?

**Anil Kapoor** What I meant to say is that we can only buy at a certain price which we can sell that at the market rate. Now if the seller is asking for a higher price than that and we believe that the market may not be able to absorb the price then naturally the contract will not go through. We will come to know by first week of June how the markets are behaving. You will recall, just go by your memory, in the first quarter last year the price of DAP was at Rs. 12,000. By September it increased to Rs. 15,600. If my memory is correct, by October it had increased to Rs. 18,200 and from November there was substantial demand destruction in DAP. Hardly any sale took place in October – November. Normally, November is a good time when the farmer buys DAP. After that the market has not tested fully. This year when sale starts in June it will be a good test whether the market absorbs that price level. If the rupee fall continues like now, the future arrival will be probably higher than Rs. 18,200 unless the market prices come down. So you see, this is the worry for the entire phosphatic industry and not related to Chambal only. At this moment I don't think anybody in the industry can tell you confidently what is going to happen in this season for phosphatics.

**Paresh Jain** Okay so is it safe to assume that you have contracts to purchase DAP but you are not purchasing it as of now because of uncertainty over the future price movement?

**Anil Kapoor** We have the contracts. We have not finalized the prices and we will again look at the market price before we finalize it and we can then start moving our material. For example, Chambal has already bought some material this year in the first quarter and shipped the material, because those were available at a decent rupee pricing and the DAP prices were not bad. Going forward if the rupee is going to be touching 54, then there are issues coming from the market pricing.

**Paresh Jain** Okay and secondly your thoughts on Indian Fertiliser Companies, if I am correct, they are probably not attending the International Fertiliser Association meeting that normally takes place.

**Anil Kapoor** I think you should address that more to the phosphatic players.

**Paresh Jain** I mean since you are dealing in trading aspect, so I thought what are your views or thoughts on that.

- Anil Kapoor** We are not attending the meetings. There has been a discussion in the Fertiliser Association of India and as an industry member we abide by whatever the decision and the discussions take place which are slightly confidential in nature.
- Moderator** Our next question is from the line of Trilok Agarwal from Birla Sunlife Insurance. Please go ahead.
- Trilok Agarwal** We are to understand again on the software division side. We had met earlier even the management indicated we are looking for actively consideration of hiving off this unit. So now you have already mentioned on the call that when it turns profitable you will be considering to hive it off but could you just give the time line when it is going to be possible or how the things are going to pan out because every time as an investor we are kind of worried about the kind of losses this division keeps on making every year on year.
- Anil Kapoor** Trilok let me rest some doubt which you have in your mind. At this moment, Chambal has no plan to hive of this business. When and if we have plans to hive-off this business we will come and inform the stock exchange. As Abhay has just now mentioned how the business is panning out. It is progressing well. It is to our satisfaction. It is going in line with what we had planned for the business and we expect this business to do well in the coming year. We will not have the type of numbers we have given in the last 2 years.
- Tirlok Agarwal** Any further CAPEX you are planning to put in this company for the next year?
- Anil Kapoor** At this moment the plans are not there. If the need arises and there is a good deal coming through, yes we would be in the market place.
- Tirlok Agarwal** And just wanted to understand some news reported today that fertilizer in the next year has already up loaded 10% hike in urea prices, could you just throw some light or could you just help us to understand whether it has been done so or is it still pending decision?
- Anil Kapoor** We have no communication in that effect. In fact which channel did it report? I have not seen that. I have been out of office, so I am not aware as to what has happened but all I can share with you is, yes we also had heard that the fertilizer ministry is going to propose an increase of 10% in urea price but those all have to go through the cabinet. And till the cabinet approves it nothing can be finalized. I don't think that cabinet has approved any hike in urea prices.
- Tirlok Agarwal** We have also been hearing about modified NPS-3 policy or new investment policy, what's your belief in terms of timeframe, when it can come through.



**Anil Kapoor** See the modified NPS policy , we are equally in dark like you but what we are hearing is that they will give a sort of fixed amount per ton for urea manufacturers to cover up fixed costs which have not been covered over the last so many years. And that amount is about Rs. 350 a tonne.

**Tirlok Agarwal** Any time-line if you could share?

**Anil Kapoor** These are all linked with the NPS-3 revised policy. The urea price hike is part of that policy.

**Moderator** Our next question is from the line of Nitesh Sharma from Espirito Santo, please go ahead.

**Nitesh Sharma** My first question would be on what price are the Indian companies contemplating to enter in to the contract of DAP or phosphoric acid if you could throw some light on that?

**Anil Kapoor** As far as phosphoric acid is concerned we don't buy phosphoric acid. So this question is best addressed to phosphoric acid purchasers. As far as DAP is concerned there is lot of flux in the market place. Prices quoted at this moment are in the range of \$540 to 560. At a price of the Rupee which is hovering right now we would like it to be in the lower band, the seller would like it to be in the higher band. I think that's why the discussion is taking place.

**Nitesh Sharma** Okay so any sense till when we would be on a stage where we get through the contracts.

**Anil Kapoor** I think the numbers would be getting finalized in the next 1 month.

**Nitesh Sharma** What's the scenario in potash, are importing MOP for trading and what is the stand for all the companies?

**Anil Kapoor** Potash is a very interesting business. I will let that question be handled by our Vice President, Marketing who is an authority on Potash.

**V.K. Gupta** Last year total contracted quantity was something like 55 lakh tonnes. Out of that, because we were close to declaring it a MOP holiday of last year, so Kharif was missed out and supply had started in late Rabi. So the total quantity could not be taken what was contracted. In fact industry requested the suppliers to extend the contract which they have agreed to. So that means most quantities which are remaining beyond 36 – 38 lakh tonnes, they would come in this quarter and in early next quarter. So no new contracts would be done may be something additional would come in Rabi and prices have gone up from post Rs.5000 then it went to Rs. 6000 and now it is close to Rs.16,000. So there is a resistance from the farmer and only cash crop farmers like potato and all, they would use MOP. The marginal farmers who took to MOP may not take MOP. May be that money they would use for P and N. So there are issues, consumption has

gone down by almost 10 lakh, direct of MOP and the trend would continue. So those concerns are there. Demand depreciation would be substantial.

**Nitesh Sharma** Are we seeing any kind of cuts in gas supply from the government side or Reliance source?

**Anil Kapoor** At this moment, no.

**Moderator** Our next question is from the line of Gauri Anand from MF Global, please go ahead.

**Gauri Anand** 2 questions, one for quantities beyond cut-off limit to what rate have we assumed and if you can also share your outlook on urea prices for this year - 2013? And one more, what will be the delivered cost of LNG for us now?

**Anil Kapoor** See LNG is on a 5 year rolling average which is constantly moving up. At this moment I do not have the exact number for LNG pricing but I think, it is upward of \$14 for per million btu.

**Gauri Anand** That's for delivered cost?

**Anil Kapoor** That's for delivered cost. It is upward of \$14. I really don't have the exact number at this moment.

**Gauri Anand** For quantities beyond cut-off limits, what is that we have accounted for in Q4 and what is the outlook on urea pricing for 2013?

**Anil Kapoor** See outlook for urea prices, a new tender has been opened by STC. You must have seen that and the prices are upward of \$500.

**Gauri Anand** This is FOB?

**Anil Kapoor** This is CFR. And as far as other pricing for cut off that we have taken, it is in the band of approx. \$415 to \$425.

**Gauri Anand** Okay. And sir is there adjustment likely because I guess the 85% limit works to about \$370 to \$380 again sir this would work to about \$350 or so. So do you think this will be the numbers sir?

**Anil Kapoor** We do not have any clue as to what the numbers would be there from Government of India. But I can only share with you that we have always had good surprises coming on the lower side from Department of Fertilisers. That is the reason why we follow a conservative approach in this regard.

**Moderator** Next question from the line of Tarun Surana from Sunidhi Securities, please go ahead.

**Tarun Surana** On the phosphatic side, do we see this working capital cycle now a new normal for you? You will have to push dealers and give them 2-3 months credit cycle even going forward?

- Anil Kapoor** If we go for continuing that cycle I am telling you that will be a huge negative for the industry. It's after lot of difficulty we have had some price stability in the market place by giving one month credit. You will appreciate that it tantamount to about Rs. 150 a tonne. So if we give 2 months average for the full year we are talking of Rs. 300 a tonne. The margin at which we will be operating in the coming year will be around Rs.600–700. So if we have to give away that Rs. 300, God help the industry. You are an expert on Fertiliser. You can understand what are the numbers we are talking about?
- Tarun Surana** If going forward, lets say rupee moves back, we are in a position to again have the phosphoric acid contracts with industries at 850 also fine. So if the industry is in a position to reduce MRP, do you think MRP will reduce or you will continue the practice of giving cash discounts to dealers the way it happened in Q4?
- Anil Kapoor** Let us not discuss Q4 because Q4 was sort of a necessity. But going forward, now with decontrol taking place in the market to a limited extent. Okay because we are now not on a fixed subsidy model. If a marketer has to have a threat today it is of a dollar coming down. If with the rupee appreciates, and say hypothetically comes to Rs.48 and I have contracted my DAP and hedged my currency at Rs.54, and I have a competitor who can price himself Rs.3000 cheaper than me then God help me. And this is a reality of any market. It's an open market scenario. Some person will be selling at higher price others at lower price. This is what free market is all about.
- Tarun Surana** So we will be departing from an era where one price was working for entire industry, the way it happened for even phosphoric acid now, the OCP has not agreed to contract whereas there are different rates by ICS and 850 from Phoschem.
- Anil Kapoor** You know what competition commission is doing today. We will never be party to that discussion ever, follow a free pricing mechanism.
- Tarun Surana** And last question, there are some troubled companies out here, would Chambal be looking at M&A opportunities or just focus on Brownfield expansion alone in urea side?
- Anil Kapoor** There are no companies in the market at this moment that Chambal is interested in.
- Moderator** Our next question from Rohan Gupta from Emkay Global, please go ahead.
- Rohan Gupta** Urea production, sales and volume numbers for the year.
- Anil Kapoor** As I said in the beginning of the opening remark, production for the year was 21.46 lakh tonnes and sales was 21.26 lakh tonnes.

**Rohan Gupta** Okay. Sir and this 21.46 lakh of production for the current year, do you see any opportunity for the next year. I mean for FY13 that we can ramp up production further from this level?

**Anil Kapoor** No.

**Rohan Gupta** Okay and have we taken the maintenance shut down in month of March or it is planned during this year?

**Anil Kapoor** We had extended shutdown in the month of April and that was the shut down literally for both our plants.

**Rohan Gupta** Okay so it has come in month of April only.

**Anil Kapoor** That's right.

**Rohan Gupta** So I mean there is absolutely no chance that we should be crossing 21.46 for this year?

**Anil Kapoor** Absolutely no chance. In fact if at all it can only be lower.

**Rohan Gupta** Can you also share phosphoric acid volume number in your JV company?

**Anil Kapoor** We produced 429,622 tonnes of Phosphoric acid in our JV company last year.

**Rohan Gupta** That was last year?

**Anil Kapoor** Calendar year 2011.

**Rohan Gupta** Second question is on this margin of our phosphoric acid plant in this JV. It seemed that the result for this year has been pretty good compared to last year. Well we understand that raw material prices are more or less fixed for this plant. So how the margins move in so significantly. I mean 33 crores segment profit in 2011 has become 86 crores profit this year.

**Abhay Baijal** Rohan, basically the rock price versus the phosphoric acid price plays a major role. One of the important issues on contribution when you have a great increase that translates into supernumerary profits as seen on the other side. So that is basically one of the reasons. Secondly the company is also more or less debt free and depreciation free. So that is also one of the issues.

**Rohan Gupta** Okay. Is there any kind of sustainable margin for that company which one can assume or the inventory gain in which we have seen this year will continue to be in future also considering the volatile raw material prices.

**Abhay Baijal** See that depends on what we can produce first of all. Further it depends on what is the kind of volume off-take from the Indian consumers because this is the plant which is mostly directed towards the Indian markets. And as of now I don't think IMACID has any firm commitments to supply.

**Anil Kapoor** In fact the IMACID has not got a firm commitment from its Indian customers so far this year.

**Rohan Gupta** Even for the current year it has yet not entered in to any kind of contract?

**Anil Kapoor** No.

**Rohan Gupta** My third question is on the trading business yearly mentioned almost Rs.500 to 600 crores is an agrochemical, micro nutrient and seed business. Sir can you also give us some sense of margins in this business?

**Anil Kapoor** We are talking of somewhere near 10 – 14%.

**Rohan Gupta** 10 – 14% margins for our agrochemical, and other specialty nutrient business.

**Anil Kapoor** Absolutely.

**Moderator** Our next question from the line of Dheeresh Pathak from Goldman Sachs, please go ahead.

**Dheeresh Pathak** I just want to understand the profitability of the urea segment like FY12, if I look at EBIT per tonne based on the sales volume that you just gave, there is a significant jump in the EBIT per tonne for urea versus FY10 –11. For instance FY10 - 11 it was in the range of Rs.1800 per tonne. This year it's almost Rs.2300 per tonne. So just help me understand why that delta is coming?

**Anil Kapoor** Basically it is happening because we have got quantities above IPP, or above cut-off which qualify for IPP.

**Dheeresh Pathak** Okay so how much would you have sold in cut-off over IPP?

**Anil Kapoor** Chambal's cut-off value for both the plant is somewhere near 944 plus 901, thousand metric tonnes so 1845 and as you said we have sold 21.26 lakh tonnes and produced 21.46.

**Dheeresh Pathak** And in FY10- 11, this was not the case?

**Anil Kapoor** FY11 we did not have such high IPP numbers? Again going by memory don't hold me to task, it was somewhere in between USD 250 and 400 with average of around 325 for FY11.

**Dheeresh Pathak** Although the volumes sold have not changed, it's just the higher prices.

**Anil Kapoor** There has been an increase of about 40,000 tonnes in production volume. And of course IPP has moved up substantially.

**Dheeresh Pathak** In the trading business, what is the volume that you did in the phosphetics, this year versus last year?

**V.K. Gupta** Our trading volume last year was 7,80,000 tonnes like DAP, SSP, MOP and complexes. Out of that 1 lakh tonne we sourced from country within and the rest was imported.

**Dheeresh Pathak** 7.8 lakh tonne, 1 lakh internal and other imported, right?

**Anil Kapoor** 1 lakh internal was without SSP.

**Dheeresh Pathak** This does not include any volumes that you did in agrochem?

**Anil Kapoor** This is tonnage of DAP and complexes.

**Dheeresh Pathak** This is for FY12, what would be the comparable number for FY11 sir?

**Abhay Baijal** It was roughly 2,23,000 tonnes lower. So if we did 7,80,000 tonnes this year, we did about 5,60,000 tonnes in FY10 on a combined basis. MOP was higher but DAP and SSP were lower.

**Dheeresh Pathak** Right, is it significant to know the mix, would margins vary whether it is MOP or DAP in the trading business.

**Anil Kapoor** Yes, last year MOP margins were substantially lower. That is why we did very small volume of MOP. This year I believe MOP will not do well because the prices have gone up from somewhere near Rs.4500 a tonne to about Rs. 16,000 a tonne. I really wonder how will the farmer buy at these prices? Earlier the farmer used to apply MOP in certain cereal crops also but at this price I really don't know what will happen in the market. He would use some quantity for the cash crops but I don't know what's going to happen to non-cash crops.

**Dheeresh Pathak** Okay last question in the trading business. When you enter into contracts of buying the product you are importing the product, what is the nature of the contract, I mean they are at a fixed price or at a fixed volume. How does it work?

**Anil Kapoor** Basically they are volume contracts and more in nature of MOUs.

**Dheeresh Pathak** Okay so you say I will buy 1 lakh tonnes at a particular price.

**Anil Kapoor** No, they are volume price contracts with price remaining open for negotiation at the time of import.

**Dheeresh Pathak** Okay at that time meaning the average of the cost for that period or what?

**Anil Kapoor** It basically could either go ship by ship or it can even go for an annual contract at a fixed price. Both the models exist.

**Moderator** Our next question is from Satish Mishra from HDFC Securities, please go ahead.

**Satish Mishra** I missed the plans you said related to SSP, what are the timelines, when the SSP plants are going to come?

**Anil Kapoor** Plant will be commissioned in the month of June.

**Satish Mishra** So this June will be of 2 lakh metric tonnes capacity?

**Anil Kapoor** Annual capacity is 2 lakh tonnes, so this year would be proportionately less. First year as you know, we will have to commission the plant. So we have lower volumes in the first year.

**Satish Mishra** Fair enough and what about the Dahej plant which we planned of 5 lakh capacity?

**Anil Kapoor** We have taken the land, the environmental clearance is under way at this moment. But we will announce about the plant in future.

**Satish Mishra** So roughly how much time it takes from the zero date for a SSP plant to come?

**Anil Kapoor** A year to year and half.

**Satish Mishra** Fair enough and sir what will be the proportion of LNG in our current Gas mix?

**Anil Kapoor** Approximately 45 – 50%.

**Moderator** We will take a last question from the line of Hemanshu Nayar from Quant Broking, please go ahead.

**Hemanshu Nayar** Just wanted to know if you can give some guidance on your CAPEX, if you have finalized that business wise, just wanted to know whether we have any capital commitments in other businesses, I mean other than urea?

**Anil Kapoor** At this moment both shipping and textile, nothing major to talk about. Very minor in nature. The only big CAPEX that Chambal looking at is Gadepan-III which will be to the tune of approximately Rs.4000 – 4500 crores.

**Hemanshu Nayar** And sir just in case that gets delayed, because of the delay in finalization of the urea policy, would we be looking at increasing our dividend payouts?

**Anil Kapoor** The dividend has already been declared. We are conserving cash for our investment plans. As you know Chambal has a very decent payout ratio and for a 4500 crores investment, we will need to conserve the cash.

**Moderator** Participants that was the last question. On behalf of Perfect Relations, that concludes this conference call. Thank you for joining us.