

### Q3FY12 Post Result Conference Call Transcript

**Representative:**

**Mr. Kapil Mehan – Managing Director**

**Mr. S. Sankarasubramanian – Chief Financial Officer**

**PL Rep.:**

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#### Operator

Ladies and gentleman, good day and welcome to the Coromandel International Q3 FY12 Post Results Conference Call hosted by Prabhudas Lilladher Private Limited. As a reminder for the duration of this conference all participants' lines will be in the 'listen only' mode and there will be an opportunity for you to ask question at the end of today's presentation. Should you need assistance during this conference call please signal an **Operator** by pressing "\*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Manish Mahawar from Prabhudas Lilladher. Thank you and over to you sir.

#### Mr. Manish Mahawar – Prabhudas Lilladher

Good evening everyone. On behalf of Prabhudas Lilladher, I welcome all the participants' on the call. We have Mr. Kapil Mehan, Managing Director and Mr. Sankarasubramanian, CFO from the management and now I would to like to hand over the call to Mr. Mehan, over to you sir.

#### Mr. Kapil Mehan – Managing Director

Good evening everybody. Thanks for joining the call. And we will start with a little overview and then we will allow more time for Q&A because we have only 55 to 60 minutes time available with us.

Let me start by saying that this quarter agriculturally has been one which has been a bit difficult because of acreages of most of the crops have gone going down below last year's, except for wheat, whose acreage went up by about 3 lakh hectares. Otherwise, if we look at core cereals oilseeds pulses and rice, the acreages are down between 1 to 7% as compared to last year I think in this quarter the North East monsoon has also been affected quite a bit; against normal rain of 125.6 mm in the period October to December 31st, we have received only 62.8 mm rains and that is something which has affected agricultural operations, especially in southern peninsula. All these had an impact on the demand for fertilizers and if we look at the total sales reported for fertilizers during this quarter, we have seen that the total sales of urea as circulated so far is about 1.8% down as compared to last year. The DAP is down by about 12% as compared to last year. Potash is the only fertilizer which has shown 6.3% growth that primarily because there had been a problem in terms of availability of potash in the earlier part of the year and the stocks really became available from end of September to early October however overall consumption is below our estimate. The complex fertilizers sales for the quarter is up by about 4.4%. If you look at these numbers for the 9-month period, I think the urea sale is up by about 6%, DAP is down by about 20% Sales of MOP are down by 40% because first five months there was an availability issue because the contract for Potash got finalized very late. There is an overall growth in Complex fertilizers from 7.5m tonnes to 8m tonnes; growth is about 6.6% on a YoY basis. Looking at the global scenario, the prices of most of the phosphate and nitrogenous fertilizers have come down from their peaks which were towards end of November early December and from second half of December, the price has been correcting and we are now seeing some signs of stability with price declines becoming smaller and smaller week by week. Rupee has also



depreciated this quarter especially in the month of December from 49 to over 53 very rapidly and now of course in January it has been correcting and that is something which we have to see how it impacts the January-March quarter. Coming to our own performance in terms of volume of fertilizers that we sold during the quarter, we have sold 8.34 lakhs tonnes of all fertilizers put together against last year 8.41 lakh tonnes. Our , our last year's production was 7 lakh tonne and this year production is 6.12 lakh tonne, a drop of 87,000 tonne which was more than made up by import of finished fertilizers which we undertook during the year and during this quarter we have had reasonable sales of that. In terms of 9 months period, our total production has been down by 11.8% from 21.22 lakh tonne to 18.71 lakh tonne, whereas total sales of fertilizer is down by 5.4% from 24.95 lakh tonne to 23.59 lakh tonne. In terms of turnover, our overall turnover has grown by about 24% from 2061 crores to 2560 crores a growth of 24.2% and so that's really the topline growth. From YTD, we have grown from 6387 crores to 7150 crores a growth of 12% and if we look at our EBITDA, our total EBITDA has grown from 223 crores to 235 crores before exceptional items and if we account for past year subsidy and an extraordinary expense of 36 crores towards non-compete fees that we have paid for acquisition of Sabero shares our EBITDA has come down from 234 crores to 211 crores a drop of 3.13% but if we look at overall EBITDA without considering these extraordinary items, the EBITDA has actually grown by 5.4% to 235 crores from 223 crores. For the 9 months period, EBITDA has gone up from 729 crores to 859 crores and a growth of 17.8%. If we take the extraordinary expenses and prior period subsidy, then there is a decline of 9.5% at 864 crores from 955 crores during last year, so this is broadly the opening remark that we have and with this I will request Sankar in case he wants to add anything more and then we can move to Q&A.

**Mr. SankarSubramanian – Chief Financial Officer**

We can move to Q&A straight away.

**Mr. Kapil Mehan – Managing Director**

Yeah.

**Operator**

We can move on to the Question & Answer session. Participants if you wish to ask a question you may press "\*" and "1" on your touchtone telephone if you wish to remove yourself from the question queue you may press "\*" and "2". Participants are requested to use only handsets while asking a question. We have the first question from Manoj Bahety from Edelweiss. Please go ahead.

**Manoj Bahety – Edelweiss**

Good afternoon sir, thanks for taking my question.

**Mr. Kapil Mehan – Managing Director**

Yes please go ahead.

**Manoj Bahety – Edelweiss**



My first question is right now we have charged off the non-compete fee towards acquisition of Sabero; I think there are alternative treatments like we could have carried as an asset in the balance sheet, so what is the reason for taking this a write-off in the P&L, whether it is advantageous in terms of taxation or something?

**Mr. Kapil Mehan – Managing Director**

Sankar?

**Mr. SankaraSubramanian – Chief Financial Officer**

Non compete fee has been paid for the finite period and not in the nature of know how or marketing rights or any other rights. As it does not qualify to be an intangible assets it has been charged off to P&L .

**Manoj Bahety – Edelweiss**

**Manoj Bahety – Edelweiss**

Ok. My second question is this year I think the Government delayed in announcing of subsidy for the next year. So considering the current correction in the international prices, do you think the Government will cut down the subsidy and the prices to the farmer will remain unchanged and if that happens do you see the DAP demand being affected next year also?

**Mr. Kapil Mehan – Managing Director**

See as we understand from the press report and our interactions with the department, the Government is fully aware of the developments in the international market and in all likelihood the subsidy on decontrolled NBS fertilizers will be brought down. How much we don't know and I think there would be an attempt to see that the MRPs also come down a little bit so that whatever is the correction in the international market is shared between the Government and the farmers; that's our expectation. To reply to your query on urea prices, I think the differential is very high and I am sure some correction in urea price should be forthcoming if we were to go by the reports available then the NBS is not likely to be extended to urea in the very immediate future but I think the price correction needs to happen from 5310 upwards and there were reports of 40% increase but later on they were denied by the Government; this is one factor which will continue to impact the overall balance the use of NP&K and our appeal has always been to the Government that there is a need for correction of these distortions because it takes quite a lot to correct and get the balance right again because till about last year we were getting the balance quite moving to the ideal ratio 4:2:1 between NP&K and once we are through with the year, we would see a certain deterioration in that balance number. So let's hope that these corrections will get made. Even if there is a 10% increase or 15% increase its the welcome increase from the usage perspective as we would expect that with the reduction in subsidy and minor correction in the selling price the difference will narrow which will be better than what we have seen during the last quarter.

**Manoj Bahety – Edelweiss**

But sir if Government reduces the subsidy that reduced subsidy will be applicable for the next full year so if the raw material prices or DAP prices again goes up then it means the MRP to the farmer may go up because the Government will be announcing subsidy which would be applicable for the entire year, right?

**Mr. Kapil Mehan – Managing Director**

Yeah theoretically what you are saying is right but we have to watch the situation carefully before arriving at any conclusions because we don't know how the international prices will play out as we go forward we don't know how the exchange rate will play out as we go forward so I think the selling price to farmer will really be a function of these two developments; there will be some new capacities coming on stream as far as phosphates are concerned. Some debottlenecking is expected in Potash also international majors had announced they will be coming come on stream some urea and ammonia capacities in terms of supply side dynamics there are developments which should keep the prices under some sort of a check but we have to wait and see Rupee Dollar exchange rate we don't know which way will it go so I think it's a function of these two factors.

**Manoj Bahety – Edelweiss**

Right, sir my last question if you can share some color on non-subsidy business mainly organic manure and water soluble fertilizers?

**Mr. Kapil Mehan – Managing Director**

I think all our businesses have done well in terms of growth even though you know the fertilizer prices were high so if you were to ask me has their share gone up; it hasn't gone up but it has been maintained even at very high prices of fertilizers. Our organic business is growing at a healthy 40 to 50% growth rate ; our water soluble fertilizer business has also grown. The only business which I think under somewhat strain from demand perspective is our agro chemical business which got impacted because of adverse seasonal factors, especially from September onwards. There also we have done reasonably well so that's all I can say at this stage.

**Manoj Bahety – Edelweiss**

Will it be possible to share the volumes of organic manure sir?

**Mr. Kapil Mehan – Managing Director**

In the entire last year we had done about 1.2 lakh tonne whereas this year in the first 9 months itself we have achieved over 1.4 lakh tonnes.

**Manoj Bahety – Edelweiss**

Yes sir. Thanks for answering my question. Wish you all the best sir.

**Mr. Kapil Mehan – Managing Director**

Thank you

**Operator**

Thank you. The next question is from the line of Saurabh Arya from Bajaj Allianz Life Insurance. Please go ahead.

**Saurabh Arya – Bajaj Allianz Life Insurance**

My first question is sir there is huge increase in interest cost for this quarter so have we taken more debt or what kind of debt it is, is it working capital debt or we have invested something into the business?



**Mr. Kapil Mehan – Managing Director**

Sankar?

**Mr. SankaraSubramanian – Chief Financial Officer**

There is a 2% increase in the effective cost of borrowing compared to corresponding period last year and also the payment has been made for the Sabero investment This has also resulted in moderate increase in interest cost.

**Saurabh Arya – Bajaj Allianz Life Insurance**

But there is nothing in terms of subsidy receivable from Government during that duration?

**Mr. SankaraSubramanian – Chief Financial Officer**

No this quarter subsidy collection has been very good in fact we have seen highest collection this quarter. We have already received subsidy up to November. So there are no major delays on the subsidy front.

**Saurabh Arya – Bajaj Allianz Life Insurance**

So that 45 days guidelines are still being followed.

**Mr. SankaraSubramanian – Chief Financial Officer**

Yes

**Saurabh Arya – Bajaj Allianz Life Insurance**

My second question is now that Sabero has been amalgamated with our business. If I see last 5 quarters performance of Sabero, the company has been in trouble for last 5 quarters. So by what time we believe we can make it profitable and it won't hurt the consolidated profitability of the company?

**Mr. Kapil Mehan – Managing Director**

I think we will have to understand Sabero had some environment regulatory related concerns where they were stopped from producing towards last quarter of last year which continued into first quarter of this year and that's w has been impacting their sales and thereby the profitability. We have now started investing in environment treatment facilities to ensure that there is a matching capacity of production of different molecules of agro chemicals and effluent treatment . We have also received permission to improve capacity utilization from 50% to 75% so I think over next two to three quarters we should see normalcy and healthy growth returning to the financials of Sabero;.

**Saurabh Arya – Bajaj Allianz Life Insurance**

But I think Sabero numbers would come into business from next quarter only?

**Mr. SankaraSubramanian – Chief Financial Officer**



Yes because effective consolidation date is 31st December and from next quarter onwards it will be consolidating into Coromandel

**Saurabh Arya – Bajaj Allianz Life Insurance**

Ok thanks a lot sir. Thank you.

**Operator**

Thank you. The next question is from the line of Gaurav Jain from CRISIL. Please go ahead.

**Gaurav Jain – CRISIL**

Sir the first question is with regards to the volume growth for DAP and NPK fertilizers, sir basically looking at the increase in prices for DAP and NPK fertilizers do you see any demand destruction for the next fiscal on the farmer's side?

**Mr. Kapil Mehan – Managing Director**

Our preliminary enquiries with the farmers do not indicate a very substantial destruction of demand. But what definitely has happened is that the pipeline inventories and distribution channels seem to be getting adjusted because the international prices have come down so the sentiment amongst the dealers and retailers is that let me not take too much of risk. So you know whatever is being bought is being bought on farmer demand; the stocking levels have come down. Having said that I think in stressed areas where rainfall has not been sufficient or water availability has not been sufficient farmers especially of field crops like paddy and wheat are showing tendency of moving down from use of very high analysis fertilizers to somewhat low analysis fertilizers.

**Gaurav Jain – CRISIL**

Ok

**Mr. Kapil Mehan – Managing Director**

Or you know if they were doing two bags of DAP they may do one and a half bag of DAP so but that is observed in pockets on primarily on field crops but on cash crops we have not seen any reduction in application by the farmers.

**Gaurav Jain – CRISIL**

Ok so you don't see much hesitation on the farmer's side in terms of applying the fertilizers complex fertilizers.

**Mr. Kapil Mehan – Managing Director**

Well I think it would be wrong to say that there is no hesitation.

**Gaurav Jain – CRISIL**

Ok.

**Mr. Kapil Mehan – Managing Director**

There would be hesitation; farmers who are coming and buying without checking the price today go to 5 shops to check the price and then only they buy their fertilizers. So they are becoming more conscious they are becoming more careful in buying fertilizers and that was one of the objectives of this policy that farmers make judicious use of fertilizers which is in the long term interest of both agriculture, farmer and the industry.

**Gaurav Jain – CRISIL**

Ok. Sir can you put a number on the growth as in growth numbers for DAP and NPK for the next year?

**Mr. Kapil Mehan – Managing Director**

It's very difficult to say that it would be a function of how the international prices; how the monsoon turns out but we expect that we should have a normal year as far as fertilizer consumption is concerned maybe we will see you know '10-'11 numbers getting repeated or little bit growth over that but we will have to wait how the monsoon forecast is and we as of now we don't see the selling prices to farmers will go up because international market is still adjusting and there is more capacity which will get into the market especially from Ma'aden in Saudi Arabia. So let's wait and see how it turns out but it should be a normal year.

**Gaurav Jain – CRISIL**

Ok sir and what is your share of sales for DAP and NPK?

**Mr. Kapil Mehan – Managing Director**

See that is driven by the demand. Normally we have 70 to 80% NPKs and about 20 to 30% would be DAP

**Gaurav Jain – CRISIL**

Ok and what will be the number for the industry?

**Mr. Kapil Mehan – Managing Director**

Industry is about 50:50.

**Gaurav Jain – CRISIL**

My second question is with regards to the subsidy rates do you see a quick revision in subsidy rates by the Government considering the prices for complex fertilizers they have grown significantly over the last one year?

**Mr. Kapil Mehan – Managing Director**

I think all phosphates and all P and K prices have moved up and there is a concern both within the industry and the Government on this rising trend and the correction that we are now witnessing in the international prices is a welcome step which will I think put atleast for the time being a brake on these prices going up. Now we have to see how this price reduction and the Rupee movement is factored in while fixing the subsidy levels for next year

**Gaurav Jain – CRISIL**



Ok. Yeah, thanks a lot sir.

**Mr. Kapil Mehan – Managing Director**

Thank you.

**Operator**

Thank you. The next question is from the line of Gautam Chhaochharia from UBS. Please go ahead.

**Gautam Chhaochharia – UBS**

Given the poor rainfall and the lower sales, how does the inventory situation look like for you and the industry and the demand outlook for the fourth quarter?

**Mr. Kapil Mehan – Managing Director**

See overall stock levels have moved up we estimate that country is today sitting on DAP, MAP, TSP complexes etc at about 3-3.3 million tonnes of products normally at this time we should have about 1 to 1.2 million tonnes so there is an excess of about 2 million tonnes and we have to now see the next four to five months are really from up to May are low season months when the consumption levels would be low, production also will continue. So we will see the supply hangover there for some time. But having said that, the domestic production accounts for roughly 60% of the total requirement of PNK fertilizers. So I think importers would be careful in importing more products in the next 6 months or so because it really would not make sense for that import to come in because import is really a gap filler and not the basic source for meeting demand in the country so we expect that the import levels over the next 5 to 6 months will be at very, very low levels and that should help the inventory levels to come back to normal.

**Gautam Chhaochharia – UBS**

So this you are talking about P and K and for country as a whole?

**Mr. Kapil Mehan – Managing Director**

Yeah

**Gautam Chhaochharia – UBS**

Ok and how does it look for your market in terms of given the weak rainfall how do you see demand outlook for the next three months?

**Mr. Kapil Mehan – Managing Director**

See the sugarcane season will start now and that will immediately get followed by some early Kharif crops. So we expect that we should see our normal sales taking place in the coming quarter as well as those subsequent quarters and we have also stepped our farmer outreach programs and we are spending money on that and so all that is being done basically to ensure that we maintain our market share actually. In the month of December we did increase our market share and this year also our overall market share has





actually moved up by 20 basis points. Not much but nevertheless under these trying circumstances I think that has been a creditable performance by our sales and marketing team

**Gautam Chhaochharia – UBS**

But do you think because of the inventory situation and given the weak weather any margin pressure is possible because of?

**Mr. Kapil Mehan – Managing Director**

Well I think you know we have to see that there is a correction in raw material prices also and we had cut back on our purchases well in time and so I think when we do our own projections you know it seems to be in balance but beyond that we can't talk too much on margins.

**Gautam Chhaochharia – UBS**

And last couple of questions, the Bonus debentures issue is still outstanding so the Rs. 4 dividend is in addition to the Rs. 15?

**Mr. Kapil Mehan – Managing Director**

Yeah

**Gautam Chhaochharia – UBS**

Yeah so what is the status of the Bonus debentures?

**Mr. Kapil Mehan – Managing Director**

We have received the clearances from stock exchanges we are in the process of filing with the high court for conducting extra ordinary general meeting for the shareholders and then the shareholders have to approve this and we hope that by March-April we should be through with that process.

**Gautam Chhaochharia – UBS**

Ok. Thank you.

**Mr. Kapil Mehan – Managing Director**

Thank you.

**Operator**

Thank you. The next question is from the line of Apurva Mehta from KSA Shares & Securities. Please go ahead.

**Apurva Mehta – KSA Shares & Securities**

It is being known that our management thrust is to bring more revenue from non-subsidy business and increase its share; can you sir throw more light on that in after acquiring Sabero organics in particular?

**Mr. Kapil Mehan – Managing Director**

See Sabero results are not yet consolidated into our accounts but on a topline basis we continue to be at 90:10 situation, 90% fertilizers and 10% non-fertilizers or non-subsidy because you know when this numbers were taken on record MRP was fixed,. But since April 2010, the selling prices have been freed up. So we have the freedom to determine the selling price, whereas if we look at our EBITDA margins. While turnover is 90:10, EBITDA is 70:30 and so that continues to be those levels and you must also appreciate that value of fertilizers has grown substantially grown this year

**Apurva Mehta – KSA Shares & Securities**

Right sir, Thank you sir. Thank you very much.

**Operator**

Thank you. The next question is from the line of Ram Hegde from Primus Investment Advisors. Please go ahead.

**Ram Hegde – Primus Investment Advisorsa**

My question was relating to the policy when do you think you need the policy framework to be in place for you to start signing up you know contracts for next year?

**Mr. Kapil Mehan – Managing Director**

Ideally end of March- early April is the right time for the subsidy numbers to be notified because that would give us enough time to get into the market and negotiate prices for next year. That gives us enough time for ensuring that there is an adequate availability of required quantities of fertilizers in the market.

**Ram Hegde – Primus Investment Advisorsa**

Ok but you know in the context that you said that there is already inventory lying in the system you know would it mean that this time around the prices will first start off lower and then basically move up over time?

**Mr. Kapil Mehan – Managing Director**

Well also see you know we are also seeing that there is a more production which will come on stream, Ma'aden will be ramping up their production rapidly and that will put additional 1.5 to 2 million tonnes of DAP in the market. Similarly I think that OCP train will put in about 700 to 800,000 thousand tonnes of product in the market. Our TIFERT JV will start with phosphoric acid production so all that will keep the supplies also reasonably in line. But we have to watch and see how the market turns out because it's a function of various global markets Brazil, China, and US. China of course now is more or less self-sufficient or rather they are net exporters. But we have to see how US season opens up because Europe is currently depressed and continues to be depressed because of monetary and fiscal constraints that they are facing.

**Ram Hegde – Primus Investment Advisorsa**

Last question from my side really you know this quarter that drop on your production well it's on a quarterly might be difficult but was there any issue in terms of acid supply this quarter?

**Mr. Kapil Mehan – Managing Director**

Yes there were constraints in acids availability while you know we did receive acid from Tunisia. But it was not up to the requirement that we have and similarly Foskor also had some operational constraints and we could not get our entire quantity from them.

**Ram Hegde – Primus Investment Advisorsa**

The Foskor issue I mean is it sort of a short term thing or is it more structural there?

**Mr. Kapil Mehan – Managing Director**

No it is a short term issue, it is more operational in nature and that I think we are engaging with them to fix those issues.

**Ram Hegde – Primus Investment Advisorsa**

Ok fine that's it from my side. Thank you very much.

**Mr. Kapil Mehan – Managing Director**

Thank you.

**Bhavin Chheda – Enam Holdings**

Sir what was the subsidy absolute figures during the quarter?

**Mr. Kapil Mehan – Managing Director**

Subsidy figure is 1150 crores.

**Bhavin Chheda – Enam Holdings**

1150 and how much was the import volumes in the quarter which was sold?

**Mr. Kapil Mehan – Managing Director**

See we don't get into too much detail on that because segment reporting is still not you know it's all fertilizers same purpose, same market, same distribution channels, same outlets.

**Bhavin Chheda – Enam Holdings**

Sir because every quarter you give that volumes sir?

**Mr. Kapil Mehan – Managing Director**

Yeah the total sales of imported complex and DAP is around 1.7 lakh tonnes, besides urea and MOP.

**Bhavin Chheda – Enam Holdings**



Ok thanks a lot sir.

**Operator**

Thank you. The next question is from the line of Tarun Surana from Sunidhi Securities. Please go ahead.

**Tarun Surana – Sunidhi Securities**

Sir what is the status on “TIFERT”? When do we expect to complete the plant?

**Mr. Kapil Mehan – Managing Director**

See as of now the indications are that we should achieve mechanical completion by March and April will be the trials and so sometime in April May we should see the normal production resuming there and from then onwards it will be ramped up. **Tarun Surana – Sunidhi Securities**

Can you roughly tell us what would be the variable cost of conversion from rock to phosphatic acid at “Tiperd” per tonne basis?

**Mr. Kapil Mehan – Managing Director**

It’s very difficult to say at this stage we have to run that plant.

**Tarun Surana – Sunidhi Securities**

But what be the budgeted number atleast?

**Mr. Kapil Mehan – Managing Director**

We don’t share our budgets with all of you. I am sure you would appreciate that.

**Tarun Surana – Sunidhi Securities**

Ok right and what would be expected MOP arrival for your company in Q4?

**Mr. Kapil Mehan – Managing Director**

Q4 I think whatever we had to receive we have already received its about two vessels came in this quarter and further dispatches have been deferred and we will now watch our production and consumption as well as sales over the next two months and then decide when to take the balance quantities.

**Operator**

Thank you. The next question is from the line of Paresh Jain from Max New York Life. Please go ahead.

**Paresh Jain – Max New York Life**

Yeah good evening sir. Sir you said that your compost organic volumes were close to 1.4 lakh tonne in the 9 months.



**Mr. Kapil Mehan – Managing Director**

Yes.

**Paresh Jain – Max New York Life**

If I remember correctly in the first half only we had done close to 1.2?

**Mr. Kapil Mehan – Managing Director**

No, yeah this is an actually a very you know a weak quarter because most of our sales are in Andhra, Maharashtra and Karnataka and whereas October to December is a very active season for northern and eastern zones. So this is a slightly low season we will see better numbers in the coming quarters but our overall you know even in Q3 we have seen a growth of about 35% taking place on the compost volumes.

**Paresh Jain – Max New York Life**

Ok so this is just a seasonal impact nothing else.

**Mr. Kapil Mehan – Managing Director**

Yeah it's just a seasonal impact.

**Paresh Jain – Max New York Life**

Ok and Q4 is going to be strong in northern parts?

**Mr. Kapil Mehan – Managing Director**

Actually the sale is 35000 tonnes not 20000 tonne against 23000tonnes last year

**Paresh Jain – Max New York Life**

secondly sir can you just mention the capex figures for this year and next year?

**Mr. Kapil Mehan – Managing Director**

See we have been sharing our capex plan our expansion project in Kakinada for which substantial payments will now happen from now till 1st two quarters of next year so that's a 350 crores investment which is underway we also announced setting up a single super phosphate plant in Bhatinda, that would be about 116 crores besides that we have this bonus debenture issue which will require close to 500 crores and we have just made payments for Sabero acquisition where we have invested close to 402 crores.

**Paresh Jain – Max New York Life**

Right and the normal maintenance capex are usually how much? 25 to 30 crores or slightly more than that?

**Mr. Kapil Mehan – Managing Director**



That's about approximately 50 crores.

**Paresh Jain – Max New York Life**

Ok fine and any further stores that you have opened up during the quarter?

**Mr. Kapil Mehan – Managing Director**

Yes during this year we have already signed contracts for about 195 stores out of that 90 odd stores are functional and 70 odd stores are in various stages getting ready for opening and so before March we hope that between 180 to 200 new stores should be functioning taking out total to 600 plus.

**Paresh Jain – Max New York Life**

Ok fine, Thank you sir.

**Operator**

Thank you. The next question is from the line of Pankaj Tibrewal from Kotak Mutual Fund. Please go ahead.

**Pankaj Tibrewal – Kotak Mutual Fund**

Hi good evening. Couple of questions you know just to understand better, my sense is that DAP negotiations with Tunisia, Moroccan and Foskor, you know can Latin American countries Argentina where the regulations are going to change from 1st of Feb and in Brazil the sugar season is supposed to start from March April. And also China can be a spoilsport in terms of Indian purchasers waiting for the prices to come down and putting pressure on the DAP manufacturers but somehow Chinese finalize a couple of contracts which then becomes benchmark if you can help us understand more clearly on how the DAP negotiations are progressing?

**Mr. Kapil Mehan – Managing Director**

See as of now I don't think any serious discussions are happening. Our understanding is that Brazil also is in a similar situation with very high inventory levels so they are not going to come back into the market into any substantive way. The next big season that we have to really watch is March April season for corn sowings and that will really be the first indication of how the demand is going to play out. China will come into the market only from June onwards and because that's their export window which is the in low Chinese's season. And this year we expect that China also will be more careful because the intention of the Government there is very clear to conserve resources and so given these factors I think prices may not get finalized for any substantive contracts soon but some spot deals to meet immediate demand continue to be there because for that India is almost 55 to 60% of the global trade; so if India does not enter the market you know it would I think keep pressure on the suppliers our estimation is that next year the DAP requirements in India will be much lower than this year which would necessarily be you know more of DAP which has come now as well as complexes which have been received they will get consumed.

**Pankaj Tibrewal – Kotak Mutual Fund**

So your sense is that probably the contracts would get delayed and will 550 be a reasonable number to look in for I meaning terms of global negotiation is that the feeling which you guys are getting?

**Mr. Kapil Mehan – Managing Director**

Very, difficult to say. Because we are seeing prices coming down because US local market is one indicator after India, as US is a major consumer of DAP and MOP; they had come down and they went up for 2 weeks, they again came down so it's a fluid situation but undertone is generally weak.

**Pankaj Tibrewal – Kotak Mutual Fund**

The second question on Potash when I look at the data the stock levels in the North America seem to be growing up and that shows a substantial increase in the stock levels in States but that also is led by some kind of a production cuts across three or four mines; can you just help us understand what's happening on the stock side on potash?

**Mr. Kapil Mehan – Managing Director**

I think India has sufficient stock to last it through March April maybe till end of April so there will be no need for further arrival. However all Indian buyers have contracts which are carried over and I think they have been deferred by a quarter atleast or even more if required suppliers are quite understanding on that aspect. As for as supplies are concerned I think the major companies like PotashCorp and other American the Canadian producers have announced production cut backs during current year or they have taken extended turnaround of their mines so that is basically an attempt to bring about some parity in demand and supply. But demand is not coming back any strongly.

**Pankaj Tibrewal – Kotak Mutual Fund**

You don't think anybody will play a spoil because in the past my only worry is that China has played the spoilsport that whenever you know the prices have started coming down they have emerged as the flagship and just went on to give some contracts at 570 or 580 suddenly and that becomes the benchmark, so you don't see that happening this time around.

**Mr. Kapil Mehan – Managing Director**

See I don't think that's entirely true but one year China did that next year we did that we brought down the prices from India; India and China are two major buyers in the international market. The situation currently is that while we have supplies with us so we can hold on for some time we also have contracts which we can hold on. China's contract for 2011 has already come to an end and I am sure you know for first three weeks there has been no news coming out of China in terms of what their level of discussion with suppliers are, but by February March we expect that China will decide and under these circumstances when generally the prices are going down the Chinese own production of Potash is going up why would China pay more?

**Pankaj Tibrewal – Kotak Mutual Fund**

Fair. Fair. Thanks I think that helps a lot. Thank you.

**Mr. Kapil Mehan – Managing Director**

Ok. Thank you.

**Operator**



Thank you. We will take the final two questions. The next question is from the line of Devan Mehta from Canara Robeco. Please go ahead.

**Devan Mehta - Canara Robeco Asset Management**

Actually you have given some numbers on the inventory levels in the industry of around 3.3; 3.2 million tonnes?

**Mr. Kapil Mehan – Managing Director**

Yes.

**Devan Mehta - Canara Robeco Asset Management**

I would like to know our inventory level for the same?

**Mr. Kapil Mehan – Managing Director**

Our inventory level is around 300,000 tonne.

**Devan Mehta - Canara Robeco Asset Management**

In the DAP MOP complex space?

**Mr. Kapil Mehan – Managing Director**

Yeah

**Devan Mehta - Canara Robeco Asset Management**

And no contracts have been coming for this quarter in DAP or MOP?

**Mr. Kapil Mehan – Managing Director**

No. No. we didn't have any dispatches after October

**Devan Mehta - Canara Robeco Asset Management**

And can I get an idea on the spot rates of DAP I think that's ruling around 530 or something?

**Mr. Kapil Mehan – Managing Director**

Yeah its around 520 to 530 US.

**Devan Mehta - Canara Robeco Asset Management**

Ok and any update on lease rights on Navi Mumbai plant?





**Mr. Kapil Mehan – Managing Director**

That as we had already taken the enabling resolution we are in the process of evaluating options of that.

**Devan Mehta - Canara Robeco Asset Management**

Ok. Thank you.

**Operator**

Thank you. We will take the final question from the line of Sachin Kasera from Lucky Securities. Please go ahead.

**Sachin Kasera – Lucky Securities**

Yes just two questions on Sabero one is seeing that there is some carry forward losses, do we look at synergies that would come on the same line of business, would we contemplate merging it separate at some point in time?

**Mr. Kapil Mehan – Managing Director**

See as of now and we had already stated in the previous conference calls also that Sabero would continue to be a listed company operate independently. these questions will be evaluated at an appropriate time whether you know Sabero has merged with Coromandel or Coromandel pesticide business has merged with Sabero's so all options will be evaluated at an appropriate time right now there is no such plan.

**Sachin Kasera – Lucky Securities**

Secondly sir the type of price that we have paid for Sabero and the numbers we have been receiving for the last two to three quarters do you think we people have a reasonably good payback for Sabero or is it going to be much longer payback?

**Mr. Kapil Mehan – Managing Director**

I think we will have to watch and see we believe Sabero has a strong synergy with us; very under-utilized plant assets as well as registration and marketing assets that they have created and our effort would be to improve the utilization of both the market assets in terms of registrations and export markets that Sabero has as well as the plant capacities that they have and so we are putting matching capacities wherever bottlenecks are there so I think those once those investments are in place we believe that strategically Sabero is a good fit with Coromandel's agro chemicals product profile.

**Sachin Kasera – Lucky Securities**

Sir considering what is the type of investments that would be required to enable Sabero to you know maybe reach full capacity over the next few quarters?

**Mr. Kapil Mehan – Managing Director**

I think on the Sarigam plant we are looking at an investment of approximately 25 to 30 crores and that should bring that plant to an absolutely you know environmentally sustainable facility.



**Sachin Kasera – Lucky Securities**

And Sabero would be able to fund this one or would it require the support from the parent?

**Mr. Kapil Mehan – Managing Director**

No as of now I think Sabero is funding that requirement.

**Sachin Kasera – Lucky Securities**

Ok. Thank you very much sir.

**Mr. Kapil Mehan – Managing Director**

Thank you.

**Operator**

Thank you. I would now like to hand the floor over to Mr. Manish Mahawer for closing comments.

**Mr. Manish Mahawer – Prabhudas Lilladher**

Yeah. Thank you moderator. I would like to thank the management for the taking out the time for the call.

**Mr. Kapil Mehan – Managing Director**

Thank you.

**Mr. SankaraSubramanian – Chief Financial Officer**

Thanks Manish.

**Operator**

Thank you. On behalf of Prabhudas Lilladher Private Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.

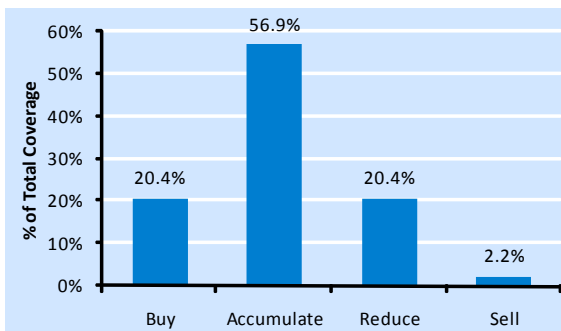


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