



“Deepak Fertilisers And Petrochemicals Corporation Limited Conference Call”

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**MODERATORS: MR. SOMNATH PATIL – PRESIDENT & CHIEF FINANCIAL OFFICER.
MR. VIVEK Y. KELKAR
MR. DEBASISH BANERJEE
MR. VARUN GUNTUPALLI – ANALYST, EDELWEISS SECURITIES LTD.**

Moderator

Ladies and gentlemen, good day and welcome to the Q3FY12 Earnings Conference Call of Deepak Fertilisers and Petrochemicals hosted by Edelweiss Securities Limited. As a reminder for the duration of this conference all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during this conference call, please signal 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. Varun Guntupalli. Thank you and over to you sir.

Varun Guntupalli

Thank you Binita. Good afternoon everybody. On behalf of Edelweiss I welcome you all to the conference call of Deepak Fertilisers Third Quarter Earnings. With us from the management we have Mr. Somnath Patil, President and CFO. We will first have opening remarks from the management after which we will move onto the question & answer session. Now I would like to hand over the conference to Mr. Somnath Patil. Thank you and over to you sir.

Somnath Patil

Thank you Varun. Good afternoon ladies and gentlemen. I extend a warm welcome to all of you for the Deepak Fertilisers and Petrochemicals Corporation Q3FY12 Earnings Call. I have with me, my colleagues, Vivek Kelkar and Debasish Banerjee.

As you might have seen we have had a good quarter in Q3. There has been a strong 60% increase in our top line to Rs. 601.49 crores from Rs. 375.03 crores from Q3 of 2010-2011. This increase was driven mainly by our manufactured Fertilisers and Chemicals. It must be noted that our operating EBITDA was Rs. 99.87 crores for the quarter ended December 31, 2011 as against Rs. 81.89 crores for the corresponding quarter in the previous year.

The results in this quarter clearly indicate that our presence in the 3 sectors of the economy i.e. agri, mining and chemicals provides us resilience even when the business environment has been quite volatile. There was an adverse impact on profitability to the extent of Rs. 22 crores by rupee depreciation. Profit before tax was therefore subdued with a 10% growth to Rs. 62.90 crores as against 56.97 crores for the previous year's corresponding quarter. Profit after tax rose 23% to Rs. 49.65 crores against Rs. 40.26 crores in the corresponding period of the previous year. Our own manufactured Fertilisers recorded 155% growth from Rs. 48.79 crores in Q3 FY11 to Rs. 124.64 crores in Q3 of the current year. This has been mainly due to improved availability of phosphoric acid.

The overall Fertilisers business including outsourced Fertilisers grew 130% from Rs. 120.27 crores in Q3 FY11 to Rs. 276.40 crores in Q3 FY12. The specialty Fertilisers business which includes water soluble, bio-Fertilisers, micronutrients, etc., also grew 25% for Q3 of FY12 over Q3 of FY11. Higher capacity utilization coupled with stronger operations and cost management has led to better profitability in this segment.

Profits in the Fertilisers business grew to Rs. 28.65 crores in Q3 FY12 from Rs. 4.25 crores in Q3 FY11. Our chemical business too showed a strong growth of 29% from Rs. 262.96 crores in Q3 FY11 to Rs. 340.49 crores in Q3 FY12. Growth in the chemicals business was driven both by higher volumes in technical ammonium nitrate and improved realizations. The abnormal increase in ammonia prices impacted profitability for the chemical segments. Profits grew only marginally to Rs. 81.59 crores in Q3 FY12 against Rs. 79.92 crores in Q3 FY11.

On the realty front the modification exercise that we undertook at the company's mall Ishanya should be all done by the end of FY12 or early FY13. The mall should be trading by then and we should have a good increase in footfalls and revenue going forward. At Ishanya the current occupancy is about 160,000 sq. ft. The new sign-ons are progressing well with modification work continuing. By the end of FY13 we are targeting occupancy of around 70%. The average rental is currently at about Rs. 28 per sq. ft.

I now leave the floor open to your questions. Thank you.

Moderator

Thank you very much. We will now begin a question and answer session. Anyone who wishes to ask a question may kindly press * and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press * and 2. Participants are requested to use handsets while asking a question. Anyone who has a question may press * and 1 at this time. The first question is from the line of Samay Kulkarni from Vantage Securities, please go ahead.

Samay Kulkarni

Sir good afternoon. Can you share now production numbers for the IPA, nitric acid, TAN for the nine months sir?

Somnath Patil

We produced 51,000 tons of IPA and 149,000 tons of TAN. As for nitric acid, we produced different concentrations of it totaling to around 1 lakh tons for the nine month period. This is the production that we have sold by the way. Production is much higher. We are actually captively consuming a large quantity of nitric acid.

Samay Kulkarni

For the methanol and ANP sir?

Somnath Patil

Methanol was 50,700 tons and ANP was 117,000 tons.

Samay Kulkarni

Okay. And what are the current prices sir, for these products like reservations?

Somnath Patil

Methanol is around Rs. 18,000 and acids on an average you can say Rs. 15,500. IPA the current prices are around Rs. 70,000.

Samay Kulkarni

And for ANP sir?

Somnath Patil

The MRP is around Rs. 13,600 and we get a subsidy of Rs. 14,200. So that makes it a total of around Rs. 27,800.

Samay Kulkarni Okay. And about TAN sir?

Somnath Patil TAN currently I mean for Q3 our prices have been around Rs. 22,000 per ton on a weighted average basis.

Samay Kulkarni And for DNA?

Somnath Patil For DNA the prices have been around Rs. 13,000.

Samay Kulkarni Okay. And the tax rate for this quarter is around 21% compared to the sequential quota of 28% for Q2. So can you throw some light on that? / Can you share some insight into that?

Somnath Patil There is a reduction in the average tax rate for the quarter only because there was an assessment for an earlier year which was completed and we have had a reversal of 6.5 crores which was excess provided in the earlier period.

Samay Kulkarni So the normalized tax rate for the full year will be around 28-29%?

Somnath Patil It will be little lower because of this effect on the average.

Samay Kulkarni And for FY13 what should be the normalized tax rate sir?

Somnath Patil For FY13 we should be given full tax except for some tax-free income that we have so we should be close to 30%.

Samay Kulkarni My last question to you sir. Under which heads have we provided for the adverse currency effect of Rs. 22 crores?

Somnath Patil We have provided for under two heads. Rs. 16 crores has gone in the other expenditure and balance Rs. 6 crores has gone in interest.

Samay Kulkarni Okay. That's why the interest has jumped to Rs. 22 crores almost.

Somnath Patil That is right.

Samay Kulkarni Okay, thank you very much sir.

Somnath Patil Thanks.

Moderator Thank you. The next question is from the line of Rohan Gupta from Emkay Global, please go ahead.

- Rohan Gupta** Hi sir, good afternoon. Just a little bit more clarity on this ForEx Rs. 22 crores, sir is it actual loss or is it M2M only which we have incurred or is there any gain element in other income as a contra-entry for this?
- Somnath Patil** No, there is no contra entry for this. Out of Rs. 22 crores about Rs. 6 crores is not the actual loss. Rs. 16 crores is the actual loss suffered.
- Rohan Gupta** Okay so the Rs. 16 crores which is included in other expenditure, is all actual loss that you have already incurred?
- Somnath Patil** Yeah, that is right and Rs. 6 crores is based on M2M and there should be a reversal of a substantial part of it.
- Rohan Gupta** Okay, and with this currency appreciation now by almost 7-8%, so are we going to see any kind of impact of this on our inventory or on debtors or something?
- Somnath Patil** This should improve our profitability for Q4 because we are net importers. All our gas, ammonia, propylene all of these are linked to dollars whereas our selling products are not entirely linked to dollars, only some of them are linked to the dollar -
- Rohan Gupta** How does the pricing happen because when the currency depreciation happens so immediately we have to pass on the impact to the end customer or else we will be carrying a high cost inventory in rupee terms? So will we see any kind of losses because of that, because of which we have to pass on the impact to the end customer?
- Somnath Patil** See basically we do not carry large amount of inventory for any of our products. So it is only the raw material that we carry. We are carrying some quantity of ammonia and some quantity of phosphoric acid. These are slightly larger quantities that we are carrying. But as far as finished goods are concerned we do our pricing on the basis of 15-days average for the exchange rate. So much of it gets passed onto the customer.
- Rohan Gupta** Okay, sir final question is on fertilizer business. What kind of inventory are we carrying of phosphoric acid? What is the effective cost of that phosphoric acid and any plans on new negotiations in this quarter?
- Somnath Patil** See we are currently carrying a stock of about 6000 tons of phosphoric acid and we are in negotiation with the suppliers for further supplies during this quarter.
- Rohan Gupta** Can you share with us the effective cost of this 6000 tons of phosphoric acid?
- Somnath Patil** Yeah that is \$1080 per ton.
- Rohan Gupta** Okay. You are talking about new negotiation?

- Somnath Patil** Yeah, they are going on and we are quite confident that we will be able to source adequate quantity of phosphoric acid for Q4 production of ANP.
- Rohan Gupta** And sir irrespective of the fact that government has yet not cleared what kind of subsidies rate they are going to fix for ANP, right now you are getting subsidy of about 14,200 on ANP right? So do we have any clarity on what is the fixed subsidies rate going to be and how we are going to plan our sales and purchases of raw material in that scenario?
- Somnath Patil** See the raw material prices are presently softening a bit. If this trend continues then obviously NBS rates will have to be adjusted accordingly by the Government of India.
- Rohan Gupta** So s \$1080 was the last cost of raw material of phosphoric acid. What is the cost right now on new negotiation?
- Somnath Patil** No, right now it has come down. It is more like \$980.
- Rohan Gupta** So have you made any contact at \$980 or you still awaiting?
- Somnath Patil** No, we have not yet done.
- Rohan Gupta** Okay fine sir. Thanks.
- Moderator:** Thank you. The next question is from the line of Falguni Datta from Jet Age Securities, please go ahead.
- Falguni Datta** Good afternoon sir. On the sales volume I have a few questions. Firstly on the sales volume of various products that is IPA, TAN and TAN solutions, Methanol and ANP for the quarter and also YOY.
- Somnath Patil** Okay, so you can note down. Methanol was 18000 tons. YOY last year was 23,000 tons.
- Falguni Datta** No sir, sales value.
- Somnath Patil** So Rs. 26 crores this year. Last year it was Rs. 37 crores in the same quarter. Which other product do you want to know about?
- Falguni Datta** IPA.
- Somnath Patil** IPA was 15000 tons this time as against 16,000 tons last year, same quarter.
- Falguni Datta** Sir sales value of these, because volumes I have got.
- Somnath Patil** Rs. 108 crores this year IPA and last year it was Rs. 100 crores.

Falguni Datta TAN and TAN solution?

Somnath Patil Rs. 112 crores as against Rs. 63 crores.

Falguni Datta Sir, does this Rs. 112 crores include TAN Solutions as well because it appear that TAN and TAN solutions were mentioned separately last time and this time solution is not mentioned.

Somnath Patil Yes, you are right, this will include solution also.

Falguni Datta Which one, this Rs. 112 crores?

Somnath Patil Rs. 112 crores as well as last year's figure.

Falguni Datta Then Rs. 112 crores corresponding volume would be what?

Somnath Patil 49,400 tons.

Falguni Datta And last year's is 35,462?

Somnath Patil Yes.

Falguni Datta And sir ANP?

Somnath Patil ANP we had a value of Rs. 234 crores against Rs. 44 crores last year.

Falguni Datta And sir this ForEx loss that we have booked, this is like we have made payment to our creditors and hence the loss, so does it mean that we have not taken any forward cover or how has it been?

Somnath Patil Some of it is still outstanding and we had forward cover partially, so to the extent that we were enjoying the supplier's credit, some of it had remained un-hedged and in fact if you see the way the dollar was appreciating in this quarter, it was quite rapid.

Falguni Datta So this loss would be on those un-hedged liabilities which have been settled?

Somnath Patil Yes, some of it is settled and some of it is not yet settled.

Falguni Datta But you mentioned that 16 crore is an actual loss, right?

Somnath Patil Rs. 16 crores is an actual loss, settled and Rs. 6 crores is something which is a notional loss.

Falguni Datta Sir, what is the guidance for FY12 for TAN from the new 3 lakh ton plant?

Somnath Patil We are targeting capacity utilization of about 75% -

Falguni Datta With the existing how much should be your guidance for volume?

Somnath Patil It should be around 300,000 tons.

Falguni Datta All combined?

Somnath Patil All combined.

Falguni Datta And ANP?

Somnath Patil ANP we are targeting to touch or cross a figure of 200,000 tons.

Falguni Datta For 2013?

Somnath Patil For 2013.

Falguni Datta And IPA?

Somnath Patil IPA we have almost reached full capacity so it will be around 75,000 tons.

Falguni Datta Fine sir. I will come back again if I have a few questions. Thank you.

Somnath Patil Yes, thanks.

Moderator: Thank you. The next question is from the line of Grishma Shah from Envision Capital, please go ahead.

Grishma Shah Good afternoon sir. Just wanted to know, we have seen a strong growth specifically in our manufactured as well as the outsourced Fertilisers. What has been the reason for the same which had a market that you cater to?

Somnath Patil See as far as own manufactured is concerned this year the availability of phosphoric acid was much better and our sourcing was also much better. So that has helped us to run our plants at much higher capacity loads and therefore we could achieve these volumes.

Grishma Shah What did you sense going ahead given that you know this year we have seen a sharp turn-up in lot of complex fertilizer prices. How has been the demand scenario?

Somnath Patil Overall demand scenario has been good. Q4 typically is slightly sluggish for this industry but we have a strong presence in our markets which are Maharashtra, Gujarat, and Karnataka We will continue to do well and will continue to grow.

- Grishma Shah** Also on the specialty fertilizer business we have seen a lot of players complaining about little bit of down-trading within the entire business, you have not seen any signs of those kinds in your business?
- Somnath Patil** No, in fact we have done extremely well in specialty Fertilisers. We have achieved a volume growth of more than 25% over last year same period. And we have been in this business for quite sometime. We have good tie-ups in place, much of this is outsourced even from local sources and that is where we are able to get more volumes. And going forward we aim to increase these volumes further.
- Grishma Shah** Do you also plan to get into newer states apart from Maharashtra, Gujarat, and Karnataka for Fertilisers?
- Somnath Patil** See presently we are already supplying to some north Indian states like Haryana, Punjab and some parts of Uttar Pradesh. We are seriously looking at strengthening our footprint in those geographies but our exact plan, we will be able to share with you after sometime.
- Grishma Shah** And also if you could highlight your CapEx now going ahead, you were also planning some CapEx in Australia. If you could give us some information sense as to how for the next 2 years the CapEx would pan out?
- Somnath Patil** See as far as the normal CapEx is concerned we will be spending around Rs. 50 to Rs. 60 crores minimum in our existing operations. As far as new projects are concerned you will hear soon from us. On the fertilizer front we are on the final stages of finalizing the project and very soon you should be hearing from us. And as far as South Australian project is concerned various options are still being evaluated. There are far too many variables there which we need to thoroughly understand and study such as gas and the territories where it should be operating, the demand supply scenario, new capacity is coming up there. So the situation is quite dynamic there so we would like to be absolutely sure before we make any investments there.
- Grishma Shah** On the fertilizer front are you planning to add capacity within your existing product range or are you planning something on newer products, etc.?
- Somnath Patil** Yeah, we are seriously looking at debottlenecking our existing capacity and also expanding.
- Grishma Shah** Okay, but it would be within the same product range that you would expand your capacity?
- Somnath Patil** No, we could add some more products. We are looking at adding some more products but mainly the bulk complexes and may be there could be some customization but not exclusively customized Fertilisers.
- Grishma Shah** Okay. So on the ground according to you whichever states have you been operating, you have not seen any major demand pull back for the complex Fertilisers as such?

- Somnath Patil** No, because as I said except for this quarter which is a little sluggish all over, otherwise generally things have been fine.
- Grishma Shah** Fine. Thank you and good luck.
- Somnath Patil** Thank you.
- Moderator:** Thank you very much. The next question is from the line of Gauri Anand from MF Global, please go ahead.
- Gauri Anand** Good afternoon sir. Congratulations on your numbers. I have five close-ended questions. One, last quarter I remember you said that you would observe some shutdown for the new TAN plant, so just wanted to understand for how many days was the plant shut and is there any shutdown related expense which is accounted in this quarter?
- Somnath Patil** Yes the plant was shut for about 20 days and whatever expenses that were there they have been expensed out in this quarter.
- Gauri Anand** What could be the amount sir?
- Somnath Patil** It would not be a large amount. It will be around Rs. 4-5 crores.
- Gauri Anand** And this fertilizer trading profitability, could you comment on this quarter, fertilizer trading has been slightly higher which I believe could be specialty fertilizer. So how has the profitability been here in this segment?
- Somnath Patil** See we have gained a profitability of around 10 to 12% on this segment.
- Gauri Anand** Is this better compared to last quarter sequentially?
- Somnath Patil** Marginally, yes. Volume is significantly higher so therefore you would see that overall profit numbers are much higher.
- Gauri Anand** Okay. And sir I just wanted the cost of ammonia for this quarter and as also what are the hovering prices like?
- Somnath Patil** The ammonia cost in this quarter for us was around Rs. 28,000 per ton and last year same quarter was around Rs. 14,000 per ton so there has been almost a 100% rise.
- Gauri Anand** Yes. And how is it now, I mean moderate....
- Somnath Patil** Yeah. There has been a good correction in ammonia prices. They have come down to about \$450 per ton and we see this trend to continue for some more time, for a couple of quarters.

- Gauri Anand** And sir this CapEx which you indicated which you may likely announce, does it also include ammonia retrofit or will it be only the production and not ammonia?
- Somnath Patil** It will only be the products. The ammonia retrofit and slight enhancement in ammonia capacity will also happen post the shutdown that we will be taking towards the end of this year.
- Gauri Anand** So in the fourth quarter you are likely to take a shutdown, is it?
- Somnath Patil** Yes , towards the last 10 days of this year.
- Gauri Anand** Okay, so for how many days will it be shut? 10 days in this quarter and -
- Somnath Patil** 20 days.
- Gauri Anand** Overall 20 days, okay. And sir I just wanted your comment on this KG-D6 gas allocation going off, reports would say that P&K producers may not get the KG-D6 allocation
- Somnath Patil** See quite frankly nothing has been announced officially and all that we know is even the Ministry of Fertilisers have opposed this vehemently and they are wanting all this gas to be supplied to the fertilizer industry. Now we are already suffering a 10% cut from the KG basin gas.
- Gauri Anand** Okay, How much are we getting at this point of time?
- Somnath Patil** We are getting around 0.155 mmscmd.
- Gauri Anand** And sir are we consuming any spot LNG?
- Somnath Patil** Yes , very minor quantity, miniscule.
- Gauri Anand** Okay, will it be lesser than 0.115 that we are getting from Reliance?
- Somnath Patil** Yes , of course, much-much lesser.
- Gauri Anand** Okay. Can you give the gas source mix for you?
- Somnath Patil** I am sorry. Actually I cannot share the source mix but I can tell you the sources from where we get the gas. We have the APM Gas, then we have Panna-Mukta-Tapti, Reliance, also Tranche A gas.
- Gauri Anand** Okay. Thank you so much sir. All the very best to you.
- Somnath Patil** Thank you very much.

- Moderator** Thank you. The next question is from the line of Tarun Surana from Sunidhi Securities, please go ahead.
- Tarun Surana** Sir can you share your outlook on TAN volumes, how the mining activity is looking right now and whether the price sensitivity has been more than what you had estimated and that is why we are facing difficulty in replacing cheaper volumes with our costlier and better quality of TAN.
- Somnath Patil** If you see the mining industry as well as the infrastructure industries have shown a negative growth in the first 8 to 9 months of this year and we expect these to end on a flat note at the end of FY12. This has surely impacted our ability to push our volumes into the market particularly when we are looking at increasing our market share by replacing imports. But having said that we have achieved a growth of 67% in TAN volumes for the first 9 months over the last year 9 months and we are gradually focused on consolidating our market share. So for the fourth quarter we expect to sell about 40,000-45,000 tons of TAN. As I said earlier for the next year we are targeting a capacity utilization of about 75% from the new plant and we are also looking at increasing our exports next year. In fact we have already exported the first lot of 4000 tons recently to Australia so we will be increasing our presence in the international market as well.
- Tarun Surana** And any comment on the price sensitivity whether we are facing issues because of customer price sensitivity or it is because of slower activity in mining itself that our volumes were not very good in Q3 compared to Q2 and Q2 is anyways seasonally weak.
- Somnath Patil** The main reason is the market sluggishness because strictly speaking we cannot compare our products with what is getting imported into the country. Country imports fertilizer grade ammonium nitrate which is of significantly inferior quality compared to our lowest quality product which is the high density ammonium nitrate. We actually command a premium of about 15% over the imported product.
- Tarun Surana** And the other question is on phosphoric acid - from which all sources do you get phosphoric acid typically?
- Somnath Patil** Today we get only from OCP Morocco and the prices currently are around \$950 to \$980 per ton.
- Tarun Surana** But it is not finalized here in the contract rates. These are the indicative rates which are likely to be seconded?
- Somnath Patil** That is right.
- Tarun Surana** Okay, thank you sir.
- Somnath Patil** Thank you.

- Moderator** Thank you. The next question is from the line of Falguni Datta from Jet Age Securities, please kindly go ahead.
- Falguni Datta** Sir what could be the margins that we are getting now at this point, like we would have actually got in Q3 for the new TAN?
- Somnath Patil** Currently from the new TAN we are getting a margin of about 20%.
- Falguni Datta** But in Q3 it would have been lower because of the...
- Somnath Patil** That is right, Q3 was lower, definitely.
- Falguni Datta** Sir, how much would it have been roughly from the new unit?
- Somnath Patil** This was around 16 to 17%.
- Falguni Datta** And sir what are the current margins in methanol ANP and IPA?
- Somnath Patil** We are having a margin of around 24% on IPA.
- Falguni Datta** Which one?
- Somnath Patil** IPA. Methanol is about 18%. ANP is around 12 to 13%.
- Falguni Datta** What could be the reason for this decline in the methanol sales volume by about 41%?
- Somnath Patil** Two reasons – one is of course our plant was shut down; we had some maintenance job to be done. The other thing is we do not produce methanol when the selling prices are not attractive and then we have to depend on gas.
- Falguni Datta** Sir what would be the methanol cost?
- Somnath Patil** We typically produce methanol from spot gas which is the costlier gas that we have and when the selling prices do not support any production we do not produce.
- Falguni Datta** What would be the breakeven for methanol at spot gas and at what rate?
- Somnath Patil** See the breakeven will be around \$240 per ton, cost of production.
- Falguni Datta** What would be corresponding spot gas rate for this?
- Somnath Patil** I will have to get back to you on that.
- Falguni Datta** Okay. And sir lastly what are the current prices for IPA, propane, and your average for gas?

- Somnath Patil** IPA current prices are Rs. 71,000 per ton. Propane is Rs. 44,000 per ton. TAN is Rs. 22,000 per ton.
- Falguni Datta** And gas cost?
- Somnath Patil** Today it is Rs. 11.89 per SM³.
- Falguni Datta** And sir any outlook on TAN perspective, not from the cost angle but generally like how do you see the prices should firm up in FY13 or they would remain stable?
- Somnath Patil** See the prices are also dependent on the ammonia prices.
- Falguni Datta** I just want to understand in terms of margins
- Somnath Patil** We expect the margins to be much better than what we saw in Q3.
- Falguni Datta** How would you see it FY13 average margins in TAN as compared to FY12 full year?
- Somnath Patil** At current level we can surely have a margin of close to 25%.
- Falguni Datta** Thank you. That is all from my side.
- Somnath Patil** Thanks.
- Moderator** Thank you very much. As there are no further questions, I would now like to hand the floor back to Mr. Varun Guntupalli for closing comments.
- Varun Guntupalli** Sir, before closing the call line I have a couple of questions sir. One, if you can give us the composition of our inventory at the end of this quarter.
- Somnath Patil** We are carrying some phosphoric acid inventory of significant value and this is a plus for us and we are also carrying some inventory of MOP & complexes which we received in the second fortnight of December. So bulk of this inventory that you see is on account of these products.
- Varun Guntupalli** And sir we would be consuming all this through this Q4 or do we carry something into the Q1 of FY13 as well, substantial inventory of Fertilisers?
- Somnath Patil** We will be consuming all of this in Q4.
- Varun Guntupalli** Okay sir. And right now as I understand there is no clarity as to the government will be compensating for any inventory carried forward to Q1, am I right?
- Somnath Patil** Yes, I do not think that will happen.

Varun Guntupalli

Okay sir, that is all I have. Thanks everyone for participating in the call and thanks to Deepak Fertilisers' management for taking out time for doing this conference call. Now I will hand it over to Mr. Somnath Patil if he wants to make any closing remarks.

Somnath Patil

Well, I'd like to close by saying that, our near-term focus going forward will remain on growth in both Fertilisers and chemicals. In the immediate term of course, we will consolidate our market share in Fertilisers and in the TAN business. Capacity utilization should be going up steadily over the next few quarters. Fertilisers and chemicals remain our chosen direction going forward. We are actively looking at new projects in these sectors and you will hear soon from us. Thank you.

Moderator

Thank you very much. On behalf of Edelweiss Securities Limited, that concludes this conference. Thank you for joining us and you may now disconnect your line.