



Deepak Nitrite Limited

Investor/Analyst Conference Call Transcript

May 20th, 2010

- Moderator:** Ladies and gentleman, good afternoon and welcome to Deepak Nitrite Limited's Q4FY 2010 Investor & Analyst Conference call. As a reminder all participants lines will be in the listen-only mode, and this conference is being recorded. There will be an opportunity for you to ask questions 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 phone. At this time I would like to turn the conference over to Mr. Rishab Barar of Citigate Dewe Rogerson; thank you and over to you Mr. Barar.
- Rishab Barar:** Good afternoon everyone; we welcome all of you to Deepak Nitrite Limited's Analyst & Investor Conference Call. We shall discuss the performance and financial highlights of Q4 and FY 2010. Today we have with us Mr. Deepak Mehta, Vice Chairman and Managing Director, Mr. Sanjay Upadhyay, Vice President, Finance and Mr. Sanjay Deshpande, DGM, Finance and Treasury. We will begin this conference call with opening remarks from the management team after which we will open the floor for an interactive question and answer session. Before we begin, I would like to point out that certain statements in this conference call may be forward-looking in nature and a disclaimer to this effect has been included in the investor release and the conference call invite which was sent to you earlier. I will now like to hand over the floor to Mr. Deepak Mehta.
- Deepak Mehta:** Good afternoon everyone and welcome to our results conference call. I will take you through the operational performance and the key highlights during this quarter after which I will hand over to Mr. Upadhyay who will take you further through the financial performance. Our performance in Q4 2010 has been quite healthy. We reported revenues of Rs.162 crore compared to about Rs. 143.55 crore in Q3 of FY10, which is an increase of about 13% over the Q3 level. When we compare over the corresponding quarter of Q4 our revenues were higher by about 7.5%. More importantly we have increased our PAT by about 55% from Rs. 4.29 crore in Q4 of the last financial year to about 6.61 crore in the current financial year. The year 2008-2009 was a very challenging year for the chemical industry; however, I am extremely happy that the conclusion of this financial year 2009-2010 has seen many improvements. I may take you through the 2008-2009 year when if you remember we had the Chinese Olympics as a result of which there was a total disruption in supply internationally of various chemical intermediaries and therefore in the first half of 2008-09, the entire chemical industry in the world was seeing a boom and a buoyancy in prices, but in the second half of 2008-09 as the recession crept in and prices crashed we saw the 2009-10 beginning in a much somber note with industry really trying to see how best they can come out of the recession. So when I look at it from this perspective the turnover for financial year 2009-10 was about 7% lower at Rs.532 crore compared to Rs. 572 crore in the previous year. Though there is this decrease in sales on account of lower realization we have been able to ensure that there is an overall increase in volume by about 20% during this year. As I mentioned to you earlier conditions in 2008-09 were favourable to Deepak Nitrite due to global supply disruptions, which helped the industry to receive very high realization. This not being the case this year, we were

forced with a task to counter this tricky situation, particularly finding that Europe and America seemed to be going much deeper into recession. We have been able to find a way to maintain this steady growth even in this unpredictable market condition and result in currency fluctuation due to our cautious financial policies. We have improved our working capital cycle during this period, through better management of inventories, deliveries and supply chain. More importantly during this period we have been able to increase our overall volumes by the year by over 20% as I said earlier, by moving into newer markets like China, and USA. Demand in India was also firm while the global markets were witnessing a resumption in demand especially during the later half of the year. As a result of this there was a marked difference in the growth rates of the domestic market versus the export markets and consequently for Deepak we found that we were growing faster in the domestic market vis-à-vis the export market. Resultantly, our domestic market share, which was about 47%, grew to 53% during this year.

I would like to explain to you a little bit about our business. We are in the business of chemical intermediates and supply to various segments, but two critical segments that is colour and agrochemicals each contributing to 40% of our turnover are the two major segments. When we talk about colour it is more relating to our products going into the markets, which make what we call as whiteners, the white colour. The whiteners are used for paper, detergents, textiles, as also intermediate that go into the pigment colours. So this is a segment where our turnover used to be about 42% of our turnover. Last year we have been able to grow this from 42% to, as high as to 54% of our total turnover. During this year, we also made significant inroads into the US agrochemical market by securing business from one of the major American agrochemical company. The inventory correction however, in the entire agrochemical sector, which was witnessed last year, has adversely affected the demand of our products, which is reflected in its share of our total turnover. The agrochemical segment used to be about 39% to 40% of our turnover, this year it has come down to 32% of our turnover. So while the colours have grown very well from 42% to 54% it has been able to take the impact of the agrochemical business going down from 39% to 32%. At the same time when we look at geographies as I said besides America where we brought in the agrochemical business we have been able to make major inroads into the Chinese markets and in China we have been able to literally double our exports to Rs. 42 crore. China being a strong competitor to India and to most of the chemical countries in the world, I believe our ability to export products to China is a testament to our competitiveness and to the quality of our products.

During this year we also introduced our offering catering to fuel additives. These fuel additive intermediates contributed to about 3% of our turnover. We believe that the scope for our product in this sector is quite bright, given the limited competition in both India and international markets and at the same time the growing needs as a result of increasing tightening environmental norms particularly the Euro-3, Euro-4, and then now Euro-5 are pushing in demand for the fuel additives, the intermediates of which Deepak would be making. I have spoken to you about our ability to grow revenues from exports to China, which itself is a key global supplier in the world while on this point I must stress that with our key technologies in the area of hydrogenation and nitration being amongst one of the best in the world we have been able to deliver high quality products meeting international standards and this is clearly evident in our diversified customer base, which includes some of the best known names in the chemical sector, including agrochemical companies like Bayer CropScience, Syngenta, BASF, on the Color areas including Clariant, Lonza, Kemira, Monsanto and now with the new fuel additive businesses we have now targeted more of the refineries including IOC, Essar and Reliance.

Going forward the outlook appears to be strong in the chemical intermediates business. Trends in the end user industry can have significant bearing on the

operating performance. During the past year there has been an improved demand in India for many of the end user industries. Deepak Nitrite product portfolio caters to all these industry segments and we see that there is a growing market phase and then an excellent opportunity for Deepak to capitalize in the coming years. We believe that our capabilities in research and development and innovation helps us to differentiate ourselves and also to contribute to business growth. We have identified R&D and technology as our key differentiator and significant value creator. Our center located in Pune has over 50 research scientists working in the lab while at Roha we have a major pilot plant center, wherein technology is developed in the labs are then scaled up at Roha. Creation of new products gives better margins and we have a good number of new products in the pipeline. We are well placed to meet any increased demand. We have undertaken debottlenecking measures at our existing plants like at Taloja, which will help us to enhance efficiency, at the same time through improvements in productivity. We are now further planning to expand and augment capacities at all four of our existing sites that are Baroda, Taloja, Roha in Maharashtra and Hyderabad. This is on an ongoing basis and such debottlenecking or expansion of capacity is expected to be completed between now and in 2011 at each of these sites. Further these are going to be more like a brown route expansions as I would say. Here too, we are investing to see how to bring in more energy efficiency by moving in to use gas wherever we can, now that plentiful gas is available and replace furnace oil, or to move into using coal and bring down energy cost. At the same time we have acquired a plot and planning to setup a Greenfield expansion site at a place called Dahej in Gujarat. Dahej is more like a chemical terminal where there are some of the largest petrochemical and chemical companies around and our concept is to really bring in capacities over there with pipeline distances from our various suppliers, at the same time being on the port, the capability to be a part of our regional players and increase our competitiveness in our exports is a great advantage that we are looking forward from Dahej. We see Dahej, since it is a Greenfield project, really taking off and the real impact showing up in the year 2012-13.

Finally I would like to share, we have announced a dividend of Rs.5 per share. This is at a rate of 50% of the face value and a pay out ratio of 30%. Keeping in mind our future expansion plans, our performance expected this year we consider this to be a fairly healthy rate of dividend. This brings me to the end of my opening remarks. I will hand over the floor to Mr. Upadhyay who will take you further through the financial numbers and after that we will certainly be responding to your questions.

Sanjay Upadhyay:

Thank you for joining us on this call; I will briefly take you through the financial highlights. Our revenues in Q4 FY2010 stood at Rs. 162 crore compared to Rs. 150 crore in Q4 FY2009. EBITDA for Q4 FY2010 is Rs.14.32 crore as against Rs.16.65 crore in Q4 FY2009. These show a slight decrease but it is important to note that we have registered higher volumes in the current quarter than in Q4 of this previous financial year. The main reason contributing to the decrease was that prices were much higher last year due to global supply disruption as mentioned by Mr. Mehta. PBT for Q4 FY2010 is Rs. 9.48 crore, higher by 13.4% against Rs. 8.36 crore in Q4 FY2009. On a sequential quarter basis PBT for Q4 FY2010 of Rs.9.48 crore is higher by 18% when compared to Rs.8.02 crore in Q3 FY2010, which included one-time income on sale of premises of Rs.1.9 crore. PAT for Q4 FY2010 is Rs.6.61 crore higher by 54% against Rs. 4.29 crore in Q4 FY2009. On a sequential quarter basis PAT for Q4 FY2010 of Rs.6.61 crore is higher by 20% when compared to Rs. 5.53 crore in Q3 FY2010. The depreciation cost continues to remain in line with the earlier quarters. Other income in FY2010 includes profit on sale of premises as I mentioned earlier of Rs.1.9 crore. The company has been able to decrease its interest cost by 56% and this was largely due to availability of borrowing in foreign currency since, we are net exporters and also because the

company was able to manage its working capital cycle more efficiently leading to reduction in quantum and duration of funds tied up in working capital. Substantial increase in volumes resulted in higher other expenditure in Q4 FY2010 to Rs. 31 crore when compared to Rs.22.75 crore in Q4 FY2009. This was mainly on account of higher utility cost and SG&A cost. The current debt level is Rs. 92 crore excluding liquid investment, which is Rs. 66 crore, out of which Rs. 36 crore is long-term debt. Net debt equity ratio as of March 31, 2010 is 0.3. Total CapEx for the year 2009-2010 is Rs. 13 crore. During Q4 FY2010 the company has allotted 14.91 lakh equity shares of Rs.10 each at a premium Rs. 90 per share consequent upon conversion of detachable warrants into equity shares issued along with the rights shares in 2006.

Now I will take you through the revenue segmental basis. Inorganic segment in the inorganic intermediate segment has operated at almost full capacity on the back of increased demand in the domestic market and increased market shares. Revenues from this segment for the year are higher by 5% from Rs.107 crore to Rs.112 crore. This segment contributes to almost 21% of our total revenue. EBIT margin for the year was 20% and in Q4 FY2010 was 24%. Organic segment due to downturn in agrochemical sector demand for certain product for organic intermediate segment was adversely affected. New products in the fuel additive segment was launched in the year. Revenues from this segment for the year were lower by 9% from Rs.326 Crore to Rs. 296 Crore. This segment contributes 48% of the total revenue. EBIT margin for the year and Q4 FY2010 is 4%. Fine and Speciality volumes of color intermediate business has significantly improved however, prices were below expectations as a result of recession affecting the end users segment. Revenues from this segment were lower by 9% from Rs.182 crore to Rs.166 crore. This segment contributes 31% of our total revenue. EBIT margins for the year and Q4 FY2010 is 14% and 10% respectively. This brings us to the end of our discussion. Now we would gladly address questions that you may have.

Moderator: Ladies and gentleman, we will now begin the question and answer session. Our first question is from the line of Neha Pathak of KR Choksey Shares & Securities.

Neha Pathak: Congratulations on a good set of numbers. I have two questions; one I just wanted to check since 70% of your exports are from Europe, how do you see that affecting this year and any plans to offset that? And second is on the CapEx of the four locations, how much would be the CapEx you would be investing at those four locations?

Deepak Mehta: You are right, Europe has been a significantly large market for Deepak. Last year we have seen the way the markets dwindled because of the recession. So what we have done is reduced our exposure to Europe and increased it to both USA and China, so in that sense we are spreading ourselves to other countries on one side and on the other side working to see that the domestic market also is growing, so at the end of the day basically we are reducing our risk on Europe. On the other side, I would like to share that yes, we are witnessing the currency problems in Europe today, but in terms of the market we find that the markets in Europe are now coming back, most of the problems of last year were as a result of inventory correction. We find that by and large companies have reached a situation in which they are now no longer carrying large inventories, so as the demand moves up in the world for the end products the European customers are back into more or less regular production, so we see Europe not really being as bad as what it was in the last year. Regards CapEx, we plan to put in around Rs. 50-55 crore investments in the current sites between now and 2011 at various stages, some going in the next six months, some may take about nine months or so, so it is about Rs. 50 crore.

Neha Pathak: Regarding the first question on Europe, do you see the change in the revenue mix in terms of domestic and exports or do you see with diversifying to US and China,

you will be able to maintain that geography wise revenue mix in terms of domestic and exports?

Deepak Mehta: I think in the long run we expect ourselves to be around 50:50, in the previous year; we were about 53% exports and 47% domestic. In the year that just ended, we just reversed it to 43% exports, but by and large we see having spread out in to USA and China and at the same time also observing the domestic market growing between 48% to 52% would be our ratio of domestic to exports.

Neha Pathak: Are we looking at any new inorganic route?

Deepak Mehta: We are always on the lookout for growth, so at the end of the day what we would be observing is which segments of markets are growing and which is the best way to capitalize on that.

Neha Pathak: Would any materialize this year?

Deepak Mehta: We would be the first to share with you; as and when they would materialize.

Moderator: Our next question is from the line of Abhijit Akella of JM Financial.

Abhijit Akella: First I was just wondering if you could clarify why there was such a big increase in receivables this year, almost 50% versus the year ago.

Sanjay Upadhyay: The turnover has grown in Q4 and February, March exports being higher, what you see is the position as of March 31, but overall we are in control of the working capital which you can see from our interest working, it is substantially lower, but this is the position as on March 31.

Abhijit Akella: So, I guess the interest would be lower principally because your interest cost was lower, I think.

Sanjay Upadhyay: It is a mix of both, we have substantial exports so that we are borrowing in foreign currency, at the same time we keep tight control on our inventories and debtors level also, so working capital cycle also we take all the efforts to see that it is reduced, it is a mix of both.

Abhijit Akella: Just to be clear, has the number of days of receivables gone up?

Sanjay Upadhyay: They have grown up as compared to last year's March.

Deepak Mehta: I can just add one point, the month of March actually shows almost a 50% of the turnover of the quarter, some of these are export, where they are determined by how the customer is planning their production schedule.

Sanjay Deshpande: We normally internally measure our receivables and working capital cycles on quarterly basis, if you see on quarterly basis, our numbers are 41 days last year vis-à-vis 54 days this year, so there is not a significant increase which appears apparently in the balance sheet.

Abhijit Akella: So, a lot of these receivables should close in the next couple of months or so. If I caught this correctly you said long-term debt was Rs. 36 crore as of March 31.

Sanjay Upadhyay: Yes, that is right.

Abhijit Akella: What was it a year ago?

Sanjay Upadhyay: A year ago, it was around Rs. 28 crore. We have borrowed in the month of March, so the Rs. 25 crore which you see, that is an investment of Rs. 25 crore also in liquid fund.

Abhijit Akella: Just wanted to check regarding the expansion in to China. Which is the end-user industry we are mainly focusing on there? Is it agro-chemicals or colour?

Deepak Mehta: It is both. We are participating in the colours market in China, at the same time in the agrochemical businesses.

Abhijit Akella: Going forward, I guess about 86% of the total turnover came from two end-user industries. Which of those two would you expect to be the bigger growth driver or would it be fuel additives, with is a different segment altogether which would drive more of growth for the company as a whole?

Deepak Mehta: At least for the next couple of years we would see the colour business taking a larger market share of our turnover and at the same time the fuel-additive business would bring in a totally new fresh additional turnover, so we see in the next three years or so a situation in which the fuel additives would be about 12-15% of our turnover, today it is about just 3% of our turnover. While the colours would continue what we have today, maybe go up to 55% of our turnover. The agrochemicals may come down from 40% of our turnover to maybe about 30% of our turnover.

Abhijit Akella: Okay, and the principal reason for the decline in agro-chemicals, it is a slower growing industry, is that correct?

Deepak Mehta: Well, I think we are bringing in larger volume business from the fuel additives, while the agro-chemical is also growing, relatively we find that it is suddenly showing a reduced share.

Abhijit Akella: In colors, which geography is the strongest at this point? Is it India that is mainly growing or the overseas market buoyant as well?

Deepak Mehta: In colours our focus will again be mostly on the whiteners and what we are doing is to see that we are taking an increased market share of the world including India. The Indian market for our product is to make whiteners for domestic needs as well as make whiteners for export needs, so what we are finding is that outside of China, Deepak is the only intermediate producer, which is marketing these products and therefore as we see the revival of the European and American market we see this business growing significantly well.

Abhijit Akella: One last question, regarding the CapEx plans Rs. 55-60 crore for the coming year, if you could also share what was the number for the last year FY 2010 and how are you planning the finance CapEx for FY 2011 and does it include any equity issuance at some point and also what was the use of the proceeds from the warrants the Rs. 15 crore which were issued recently.

Sanjay Upadhyay: Basically, if you see our total CapEx for the current year is around Rs. 13 crore and if you take a WIP of last year, it is around Rs. 20 crore in the last year and so far as warrants, we are building up a war chest for the future plans and utilization is already being done for warrants on the CapEx whatever we have spent in the last two years. The warrant issue was a part of our rights issue which we issued in 2006, so the funds in these, since we have borrowed also in the month of March as we mentioned this is a long-term type of funds because if you see our borrowing

was very low and the long-term was hardly anything, so these funds are available for next year, so as of now there is no plan to raise further equity in the near future.

- Deepak Mehta:** About Rs. 50 crore is going to be invested between now and the next 18 months for all the current four sites, that is Baroda, Hyderabad, Roha, and Taloja, as I mentioned to you we have already also taken a new site which is Dahej where we expect between now and end of 2012 a total investment of about Rs. 240-280 crore coming in for newer capacity, so keeping this in mind currently we find ourselves to be really reasonably well placed largely out of our very good debt equity ratio to raise all the finances required.
- Abhijit Akella:** If you could also help me understand out of the Rs. 50-55 crore of CapEx planned, how much would be maintenance and how much would be growth CapEx?
- Deepak Mehta:** We do not put maintenance as part of our CapEx or you can call it normal capital expenditure would be about Rs. 7 to 8 crore.
- Abhijit Akella:** So pretty much the entire chunk of it is going just towards expanding, debottlenecking or Greenfield expansion?
- Deepak Mehta:** I would say some significant portion is also going for bringing in more energy efficiency in all these four sites, wherever possible we have been moving into investments in using gas which is now more readily available, thanks to Reliance, wherever possible we are now moving from furnace oil based boilers to coal based boilers, this is one sort of investment that ensures that each of our sites are getting to be more and more competitive and on the other hand the investments are in terms of debottlenecking to get out more capacities from the current plans.
- Moderator:** Our next question is from the line of Paurav Lakhani of Anvil Share & Stock Broking.
- Paurav Lakhani:** On your fuel additive business, could you just tell me what is the capacity that we currently have?
- Deepak Mehta:** What we have is in a sense, range of multipurpose plants and what we do is to meet the current demands out of these multipurpose plants. At times these same plants are used for intermediate for agrochemicals or intermediate for colours, but if you were to say, currently the amount of fuel additives that we have made are in the range of about a couple of thousand tonnes.
- Paurav Lakhani:** That is round about 2,000 tonnes right?
- Deepak Mehta:** Right. As we see the growing markets in the coming year, what we do is to keep on maximizing capacity utilization out of these multipurpose plants and as we look forward to grow still higher what we do is to keep on adding one more train of such a multipurpose plant, so that is the way we keep on expanding, the benefit is these multipurpose plants help us to see that if there are any spurt in demands for any other segments we can quickly switch over and make those intermediate.
- Paurav Lakhani:** Just to understand the size of the market, could you just give me some ballpark figure on how many milligrams of fuel additive is required in one litre of fuel?
- Deepak Mehta:** You know there are various fuel additives, so it depends upon which fuel additive is used for what purpose. One of the fuel additives, intermediate that we make is a cetane booster, particularly when these days more and more oil is required to meet more demanding standards, after removing benzene, they need some boosters to

be able to still perform as well, so that is how the cetane booster is used. There are certain other additives intermediates that we make which goes for additives for other purposes like antioxidant for example, so at the end of the day depending upon which product is used, it will always be less than a milligram per liter.

- Paurav Lakhani:** What part of the production is exported of fuel additives?
- Deepak Mehta:** Today, I would say 80 - 85% of our turnover in fuel additives comes from local domestic market, 15% comes from exports. I believe our demand in the domestic market has also grown because our Indian refineries have not only started improving the gasoline for Indian demands but also now they are requiring to meet stringent demand for their exports, they start looking at needing more and more of fuel additives.
- Paurav Lakhani:** Going ahead in future, you do not see a ratio of 80-85 going to say something round about 60?
- Deepak Mehta:** We do see that, because India is still a small market compared to the rest of the world and having established in India our first focus will be more on Asia, then move on to maybe South Europe, these could be the spaces because Asia including the Middle East and South East Asia would be large markets.
- Paurav Lakhani:** You do not see any competition hassles coming in?
- Deepak Mehta:** We have competition but we have our own inherent strengths, some of these products that we are making are based on our strength of nitration and hydrogenation, so we know that we would always be very competitive compared to the present players in the world.
- Paurav Lakhani:** That means you have backward integration that helps to reduce cost or something of that sort.
- Deepak Mehta:** Partly yes. Partly we have demonstrated our very competitive capabilities of doing nitration and hydrogenation. We have mastered the processes and the technologies in these last five years and have used them more for color intermediates and agointermediates we are now extending the same technology to fuel additives.
- Paurav Lakhani:** What would the market share approximately be in Indian refineries?
- Deepak Mehta:** For the product that we make currently I think we would be more or less 80% to 85% or 90% and 10% comes in as imports.
- Paurav Lakhani:** You are planning to start the Dahej plant in FY 2012, right?
- Deepak Mehta:** We will complete the Dahej plant by around December 2012 or January- February 2013. The operational performance will really fully show up from 2013 onwards, but we are doing it in phases there too. Phase I would be over by 2011 and Phase II would be over by 2012-2013, so part revenue would start coming up from 2012-2013, but full revenue will show up from 2013 onwards.
- Paurav Lakhani:** The products that will be produced in the Dahej plant would be similar to what it is right now or it will be absolutely different new line of products?
- Deepak Mehta:** We would be more or less in similar space, in terms of using nitration and hydrogenation as our key building blocks. Yes, we keep on changing

intermediates, chemical that will go to processes, but again and again what we have been doing is that wherever we have these strengths in nitration and hydrogenation, we are trying to play a much larger role in the world market.

Paurav Lakhani: Of the Rs. 240-280 crore that you are planning to spend in Dahej what could be the additional revenues that could be generated from the Rs. 240-280 crore per year?

Deepak Mehta: I can only put it in this way by 2013 we have targeted ourselves that we must cross Rs. 1000 crore, so between now and then it will be like 16% to 18% CAGR going up to may be 22% CAGR closer to 2013.

Paurav Lakhani: So roughly the additional sales from this Dahej plant would be in the region of what say Rs. 300 to 350 crore?

Deepak Mehta: Again this depends upon the product mix, but I can say that our turnover to investment has been in the ratio of about 1.5 to 1.75 to 1 .

Moderator: Our next question is a followup from the line of Neha Pathak of KR Choksey Shares & Securities.

Neha Pathak: I wanted to check what is the total gas requirement and second is with the CapEx of Rs. 50-55 crore you are looking at more of energy efficiency, are we looking at operating margins improving in the next two to three years and by what percentage?

Deepak Mehta: The gas requirement is relatively quite negligible when you compare, it is not even 0.0001 of what is available. I would just pass that question. Not all of our investment of Rs. 50 crore is going for energy improvement, a significant portion yes. It will certainly help us to become more competitive and all things equal if the prices remained the same, as today we would certainly be making more profit as a result.

Neha Pathak: But some ballpark figure, by how many basis points we will see margins improving?

Deepak Mehta: If we see our energy consumption at Baroda we are already on the gas coal option. The other two factories that is Talaja and Roha we would then be moving from the oil to the gas coal option, which would bring our energy cost down a bit.

Moderator: Our next question is from the line of Vishal Gajwani of Reliance Portfolio Management.

Vishal Gajwani: I wanted to know in fine and specialty chemicals on a year-on-year basis, our margins are lower, in spite of the fact that revenues have increased and in inorganic chemicals we are seeing the margins increasing, so what kind of trend can we assume for the next financial year?

Deepak Mehta: I believe that for the financial year, we may find margins certainly improving in the fine and specialty business. This fine and specialty business is in the export segment and we have found last year that Europe has been really bad in terms of depressing market prices and depressing demand. While the inorganic chemical has been mostly focused towards the local markets, where we have not found the situation like what has been in the world, prices have been robust and there has been a steady growth. I believe for the year the situation should change for fine and specialties and margins should be better.

- Vishal Gajwani:** And for inorganic intermediate do we expect the margins there to continue in future also or are these extraordinarily high, which probably can come down?
- Deepak Mehta:** For the inorganics, I believe we should be more or less steady on those.
- Vishal Gajwani:** Also for organic intermediate sir what will be your view for that?
- Deepak Mehta:** Again organic intermediates are largely linked to what is happening on the agro business, so margins from that are dependent upon how the agro business moves up. Today, we are finding that most of the agro companies in the world have gone through what we would call an 'inventory correction', so they have brought down consumption. Whenever they bring down consumption, one of the side effects is that there is increased pressure on margins, because everybody wants to sell their product. I believe next year the situation should certainly change particularly after the second half when the demand for agro intermediates would come back to what was there normally. One of the things that we have been also studying is how the the consumption has been of agro products worldwide and when we study what is happening to food, what is happening to even bio-ethanol, we do find that there is a steady growth of demand over there, almost about 4% to 5% worldwide. So as far as agrochemical companies are concerned when they sometimes reduce their supplies or production and reduce their off take from us we start realizing that all of this is going to be more like an inventory correction because the final end-user, the agro demand continues to grow at a healthy rate of 4 %to 5% world over.
- Vishal Gajwani:** Have you given some kind of guidance for next financial year in terms of growth and margin?
- Deepak Mehta:** We have been generally talking about growth in revenues but not growth in margins.
- Vishal Gajwani:** No, no growth and margins; growth in revenues and margins.
- Deepak Mehta:** I can tell you about revenues, we are expecting between 17% and 18% CAGR. If we are lucky, we may grow up to 20%.
- Vishal Gajwani:** The margins versus last year have come down a bit, so probably this financial year, FY 2011 can we expect the margins to again climb back to 2009 levels?
- Deepak Mehta:** Vishal, one point I was sharing that 2009 was phenomenally different year, it comes may be once in 50 years or so. We had the Chinese Olympics, which created a crisis in the world markets of chemical and prices shot up, yes, 2009-2010 was certainly post an issue of a recession period, so I would say the best average performance would be somewhere in between these two years, 2008-2009 and 2009-2010.
- Moderator:** There are no further questions from participants. I would now like to hand the conference over to Mr. Deepak Mehta to add closing comments.
- Deepak:** Yes, thank you very much for being with us this afternoon. If you have any further questions, please contact Mr. Sanjay Deshpande who heads our investor relation team. We look forward to many more interactions with all of you in the future.
- Moderator:** Thank you Mr. Mehta; thank you gentlemen on the management team. Ladies and gentlemen on behalf of Deepak Nitrite Limited that concludes this conference call. Thank you for joining us on the Chorus Call Conferencing Service and you may now disconnect your lines.