Deepak Nitrite Limited

Q1 FY2011 Investor & Analyst Conference Call

August 04, 2010

Moderator

Ladies and gentlemen good afternoon and welcome to the Deepak Nitrite Limited Q1 FY2011 Investor and Analyst Conference Call. As a reminder for the duration of this conference all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call 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. Rishab Barar, of Citigate Dewe Rogerson. Thank you and over to you sir.

Rishab Barar

Good afternoon everyone. We welcome all of you to Deepak Nitrite Limited's Analyst and Investor Conference Call. We shall discuss the performance and financial highlights of Q1 FY2011. Today, we have with us Mr. Umesh Asaikar, CEO, Mr. Sanjay Upadhyay, Vice President Finance and Mr. Sanjay Deshpande, DGM Finance and Treasury. We will begin this call with the 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 call may be forward-looking in nature and a disclaimer to this effect is included in the investor release and concall invite, which was sent to you earlier. I would like to hand over the floor to Mr. Umesh Asaikar. Thank you, and over to you sir.

Umesh Asaikar

Good afternoon everybody. I am Umesh Asaikar here. I welcome you all to our result conference call. I will take you through the operational performance and key highlights during this quarter, after which I will hand over to Mr. Upadhyay who will take you through the financial performance. Our performance in Q1 FY'11 has been encouraging. We reported revenues of Rs. 154.09 Crore compared to Rs. 106.67 Crore in Q1 of last year FY'10, an increase of 45%. We increased our PAT by 82% from Rs. 3.23 Crore in Q1 of FY'10 to Rs. 5.88 Crore in the current Q1 of FY'11. Prices have been stable, but we have been able to increase overall volumes by 39% during the quarter when compared to the same period last year contributing to an increase in our revenues. The inorganic segment continues to do well contributing effectively towards sales. On account of traction from the colour business the sales in fine and specialty segment have improved over the corresponding quarter last year. We had introduced a new range of Xylidine products last year. This agro intermediates have performed well and we expect significant contributions from these products in future. Last year we introduced our offering catering to fuel or the additives. These products have been developed in-house through the intensive focus on R&D. There is limited competition for these products in India. We expect revenues from these products to be in the range of Rs. 75 Crore this year and the first quarter itself we have managed a sale of about Rs. 15 Crore, which is from our effort from the business we won last year. We are in the process of bidding from more business from our leading refineries. The Indian Government mandating certain Euro-III and Euro-IV norms in view of the environment, we lead to a certain demand for these products in the near future. You would know by now that we specialize in processes like hydrogenation, nitration and chlorination among others and through our R&D we are able to deliver the best quality products through these processes. We identify R&D as a key differentiator and a significant value creator. Our client base, which comprises of the leading chemical companies in the world, is a testament for this. Cost competitive manufacturing by Deepak has enabled us to manufacture high quality products at a very competitive cost. This gives us an opportunity to export to a difficult market like China. Since the market size in China is significantly higher than the domestic market and has a huge potential in select product categories, we managed turnover of Rs. 42 Crore from China in the last year. Exports to US have also progressed well and our total revenue of 47% comes from exports. Performance of end-user industries play a very important role in incremental revenue of chemical companies. There is a great demand at this point of time in India for industries ranging from textiles, paper, paints and varnishes, leather, agrochemical to explosives. Our company product portfolio caters to all these industries and this will ensure opportunities for us moving ahead.

R&D is of key importance to us and our facility in Pune, which has about 50 R&D scientists working in the lab, gives us a good range of new products with better margin. We pride ourselves on having this facility, which differentiates us from our competitors. Our efforts to augment capacity at all four of our existing plants namely Vadodara, Taloja, Roha and Hyderabad continues and this expansion is set to be completed by September of this year. This will significantly increase our capacity and we will only undertake further capital expenditures after maximizing the utilization of these capacities. A new hydrogenation stream unit has been set up at Taloja chemicals division, thereby enhancing this capacity by 40%. These efforts will help us to meet an increase in demand and will enhance our return on capital employed. Additionally, our debottlenecking measures have helped us to increase efficiencies. The first phase of our Greenfield project in Dahej is scheduled to be completed by the end of 2011. For us Dahej has many inbuilt advantages. Due to its strategic location, as it has a port in close proximity, our exports become more competitive. Further, due to our planned capacity expansion and business visibility, Dahej has the potential to double our volumes. During the quarter, we were able to optimize the working capital cycle and the positive cash flow generated from operations was used to reduce our debts. Net debt to equity ratio is now at 0.16. We continue to reap strong business due to our ability to manage processes efficiently, which leads to a competitive advantage so that we can offer our diversified product portfolios to niche markets. I see the Indian chemical industry poised for growth and believe Deepak has all the capabilities to capitalize on these scenarios. Given the good start to the year, and utilization across all the manufacturing facilities increasing, we are confident to maintain our growth momentum for the remaining part of the year. That brings me to end up my opening remarks; I will now hand over the floor to Mr. Sanjay Upadhyay who will take you through the financial numbers. Thank you.

Sanjay Upadhyay Good afternoon everybody, Thank you for joining us on this call. I will briefly take you through the financial highlights. Revenues in Q1 FY'11 stood at Rs. 154 Crore compared to Rs. 106 Crore in Q1 FY'10 up by 45%. EBITDA for Q1 FY'11 is Rs. 13.28 Crore against Rs. 11.15 Crore in Q1 FY'10, an increase of 19%. PBT for Q1 FY'11 is at Rs. 8.22 Crore higher by 81% against Rs. 4.53 Crore in Q1 FY'10. PAT for Q1 FY'11 is Rs. 5.88 Crore higher by 82% when compared to Rs. 3.23 Crore in Q1 FY'10. The depreciation continues to remain in line with the earlier quarters. The company has been able to decrease its interest cost by 11% due to the reduction of debt and has reduced its net debt equity ratio to 0.16. Other income includes sundry basics of Rs. 48 lakhs, dividends and mutual funds at Rs. 22 lakhs and interest on deposits and other Rs. 59 lakhs.

Other expenditure has increased in Q1 FY'11, to Rs. 37.95 Crore when compared to Rs. 23.41 Crore in Q1 FY'10. The reason for this increase is increase in utility cost due to substantial increase in volumes of 39%. Now I will take you through the revenues on a segmental basis. Inorganic segment, revenues of this segment for the quarter is higher by 15% from Rs. 26.18 Crore to Rs. 30.16 Crore. This segment contributes almost 19% of the total revenue. EBIT margins of Q1 FY'11 are 20%. Volume growth in this segment is 22%. In the case of organic segment, revenues from this segment for the quarter are higher by 70% from Rs. 54 Crore to Rs. 92 Crore. This segment contributes our 19% of the total revenue. EBIT margin for Q1 FY'11 is 4%. Volume growth in this segment is 70%. Fine and Specialty revenue from this segment for the quarter is higher by 29% at Rs. 42 Crore from Rs. 32 Crore. This segment contributes around 27% of the total revenue. EBIT margin of Q1 FY'11 is 10% and volume growth in this segment is 15%. This brings us to the end of our discussion. Now we would gladly address questions that you may have. Thank you.

Moderator Thank you. Ladies and gentleman, we will now begin with the question and answer session. The first question is from the line of Abhijeet Akela from JM Financial. Please go ahead.

Abhijeet Akela Could you talk a little bit about what is driving revenue growth in the organic intermediate segment? It was up very smartly 70% year over year. Is it mainly a reflection of the bounce back in the global agrochemicals market?

Umesh Asaikar Basically, the organic segment includes the fuel additives that we launched last year, which are surging ahead as per our own projections. We have done about Rs. 15 Crore sales in this segment in this quarter and we are on our way to achieve the Rs. 75 Crore target that we have picked for this year. So the organic segment sales are surged because of this. Coming to your remarks on the agrochemical industry, the monsoon this year across the globe and not only in India has been good and therefore we expect the agrochemical demand to be better than the last year. However, agrochemical demands are very seasonal because it depends on what kind of product it is and at what time of the plant cycle time is applied and normally the pickup in demand on agrochemical happens through Q2 and mostly in Q3 and Q4. The organic segment turnover is also good because we have launched new product in Xylidine product category which also has some kind of agrochemical application. So these are the things.

Abhijeet Akela Okay, so just looking at the numbers here it seems like the year-on-year revenue increase in that segment was around Rs. 39 Crore of which Rs. 15 came from the fuel additives how much would Xylidine be on a year over year basis?

Umesh Asaikar About Rs. 4.5 to Rs. 4.7 Crore.

Abhijeet Akela So those two things put together were about 20 Crore?

Umesh Asaikar We have done a bit better than last year, in Nitro Toluene's business turnovers also, which incidentally is feeding across two to three industries and we have done better than last quarter by Rs. 6 Crore there as well, so fuel additives is Rs. 15 Crore, Xylidine is Rs. 4.5 Crore and Nitro Toluene business increase is about Rs. 6 Crore.

Abhijeet Akela However, the margins do not seem to have increased substantially in that segment despite the addition of the new products fuel additives and everything else so are these products at relatively low margins?

Umesh Asaikar Yes and no, fuel additives are having various applications, we have three to four products in our portfolio. One of them is high volume low margin and others are low volume and better margins. So fuel additives is a very diverse product mix and so overall yes, it is a high volume and lower margin business relatively speaking, but it gives us an entry into a sunrise kind of a business segment because India is coming through heavily on environmental related norms trying to implement Euro-3 and Euro-4 kind of emission control norms, so we expect this to be a sunrise kind of segment and we want to be there and at this moment there are hardly any players in India, so we are also helping the country to become less import dependent.

Abhijeet Akela Right. So going forward over the remainder of FY'11, would you expect overall topline growth for the company to continue to be driven mainly by the organic intermediate segment, so it will form a larger proportion of total company revenues and in that case would there be some dilution in EBITDA margins because obviously this segment carries a lower EBITDA margin?

Sanjay Upadhyay No it would not be so, EBITDA margin will remain in the same range. Of course this segment is likely to grow because new businesses like the fuel additive and Xylidines businesses are part of this segment but the other segments will also pick up. Fine and Specialty normally picks up in the second half, so I don't think that the EBITDA margin is going to be affected because of higher revenues in this segment.

Abhijeet Akela Great. I think in the previous call you had given a little bit of guidance about the kind of revenue growth outlook you have over the next two to three years which is roughly in the high teens, so I just wanted to check if you are reiterating that kind of outlook?

Sanjay Upadhyay We are talking about 15% to 20% growth this year and I think we are in line with whatever we said earlier for the current year. Even on what we had said on fuel additives I think we are in line with whatever was said earlier.

Abhijeet Akela Okay great. Thank you so much sir.

Moderator Thank you. The next question is from the line of Akshay Shah from Quest Investment Advisors. Please go ahead.

Akshay Shah First of all one clarification, how much growth in this year did you say,15% to 18% or what?

Sanjay Upadhyay 15% to 20%.

Akshay Shah That is revenue growth?

Sanjay Upadhyay Yes.

Akshay Shah Okay and this capacity augmentation, that you said by September 2011, it will be over and debottlenecking. So exactly how much more capacity will be coming up and what kind of revenue can we have from that based on the current prices?

Sanjay Upadhyay Basically we have already augmented one hydrogenation capacity at Taloja, rest all it is debottlenecking and creating further facilities to take the additional demand in the case of fuel additive segments particularly and then other things are relatively energy saving and these kinds of investment for the current year. So you will see the result of this next year and not in the current year. Whatever we said on the current year growth will remain in the same range.

Akshay Shah I agree with you that it will have effect in the next year only because it will be completed by September 11, but how much will the revenue growth be, assuming

15% to 20% growth this year,will there be another 25% by 30% growth in the next year based on this retrofitting and all those things?

Sanjay Upadhyay It is difficult to say 25% to 30% right now but I think, we should talk about that in the next quarter.

Akshay Shah Okay. I think last in conference call Mr. Deepak Mehta had said that we are looking at something like Rs. 1,000 Crore worth of company in the next say three to four years, are we on track for that?

Sanjay Upadhyay We are on the track, that is what I said earlier that whatever we said earlier I think we will achieve 15% to 20% growth this year and then whatever is planned I think that is on track.

Akshay Shah Okay, this Dahej investment that you are talking about that first phase, what kind of investment will there be and how do you see that, giving us what is the kind of revenue potential based on the product mix?

Sanjay Upadhyay Dahej investment will be done in a phased manner. We have shared this information in the annual report.. Since it is a Greenfield project, there are a lot of steel structures and plus the hydrogenation facility that we are talking about for phase I, which is likely to be completed by 2011 last quarter, calendar year.

Akshay Shah Okay but what would be the investment, about Rs. 200 Crore?

Sanjay Upadhyay But that is for the total project, we are talking around Rs. 225 Crore.

Akshay Shah Overall projects?

Sanjay Upadhyay Yes.

Akshay Shah How much will the first phase be?

Sanjay Upadhyay Around Rs. 60 Crore.

Akshay Shah Okay, and sir I just want to know that, in the fine and specialty chemicals we have DASDA and all that, that probably we are among the top two or three of the world and all these are high value products low volume, but see this profitability is very low even if the turnover has gone up in the current quarter from Rs. 33 Crore to Rs. 42.5 Crore, we are not getting a good profitability despite that being a high value product, why is there a low profitability basically what is the problem?

Sanjay Upadhyay There is no problem as such, see this segment the products will move in the second quarter or largely in the second half rather because these are agrochemical based products here in fine and specialty. It is likely to move from second quarter onwards and you will see the improved margins there.

Akshay Shah Okay, in the current year you expect about against last year's Rs. 166 Crore segment sales of fine and specialty about 20% kind of growth and margins being about 17%-18% because last year we had almost less than 15% margins, about 13%-14%. Do you think it will happen in that way?

Umesh Asaikar Margin will remain in the same range here.

Akshay Shah So we do not know the pricing power in that basically?

Sanjay Upadhyay Pricing power in the sense the products are three to four years old, so now I think it has settled down at a particular level.

Akshay Shah Going forward in the next three to four years that you are talking about Rs. 1,000 Crore and all that, the research based products and new products, and improved margin products, how will that pan out, I am not talking in terms of numbers, but qualitatively if you can appraise of such things?

Umesh Asaikar We are looking at various kinds of cost reduction initiatives internally on the existing portfolio, we are trying to increase their portfolio in various segments including agrochemicals and number three we also looking at new business segment and new products beyond what we are doing, we have oriented our R&D efforts and our business development efforts around this.

Akshay Shah But, sir just in the context of you said that you are doing lots of investment in the energy saving and debottlenecking and additional facilities where there is a gap and all that, but sir when do you see our EBITDA improve, because in fact compared to last year when our EBITDA percentage was almost 10%-11% this year actually it has down to single digit now, so where is the problem, is it because of the high cost of materials which we have, finished product prices have come down, where is the problem and how do we see the EBITDA panning out after this completion of the debottlenecking and all those things?

Sanjay Upadhyay See the first quarter I understand what you are saying but you will get the same what we mentioned in the last year, it will not be lower than that.

Akshay Shah Last year full years EBITDA?

Sanjay Upadhyay Yes because the average is out in the second quarter and third quarter.

Akshay Shah But after this debottlenecking and all those energy saving measures and all about the modernization how do we see our EBITDA improving let us say compared to last year or current year how do we see that improving and by a couple of points or how much is this improving?

Sanjay Upadhyay I think today we have got around 10%-11% and it will take some time to improve it, not immediately.

Akshay Shah No, I understand, but ultimately when you are doing this kind of expenditure then you must be having some backup envelope that it should improve efficiency by this much?

Sanjay Upadhyay These kind of investments are even otherwise required to remain competitive in the market because otherwise you are thrown out because since you are competing in China, and quoting these kind of investments are required even otherwise. So company will not be able to put in turnover at whatever we are targeting that you may not achieve.

Akshay Shah That means you are improving efficiencies so definitely you will also be looking at improving some profitability also?

Sanjay Upadhyay But if you have got other details also because the margins also you may have to pass on these to customers if you want to remain and if you want our volume growth.

Akshay Shah But you can keep something right?

Umesh Asaikar I agree. Q1 is at 9% I think our year will be same as 10% as last year. We will settle at 10% EBITDA margin and next year I think we should be in a position to improve by a percentage point at least.

Akshay Shah How is the competitive scenario from China because now lots of capacities are being there, export subsidiaries and all that, so now how is that spanning out basically?

Umesh Asaikar See we all know about the Chinese scenario that whichever product you want to sell in this world and wherever you want to sell we need to compete with the Chinese. This is number one point. Number two point yes China is reducing its export incentive. I have not seen it is drastically affecting their profitability in products in which we are competing with them that is the second point. Third point is we are cost competitive enough to be able to export to China. I think I would very proudly claim on behalf of all of us, we are one of the very few companies which export to China and we compete with their products outside China, inside India and rest of the world, so there are lots of products of ours that we sell to China, export to China.

Akshay Shah You think that, that status will be maintained?

Umesh Asaikar Yes, we have done pretty well in our exports to China and we would do better than last year as this year-ends.

Akshay Shah And sir last question, you said Rs. 75 Crore for the current year, but what is the kind of this Euro-3, Euro-4 thing that was coming in and other research things you are doing, in the next three to four years what kind of business are you looking at?

Umesh Asaikar I said it earlier it is very, very difficult to predict the topline in a sunrise industry. All depends on how fast the government implements the environmental norms and how fast all the refineries put those norms into their practice etc., and then there are lots of other technical things also like the crude quality and all those things, not every crude would require to the same BPN extent etc., so without getting into the technical details I must confidently say that we would touch Rs. 75 Crore this year. Next year how much is going to be Rs. 100 Crore or Rs. 125 Crore it is very, very difficult to say at this moment, we are very buoyant on this.

Akshay Shah But when will you get that clarity for the next year, will it be somewhere around second half?

Umesh Asaikar I think we would get it in the beginning of Q4 by January, by competing for tenders in various refineries, clarity will emerge in another four to six months' time.

Akshay Shah What is the ground rate, how serious are the refineries to carry out the implementation of the need and the government to go for the fuel additives, how are they serious about all those things?

Umesh Asaikar They are serious and they have taken up our products for product approval process, this is a long gestation kind of a thing that the product has to be tested in the laboratories, the products has to be tested in their pilot plants, the products have to be tested in their runs etc , It is a long gestation period we began this work last year and that is why it is bearing fruits for us this year, we need to do this kind of business development activities this year and therefore next year will be far better than this, that is all I can say at this moment.

Akshay Shah I think once Mr. Deepak Mehta said that they are looking at this business can be as big as about Rs. 200 Crore size business in the next two-three years so is that the potential there?

Umesh Asaikar Yes certainly.

Akshay Shah You said that fuel additives are a high volume low margin business, so basically one more in the organic intermediates of high volume low margin business. Can you give us which product is that?

Umesh Asaikar Kindly pardon me because we do not want to say certain things in the public domain, we are working on various kinds of fuel additives.

Akshay Shah That is okay, but you said that there is one more product, which is high volume low margin business in organic intermediate so which is that product I am just asking you one is fuel additives, which is the other one?

Umesh Asaikar Sorry I think I have been misunderstood, this fuel additives product portfolio is such that one or two products would be high volume and low margin, one or two products will be low volume high margin. We have touched these portfolios well and we have established our sales well, for touching a Rs. 75 Crore kind of topline.

Akshay Shah In other production organic intermediates are all low volume high margin business.

Umesh Asaikar Yes.

Akshay Shah Thank you.

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

Tarun Surana Sir, last time when we spoke we were discussing a challenging scenario in Europe and possible realisation drop in the European markets how has the scene been now?

Umesh Asaikar Euro is behaving very violently you must have seen that it went down to Rs. 54 now it has crossed Rs. 60, it is touching 1.31 to a dollar just now, so we have gone through these kind of things. The European market has gone through rough patch but our clients in Europe are transnational and they went through a bad patch but they are on the recovery as of now as I see it.

Tarun Surana Sir would you say that your contribution from China has more or less made up for the losses of revenue potential that you had in Europe?

Umesh Asaikar No, it is not like that the export realization has slightly gone down when it comes to European market because of the Euro realization.

Tarun Surana How much would the total European exposure be in the revenue right now in this quarter?

Sanjay Upadhyay See our exposure in Euro is around 15% of our total currency.

Tarun Surana How much margin decline would you have seen in terms of basis points?

Sanjay Upadhyay It is not much because we have covered few options in this, so this currency volatility has not much affected, but yes there is a slight drop in the margins because of the European market conditions.

Tarun Surana Slight means a 2%-3% range or higher than that?

Sanjay Upadhyay Say it will be around 1%-2%.

Tarun Surana Okay sure sir, thank you.

Moderator Thank you. The next question is from the line of Niraj Toshniwal from SKS Capital and Research. Please go ahead.

Niraj Toshniwal You are catering to which other industries like you mentioned textile, papers, paints, leather explosives and which industries?

Umesh Asaikar These are the application industries or end product industries. Our product grows as we are in the intermediate arena of the chemistry. Our products go as intermediates into various kinds of industries like we do not per se manufacture agrochemicals, our products are intermediate. One of our fine and specialty products would be going into say optical brighteners who have applications in textiles, papers even detergents.

Niraj Toshniwal And so to paints which other segment is catering to paint?

Umesh Asaikar Our inorganic segment caters to dyes and pigments.

Niraj Toshniwal About your fine and specialty segment that has not been as good as the range like your organic intermediaries, you said that your products have been for three to four years and they have stabilized so looking ahead what is the prospect for this segment?

Sanjay Upadhyay In this segment, there is no direct competition from India as such, your products go into agrochemicals but then their seasonality definitely affects this segment that will start moving from second quarter onwards, and normally pick up in the third and fourth quarter.

Niraj Toshniwal Atul Limited is also one company which is also in specialty chemicals and there is also a chunk of revenues that comes from specialty chemicals, so do you think is there any threat or any market share going away to Atul?

Umesh Asaikar No. Products I think are different. We are not directly competing with Atul in any of our product segments and we have a totally different thing. What I would request you sir is that just refer to the annual reports on last, but one page it gives our products and the applications as well as region wise exports, applications wise sales breakup and all that. It gives you reasonable details last but one page of our annual report sir.

Niraj Toshniwal Okay, thanks a lot sir.

Moderator Thank you. The next question is from the line of Vishal Gajwani from Reliance Portfolio Management. Please go ahead.

Vishal Gajwani Sir, I just wanted to understand we have given a very good volume growth in the first quarter even in spite of that we are guiding for 15% to 20% growth for the full year, so why is it like that sir?

Sanjay Upadhyay Basically see this volume growth whatever has come, normally our first quarter when you are comparing with last year first quarter, I would say last year's first quarter was a little lower. Normally, the sales pick up in the second half of the current year, so it is likely to remain and that is why I gave a range and I did not say it will be 15% I said between 15% to 20% for the year.

Vishal Gajwani Sir, I also just wanted to understand about DASDA how is that product panning out in terms of sales and profitability?

Sanjay Upadhyay The quarter is good for the current year. We are the only largest manufacturer for this product in India so it has got a lot of potential, but it has a strong competition, but this quarter was good.

Vishal Gajwani Okay and sir will our margins be similar in DASDA as compared to other products?

Sanjay Upadhyay When you say it is compared to other products what do you mean?

Vishal Gajwani Other corporate margins of 10%?

Sanjay Upadhyay Yes, it will be in the same range slightly higher.

Vishal Gajwani Sir I do not know if it is a repeat question, I just wanted to understand on fuel additives, how much of revenue contribution do they have at the moment?

Sanjay Upadhyay First quarter is Rs. 15 Crore.

Vishal Gajwani 15 Crore and I think there are plans to expand further into this product, so for the next year what is the kind of revenue contribution targeted from fuel additives only?

Umesh Asaikar As I explained before, we are confident of achieving Rs. 75 Crore of turnover from fuel additive segment this year.

Vishal Gajwani Next year will there be a very high growth on this?

Umesh Asaikar This is a sunrise kind of a business segment. It is extremely difficult to predict the growth, but we had said that we will touch Rs. 200 Crore kind of a topline from this business in three to four years of which we are more than confident.

Vishal Gajwani Right, thanks a lot sir and all the best.

Moderator The next question is from the line of Paurav Lakhani from Anvil Shares & Stock Broking. Please go ahead.

Paurav Lakhani Sir first thing, the Dahej plant that we were planning, what is the expected turnover from considering 100% capacity utilization at today's prices?

Sanjay Upadhyay Dahej it is difficult to predict now, because what we are going to do is in a phased manner, but normally our turnover to gross block ratio is in the range of 1.5 to 1.75, so if the investment is around Rs. 200 to Rs. 225 Crore, you can work it out that way.

Paurav Lakhani Basically I wanted to understand the Rs. 1,000 Crore turnover by 2013, does it include 100% capacity utilization of Dahej or something else or is it less than 100% that is to be taken by assumption?

Sanjay Upadhyay It will be a mix of all these things. The target is of reaching Rs.1,000 Crore, of course Dahej is one of the significant contributor in that but then it is not only Dahej but what we are doing in the current business is also is going to contribute to that.

Paurav Lakhani Okay, but do not have a correct figure right, you do not have a breakup or something of that sort?

Sanjay Upadhyay Breakup at this moment, we will share later.

Paurav Lakhani Okay, I understand that. Sir I missed a few things, so may be a repetition for you, could you just share the segment wise volume growth that has taken place in first quarter?

Sanjay Upadhyay Yes, I will share with you, in inorganic segment it is 22%, in organic segment, it is 70% and fine and specialty is 15%.

Paurav Lakhani Sir the 15% to 20% growth guidance that you have given, do you mind breaking it up into the segments?

Sanjay Upadhyay No, it will not be possible.

Paurav Lakhani Okay sir that is it from my side. All the best sir.

Moderator Thank you. The next question is from the line of Parin Gala from Gandhi Securities. Please go ahead.

Parin Gala Sir I just wanted to understand the investment in the Dahej plant, which is around Rs. 200 to Rs. 220 Crore, how is that funded?

Sanjay Upadhyay No that is what I said earlier that it is going to be in a phased manner and not that everything comes in one year. First phase is around Rs. 60 Crore which today as we mentioned in our speech also that our debt equity is hardly 0.15. Today we our internal accruals are also good enough, so for first phase I do not see that much of borrowing will be required and in the first phase we do not have to borrow much for Rs. 60 Crore.

Parin Gala Everything will be internal accruals yes?

Sanjay Upadhyay See we have already borrowed, if you have seen our balance sheet we have already borrowed and tied up Rs. 25 Crore loan which is invested in liquid funds, so that is available with us.

Parin Gala Fine, but sir overall considering you said that the plant will be operational in the last quarter of 2011 that will only be phase I or the entire project?

Sanjay Upadhyay Phase I.

Parin Gala So by when do we plan to achieve the entire project to go on stream?

Sanjay Upadhyay We have said around March 2013. We are expecting.

Parin Gala Okay, so the entire cost Rs. 225 Crore like you would have a game plan how much borrowing you will need by 2013 for the entire plant? Is there any plan for going for anything like a dilution as far as raising equity or something is concerned for the project?

Sanjay Upadhyay Not as on today.

Parin Gala Nothing and the amount of debt, would it be like 1:1 or 2:1 or something that you have?

Sanjay Upadhyay It will remain in a normal range let us say maximum 1.25.

Parin Gala Maximum 1.25, right. That is it from my side. Thank you.

Moderator Thank you. As we have no further questions I would like to hand the floor back to Mr. Asaikar for closing comments. Please go ahead.

Umesh Asaikar: Thank you very much for being with us this afternoon. If you have any further questions, please do contact Mr. Sanjay Deshpande or our investor relations team. We look forward to many more interactions with all of you in the future. Thank you very much.

Moderator Thank you gentlemen of the management. Ladies and gentlemen, on behalf of Deepak Nitrite Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.