Notore Chemical Industries Plc 9M 2018 Results Conference Call Transcript

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Operator: Good morning and good afternoon ladies and gentlemen, and welcome to the Notore Chemical Industries Plc Nine Months Results Conference Call. This conference call will be hosted by the Group Chief Executive Officer; Mr. Onajite Okoloko; the Group Chief Financial Officer, Mr. Femi Agbaje; and the Group Financial Controller, Mr. Bola Tolujo. Following prepared remarks by Notore's management team, an interactive Q&A session will be available. I will now like to hand the call over to Mr. Onajite Okoloko, Group CEO. Please go ahead, sir.

Onajite: Okay. Good morning and good afternoon wherever you are. My name is Onajite Okoloko and I'm the Group Chief Executive Officer and Managing Director of Notore Chemical Industries Plc. I want to welcome you to our nine months 2018 results conference call. But first of all, I would like to start by letting you know, we just listed the company on the Nigerian Stock Exchange, which you are aware of. I'm sure that you have received by now our press release which also has the account up to June of 2018.

Notore Chemical Industries is a leading vertically integrated agro-allied and chemicals business and our core business is in the fertilizer space but at the same time we also have other assets which came with the facilities when we acquired it, that we have now developed other subsidiaries around that to fully maximize the benefits of the assets that we have. But going straight to the results, I will talk about some of the key highlights in the results. 2018, as at end June, our revenue stood at N20.5 billion.

The EBITDA was N9.786 billion which gives us an EBITDA margin of about 47.5%. Our Profit After Tax which is a loss recorded for this period at N3.9 billion. To go to the major characteristics of the business; for a urea fertilizer plant to be successful, two things are very important: the constant availability of natural gas and the mechanical reliability of the plant. Now Notore enjoys uninterrupted supply of natural gas but prior to this in 2014, 2013, and first quarter of 2015, Notore had significant challenges arising from non-availability of gas which then impacted on the reliability of the plant.

So, to date as at end of June 2018, which is three quarters of the year since our year-end is September, the plant achieved a capacity utilization of average of 53% of its designed capacity, which means the plant ran an average of 795 metric tonnes per day as opposed to 1,500 metric tonnes per day. And this mechanical reliability issue, like I said, resulted from numerous thermal cycles in 2013 and 2014. Plants are designed not to have sudden disruptions, but because of the unavailability of gas, we had a significant high number of thermal cycles which all of this will be addressed when we do the turnaround maintenance which is expected to happen in the third quarter of 2019.

The turnaround maintenance of the plant will restore the plant back to its original design capacity and then at that time, the full benefit of production from the facilities will be realized. The plant achieved during these periods, its highest monthly capacity utilization of 83% in October of 2017, and its lowest was 21% in April. Again, the lower capacity utilization of the plant resulted from the downtime of the gas turbine, which is part of the turnaround maintenance programme that we will be embarking on, because we have actually already acquired a spare gas turbine which will be shipped into Nigeria even up before then, and then will be actually commissioned before the end of the turnaround maintenance.

Having said this, I would let the CFO, Femi Agbaje, who is on the line go into the detailed financial review and then I would come back.

Femi: Okay. Good afternoon everybody. Now, our financial review, the CEO has touched on some of it, but I think the key thing- so we stay with the critical indexes. It's really about quantity x price. So, if you look at our revenue line, if you do a year on year comparison with the year before, we basically turned over N20.5 billion in the nine months to June 2018 while the year before, it was N25.8 billion. Directly correlated to that is quantity. In the nine months to June in 2017, we made 240,946 metric tonnes of urea which is our primary product, whereas, in the period to June 2018, it was 198,467. Now the price of urea in the local market has been fairly stable.

So that difference in turnover can be directly attributable to a reduced quantity in our production facility. Now when you then look at our actual production, it’s one of the things the MD has actually alluded to which is that we need to do a turnaround maintenance to improve mechanical reliability and take our production volumes back to the original nameplate capacity of the plant. To be specific, average price of the local market for a metric tonne of urea is N110,000 in peak season and N100,000 in what we call the low season which is dry season since it’s a rain-fed agricultural market.

Domestically, we have much stronger prices than the international market which is subject to the vagaries of what I would say is a derived petroleum products type of environment and so because we sell domestically, we have achieved a 40% price premium relative to the alternative of exporting. Now next I would just like to mention that fertilizer demand is quite strong, and it’s driven by the fact that the government has chosen Agric as a key area where it expects to increase employment and increase GDP and food security.

When we get specific to numbers on the gross profit side, you will notice that gross profit was up 14.2% year on year to N8.16 billion. This was driven primarily by an exceptional item of about N3.91 billion which was used to reduce cost of sale. Now the exceptional item is coming from the export expansion grant which is receivable from the government of Nigeria. I'm sure we are all aware this was a scheme that was suspended but the government reintroduced it and is now giving promissory notes.

The only thing I'd like to highlight here is that the sustainable amount there will be about N2 billion per annum since we expect to export 25% of nameplate production. While it's exceptional this year, a recurring sum going forward will be approximately about N2 billion from export expansion grant. This resulted in the gross profit margin of 39.65%. This was a significant increase on our gross profit margin, but I'd like to highlight that this business has a fairly large fixed cost, and so the economies of scale you get by increasing your production is quite substantial, and a lot of that increased turnover goes straight to the bottom line.

Gas is 80% of our cost of sales and we have a gas purchase contract for 20 years which is about $1.50 MMBtu which was signed in March 2016 with Eroton, and this is one of the most competitive gas contracts you can find. When we go to our EBITDA margin which is an interesting metering, our EBITDA margin was 47.54% for the nine months to June of N9.79 billion, whereas in the prior year, it was 39.04%. This was driven by a 34% year on year increase in operating expenses as a result of increase in administrative expenses.

And that 28% came essentially from employee benefit increases in line with devaluation and inflation which we experienced, and a substantial amount of cost was incurred in bringing Notore to the market, and then finally quite a bit of spend on the market inside to increase domestic demand during the off-planting season. The next item of note is our net finance cost which declined marginally to N7.69 billion during the nine months to June 2018. This is from N7.7 billion in the corresponding period to June 2017.

On the whole, we did record a loss before tax of N3.94 billion relative to a loss of N3.45 billion a year ago. While that is important, we'd also like to highlight the fact that we do have substantial amount of free cash flow. This increased by 15% year on year to N7.21 billion. The year on year increase in cash flow resulted primarily from a lower outflow from working capital of N0.39 billion which is N390 million compared to the prior period. One of the key things also is that investment activities increased during the period by a substantial percentage over 600% to N2.36 billion compared to the prior period when it was just N0.32 billion.

On the Balance Sheet side, we did achieve a significant milestone. We had substantial short-term debt which we have now- it's a post reporting date item, we've been able to term out a significant part of our short-term debt into long-term seven-year debt with a one-year moratorium. While the P&L impact may not be material, but the impact on the cash flow is quite significant and it does take out what I would call substantial risk where you have short-term obligations that you are not able to meet from your cash flow in your business.

And I'd also like to highlight there that one of the key reasons why we did this restructure is that we expect our turn around maintenance to be completed in 12 months and this moratorium gives us a perfect alignment between the operating cash flow of the business with the time when the increased cash flow from increased production to nameplate will now be available to enable us amortize our long-term debt which we have pushed out for 12 months. And I think that is something that is a significant advantage for the company. I think at this point, I will hand the presentation back to the CEO who will talk about the outlook. Thank you.

Onajite: Okay. Thank you, Femi. Just to shed some light. The outlook of the business, of the fertilizer industry is very good. Nigeria has about 34 million hectares of arable land, which means that the latent demand in Nigeria could be as much as 7 million tonnes of NPK and urea per annum. So, the market size is big even though we are still using less than 10 kilograms per hectare in Nigeria or even in West Africa. The recommended average fertilizer utilization is as much as 200 kilograms per hectare.

We also have a fast-growing cash crop segment which is going to account for as much as 1.2 million tonnes a year. There's also the rising importation of fertilizers from sub-Saharan Africa and from the other parts of West Africa. So, we see additional 500,000 metric tonnes of demand in the region. So, I think the point is yes, the market size is big. Notore also sees a robust demand for the utilization of seed and that's why we have created a seeds subsidiary so that we can take a bundle of best practices to the farmer using our extremely well-developed channels.

I want to talk a little more about our channels that we have which therefore helps us continue to grow the business, and actually protects the customer base that we have. We have one of the most developed channels in the country. We have a fully automated field sales team which drives end-to-end the demand generation across, and we are represented as sales team in 700 local governments in Nigeria. With the sales team, we have about 70 major distributors, and what sits is below them is about 3,000 retailers and they're responsible for pushing our products into the market. We also have in the rural areas over 40 redistribution bands that access the rural farming communities allowing Notore take its fertilizer directly from the factory gates to the farm gates through a very controlled channel.

Notore has over 6,000 direct and indirect extension services workers embedded in the farming communities, teaching farmers best practice on using fertilizers and improved seeds, and education, and thereby we see the farmers' yields increase and as that increase, Notore is able to sell more products into this country. So what Notore has basically done is that Notore has developed a loyalty relationship with its end market, and that loyalty relationship has allowed us convert fertilizers from being a commodity into a consumer product that is supported by the Notore brand.

And that gives us a competitive advantage in the marketplace. Today we have a network of over 56 commercial farms and off-takers that deliver about 10 to 15% of our annual sales. Notore also has this effective collaboration with non-governmental agencies to improve the economic conditions of smallholder farmers across the country that helps increase the demand from there. So, we push with our sales team and we push with our agricultural services team, and that's how Notore builds its market.

Now some of the key advantages Notore has as a corporation is that Notore has control over its gas supply. If you recall, Notore's gas supply was responsible for Notore having the challenges during the early years. In 2013 and 2014, and that you can see from our numbers. In 2012, when we had just finished the rehabilitation of the plant, we are already at 370,000 metric tonnes and the business was quite profitable. We posted a N6 billion profit after tax in 2012.

In 2013, when it was time for us to begin the optimization of the plant, we then had the gas challenges and those gas challenges then continued 2013-2014-2015. So those were the challenges but now we have secured gas, and it was because of the gas challenges that Notore then had reliability problems from the thermal cycles that we had at the plant. So, like I mentioned, we have a strong brand name in the market. Notore also has a dedicated private jetty and water channels that allow us to access into the international market to export our product right from the factory gate which gives a significant competitive advantage.

So, there's gas security. There's a port facility. We have 550 hectares of land which about 80% of this is available for our business expansion. Notore also has a free zone developer status which we got last year, and this allows Notore to have attractive gas tax incentives specifically for its export-oriented business, but it also brings in, or allows Notore utilize some of these its non-core assets for very strong income generating streams. And Notore will use its facilities to create a gas hub for industry and a logistics base for the oil and gas industry. So, these are additional revenue streams that we see to begin to come in sometime in the future. In the short term, Notore intends to conduct a turnaround maintenance which we expect to have implemented by the third quarter of 2019. This will optimize the existing plant to its designed capacity where it should be at.

Notore seeks to deepen its fertilizer distribution channels and expand its agricultural extension services network across Nigeria and neighbouring countries. Notore intends to set up and commission- it already has acquired, but it will commission by the end of the fourth quarter, its 2,000 metric tonnes NPK blending plant, and again, once the turnaround maintenance is done, we anticipate revenues to double. Meanwhile, our fixed costs remain constant because we have actually capped out at our costs. So today as I said, we have revenue as at this time of N20 billion as at end of third quarter, which if we extrapolate from there, we will finish probably about N25 billion at the end of the year. We expect to see that revenue double, post-turnaround maintenance to about N50 billion, the bulk of which will flow straight to the bottom line.

And then of course with the gas that we have -- uninterrupted supply of gas that sits just 14KM from factory at very competitive prices of $1 and 50 cents per MMBtu locked in for 20 years with 5 trillion standard cubic feet of proven reserves -- there is enough gas available for Notore's expansion plans. And we intend to start and complete early works and front-end engineering design for the execution of a second plant which will be twice the size of the existing plant by third quarter of 2019. The early works would have started now.

In the medium term, Notore plans to construct and conclude the construction of a second plant by 2022. Notore plans to expand its seeds business so that we can take a bundle of best practice to the customers and build clients' and farmers' reliability on Notore and expand its revenue streams from there. Notore plans to establish a gas hub and logistics supply services base to leverage on its existing facilities and then to secure in the long-term, strategic investments for other agro-allied and petrochemical business lines. So Notore is a growth story and that is what we are presenting to the market today. Thank you very much. We will take questions now.

Operator: Thank you. We will now open the lines for questions. To ask a question, please press "0" on your phone's keypad or "7" to cancel your question request. Once again to ask a question, please press "0" on your phone's keypad or "7" to cancel your question request. Thank you. Your first question is from Uwadiaye Osadiae from FBN Quest. Please go ahead.

Uwadiaye: Good afternoon and thanks for the call. Congratulations on the listing last week. I'd like to know what the next steps are as regards the development of the free zone. Can you give us an idea of what the firm's strategy is and timelines if possible? Additionally, can you also provide some guidance on local urea pricing over the next 12 to 15 months? I will also like to clarify something you mentioned, the 2,000 metric tonnes per day NPK blending facility set to be commissioned in Q4 2018, is this financial year your - given that Notore's financial year is September or is it calendar year? Thank you.

Onajite: Okay, first of all, I will take the free zone. The free zone is a very exciting opportunity for us because first of all, it will improve the tax efficiencies of the business. Okay, that is from Notore's core business. But right now, Notore is receiving a lot of applications from parties that want to come into its 560 hectares of land, develop their logistics base as well as secure gas and power for the industry. Okay, again, we have a subsidiary which is Notore Power and Infrastructure that is working on that right now as we speak.

So, we would expect to start to see some income streams coming in from that over the next maybe in about a year. But even before then, you will see, a master plan is being developed to be able to differentiate certain segments of the property that we have, those for the logistics support base that will support the oil and gas industry, and then of course the areas that will support industry, because we are going to create a gas hub there. The infrastructure for the gas is already there, the pipelines bringing gas is already there, Notore is already using gas from that facility and Notore also has the excess power by the time it completes its turnaround maintenance, it will have 50 megawatts of power generating capacity.

And that's why Notore has the subsidiary. It was granted a license by the federal government as an independent power generating company, that's the Notore Power.

So, it will then-, so parties will also like the fact they don't have to use diesel, there's power and there's also gas for their projects there. So that's on the free zone, and then we will continue to announce development as that takes place.

Now regarding the NPK, okay, regarding the outlook for prices for fertilizer. First of all, there's been a turn in the international markets. Fertilizer prices have begun to start to edge upwards because fertilizer prices is kind of linked to crude oil prices because of the gas components that is there. All right. So, we are beginning to see an upward trend in the fertilizer prices in the international markets, which will ultimately drive local prices albeit that local process are a little more inelastic to changes in the market.

So, fertilizer prices will continue to remain firm where they are even in the local markets probably in the region of N100,000 per metric tonne. We don't see any significant changes in fertilizer prices locally. Now in terms of the NPK plant. Yes, we actually acquired a brand new 2,000 metric tonnes per day NPK plant which is already at the facility, it has been delivered, and we have already started to work on the installation and the commissioning of that plant. So, we are talking about it being available in 2018 which will be the beginning of the first quarter of 2019 financial year.

Uwadiaye: Okay.

Onajite: So, we are talking about a five months window here.

Uwadiaye: Okay. Okay. Thank you very much.

Operator: Thank you. The next question is from Wale Olusi from United Capital. Please go ahead.

Wale: Hello. Good afternoon. My name is Wale from United Capital. I'm trying to understand- maybe I came late into the meeting, sorry, and I'm trying to understand the debt component of the Balance Sheet. I see the business is highly levered and it's been pressuring the bottom-line for a while, so I'm trying to understand. If you can shed more light on that, I will be really happy. And then there's a point you made earlier about the borrowing that came from probably the AFC or so, I was really trying to follow but I didn't quite catch it, but by and large, I think like you mentioned, it's really a growth story.

So, I'm wondering how some of the news we've been hearing about the middle belt-northern region with farmers, how these affect your operation going forward. Do you have some clients that might be affected by this or what are your perspectives around all of these developments as regards how some of these things affect your business? That's my question. Thank you. And again, congratulations on your listing last week.

Onajite: Okay. Thank you very much. I think the first question was on the Balance Sheet. Femi you want to say something about that then I can come back in?

Femi: Yes. I will. I think the key thing to understand is- yes, you are right about the levels of leverage, but I think the plus for us in this is that when this business started, the bulk of our debt was Dollar-denominated.

Wale: Okay

Femi: But we were proactive in converting at least 80% of our Dollar-denominated debt into Naira. So, when you have the massive devaluation, about 2015, we were fairly well hedged because we then didn't have the challenge of Dollar-denominated obligation. The second stage of the hedge was that we now needed to align our debts to our cash flows and that's where the point I made about the closed Balance Sheet event comes in - where we moved a lot of our short-term debt into seven-year long-term debt with a 12-month moratorium. Now the overall average cost of our debt in total is 14% when you combine both our Naira and our Dollar denominated debts, which is approximately N75.6 billion, our weighted cost of servicing that debt is about 14% and this is all driven by the fact that we were able to domesticate our Dollar denominated debt leaving only about 20% as Dollars and given that we export 25% of our product, we do have a natural hedge and we don't have that foreign currency exposure.

Onajite: Yes.

Femi: So, Jite, I don't know whether you can take

Onajite: No. I think that's the key point. I think you've mentioned the key points. Again, what we have done like we said from the beginning, we struggled because of the gas impact on the plant and the reliability of the plant. That's what is resulted or shown us where we are today. But what we have done on the Balance Sheet side is very important. Okay. Even though you don't see in our results as at end of June because these activities happened after that, they're post-balance sheet events after end of June, but we're celebrating, and we are very happy that we've been able to reorganize, and you'll see that show up when we present our end of year report. You will see that show up.

We've been able to convert a good chunk of our short-term borrowing into long-term borrowing at a stable interest rate, in Naira, with a portion in Dollars being hedged with our availability of our export quantities. So that's what we have done there. And now, as growth is, and this is where we are talking about the growth story. What we now need to do is complete the turnaround maintenance and double our revenue from where we are today with our costs remaining relatively fixed, because the optimization of the plant will also bring significant amount of efficiencies into the plant and at the same time bring far more revenue.

Our business is very simple, like what the CFO said earlier on, it's quantity x price. You have the quantity, you have the price, the rest is very easy. There is no complication in the business. So that's regarding the Balance Sheet. Now regarding what we are doing in the areas. Yes, there are some disruptions based on some of the attacks that are happening across the country, like you said, but it hasn't affected us significantly because we are embedded with the farmers.

Wale: Okay

Onajite: That's the importance of what we do. We have 6,000 extension services workers, direct and indirect, working directly in the farming community to help the farmers improve their yields and improving their yields it allows us support them with the sales team as well. So that way, right in the middle of the farming community, the farmer is looking at the Notore demonstration plots. We have over 3,000 or whatever demonstration plots, even 6,000, across the entire country.

Tiny little demonstrations plots where the farmer uses his traditional practice and Notore uses Notore best practice and the farmer sees the yield and then realizes that "You know what? We don't really need subsidies, we just need availability of fertilizers, good quality fertilizers at the right time." And that's where the brand loyalty comes in, and that's where the loyalty of the farmers are there. So, the network is working, and we will continue to use that as our competitive advantage in the marketplace while we wait for our production to increase.

Wale: Alright. Thank you.

Operator: Thank you. Your next question is from Olayinka Adesanya. Please go ahead.

Olayinka: Hello.

Onajite: Yes.

Olayinka: Good afternoon.

Onajite: Good afternoon.

Olayinka: Thank you for your call. My question is I will like to know what countries do you export to and the OPEX increase from 13% to 22.3% in 2018, please what drove it? And also, what is your market share of local supply?

Onajite: Okay. Thank you very much. I will start with which countries do we export to. Because of our advantage of the facilities that we have, port facilities, the channels that take us right into the ocean, we export right now to Europe, South America, Central America and also, we've exported to Canada. So, we have…we're competitive going into the market with our exports and that's why we are able to always export any excess volumes that we have or volumes that we're producing during the off-season when the demand in Nigeria slows down.

In terms of market share today in the local market, we sell everything that we produce, everything that we produce. Prior to the competitors coming into the market, I would say safely it would have been about- even up till now, about 60% or even more of the local market. Our fertilizer products are out there in the market, and they actually set the benchmark because of the loyalty of the farmers who are using the product. Was there another question to that?

Olayinka: Yes. The OPEX.

Femi: There was OPEX. There was an OPEX question.

Onajite: Okay

Femi: The increase, I think before I even address the OPEX, also to add that we have exported right along the West African coast all the way from Angola to Senegal. So, we have also exported quite significantly in that area. Now on OPEX now

Onajite: Oh, yes.

Femi: Yes. On the OPEX side, the key driver for the increase was one, we gave- there was a slight increase on staff cost. If you look at our release on page four, if you look under the EBITDA margin point but I will repeat it. It's that we did do a staff cost increase in the period under reference. We also then had quite a bit of cost in the build-up to listing the company. Investor conferences and investor road-shows and also some of the fees to consultants and professionals who helped us achieve this milestone and finally, we did do quite a bit of marketing in the local market during the off-season. And those were the primary things that increased our costs comparable to the prior period.

Olayinka: Okay. Thank you. One last question. As regards the refinancing plan, I think you gave us the present interest rate at 14%. Please, what will be after refinancing?

Onajite: Oh, after refinancing it will still be- well are you talking about after…? No, what we are telling you is that the weighted average cost of our debt, post refinancing will be at about 14%. That's where we are right now.

Olayinka: Okay. What was it before?

Femi: Sorry. Can I take that?

Onajite: Okay. Go ahead Femi.

Femi: Refinancing is still cheaper. It's 12%.

Onajite: Okay

Femi: So, there will be a marginal drop, marginal drop from 14. But it's safe to say a weighted average 14 even post is where we should take it to be.

Olayinka: Okay. Thank you.

Onajite: Yeah.

Operator: Thank you. Your next question is from Janice Idibiya. Please go ahead.

Oluwaseun: Good afternoon. This is Oluwaseun from FBN Quest Asset Management. Congratulations for your listing last week. I'd just like to ask some very quick questions. Currently, what's your current WACC of the company? Then secondly, what rate do you guys use to convert your- to do the converting in your financial statement? Then thirdly, I will just like to ask, on an outlook basis what's the company's like dividend policy? Should shareholders expect payment of dividends for the current financial year or until after the turnaround maintenance? Then thirdly I'd just like you guys to give more colour on the source of financing for turnaround maintenance. Those are my questions. Thank you.

Onajite: Okay. I got the dividends policy. I got the turnaround maintenance more talks about that and the source of financing.

Oluwaseun: Current WACC

Onajite: I am sorry?

Oluwaseun: Your current weighted average cost of capital.

Onajite: Yes.

Oluwaseun: Then the conversion rate used in converting, for your financials

Onajite: Okay.

Femi: I can take those. I can take those

Onajite: Okay. Femi, why don't you deal with WACC and conversion and I will deal with dividends policy and turnaround maintenance.

Femi: Okay. Okay. WACC is 12% and in line with accounting conventions, we convert our financial statements at official, which is N305.

Onajite: All right. Regarding the dividends policy. Okay. We intend to have that discussion at our next board meeting, okay, and then come up with a dividends policy for the organization. But I think what we also want to emphasize is that Notore is a growth story and that we will see, and our focus is growing the business. But again, to answer your question about the dividends, when we have our next board meeting, it will be brought, it will be discussed and then in due course, we will release the dividends policy for the organization.

Now turnaround maintenance. Turnaround maintenance is a critical factor that is required by the business. We have obtained financing, we have obtained an approval from African Export-Import Bank for $37 million on a seven-year term basis and I think, at interests is…Femi is it 12%?

Femi: 12%. 12.

Onajite: I'm sorry?

Femi: 12. 12%.

Onajite: 12%. Yes. That's what we have. So, the source of funding is from African Export-Import Bank. We have approvals from Afreximbank right now as we speak.

Oluwaseun: Okay. Sorry I just want to kind of like seek clarity. The current WACC of 12%, is it taking into cognizance this $37 million from Afreximbank or you've not added the impact to your cost of capital?

Femi: We have not added it. If we do it, it will improve.

Oluwaseun: Okay thank you very much.

Operator: Thank you. Your next question is from Onyeka Ijeoma. Please go ahead.

Onyeka: Yes. Good afternoon and thank you for holding this call and congratulations on your listing last week. I understand that you've answered a couple of questions on the NPK blending plant, but I must have been out of the call then so permit me to draw you back a little. I have a couple of questions. You mentioned that you recently acquired a 2,000 metric tonnes per day NPK plant. I would like to confirm first of all that it's a blending plant and then for information purposes, I would like to know when it was acquired, when it will become operational.

I'd also like to know the volume impact starting from 2019 downwards and your expectation of how the volumes will grow.

Onajite: Okay. Thank you very much. We acquired the plant, last year it was built and shipped into the country. It arrived our facility sometime between April and May, and it will be commissioned, like I said, before the end of this year 2018. The quantity is 2,000 metric tonnes per day, and we intend to use that plant to be able to provide a wider suite of products to our farmers. If you noticed, we've said all this time that Notore has been an innovator when it comes to creating specialized or specific blends of fertilizers for specific crop types.

We were instrumental in developing the cassava blend of fertilizers as well as the cocoa blend of fertilizers. All right. So we see the future, being able to not just provide fertilizers into the market as it is today where people produce urea and just standard 20:10:10 or 15:15:15, we are deviating away from that in the sense that we will provide those general blends of NPK, but we will focus on the commercial farmers and the out-growers schemes around them and also farmers who provide or produce certain crops, and give them specific fertilizers that are specific, that respond positively to, and improve the yields because you are using the right components of fertilizers in the blend.

And that's what we have done with our blending plant and that's why we have brought it in. We expect that it should increase our sales by anywhere between up to 15 to 20% of our total sales. But bear in mind that the key component of what goes into the NPK itself will be urea that we produce at the plant. So, we should be getting some improved margins by selling some urea into the NPK blends that we will make over just the urea price that we sell into the market as a direct application.

Onyeka: Okay. Thank you. That was very helpful. But I would like to press on further. I would like to know how much volumes you expect to get from this in 2019. If you can give that out. How much volumes you forecast to get in 2019 and your expected maybe constant annual growth rating in the NPK sales.

Onajite: Okay. When you say how much volumes, are you saying how much volume of NPK we intend to sell as a company?

Onyeka: Yes.

Onajite: Well, I would say that we are looking at the next planting season and we will determine how much NPK we can push into the market along our direct urea application. But once the plant is commissioned, we should see ourselves doing no less than 100,000 metric tonnes of NPK per year.

Onyeka: Okay. Thank you very much.

Onajite: Thank you.

Operator: There are no questions at this time. I'd like to hand the call back to Mr. Onajite Okoloko for any closing remarks. Please go ahead, sir.

Onajite: Alright. I want to thank all the participants for dialing in, and I also want to just leave as a closing remark the fact that Notore again is a growth story. Notore has experienced significant challenges over time. We believe we have a handle of those challenges now. We have steady gas supply. We have enough gas for our expansion business in building a second plant. We have secured financing for the turnaround maintenance, which will bring the plant back to its designed capacity one year from now which is third quarter of 2019.

And once that happens the efficiency levels will show, revenues will double, costs are relatively fixed, the business will be very profitable at that time. And we will focus then on expanding our business, building a new plant and then also developing and utilizing and generating additional income streams from the subsidiaries that we are either incubating or we have actually launched. So, I want to thank you very much for this call and also thank you very much for supporting Notore, as Notore has now listed and we expect to be able to over time give shareholders real value in Notore Chemical Industries. Thank you very much.

Operator: This concludes the Notore Chemical Industries Plc nine months results conference call. Thank you for your participation. You may now disconnect.

[Beep]

[End of recording]