



CHAMBAL FERTILISERS AND CHEMICALS LIMITED

Quarter 2 FY 2017-18 Results

Investor/ Analyst Conference Call Transcript

October 25, 2017

Neha Patel:

Good morning. Thank you for joining us on Chambal Fertilisers and Chemicals Limited Q2 FY2018 Earnings conference call. Today, we have with us the senior management represented by Mr. Anil Kapoor, Managing Director, Mr. Abhay Bajjal, Chief Financial Officer, Mr. Anuj Jain, Assistant Vice President, Finance, Mr. V. K. Gupta, Vice President (Marketing), Mr. Rajveer Singh, Assistance Vice President (Legal and Company Secretary).

Before we begin, I would like to add that some of the statements to be made in today's discussion would be forward-looking in nature. We will begin the call with the opening remarks from the management after which we will have the forum open for interactive Q&A session. I would now request Mr. Kapoor to make his opening remarks.

Anil Kapoor:

Thank you. Good morning ladies and gentlemen. Welcome to our earnings call post declaration of half-year results for FY 2017-2018. I would like to share with you some of the highlights for the half-year ended September 30, 2017.

As you can see from the results, we have done well both on the revenue and profitability front. In the first half of FY2017-2018, our revenues have increased to Rs.4194 Crores as against Rs. 4088 Crores for the corresponding period of last year. The profit after tax from continuing operations has increased by approximately 15% to Rs. 280 Crores as against Rs. 244 Crores as compared to the half-year period of last year.

The profitability was backed by strong performance of marketed products. We sold 5.36 lakh tonnes of DAP and 1.54 lakh tonnes of MOP in the current half of FY2017-2018. I am also happy to inform you that the implementation

of the new project is in full swing and we expect to achieve the commercial production as per schedule by January 2019.

We have spent approximately 2751 Crores on the new projects till September 30, 2017. I will now request all the participants to ask questions you have with regard to the results or any other subject you want to discuss with me. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. First question is from the line of Apoorva Bahadur from ICICI Securities. Please go ahead.

Apoorva Bahadur: Thank you for taking my question. Sir, just wanted to know that the other expenditure has shot up to Rs. 511 Crores in this quarter, what exactly is the reason behind it?

Anil Kapoor: I will ask Abhay Baijal to answer that question.

Abhay Baijal: Apoorva, the other expenses this quarter has been boosted because of the accounting reasons. We know that there was an adverse variation in the foreign exchange. To that extent, there has been a Rs. 34 Crores increase on account of that which has come as part of other expenses. This is contra to the income that is there as well in the other income, which is mark-to-market gain. So this is one of the major factors for that. The other is with respect to some amount of freight and forwarding expense which is higher and which is about Rs. 9 Crores to Rs. 10 Crores and there is a provision for loss of derivatives as we have taken some of the derivatives that is about Rs. 3 Crores. These are the major expenses. So this totals up to little bit higher than the trend line, which you see.

Apoorva Bahadur: Sir on that part, this is about Rs. 34 Crores and we have a contra entry on the other income side as well?

Anil Kapoor: Yes. Because what is happening under the Ind-AS regulation is that if there is a hedged position to the extent that there is a hedge position, we have a

mark-to-market gain, but we have to record whatever happens on the ERV front. So both ways there is a plus and minus.

Apoorva Bahadur: Sir, on the subsidy side, the outstanding subsidy has not really declined in this quarter. Are we seeing a delay in payments or have the payments from government slowed down?

Abhay Baijal: I would like to answer this question by saying that the outstanding subsidy to begin with was lower this year. We had got about Rs. 2000 Crores to begin with as compared to Rs. 3300 Crores last year, and therefore the inflow was also lower to that extent.

Apoorva Bahadur: Okay, lastly on the DBT implementation, I think the government is about to begin, rolling out the DBT. So, what is the decision on ground in your key markets?

Anil Kapoor: Our key markets will be right now in phase I. DBT will be implemented in Rajasthan from November 1.

Apoorva Bahadur: So from November 1, it will be implemented.

Anil Kapoor: Yes, one of our key states will be Rajasthan and the other one is Maharashtra where we do not sell any quantity.

Apoorva Bahadur: Fine Sir. I will get back in the queue for more questions. Thanks a lot.

Moderator: Thank you. The next question is from the line of Falguni Dutta from JetAge Securities. Please go ahead.

Falguni Dutta: Good morning. Sir, can we expect the interest cost for this quarter to be repeated each quarter? I mean will there be much of a swing from this Rs. 38 Crores number?

Anil Kapoor: We expect it to be around the same line going forward.

Falguni Dutta: That is all. Thank you.

Moderator: Thank you. The next question is from the line of Satish Mishra from Tata Mutual Fund. Please go ahead.

Satish Mishra: Good morning Sir. If you can give some sense on the contribution from the non-fertiliser business in first half and second question is related to channel inventory, as monsoon was erratic in some part of the country so what is the inventory situation for the industry as well as for Chambal?

Anil Kapoor: Satish, contribution is a sensitive subject, but what I can tell you is our DAP purchase price was very competitive and it is amongst the lowest in the industry. The price has varied from \$350 to \$365, margins are steady in the market place. You can do your own calculation. You people are very intelligent, and I am sure you will be able to evolve what is the contribution.

Satish Mishra: Sir, basically I was referring to contribution from non-fertiliser business, pesticides, seed all the trading what we do?

Anil Kapoor: Those, I can be very honest this year was a stretched year as far as contribution from other marketed product is concerned namely pesticides and other inputs which we sell and contributions were not very significant. Let me be honest with you. It is not worth mentioning.

Satish Mishra: Sir, second question was on the inventory situation, some sense on industry as well as for us?

Anil Kapoor: What happens, it is a very dynamic situation. I can only tell you about our territory because I am not having information regarding territories in which we do not sell. As far as territories in which Chambal is there, the inventory position is a dynamic position. We really do not know exactly what the inventory is there with the retailers, but there should be just adequate stock in the marketplace when we close the season. My worry is that we may not have much stock after the season is over. So we just have adequate inventory to sell during this season. If the demand is aggressive in certain pockets, we could have stretched.

Satish Mishra: Last question, just to understand the new project what we are doing. So when we say completion will be in 2019 that will be mechanical completion, I believe. So how much time does it take to ramp it up to say 100% utilization?

Anil Kapoor: When we talk of 2019, we talk of production having started and stabilized.

Satish Mishra: January 2019?

Anil Kapoor: January 2019. When we talk of commercial production, so trials will start much before that. Once approximately 85% to 90% capacity utilisation of the plant is achieved then only we declare it as a commercial production.

Satish Mishra: Great Sir. Thank you so much Sir.

Moderator: Thank you. The next question is from the line of Shekhar Singh from Excelsior Capital. Please go ahead.

Shekhar Singh: Just wanted to understand that new urea plant which is coming up. What is the sort of profitability per tonne that you are working with in terms of estimates?

Anil Kapoor: Profitability, I can only share you the government formula and then you can do your own calculation. I cannot share it right now. We have put all the information in the public domain. This is government policy, which is a standard policy, which everybody knows of it. What the government will reimburse is the entire variable cost, so at a floor price of \$6.5 per million BTU of gas, they will assume your plant will run at an efficiency of 5 million kilocalorie per tonne so the variable cost becomes \$130. They will reimburse you fixed cost of \$155. So that government will reimburse you \$285 per tonne where the price of gas to go up by \$1 per million BTU, Government will reimburse you \$20 for variable cost.

Shekhar Singh: Sorry, you said if the gas price goes up by \$1 per MMBTU then government will reimburse you by \$20?

Anil Kapoor: Yes \$20. Basically, gas price is a pass through. What the company is retained with is a gross margin of \$155 per tonne. Now, you can as I said you are all very intelligent people. You can do your own calculation. What is going to be the contribution, which Chambal will have, and as far as the capacity utilisation is concerned as per our past track record, I can tell you. We have achieved over 90% and 95% capacity utilisation in the past whenever we have commissioned our plant in the first year of operations.

Shekhar Singh: Considering the current scenario where we are importing urea, I think the ramp up and full utilisation should not be too much of an issue.

Anil Kapoor: Sorry, I did not understand your question.

Shekhar Singh: Considering that India right now is importing almost 5 million tonnes of urea. Therefore, for you to ramp up and be able to sell this entire production should not be too much of an issue, I suppose?

Anil Kapoor: I agree with you. This basically would replace the imported fertilizer. Anyways, just I am now making a statement. Imported urea is not a preferred source for the farmers. Urea is a very soft material unlike phosphatic which is pretty hard. With multiple handling, urea tends to disintegrate. So when the farmer receives imported urea, the material is substantially powdery and its use efficiency reduces with that. Farmer is a very intelligent person. So he does not prefer imported urea. Imported urea in the market place is sold last. Domestic urea is sold first and then the imported urea is sold.

Shekhar Singh: In terms of the capex spends, you mentioned that you have spent around Rs. 2750 Crores till now. What is the plan till FY2018 end that is till March 2018?

Anil Kapoor: By March 2018, we will be spending in additional Rs. 1000 Crores.

Shekhar Singh: Sir what will be the peak level of debt for the entire capex to complete at the time when the entire capex completes?

Anil Kapoor: I will let Abhay answer that question.

Abhay Baijal: It will be around Rs. 4600 Crores on a long-term basis. When the entire project is put in place, and we are about to start that will be the peak level.

Anil Kapoor: That would be the long-term. The short-term debt, which we are running presently that will continue.

Shekhar Singh: Sir, the proceeds from the sale of the ships. I assume that now we do not have anything left in the shipping business.

Anil Kapoor: We have closed all the loans and all the proceeds have come into the books of Chambal Fertilisers.

Shekhar Singh: Great. Thanks a lot Sir.

Moderator: Thank you. The next question is from the line of Abhijeet Akella from India Infoline. Please go ahead.

Abhijeet Akella: Good morning Sir. Thanks a lot for taking my question. Just wanted to get your thoughts on the DBT programme, which is now rapidly being rolled out, from next month, as you mentioned in Rajasthan. You know the government obviously had made some very big announcements in terms of weekly settlement of subsidy and deployment of 2 lakh POS machines across the country. There had been some impediments in rolling these out as per their plans. How do you see the situation now. Do you think we are ready to go ahead and also how much of what the government has promised do you think will actually happen on the ground and what kind of impact will it have on the market overall and on companies like yours?

Anil Kapoor: Good question. Abhijeet, I will divide the question into two parts. One is availability of POS machine. This has been distributed and I would say over 90% of the retailers today have got POS machine and when the time comes to implement it I am quite sure this number would go to 95% to 96% and retailers who have not got POS machine will not be able to sell material. So the sales will have to take place necessarily through the retailers who have got POS machines. That is one aspect. The second aspect is implementation of DBT. AS you people know this DBT is not the DBT in true sense. In the first

phase, as the government claims, we would sell the material and the subsidy would be transferred to the industry not to the farmer's account. 14 districts or in 16 districts DBT has been so far implemented. The track record for those 16 districts is not very good. Our bills have not yet been settled that means our industry bills have not yet been settled for those 16 districts. So, we would like to wait and see what happens once the DBT is implemented in these key states. It is too early to tell, but we are keeping our fingers crossed.

Abhijeet Akella: The exact roadblocks in the timely settlement of these subsidies in the 16 pilot districts you mentioned. Is it the fact that the data is not coming out properly from the retailer's end because of some data gathering issues or is it that the processing at the government's end is not taking place on a timely basis? What exactly are the problems?

Anil Kapoor: It is the issue of reconciliation of the opening stock. You are not able to reconcile the entire data.

Abhijeet Akella: Then rolling it on a nationwide basis right now would only be inviting trouble probably, right?

Anil Kapoor: Fortunately they are not implementing in all the states. There are only few trials states in which they are implementing. As I said upfront, I am keeping my fingers crossed as to how the government will resolve the issues.

Abhijeet Akella: There was some mention about soil health cards and use of those along with the POS machines to advice farmers on an optimal mix of fertiliser for their field.

Anil Kapoor: That is not being implemented right now. Right now it is a straight vanilla DBT scheme which is being implemented.

Abhijeet Akella: Do you expect it will result in a significant curb in diversion of urea into non-fertiliser application?

Anil Kapoor: If implemented in true sense, yes it should happen.

Abhijeet Akella: Fine Sir. One last thing on your new plant for urea, is it possible to share the pool cost of gas that you have for the project over there and whether the linkage is all proper in place?

Anil Kapoor: We have got the similar formula which is basically existing, which is crude linked but you will appreciate as far as the plant is concerned, the gas pricing will be on a pooled basis, so this gas which we contract will ultimately go into the pool and the plant will be given the cost which will be on a pool cost.

Abhijeet Akella: So any sense of how much that pool cost might be right now.

Anil Kapoor: I can only tell you what is the current pooled price. Approximately \$8.75 to \$9 on NCV basis.

Abhijeet Akella: That compares to how much on your existing production Sir?

Anil Kapoor: This is for the entire production in the industry, which is approximately 24 million tonnes. This is the pooled price today. Now I cannot give a guarantee what is going to be the pool price say six months from now or one year from now because in the pooling there are a number of gases which come in; there is local gas, there is RIL gas, there is APM gas, then new discovered wells tomorrow, industry may sign agreements with them, then there is imported LNG. All this is blended together and a pool price is derived, which is one price available to the entire industry inclusive of taxes on delivered basis.

Abhijeet Akella: Thank you so much for the clarification and wish you all the best.

Moderator: Thank you. The next question is from the line of Chetan Thakkar from ASK Investment Managers. Please go ahead.

Chetan Thacker: Good morning Sir. I just wanted to understand how different is the energy efficiency of the new plants compared to the existing plants?

Anil Kapoor: Chetan, government will reimburse us not more than 5 million kilocalorie per tonne. We expect to operate it lower than that. Now how much lower?

I cannot commit right now. Once the plant starts we will really come to know what efficiency level, we will be able to achieve. I can only share that typically the plant of similar capacity and design, which is operating worldwide, they are operating at around 4.9 million kilocalorie per tonne of urea. That is not Chambal's plant but similar plant operating worldwide with similar technology.

Chetan Thacker: Sir, is it fair to assume that once the eight year period is over and when they finally decide what they want to do with urea pricing, with your energy efficiency on this new plant, will you be able to retain eventually?

Anil Kapoor: What happens after to eight years only time will tell, but I only know one thing within those eight years I would have repaid all my loans and Chambal would be a debt free company.

Chetan Thacker: Second question. Is the understanding correct that whatever will be reimbursed for the fixed cost how much ever efficiency gains that you have on that time you will be able to retain?

Anil Kapoor: That is my understanding.

Chetan Thacker: Thank you so much.

Moderator: Thank you. The next question is from the line of Rohan Gupta from Edelweiss. Please go ahead.

Rohan Gupta: First few questions on the volume data. Sir, if you can share once again that urea volume sold for the quarter and first half and also the traded volume?

Anil Kapoor: We have posted that yesterday. Our urea sales for the first half is 10.7 lakh tonnes and quarter ended September 30, 2017 are 5.61 lakh tonne of urea.

Rohan Gupta: Okay and what is the DAP?

Anil Kapoor: As far as DAP is concerned, quarter ended September 30, 2017 is 2.82 lakh tonne and, for half-year ended September 30, 2017 is 5.36 lakh tonne.

Rohan Gupta: Are we also dealing with any MOP in the quarter or completely abstained from there?

Anil Kapoor: MOP for quarter ended September 30, 2017, we have sold 73000 tonnes and half-year ended we have sold 153,000 tonnes.

Rohan Gupta: As you just mentioned that inventory situation in the market is not as bad as it was last year. So, in the DAP, with the monsoon Rabi season being slightly better than what we have seen in the last year. So do you see that inventory situation will be better from here going forward in the second half?

Anil Kapoor: I said just the reverse. I said inventory position is not very good compared to last year. Last year we had more stocks than this year.

Rohan Gupta: You are talking about industry and not about the company?

Anil Kapoor: I am talking of the industry. As far as company is concerned we are slightly better placed. We have enough stock for our market. We will be able to meet Chambal's demand as far as third quarter is concerned.

Rohan Gupta: Is this inventory situation for the industry going to improve in second half especially in your markets?

Anil Kapoor: I will give you a brief scenario, Rohan how DAP works. You are more interested in DAP right?

Rohan Gupta: Yes.

Anil Kapoor: Or you are interested in urea also?

Rohan Gupta: No Sir urea you are anyhow fully sold and, just wanted to understand how that DAP market is right now and how it will be in second half?

Anil Kapoor: In our territory, again I am making of very clear clarification and I speak only of our territory because I am not an authority as far as other territories are concerned. In our territory in Rabi, we sell DAP, which is more than the DAP sold in Kharif, that is one. Two, in Rabi season in Punjab, Haryana, Rajasthan

and Madhya Pradesh, the sale gets over by November end. UP and Bihar being slightly bigger state and the cropping pattern there being late so the sale continues and by December end, the entire DAP sales in our territory is over. After that in the first quarter of next calendar year, there are remnant sales in small pockets, where DAP is sold, am I right Mr. Gupta.

V K Gupta: Yes that is right. Then we are only left with Jammu Kashmir or may be summer paddy in Chhattisgarh where DAP in small quantities is sold or there is some pre-placement for next sugar planting. So that is for the last quarter i.e. January to March, but majority of sales you can say is over by the 20th of December itself.

Rohan Gupta: Okay and Sir how has been the pricing in DAP in the world market and with the phos acid prices continuously remaining weak, do you see the DAP global prices are showing any weakness and what are your contractual prices right now?

Anil Kapoor: Good question and I think this question will be important for everybody who is listening right now. What has happened, there is a slight structural change, which has taken place in the last few months. For one tonne of phosphoric acid, you will need one tonne of sulfur. As we speak today, sulfur has gone through the roof and it is upwards of 150 dollars per tonne CFR China. In India also, it is approximately \$150 per tonne. We are hearing some contracted quantity at a higher price, but I am yet to confirm it. Now, when this phosphoric acid contract was made, sulfur was rolling at around \$100 per tonne, maybe 95 or 105. So sulfur has moved dramatically. As a result, the DAP being offered to India right now is upwards of \$380 per tonne and Chambal purchase so far has been between \$350 and \$365 dollars a tonne. So DAP prices have shot up by over \$15 to \$20 a tonne, which is basically taking care of the sulfur cost, which has gone up. So I do not know what will be the phosphoric acid price going forward. This contract of phosphoric acid will end in December. Next year there will be a new contracting and I am not the best judge to answer that question.

Rohan Gupta: So, as far as this year is concerned, your all contracts are below \$360 for DAP?

Anil Kapoor: I did not say that, I say Chambal has contracted between \$350 and \$365 a tonne.

Rohan Gupta: Yes sorry, so it is at least below \$365 and with the rising prices of Sulphur there is a possibility that phos acid prices will go up. So, in that case, the DAP prices only will go up but at least you are covered till USD 365 for this year.

Anil Kapoor: Bought this up to December end.

Rohan Gupta: Up to December end, that is the main season.

Anil Kapoor: Yes.

Rohan Gupta: Okay. And with the currency showing some sort of sign of depreciating further after recent appreciation. So, that currency impact we may feel also, if it continues to depreciate right?

Anil Kapoor: You are absolutely right, but as you know we in our company has a policy of hedging and we run our books at approximately 85% to 90% fully hedged.

Rohan Gupta: Okay, Sir coming onto your new project. You have just mentioned that you will be able to operate at 5 million Kcal. Is it any kind of guarantee given by the technology provider that if it goes below or if it is higher than 5 million Kcal then they will be compensating it?

Anil Kapoor: Yes.

Rohan Gupta: They will be compensating it fully?

Anil Kapoor: There are enough guarantees in the system to make sure that the guaranteed efficiency norms are met which I cannot tell you, these are confidential matter, which is but lower than 5.

Rohan Gupta: Okay, so even I mean you are saying that even if you are not able to operate say at 4.9 or whatever is the threshold level, then you will be getting compensated.

Anil Kapoor: Right, but one-time compensation. It is not a continuous efficiency for next 20 years. We will be compensated one time.

Rohan Gupta: Probably for four year or five years at least minimum.

Anil Kapoor: No, it is one-time compensation, but let me be honest with you, this similar technology is operating worldwide. It is not a new technology which Chambal is implementing. We know existing plants with similar technology at what efficiency levels they are operating globally. Barring unforeseen circumstance, I do not see we operating at a higher level.

Rohan Gupta: So just hypothetically if we say that in the first year of operation you operate at the efficiency of 5.3 million Kcal, so you will be compensated for the difference between 5 and 5.3 for the first year only that will be one time.

Anil Kapoor: No, it is a very complex formula we have for efficiency, but it will be one-time for the year. But 5.3, my existing plants are operating between 5.35 and 5.4.

Rohan Gupta: I was just trying to ascertain the related risk because government is not going to give anything beyond 5. So, I am just trying to understand that what kind of risk if you are not able to operate plant may be in higher efficiency for the first two years or three years?

Abhay Baijal: Since you are asking this question I will also answer in a hypothetical manner. If the plant is operating at say 5.3 that means there is a structural problem in the plant. We should be able to rectify that problem by taking a shutdown and repairing and addressing the cause because of which the efficiency is low. As for design is concerned, it should not operate at those levels. Our track record if you see. Why I go back to the track record is, this is what Chambal strength is, our strength is execution of project. Both our past projects have been commissioned on time and at the efficiency, which it was designed at. I can only talk about track record and we are confident and we have a very

good technical team who have been with us from 1991, good experienced managers, we have full confidence in them that they will be able to commission the plant as per design parameters.

Rohan Gupta: And as per the arrangement, government will be forced or entitled to buy whole production from this new plant or up to 100%?

Anil Kapoor: The government will not buy.

Rohan Gupta: I mean just subsidy providing

Anil Kapoor: We will sell it and then claim subsidy.

Rohan Gupta: Yes, but then you can claim it up to any extent 100%, 105% whatever plant utilization rate maybe?

Anil Kapoor: Rohan now you are really asking very good question. We had declared our capacity of 1.34 million tonnes. We have informed the stock exchange about that.

Rohan Gupta: Yes correct.

Anil Kapoor: They will guarantee up to 1.34 beyond that I myself do not know. We will have to cross the bridge at that time.

Rohan Gupta: Okay so 100% is guaranteed by the government and if you are able to operate it at 110%, you do not know what will happen on additional 10%?

Anil Kapoor: There is no guarantee. When we sell, the government will reimburse the subsidy. There is no guaranteed buy back. You have understood? Today also there is no guaranteed buy back.

Rohan Gupta: Yes today also the similar formula is there

Anil Kapoor: We sell the material, the government reimburses the subsidy. Similar system will continue to operate in future.

Rohan Gupta: No Sir, generally what happened that in the current system also, you are compensated for the variable cost. Now there is fixed reimbursement cost of \$155 which you will be getting after this plant, so I am saying that you have capacity of 1.34 million tonne. Say suppose you are able to operate higher 10% and get additional 1.5 lakh tonne. On that, what will be the rate at which government will be giving you subsidy?

Anil Kapoor: Supposing we produce 1.5 million tonnes, okay. How the remaining 0.16 million tonne will be treated, government has not yet come out with a policy.

Rohan Gupta: Okay, not yet come out anything on that. Okay, but at best for you the variable cost of production of that will be only the gas cost, which is \$130 dollars per tonne

Anil Kapoor: At 6.5, supposing the pool price is 10.

Rohan Gupta: Yes, so then it will go up.

Anil Kapoor: Then the variable cost will be \$200 a tonne.

Rohan Gupta: So may be it will be further linked like how you are getting compensated right now linking with import parity prices or something and then you will be getting higher benefit on that additional production like right now you enjoy.

Anil Kapoor: We will have to cross the bridge when we do that.

Rohan Gupta: Fine Sir. That is all from my side. Thank you so much Sir.

Moderator: Thank you. Next question is from the line of Amit Murarka from Deutsche Bank. Please go ahead.

Amit Murarka: Hi. Good morning Sir. On this inverted duty structure that is there for raw materials and end products. So like phos acid is at 18% whereas DAP import at 5%. So I just wanted to understand, does it really benefit you in that sense when you are importing the product and selling it compared to the local manufacturers?

Anil Kapoor: As for local manufacturers are concerned, I think you will have to address the question to the local manufacturers. I do not want to enter into any area, which is not my domain. Do not ask me questions about other companies. You can ask any questions regarding Chambal Fertilizers and I will definitely answer those questions.

Amit Murarka: No what I meant to ask is, does it give you competitive edge because those guys will have a higher cost of production. So, does it mean that when you go to the market, you will be more competitive compared to those guys.

Anil Kapoor: You are an investment banker. Those are the things which you should evaluate and calculate, who would be at an advantage and who will be at a disadvantage and calculate the cost of manufacture for domestic vis-à-vis import and take a call. As far as Chambal is concerned, GST does not materially impact us. The IGST which we pay, substantial portion we are able to recover it going forward and some of the balance IGST which is left, we either forgo and some of it we adjust it against our existing business.

Amit Murarka: Okay. I understood and secondly you also sell a lot of agro chemicals I believe in your trading business. So what is the outlook on that? Are you seeing good demand for that in the local market and all that?

Anil Kapoor: Agro chemicals is a growing business and I personally foresee Chambal fertilizers going forward to do well in this business from where we are today.

Amit Murarka: Any numbers that you can share I mean how much you would be doing right now in terms of as percentage of you revenue or anything like that?

Anil Kapoor: Slightly confidential in nature.

Amit Murarka: Okay. I understood. Thank you. Best of luck.

Anil Kapoor: Thanks.

Moderator: Thank you. Next question is from the line of Madhav Marda from Fidelity. Please go ahead.

Madhav Marda: Hi. Good morning Sir. Sir just one question I had was on the new urea plant. Just want to get my header on what could be the potential risks to the earnings from this plant. Like what could potentially go wrong because the way I am looking at it, it seems like a pretty stable earnings business for you. So, if you could just talk about the risks from the plant?

Anil Kapoor: Good question Madhav. Let us start with the project. The first risk, which the project has, is implementation of the project. Anything can go wrong. It is a large project. It is approximately Rs. 6000 Crores. We can have commissioning problems, we can have installation issues and there could be force majeure issues. However, there are mitigating steps and the mitigating steps are; we take necessary insurance for force majeure, for delayed startup. If there is a problem during startup, your company takes adequate insurance that we will then be protected for our profits. That is one aspect. Beyond that, I personally do not see any other risks as far as this project is concerned.

Madhav Marda: Okay. Sir even currency would not be a risk, is it? I am sorry I just have a gap in understanding but since the project I think most of it is dollar based, there will be an earning risks. I mean the currency risk to this project.

Anil Kapoor: Madhav, Chambal Fertilisers debt is in dollars. So, we have dollarized this business. My debt is in dollars and my earning is in dollars. So as a result, the entire business is a sort of dollarized business. So, that risk is not there.

Madhav Marda: Okay. I understood. Got it.

Anil Kapoor: You are clear?

Madhav Marda: Yes Sir. Got it. Perfect. That is all from my side Sir. Thank you.

Moderator: Thank you. Next question is from the line of Rakesh Vyas from HDFC Mutual Fund. Please go ahead.

Rakesh Vyas: Good morning Sir. Just one question. The plant that got under shutdown during the quarter seems to had higher number of days of shutdown. So, if you could just clarify, was it related to the new project getting integrated with

some of the activities with the plant shutdown. If you could just clarify as 31 days seems to be a higher number?

Anil Kapoor: Rakesh, I think there is some confusion. We took the shutdown in the first quarter; in second quarter we have not had any shutdown not even one day.

Rakesh Vyas: Okay because the presentation says the period ending September.

Anil Kapoor: No we have a total of six months period.

Rakesh Vyas: Okay fine. Now I got it.

Anil Kapoor: And that shutdown also had nothing to do with integration of the project. It was an annual shutdown where we in Chambal take a shutdown once in two years. Earlier, we used to take it once a year, now we have a cycle of two years, so when we have two years' cycle, the shutdown period is also large. Then we have to repair and make all necessary changes to the equipment during this long shutdown.

Rakesh Vyas: Okay. Got it. Got your point Sir and my second question pertains to the new project. So have all the long lead items already been procured and are on site Sir, is that a fair assumption?

Anil Kapoor: Yes. All my long lead items are on the way and by end of March, majority of my equipment would be at site. I would say barring a few equipment here or there, all equipment would be at site.

Rakesh Vyas: Okay. Great Sir. Thank you so much and best of luck.

Anil Kapoor: Thank you.

Moderator: Thank you. Next question is from the line of Apoorva Bahadur from ICICI Securities. Please go ahead.

Apoorva Bahadur: Hi Sir. Thanks for taking my question again. Sir wanted to know by when would we have some clarity regarding the marketing of produce from Gadepan-3, so as in which markets will it be assigned?

Anil Kapoor: We would continue to sell in our existing territory. However, I will answer this question closer to the time of commissioning because we have got some plans which we have to run through the government, where we want to open up some new territories for Chambal, but where we need an understanding with Government of India, Nevertheless, we are very comfortable and confident of selling this additional quantity in our territory itself.

Apoorva Bahadur: Perfect Sir. Thanks a lot.

Anil Kapoor: Let me be honest with you, Chambal's product is sought after product. In few of our territories, we are brand leaders. Our quality today is second to none. I would go to the extent of saying it is amongst the best quality of fertilizer sold in the market place.

Apoorva Bahadur: Great Sir. Thanks a lot.

Anil Kapoor: Thank you.

Moderator: Thank you. Next question is from the line of Sumant Kumar from Emkay Global. Please go ahead.

Sumant Kumar: Yes. Hi Sir.

Anil Kapoor: Yes tell me.

Sumant Kumar: Is there any impact on demand due to floods in Rajasthan?

Anil Kapoor: No.

Sumant Kumar: Okay. Thank you so much.

Moderator: Thank you. Next question is from the line of Amit Murarka from Deutsche Bank. Please go ahead.

Amit Murarka: Hi. Thanks for taking my question again Sir. Just on this new urea plant, I believe you had furnished a Rs. 300 Crores bank guarantee, which was

supposed to be reimbursed in phases on certain timeline. So, how much of that has come back and what is the pending amount?

Anil Kapoor: Rs. 100 Crores has come back. We are now in the process of making an application for the second Rs. 100 Crores, which was at a mid-stage of the project and the mid stage they talk from the spend perspective. We are now reaching a mid-point as we speak. So we would be making an application and the government will give the second tranche of guarantee. The third tranche is on commissioning.

Amit Murarka: Okay. The second one should come before the end of this fiscal year I believe?

Anil Kapoor: Definitely.

Amit Murarka: Okay. Thank you.

Moderator: Thank you. We have next question from the line of Aniruddha Joshi from ICICI Securities. Please go ahead.

Aniruddha Joshi: Hello Sir just one question. Some of our competitors have aggressively rolled out retail stores and they see forward integration as a big value creator. So, there are large investments happening in that segment. Do we have any such plants to roll out own Chambal stores, either own stores or franchisee stores?

Anil Kapoor: Aniruddha, we are constantly evaluating new lines of businesses. Wherever when we see the merits in going into that type of a business because each territory is a different territory. I cannot talk of some territories where retail network can work. In certain territories, retail network could be a stretch. So we constantly evaluate this line of business and if and as and when we take our final call, rest assured we will inform stock exchange and all the necessary players in the market that we are going for this type of business. As of right now, we have not embarked on this.

Aniruddha Joshi: Okay Sir.

Moderator: Thank you. Ladies and gentlemen, this was the last question for today. On behalf of Chambal Fertilisers and Chemicals Limited, thank you for joining us. You may now disconnect your lines.