CHAMBAL FERTILISERS AND CHEMICALS LIMITED

Q2 & H1 FY22 Earnings Conference Call
November 02, 2021

Moderator: Ladies and gentlemen, good day and welcome to the Q2 and H1 FY22 Earnings Conference Call of Chambal Fertilisers and Chemicals Limited. As a reminder, all participant lines will be in listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*"and "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rishab from CDR India. Thank you and over to you sir.

Rishab: Thank you. Good day everyone and thank you for joining us on Chambal Fertilisers and Chemicals Q2 and H1 FY22 Earnings call. We have with us today, Mr. Gaurav Mathur, Managing Director, Mr. Abhay Baijal – CFO, Mr. Rajveer Singh, Vice President - Legal & Company Secretary, Mr. Anuj Jain, Assistant Vice President- Finance and Mr. Ashish Srivastava, AVP - Marketing.

Before we get started, I would like to point out that some statements made or discussed on the conference call today may be forward-looking in nature and must be viewed in conjunction with the risks the Company faces. Chambal Fertilisers and Chemicals does not undertake to update them. The statement in this regard is available for reference in the presentation. We will begin the call with opening remarks from Mr. Mathur. I would now like to invite Mr. Mathur to share his views. Over to you, sir.

Gaurav Mathur: Thank you, Rishab. Good day and a very warm welcome to all of you participating on this call. We are glad that the COVID scenario has eased a little and hopefully continues to improve as we head into this festive season. In the middle of all this, we hope that you and your families are all safe and taking all due precautions.

The monsoon was normal in the country for the third consecutive year with few states receiving above normal rainfall. The reservoir levels are being reported at almost the same levels as last year. With good soil moisture due to rains during the latter part of monsoon period and subsequent rainfall in October, prospect of Rabi crops sowing appears encouraging.

Moving on to our performance, we are happy with our performance during the quarter under review especially considering the macro environment is quite challenging. On consolidated basis, revenue from operations for the quarter ended September 30th, 2021 stood at Rs.4,479 crore as against Rs.3,987 crore during the corresponding quarter last year, registering an increase of about 12%. EBITDA amounted to Rs.835 crore compared to Rs.811 crore in the corresponding quarter of previous year. Profit before tax stood at Rs.735 crore as against Rs.663 crore during the corresponding quarter last year, registering an increase of about 11%.

If we look at performance of six months ended September 30th, 2021, on a consolidated basis, revenue from operations stood at Rs.8,018 crore as against Rs.7,206 crore during the corresponding period last year, which is up by about 11%. EBITDA at Rs.1,491 crore compared to Rs.1,450 crore in the corresponding period of previous year. Profit before tax stood at Rs.1,287 crore as against Rs.1,123 crore in the corresponding period last year, which is up by about 15%. During the half year ended September 30th, the sales volume of urea, DAP and MOP was lower in comparison to the corresponding period last year. The supply constraints coupled with rapid increase in prices of P&K fertilizers have impacted the sales volumes of DAP and MOP. We were able to increase volume of NPK fertilizers and the performance in crop protection chemicals and micronutrients is also much better in comparison to the corresponding period last year.

Spiraling prices and supply constraints pose a significant challenge for the phosphatic and potassic fertilizers in the industry. The high demand of fertilizers in Latin America and North America continue to push the prices of fertilizers in the international market. Over the quarter under review, international prices of DAP, MOP and NPK fertilizers increased substantially. The restrictions on export of fertilizers from China has further impacted the supply volumes, causing continuous increases in prices of DAP and NPK fertilizers. The announcement of additional subsidy on DAP and NPK fertilizers by the Government of India have softened the impact of increase in prices of DAP and NPK fertilizers but further increase in prices in international market is making the situation challenging once again.

Considering the large size of our phosphatic business, we have developed reliable supply channels over the years and we continuously evaluate options to secure the supplies as part of our long-term strategy. As far as growth is concerned, intense focus on crop protection chemicals and micronutrients have started yielding results, and we achieved substantial double-digit growth in our existing territory. With the geographical expansion, we expect to achieve better performance in crop protection chemicals, micronutrients and NPK fertilizers. We are also evaluating options to monetize the excess ammonia available in our plants at Gadepan and are progressing well to narrow down the suitable options. We are likely to reach a conclusion by end of this financial year on this.

Lastly, our emphasis continues to be on enhancing our presence through crop protection chemicals and micronutrients, besides expanding the contribution of non-urea fertilizers in both existing and new geographies. With that, we would be happy to now take your questions. Thank you very much.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Vivek Ramakrishnan from DSP Mutual Fund. Please go ahead.

Vivek Ramakrishnan: Good Afternoon. My only question is on the subsidy receivable. I noticed that it has gone up a bit and the subsidy receivable have increased. Do you expect, given the sharp increase in raw material costs across the board that the subsidy position would worsen before it gets better or is the government releasing it as they did last year? Thank you.

Abhay Baijal: So, Vivek, the subsidy increase is in two portions, one is on account of urea and one is on account of DAP and NPK products. As far as DAP and NPK products are concerned, you would have noticed that the government has already made an increased allocation. So, I guess that once the winter session comes, they would tend to clear that part. As far as the urea portion is concerned, this is part of the normal escalation, de-escalation process and in the normal escalation, de-escalation process, this normally does take about six to eight months to settle. So, I would say that there’s nothing out of the ordinary. I would expect most of these money’s to be paid out as far as urea is concerned towards the end of the year. As far as the NPK is concerned, we are quite hopeful that once the government makes the allocation in the budget, by way of some kind of subsidiary grant, we should see some movement of this by fourth quarter.

Moderator: Thank you. Our next question is from the line of Pratik Tholiya from Systematix. Please go ahead.

Pratik Tholiya: So, my first question is just a continuation to the last one. Since even gas prices have gone up, so, there is a fair bit of increase in the subsidy. So, you mentioned six to eight months, it will take for the subsidy to normalize. Was that correct?

Abhay Baijal: That is because the government recognizes the increases in the gas prices, but the cycle is little delayed, because of the administrative decision on part of the FICC, the Fertilizer Industry Coordination Committee. It is just nothing but a bureaucratic lag effect nothing else.

Pratik Tholiya: So, would it be fair to assume that by this year end our subsidy outstanding should be much higher than what we have seen in the previous year?

Abhay Baijal: So, I won't say that. I would say some part of it. Normally we have a mechanism called ad hoc adjustment, so that could get clear. We are already pressing the government on that issue.

Pratik Tholiya: Okay, understood. And sir what would be your current gas prices?

Anuj Jain: $15 per mmbtu, this is a provisional pool price for the month of October.

Pratik Tholiya: Understood. And sir on your JV front, we have witnessed very healthy profits from the JV this quarter - almost Rs. 80 odd crore for the quarter. So just wanted to get your thoughts going forward for this JV considering that even now Phos Acid prices are moving up and it is really to our advantage to have presence or have a venture with the company which is making this Phos Acid and even one of the JV partners is Tata Chemicals, which does not have any need for Phos-Acid anymore. So, what is our thought process, are we just going to be just selling the Phos-Acid in the open market or are we looking at using it internally? Can we expect the company to some sort of go for phosphatic production using this easily available Phos-Acid product?

Gaurav Mathur: Thank you Pratik for that question. So, we continue to evaluate all possible options with our JV partners, and obviously the entire phosphatic market, it's an international market so, there are many dynamics at play and we have to take a long term view. This year obviously has been a unique year given the overall demand-supply situation in the international phosphatic market. So, at the end, it's a very good question that you asked and we continue to evaluate possibilities looking at the future scenarios in the phosphoric acid and phosphatic area.

Pratik Tholiya: Okay, but sir because in your opening remarks also you mentioned that we will be looking at non urea fertilizers. So, can something of this sort materialize in the coming few quarters or years maybe?

Gaurav Mathur: Sorry, could you repeat your question Pratik?

Pratik Tholiya: Would it be active deliberation at the management end, because you mentioned in your opening remarks that you're looking at enhancing your non-urea fertilizer business. So, would this be a part of that, your strategy to go for a non-urea, phosphatic manufacturing business?

Gaurav Mathur: So, Pratik as we have mentioned in our previous call also, we have now expanded our footprint into the new geographies, the five states of Maharashtra, Andhra Pradesh, Telangana, Gujarat and West Bengal, and those are substantial NPK markets and obviously there is DAP, which is a strong market, about 70% of DAP is in our existing territory. So, that's now therefore, our whole non-urea fertilizer segment takes a different perspective. And therefore, from a security of supply perspective, growth perspective, we are exploring, like I mentioned in my opening remarks, potential options linked to our long term strategy. That does not necessarily mean one thing or the other, it is an open field right now and given the strategic nature of this, it is not something that we will rush into, but it will take due course of time.

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

Madhav Marda: I just wanted to ask you on the capital allocation strategy. So, if I understand right, over the last couple of quarters, we've mentioned investments either in the ammonia downstream value chain or in the phosphatic value chain. So, is this fair to say that the CAPEX opportunities that we are evaluating is somewhere going to be in these two value chains or it could be something beyond that as well?

Gaurav Mathur: So thanks Madhav and good afternoon to you also. Like I mentioned, we have said in the past that we are evaluating the ammonia downstream section and we are progressing well, like I said in my opening remarks, and we hope that within this financial year we should be able to narrow down to what exactly we want to do. As regards investment in the phosphatic section, again that was a question which was asked earlier. So it's the same answer, that we continue to look at all possible options, and that is a bit much more complex scenario given the global nature of the phosphatic international business. So, we will look at all possible options over there. It is too early to commit the capital investment or not or anything as of now, we will develop it over the next quarters.

Madhav Marda: So, the ammonia part effect is something which seems to be something which is more near term, whereas the phosphatic one could take a little bit longer, is that a fair assumption to make?

Gaurav Mathur: I think that's a fair assumption Madhav. And like I said, ammonia we feel that we can do it, when I say do it, we can come to some conclusion by the end of this financial year in all likelihood.

Madhav Marda: Okay. And the second question was on basically our non-urea fertilizer business volumes obviously were a bit weak and that was for the country at large. In the second half of this year, can we expect volumes to pick up or it could this year itself a bit weak because of the supply constraint?

Gaurav Mathur: So, given the overall situation on non-urea fertilizers, the supply side is indeed constrained all over the world and the key focus of the stakeholders in the fertilizer and agriculture industry, which is the government, the farmers, industry, is to ensure adequate quantity of fertilizers, so, the need of the farmer is met. Now, clearly given the challenges, the total volume in the country will be less compared to previous years, but as that all the stakeholders are working together, including central government, state governments, industry to ensure that the basic needs are met. But fundamentally, the volume is probably going to be less than last year for the entire industry and country as a whole.

Madhav Marda: And is there any outlook on by when we expect the situation to have some resolution like by Kharif next year could we have some sort of easing, is there any outlook or view on that?

Gaurav Mathur: Madhav, the global situation is such that anybody who hazards a view on the outlook is likely to be proven wrong. So, we have to be very careful and just monitor the situation and sort of take appropriate actions. I would not like to hazard a guess on how the situation will evolve over the coming months.

Moderator: Thank you. The next question is from the line of Deepak Chitroda from Phillip Capital. Please go ahead.

Deepak Chitroda: My first question is about, the extension of the previous participant's question regarding the outlook for remaining of FY22, or probably early FY23. Obviously, as we have witnessed that volume pressure has been there because of the higher import prices, but how do you see in terms of further subsidy support? Do you think that probably the government will announce other measures to subsidy as they have done so far?

Gaurav Mathur: Very good question Deepak, as we are not in the government, I'm afraid I can't answer that question, that only the government will be privy to the thought process. And we have seen in the past in May, and as recent as October, the government has taken action, but we cannot say anything for the future. I'm sure the government has many considerations before they take such decisions. So simple answer, it's not possible for us in Chambal to provide any view on the stand that the government will take.

Deepak Chitroda: So then, do you think that obviously compared to last year, probably not Chambal but the entire industry will have some sort of a margin pressure compared to last year?

Gaurav Mathur: That is, I guess, a fair assumption, because that's an industry wide phenomena. And it's extremely unique here, which I believe last was seen about 10-11 years ago, when again there was a big challenge on phosphatic prices. So it's a fair assumption to make.

Deepak Chitroda: Sure, and my second question is about the future strategy, again as you talked about, extension or utilizing our excess ammonia production. So, that is the first area which we are exploring as of now, or previously as we talked about in terms of IMACID exposure, basically expanding or setting up the plant, granulation plant there. So, is there anything on card immediately that is something we can look out after this ammonia strategy is worked out?

Gaurav Mathur: Deepak, I will say the same thing like, which I said to this question which was asked earlier, that it's too early to say. We continue to look at all possible options. It's a complex area, which requires a lot of evaluation of what all could be done. So, all options are on the table, and it's too early to say anything concrete at this stage.

Deepak Chitroda: Sure, and last question is on just a book keeping question and especially if you can give your breakup of urea for Gadepan I and II and Gadepan III, and in addition to that, if you can explain, with the increase in gas prices beyond $15 how it works in terms of the mechanism?

Abhay Baijal: So, I can just tell you as far as Gadepan I and II are concerned, the policy states that all of it is pass through anyways. So, there is a fixed contribution, which is given, which is called the fixed cost in common parlance. So, whatever be the price whether it is $15 or $30 that cost of gas is recognized, you are paid your normal energy norm. So, you multiply the energy norm by the gas price, multiplied by the dollar, rupee and so on and that part gets passed through. As far as the Gadepan III is concerned, there is a slight twist, they say that, beyond $14 any possibility of increase above the normal floor price will not be recognized. So, the only issue for us is that, if there were any potential gain due to the very high international import parity price which currently exists, that will not be available should the gas price go above $14, but, the floor price which assures us the requisite return continues to be available. So, as far as we are concerned, it is only a potential possibility which does not exist if it goes above $14 but otherwise our return calculations and everything are based on the floor price and that is assured irrespective of the gas price which exists, that is the policy.

Deepak Chitroda: Sure. So basically, in Gadepan I and II, the increase in gas price will definitely go into support, to some extent, in terms of revenue and in Gadepan III at least more or less it will remain the same?

Abhay Baijal: I couldn't get the second part, could you repeat?

Deepak Chitroda: I'm saying for Gadepan III, it is like not relevant much because anyways we are going to get a kind of floor price where our contribution will be more or less remain the same right?

Gaurav Mathur: Yes.

Deepak Chitroda: And sir the volume number if you can share?

Abhay baijal: I will ask Anuj to answer that question.

Anuj Jain: We have sold total urea of 9.17 lakhs tonne. Plant wise basically Gadepan I and II, we have sold 5.08 lakhs tonne and Gadepan III, we have sold 4.08 lakhs tonne.

Moderator: Thank you. Our next question is from the line of Tarang from Old Bridge Capital. Please go ahead.

Tarang: I've got three questions. One, what was the average pooled gas price for Q2?

Anuj Jain: It is $13.49 per mmbtu on NCV basis, this was for the second quarter actually.

Tarang: Yes. On the crop protection business, if you could give us some flavor in terms of how big, what's the size of the business has achieved, what are the products that you're launching and which particular category of pesticides are you targeting or crops that you are targeting?

Gaurav Mathur: Sure. Tarang we don't disclose segment wise results as such, but like we have mentioned we are achieving high good substantial double digit growth, which we believe is significantly above the industry. As regards the product related question, I will request Ashish, who is our Head of Sales and Marketing to give you some flavor.

Ashish Srivastava: Tarang, the product portfolio which we are adding are majorly fungicides, where we have tied up with some companies for the gaps which existed in our portfolio. Also, we have been strengthening our wheat weedicide portfolio where some new molecules have recently been introduced by MNCs. So that loops has been closed so these are the two segments we are exploring at.

Tarang: Okay. What is the excess inventory, that would be ammonia inventory at the Gadepan plants currently, and what are the avenues for possible monetization?

Gaurav Mathur: So Tarang, we currently sell the extra ammonia that we produce. India is a net importer of ammonia and given the global challenge on ammonia availability, because of high gas prices, because of plants shutting down in some parts of the world, we are able to sell the entire ammonia that we produce at good prices. And therefore, we don't have any stock buildup as such, whatever we produce excess we are able to sell it.

Tarang: Sure. And last, if you could give us a sense of what are the utilizations at the IMACID plant is running at currently?

Gaurav Mathur: Sorry, which plant, IMACID plant?

Tarang: Yes.

Gaurav Mathur: IMACID plant is running at full capacity.

Moderator: Thank you. Our next question is from the line of Abhijit Akella from IIFL Securities. Please go ahead.

Abhijit Akella: First, just wanted to understand the drivers behind this quarter's very impressive performance on the profits, despite the fact that the phosphate business was almost about half in terms of volumes year-on-year. So, if you could share some insights into what helped us offset that pressure. And specifically, I was thinking in terms of maybe, mix shift towards the Gadepan-III plant that seems to have happened, may be 60-70 thousand tonnes shifted from the older plants towards Gadepan III. So, may be a mix shift in terms of the margins plus, maybe some of the IPP linkage for Urea given the high international prices. And also, it seems like we have sold quite a lot of inventory out of existing stocks, so will be some benefit out of that as well. So if you could please just, clarify whether this thought process is fair, and am I missing out on something else?

Gaurav Mathur: You've asked an all-encompassing question Abhijit, so you're not missing out on anything. So on urea, given the demand, we've sold the full quantities of production. In quarter one, we also had some shutdowns, etc. so that also impacted us. Your second part was in terms of phosphatic non-urea fertilizer and yes, the volumes were lower and the subsidy announcements were made. So that helped to get back some of the margins, on the DAP side, and obviously the stock averaging that happens as a consequence of that. And, we've also seen some contribution, like I've mentioned, from our agrochemicals and micronutrients business. So all those things have turned out and obviously in addition to that with the Government of India consistently clearing the subsidies and the one off clearance of the large subsidy outstanding at the back end of last year, the interest charges are substantially lower as you would have seen from the results. And last but not least, given the strong situation on the phosphoric acid, we got a good contribution from our joint venture partner also. So, that's the answer to all your questions of why this quarter's results are what they are.

Abhijit Akella: Thank you so much, that's really helpful. And the second thing I just had was, on this ammonia project that we are considering, could you give us a sense of how much volume we sell into the open market, merchant ammonia per year? That would be helpful.

Gaurav Mathur: We sell somewhere in the range of 40,000 to 60,000 tonnes per annum. And it depends on a year-to-year basis based on the demand, supply situation, the import, and so on, and so forth, and the prices that prevail in the international market, etc. but overall, it's in the range of 40,000 to 60,000. Given this year, challenge on the imports and the high prices, we expect to sell on the higher side, closer to 60,000 than 40,000.

Abhijit Akella: Understood. And this wouldn't have been significant this quarter, ammonia sales in Q2, because all our plants were running pretty much at +100%?

Gaurav Mathur: The quantum of ammonia that we produce remains fairly consistent, the excess ammonia. We utilize all possible ammonia that we produce first to convert to urea and that's obviously the top priority, we are a urea production facility. And then whatever extra ammonia remains, which is generated due to technical reasons, we are then able to sell that in the market. And that is a fairly consistent number on a daily basis.

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

Falguni Dutta: Sir, I just have one question on our trading margin that is DAP and NPK, would it be possible to give just directionally like would our margins be 10% to 20% lower than the best quarter last year, just to get a sense that in case they recover, how much improvement from here on we can have?

Gaurav Mathur: Falguni, you have asked a very difficult question. Because, given the overall situation, it's extremely difficult for us to predict.

Falguni Dutta: No, whatever it is as of, whatever we did in Q2, would they have been in what range lower compared to our best quarter last year?

Gaurav Mathur: Falguni, it's actually even if I can tell you honestly, that even internally I don't try to work that out, because there are too many variables in that Falguni. One variable is the price at which we procure, the other variable is the subsidy, the other variable is the MRP. So there are many variables right now. And our top priority right now is to get material so that farmers' need for the Rabi sowing can be met, as we are working closely in the industry with the government.

Falguni Dutta: And sir how difficult is the availability, now has it improved a tad or it's the same?

Gaurav Mathur: Availability is a very, very big challenge and, in fact, it has worsened from quarter two to quarter three, because recently China also put in export restrictions. But we did manage to get some material before China has put in the export restrictions, but availability remains a significant challenge both from a demand and supply perspective.

Moderator: Thank you. Our next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: With these inflationary trends and non-availability, with the spike in the raw material prices and the gases, the five plants of urea which were on revamp by the Government of India, do you think that would also take a back seat or those commissioning may happen and may ease out the situation because what the government was contemplating was that commissioning of these units will lead to a marked improvement in the lesser amount of urea to be imported going forward. So, how will this map get affected because of the current situation?

Gaurav Mathur: Actually, urea prices globally are now touching almost $900. So, from that perspective, the decision of the government to install more urea capacity in India is certainly even more favorable than before, in spite of the gas price increase, because even at this gas price, the cost of indigenously produced urea will be substantially less than imported urea. So, there is no question that putting up those plants is a right step in Atmanirbhar Bharat and will help the situation going forward. These, as you can understand, are not tactical, these are big strategic investments, which will play over and support the country's urea requirements over decades.

Saket Kapoor: But the pricing part sir as you told that, even at these gas prices, what would be the indigenous cost of production for urea? Any ballpark number?

Gaurav Mathur: Yes. At these kind of prices, the cost of production would be in the range of $450 to $480 and import price right now is $900 as per the latest tender documents that are available, but that's a situation right now. Going forward, this equation will keep changing based on gas prices and import prices. But fundamentally, the plants that are being put up, to the best of our knowledge, are efficient plants and should help in urea production, which would be possibly better than the import price.

Saket Kapoor: And sir what is the currently cost of production for people like us?

Gaurav Mathur: So we are also in that same ballpark.

Saket Kapoor: $480?

Gaurav Mathur: Yes. So Gadepan I and II, it will be slightly less and for Gadepan III, it will be more. So, Gadepan I and II, would be around $380 to $400 and Gadepan III would be slightly more because of the New Investment Policy 2012.

Saket Kapoor: Sir, with the lower production across all fertilizer makers, going forward, the inventory in the system will also get dried up. So, how would be the next year looking up if all the producers of fertilizers lower down their production because of these factors? What would happen to the availability of fertilizer going down next year because the inventory gets dried up?

Gaurav Mathur: So, are you asking about urea or the non-urea fertilizer?

Saket Kapoor: Across the chain. We have seen other people also guiding for lower numbers for other than urea going forward for the second half. And the reason they give is, ample inventory in the system. So, once this inventory gets dried up, what would be the ecosystem looking like for the next year if we take into account these factors?

Gaurav Mathur: So, to the best of our knowledge, urea production has not been substantially less or more, so urea production is fairly steady. So there should be no impact on urea. In the non-urea part of it, a large part of the NPK fertilizers, more than 90%, is produced within India and there the production has also been, to our understanding, almost the same as previous years. Some challenges on DAP but from a production perspective, it's not been very significantly lower. So, the main challenge on fertilizers has been on DAP and that's because of the international situation. And like I said before in answer to one of the questions asked earlier, that situation will remain dynamic, it is difficult to predict when any swing will happen in the international market, it depends. There is no issue on the production in terms of the DAP globally, the challenge is more because there was a huge spike in demand in Brazil and North America and nobody can right now say as to how that demand will play out over the coming months.

Moderator: Thank you. Our next question is from the line of Resham Jain from DSP Investment Managers. Please go ahead.

Resham Jain: Given the kind of availability situation which we are seeing for DAP as well as for other NPKs, do you see any impact on the cropping area this year, because in your opening remarks you mentioned that Rabi season looking quite strong. So, in that context, are we seeing any impact on the cropping area because of shortages of fertilizer?

Gaurav Mathur: I think it will be best answered by Ashish who can give you a much better idea.

Ashish Srivastava: Resham, let's look at Kharif first. Kharif, there was no significant reduction in the crop acreages of any crop barring some lower acreages reported in Bajra, the pearl millet because of late rains in Rajasthan. As far as start of Rabi is concerned, mustard is already showing an upstream, the sowing is 20% higher over the corresponding period last year. And with the good winter rains and good reservoir levels, I don't foresee any shortfall in acreages of any crop as of now.

Resham Jain: Okay. So sir, your past data situation like this let's say 10 years, 11 years facts when we saw similar situations, has there been any impact on the yield or on the acreage during those periods, any thoughts?

Ashish Srivastava: Whenever there has been a crisis or non-availability of phosphatic fertilizers, the acreages have not gone down. Farmers have reduced lower dosages, and there was no significant change in the yield. The significant changes in the yield comes when there is a non-usage of fertilizer over a period of time that's what I understand. So, I don't foresee any drop in yields as of now.

Moderator: Thank you. The next question is a follow up question from the line of Deepak Chitroda from Phillip Capital. Please go ahead.

Deepak Chitroda: First question is about trading dynamics. So, as we have gradually trying increasing our NPK trading, compared to DAP and of course we are trying to expand across India especially in the Southern part of India. So, do you think that probably going forward, trading share between DAP, MOP and NPKs could be kind of you know, 50:50 going forward?

Gaurav Mathur: We have a very substantial DAP base which has been established over a long number of years, and the bulk of the DAP, approximately 70% of the DAP market is in our existing territory. As regards NPK, it is roughly the reverse, the bulk of the NPK market is in the Southern and Western regions. So, we are definitely looking to grow in the NPK area in those new geographies. But to suggest that we would in a very short term reach a 50:50% ratio would probably be optimistic, given the market dynamics and where what product is sold, but certainly we do want to become much more significant player in the NPK area.

Deepak Chitroda: So, do you think that SSP could be one product area where we can explore? We have explored that in the past, do you think that is more viable now?

Gaurav Mathur: We do not believe that as Chambal Fertilisers, we would venture into SSP going forward.

Deepak Chitroda: Okay. And sir second question is about our energy consumption. Have we reduced further energy norms or actual energy consumption for our older plants, and what is the status for energy consumption for our new plant, especially Gadepan III, over the past one and a half years or so?

Gaurav Mathur: So, let me start with Gadepan III first, we are able to operate the plant quite efficiently and have some energy gains over there, so, that's Gadepan III. With regard to Gadepan I and II, we have energy efficiency better than the norms, so, that continues. We are implementing energy improvement projects, which have been sanctioned for Gadepan I which shall be implemented in the beginning of the next financial year, so that will happen and as such, we do continuously look at, this is part of operational excellence, the company continues to look at how we can improve the energy. So, those schemes are being evaluated on an ongoing basis.

Deepak Chitroda: And, lastly if we can add more, what could be the ideal tax rate we can assume in the second half or probably going forward?

Gaurav Mathur: Tax rate?

Deepak Chitroda: Yes.

Gaurav Mathur: I'm not sure I understand the question, why there is a tax rate change?

Deepak Chitroda: So, I am saying we have seen a couple of before tax credit which has been there in H1. So, it is fair to assume should take around the 30%, 32% kind of tax rate which we have paid in the past, one and a half years and so?

Gaurav Mathur: I will request Abhay Baijal to answer.

Abhay Baijal: Deepak there are two parts, one is current tax, one is deferred tax and this deferred tax calculations normally follow year end principle there we true up plus or minus, if there are any issues. It is also to some extent governed by the amount of dividend that we might get from IMACID. So, those are the two variables, otherwise the tax rate remains what it is, we are not in the revised (22% plus) bracket, we continue to remain at the moment MAT (minimum alternate tax) paying company, and the balance, the difference comes by way of the deferred tax and the deferred tax calculations can shift a little bit here and there, based on the yearly truing up situation, so that is what it is. As far as tax rate is concerned, I don't see much change between now and next quarter and so.

Moderator: Thank you. Ladies and gentlemen, that would be our last question for today. I now hand the conference over to the management for their closing comments. Thank you and over to you

Gaurav Mathur: Thank you. So thanks, everyone for your questions and we appreciate your asking them, I would like to close by wishing you a very, very Happy Diwali and festive season. Thank you very much. Have a good day.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Chambal Fertilisers and Chemicals Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.