



Transcript of Earnings Conference Call held on May 20, 2022

Moderator: Ladies and gentlemen good day and welcome to the Q4 FY22 Earnings Conference Call of Chambal Fertilisers and Chemicals. As a reminder, all participant lines will be in the 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 '*' then '0' on your touchtone phone. I now hand the conference over to Mr. Rishab from CDR India. Thank you and over to you sir.

Rishab Barar: Thank you. Good day everyone and thank you for joining us on the Chambal Fertilisers and Chemicals Q4 and FY22 Earnings Call.

We have with us today Mr. Gaurav Mathur - Managing Director, Mr. Abhay Bajjal, CFO, Mr. Rajveer Singh – Vice President - Legal & Company Secretary and Mr. Anuj Jain, Assistant Vice President - Finance.

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 to everybody and a warm welcome to all of you participating on this call. As we have shared the numbers and I'm sure all of you have had a chance to go through the presentation, I will not spend time on restating the numbers in my opening remarks.

What I want to state is that given the overall macro environment, we are very encouraged by our performance and believe it is reflective of Chambal's scale, experience and capabilities across the agri sector.

For our Urea business, we continue to operate at optimal levels and I'm happy to state that after receiving Government approval for extra production of Gadepan-III,

we continued to operate Gadepan-III and given the very high prices of Urea in the international market, this was of considerable benefit to the country as such.

For the Non-Urea portfolio, availability of phosphatic fertilizer has improved in this quarter, though prices remained elevated as a consequence of the volatile macro environment impacted by the Russia-Ukraine conflict in this quarter. We have built up inventories which will keep us in good stead for the forthcoming Kharif season.

Higher input prices have led to increase in working capital. However, the Government's endeavor to make timely subsidy payments has been very supportive and the total subsidy for the full year ended March 31, 2022, amounted to Rs. 10,434 crore.

The Board of Directors of the Company declared a final dividend of Rs. 3, that is 30%, per equity share of Rs. 10 each of the Company. For the full year, this then translates into Rs. 7.5 per share which is same as last year and in line with our dividend policy of around 25%.

Our Crop Protection Chemicals and Specialty Nutrients businesses continue to grow strongly. We are pleased with the success of our 'Seed-to-Harvest' initiative and propose to expand this further in the current financial year which in turn will drive strong growth for these two businesses. The 'Seed-to-Harvest' initiative enables us to bring to the farmer all agri inputs and agrochemicals he may require from sowing till the final crop is harvested. Given our strong close relationship with the farmer, we believe the potential for this initiative could be significant.

We have also introduced and piloted 'Drones' in our area of operation to help the farmers see the benefits of automation and equitable distribution of Crop Protection Chemicals and Specialty Nutrients and we hope to take this forward in the coming year.

We have commenced the process of setting up of our Technical Ammonium Nitrate facility as Gadepan. The bidding process is on and discussions are being held with some of the leading global technology licensors. As we have mentioned previously, this facility is proposed to have a capacity of approximately 2,20,000 metric tons of Technical Ammonium Nitrate per annum and estimated cost is approximately Rs. 1,170 crore. The project, which will also include a plant to manufacture approximately 1,80,000 metric tons per annum of weak nitric acid, is expected to be completed during the financial year '24-25. As such, we remain on track on the plans we had made for ourselves.

The overall environment, while challenging, also has positive light. As per India Metrological Department, the probability for a normal monsoon is 40% and we expect that the normal monsoon will then help the agriculture activity.

The Government has also announced a food grain output target of approximately 328 million metric tons for '22-23 from last year's 316 million metric tons. All this translates to increased demand and consumption for Fertilizers, Crop Protection Chemicals and Agri Inputs.

High cotton prices have also resulted in increasing acreages. The trade sees cotton area increasing by 10 to 15% in the North and the sowing area under summer crops is higher by around 7.2% as compared to last year. As per the Union Agriculture Ministry data, area under pulses has increased by 40% to 19.15 lakh hectares. These crops require larger volume of Crop Protection Chemicals as compared to others which bodes well for the industry.

Chambal Fertilisers continues to create value and explore opportunities across the agri sector. We are very excited about the opportunities going forward and believe we possess the understanding, capability and reach to create significant value for the farmer, the country and thereby for Chambal.

With that, we would be very happy to now take your questions. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Surya Patra from PhillipCapital.

Surya Patra: On the IMACID contribution this quarter, that is a first question, what has led to a kind of sequential sharp decline without seeing any kind of major change in the overall product prices and what outlook that one should have relating to that?

Abhay Baijal: See, IMACID is the run rate that you see and actually at the year end they make certain adjustments for rock which is supplied on overall global basis. When the supplies have been made, the year-end adjustments have been done, they've fallen in the first quarter of their financial year. So, that is a certain adjustment on the rock which has been made which is part of the global strategy of the company and the parent's which is OCP and so on. So, it is, I believe part of that. The prices that they must have sold is USD 1530 per MT which is global but the input prices of Sulphur also went up as you know during this period which would have contributed.

Surya Patra: Then obviously, we may not have a tap on this run rate as the historical trend that used to be right?

- Abhay Baijal:** We can't really say because this whole situation is very dynamic. Going forward, we know that the product prices are controlled globally. There are demand issues. There are supply issues. We do not know how this will pan out exactly. This is unpredictable.
- Surya Patra:** Just if you can talk something on the kind of your extended reach or a pan-India presence or your performance beyond your core areas. How has that really done during last year and what is the kind of expectations around those regions and the initiative that you are taking to enhance your overall growth in the non-core region?
- Gaurav Mathur:** So, as we've mentioned, last year we started-off in five more states, Maharashtra, Gujarat, Telangana, Andhra and West Bengal. So, few points on that; one is that we have managed and created the network that we had targeted. So, the dealers that we wanted to appoint, we've created a network and I think with Chambal's brand name and strength, we did not face any significant issues on that. So, that is one. Second is, last year and continues this year, has been unprecedented in terms of the overall global demand-supply situation. So, we have made good traction, we have managed to sell the material that we could bring in, that's the second part. We have also got all our registrations done now on the crop protection side and that is expected and we have begun on that front also. Overall, we are positive about what is happening in the new regions and markets that we have entered and we expect to see better numbers going forward, given the demand-supply situation and the overall scenario.
- Surya Patra:** About the Urea, can you share the split in terms of volume? Can you share the split between Gadepan-III and the other two?
- Gaurav Mathur:** I'll ask Anuj to share that with you.
- Anuj Jain:** Gadepan-I and II put together, the production is 19.59 lakh tons and Gadepan-III was 13.54 lakh tons.
- Surya Patra:** Just wanted to have some sense on the 'Seed-to-Harvest' initiative and hence a kind of a qualitative growth going ahead. How different is this initiative while it was almost all meaningful players or leading players, either in the crop side or the fertilizer side, following some or other kind of initiatives like this? How different these initiatives will be for you and do you think that with this, you can penetrate better even in the non-core areas?
- Gaurav Mathur:** So, that's a very good question Surya. The 'Seed-to-Harvest' is essentially the Company engaging with the farmer right from the start and till he harvests the product as the name states. Now, in terms of the differentiation that Chambal

provides, we are one of the few players who has the entire range of products whether it is bulk fertilizers, whether it is Crop Protection Chemicals, Specialty Nutrients, one. We have a strong network and a very strong brand name and therefore our credibility with the farmers is high, that's the second point. The third is that we have linked this also with our network. It is not just that the farmers, we obviously want the farmers to benefit, but there is also a linkage with our dealer and retailer network. It's a combination of all of these things put together and we've piloted it and we've seen the traction that it received last year. Therefore, on that basis and the points that I've mentioned, we believe that we have a competitive advantage.

Surya Patra: Just last one question. Can you provide, given the kind of heightened pricing levels of the P&K fertilizers and the better monsoon as well as Kharif expected to be better, considering all that, what volume growth that you're anticipating for P&K and what is the competition level there that you are witnessing currently?

Gaurav Mathur: Under the circumstances, if you look at the overall macro picture right now, last year we saw huge demand-supply which was favorable towards the demand side. The expectation for the industry was that this year it would start to ease. However, the Russia-Ukraine conflict, that started, put pressure on that again. When we talk of volume growth for this year for the industry as a whole or for any specific company, we need to be mindful that the whole demand-supply situation, availability, prices, all of that comes into play. We have clearly targeted to have higher volumes compared to last year. I don't want to share precise numbers on this call but we have targeted for significant growth compared to last year.

Moderator: The next question is from the line of S. Ramesh from Nirmal Bang.

S. Ramesh: If you look at your fourth quarter performance, can you shed some light on how have you achieved this growth in EBITDA versus primarily on the Urea business or is there a contribution from your phosphatic trading business as well because there is Rs. 86 crore increase in EBITDA, so if you can explain that will be useful?

Abhay Baijal: Actually, there are two moving parts to the EBITDA increase. One is a small part coming from Gadepan-III production as compared to last year, that is one. The second part is that we had some amount of excess ammonia to sell because of technical reasons. That also gave us some uplift in the margins given the high international prices that were available. So, these were two issues. Secondly because we did not go in for a shutdown of Gadepan-III, there was a sort of reduction in our maintenance expenses. All of these three things contributed largely.

S. Ramesh: On the phosphatic business, how are you doing in terms of the commercial returns? Is it breakeven, you're making some contribution, you're getting some EBITDA out of that?

Abhay Baijal: So far yes.

S. Ramesh: How do you see that going forward given the high cost of imports because you are dependent on trading? To that extent, does it make commercial sense at these prices or are you building the market even if you're just able to break even, what is your thought process on that?

Gaurav Mathur: Ramesh, what we have seen in the year that has gone by that the Government not only wants to provide fertilizer to the farmers at a low and reasonable cost, at the same time the stance of the Government is also that they want the industry not to suffer. That is borne out by the fact of what they did on the subsidy front in the past, not only the subsidy amounts but as well as allocation of the actual quantities and the revised estimates of the budget and disbursement of the subsidy. Considering that and whatever indications we get as an industry, we are working closely with the Government as an industry because we do want to make sure that there is adequate quantity of fertilizer available in the country which is essential and at the same time, the industry is remunerated. We work closely with the Government along with the other members of the industry. We are positive that at some stage Government will take appropriate action.

Moderator: The next question is from the line of Pratik Tholia from Systematix.

Pratik Tholia: Firstly, on the subsidy front, we have slightly higher subsidy outstanding this quarter as of March. So, this is largely attributable to higher natural gas prices or there has been some delay from the Government side because we were under the impression that Government payments were happening pretty much on time. If you could just explain on that.

Anuj Jain: Yes. It is majorly on account of increased gas prices. So, normally Government takes some time in clearing the escalation bill. So, that is the main reason.

Pratik Tholia: In last 45 days how has this shaped up as in we have been starting to receive the pending dues or it is still stuck-up?

Gaurav Mathur: The pending dues movement in the last 45 days I think he is asking.

- Anuj Jain:** In April, they paid till third week of April. So, largely DBT bills are being paid in time as far as Urea is concerned. In P&K, because of the new rates still to be uploaded in the system, they are pending in April but Urea other than escalation it is in time.
- Gaurav Mathur:** We also have indications from the Government that the extra amount that they have announced on the subsidy front and therefore the subsidy that is required, the allocations are expected to be made.
- Pratik Tholia:** Also, the inventory as of 31st of March was substantially higher. If you could just explain little bit on how the market has been in the last 45 days in terms of demand and whether this inventory has now got normalized which you were carrying, the higher inventory that you're carrying and how do you see the demand going forward especially for the P&K fertilizers?
- Gaurav Mathur:** There are a few points on this. The first is that actually during this period of Feb-March-April, the actual utilization of fertilizer going into the soil is very very low. It actually starts to go into the soil from around mid-May, one. Second is that again, as I mentioned earlier, the Government and the industry were working together and the entire industry was asked to build up inventory for the Kharif season. All producers, all importers were set certain targets for bringing or producing the DAP and we were also given our targets. Our inventory build is actually very much in line with that. As soon as the new quarter has started, we have started to sell that and here is absolutely no issue on selling that and we are also selling it on cash. It's not being sold on credit because there is a good demand. It was a decision to bring that inventory in conjunction with the Government and we are selling it on cash.
- Moderator:** The next question is from the line of Vidit Shah from IIFL.
- Vidit Shah:** I had my first question on the CAPEX plan, Rs. 1,170 crore of TAN investment. What is the time horizon across so it is going to be made, what CAPEX shall I assume for FY23 and '24 for Chambal?
- Gaurav Mathur:** Vidit that's right. Like we've mentioned, we are in the technical bid stage right now and we would expect certain cash flows to start happening within this financial year. A large part of it would be in the financial year FY '23-24.
- Vidit Shah:** Any other CAPEX other than this which has been planned for FY23 and '24?
- Gaurav Mathur:** As of now, other than the standard CAPEX which we have in the plants which is on an ongoing basis in the range of Rs. 100 crore – Rs. 150 crore, other than that and this TAN project, there is nothing else that we currently have firm plans for.

Vidit Shah: Just one clarification on the cost of natural gas for the quarter and currently if you could just quantify that amount would be helpful.

Gaurav Mathur: Yes. Anuj can answer that cost of natural gas for the quarter.

Anuj Jain: Cost for natural for the quarter was \$21.32 per MMBtu on NCV basis. That is for the January to March quarter.

Vidit Shah: What is it currently at?

Anuj Jain: Currently it is going at, on NCV basis \$25 per MMBtu. It is provisional price which is declared by the Government.

Moderator: The next question is from the line of Vivek Ramakrishnan from DSP Mutual Fund.

Vivek Ramakrishnan: Just a clarification, in terms of the cashflows for CAPEX you are saying it is going to be backend in FY24 that is starting April '24 and there's not going to be that much of cashflows in the current year, would that be correct?

Gaurav Mathur: Yes, that's largely right. Typically, Vivek as you know what happens is that when we place the contracts then you usually have 20% to 30% advance. So, that's largely what we expect. My sense is we would have maybe about 30% to 40% cash flow in this financial year and may be 50% of the total in the next financial year and then FY '24-25 will be the balance which is the last 10% to 20%.

Vivek Ramakrishnan: Overall CAPEX comes up to around Rs. 500 crore this year including your routine Rs. 200 crore which you spend every year anyway, that is right ballpark number?

Gaurav Mathur: It would be slightly less than that. I would say it would be more in the Rs. 400 crore range.

Vivek Ramakrishnan: The second question is on the inventories and there is no price risk on inventory, right? So, if everything is in coordination with the government and everything is passed on to the end user, correct?

Gaurav Mathur: Yes, there is no issue on the price and there is no impairment or anything on the inventory on the stock that we carried.

Moderator: The next question is from the line of Nikhil Rungta from the Nippon India Mutual Fund.



Nikhil Rungta: Just two questions from my side. First is on this CPC and SN, the crop protection business, this year we did revenues of around Rs. 472 odd crore. What type of targets are we building in for the next couple of years?

Gaurav Mathur: You have seen the previous year and this year sort of growth target, the growth that was achieved. You've seen in the investor presentation, the numbers and we remain aggressive on our growth targets. We expect to see along the similar lines, strong double-digit growth, let's put it that way.

Nikhil Rungta: Second question is on this additional production in Gadepan-III which you have received approval from the government, what type of impact or additional production we can do over and above the capacity which we have?

Gaurav Mathur: If you see, as per the policy, the 12.7 lakh tons was the limit and we have made 13.5 lakh tonnes. So, It's in the order of 80,000 tons per annum which is the additional production from Gadepan-III on account of the Government allowing this.

Nikhil Rungta: In this FY23, which plant will go for maintenance for us?

Gaurav Mathur: We have already completed the bi-annual maintenance of our Gadepan-I plant. At the end of this year, we will probably take the shutdown for Gadepan-III which would have completed 2 years of operation. We will then see what is the situation at that point in time and take a final call.

Nikhil Rungta: Just last question from my side, just to clarify it on IMACID. Basically, you mentioned that there have been some pass-on of costs in this first quarter basically from the global perspective. The run rate which we can assume, is this was a one-time impact which happened in Q4 and from this quarter onwards if things are on track, then we can assume similar Rs. 110 odd crores of our share of profit or Rs. 50 crore will be the normalized level of profits?

Gaurav Mathur: Nikhil, we are a minority shareholder in IMACID and the entire marketing as per our agreement is managed and run independently by OCP. Therefore, we cannot comment on what would happen to the run rate because OCP decides that, one. Second is that it will depend again a lot on the global demand-supply scenario. For example, if China, which is currently out of the market on the phosphatics and is not exporting anywhere or if it all is exporting with strong restrictions and very small quantities, continues in that way then the market dynamics could be very different. On the other hand, if China starts to open up from the June-July period and starts to come into the market in its normal supply internationally, it could be a very different dynamic. There are number of factors, it's difficult to say and obviously the decision lies with OCP.

Moderator: The next question is from the line of Tarang Agrawal from Old Bridge Capital.

Tarang Agrawal: If you could give us a sense of your closing inventory on 31st March 2022 for your trading business.

Gaurav Mathur: The inventory was around 3.1 odd lakh tonnes for DAP and may be a few tens of thousands tonnes for MOP and NPK. May be about 3.5 lakh tonnes Tarang. If you're looking at the exact numbers, we can give it to you later but it's around that 3.5 lakh mark.

Tarang Agrawal: And what value would that be?

Anuj Jain: It's coming in the last quarter purchase which is coming in the result that is Rs. 2,689 crore.

Gaurav Mathur: So, it's about Rs. 2,700 crores roughly.

Tarang Agrawal: The second question, is the crop protection business now at Rs. 300 crore, is it cashflow positive from your perspective?

Gaurav Mathur: Absolutely. It is cashflow positive.

Tarang Agrawal: The third question just some sense on how are we progressing in terms of broader capital allocation for the Company, some sense of direction as to where we could see deployment happening going forward. Would it be restricted to fertilizers and crop protection or are there other areas that you are evaluating?

Gaurav Mathur: Essentially, like we've said in our past calls also, we are looking at largely growing in the agriculture sector and wherever we have the opportunity as was available in the Technical Ammonium Nitrate business. We have the verticals of, we are looking at the phosphatics, evaluating that, Crop protection and Specialty Nutrients, as we're seeing the organic growth that we have the focus is brought in, the 'Seed-to-Harvest' campaign to sustain that and of course, we have started our business in five new states. Those are the areas that we are working on. As and when something comes up further, we shall definitely keep you informed.

Moderator: The next question is from the line of Trilok Agarwal from Dymon Asia.

Trilok Agarwal: Just want to check on the CAPEX part only. Obviously apart from the TAN project that you had announced couple of quarters ago, is there any meaningful project that we are envisaging at the advance stage of closing?

Gaurav Mathur: We continue to evaluate various possibilities Trilok, at any point in time like any company would do. Within that those various possibilities are both organic and inorganic opportunities as long as we are as I said focusing in staying within the broader agriculture domain. So, that's where it is. Like I said, if there is something that we reach a stage where we need to inform the market then we shall do it at that appropriate time.

Trilok Agarwal: Obviously, the only context was because we will be having generating large cash and post what has happened last year also. There's significant strong balance sheet that we are sitting on. I was trying to understand more from a growth perspective how can we accelerate growth.

Moderator: The next question is from the line of Resham Jain DSP Investment Managers.

Resham Jain: I think I had a similar question like similar to the last two participants and as an investor all of us have the similar kind of questions because you're generating quite a large amount of cash. I think last year itself our debt came to a very comfortable position and now obviously current inventory position is higher which will normalize. I think the clarity on growth is still because whatever you will be deciding it will take another 2-3 years' time to commission it. So, directionally at least if you can help us with the growth direction like next 4-5 years how are you going directionally, I think that will be very helpful as an investor. All of us are struggling to understand that part. Since you are generating a large amount of cash that's the only thing which we are looking at.

Gaurav Mathur: I understand your point, Resham. I would like to put it in two ways. One is that the nature of our business, the way we operate is that the investments come over here in relatively large chunks. It's not a business where you continuously keep growing a little bit every year and investing, that's one. Second is what I mentioned earlier that we continue to look at not only organic but inorganic opportunities also. I would not be able to say anything more than that but that's where it is and hopefully over the next few years you would start to see the work that we are doing in the background come to light.

Moderator: The next question is from the line of Vignesh Iyer from Sequent Investment.

Vignesh Iyer: I just wanted to know on consolidated basis, if you could give me a split of your EBITDA between your Urea business and your non-urea business, on percentage basis may be?

Gaurav Mathur: Anuj would you have that? The EBITDA split between urea and non-urea?

Abhay Bajjal: I will just put it this way. Of the total EBITDA, I guess, I can say almost 70%-80% comes from Urea.

Vignesh Iyer: One more thing I had in my mind is like this, if you could give me the utilization rate for the P&K fertilizer production capacity? What would be the utilization for the FY22?

Gaurav Mathur: Actually, we don't produce P&K fertilizers. We only produce Urea. We import P&K fertilizers and sell it. Vignesh, just to give you a perspective in P&K fertilizers, you can split it into three broad categories. One is DAP, which is about, on an average, 10 million tons. The second is the NPKs what are called NPK fertilizer which is another 10 million tons and the third is MOP in itself, Muriate of Potash, which is around 4 odd million tons in the country for direct. This is I'm talking of the country approximate usages. Now the MOP is 100% imported and DAP approximately 50% varying from 45% to 55%, closer to 55% is imported. We import DAP, NPK and MOP and sell that.

Vignesh Iyer: If you could tell me Gadepan-III, can you give me the utilization number for Gadepan-III? How much it is utilized and running?

Gaurav Mathur: It's more than 100%. Our 100% utilization for Gadepan-III was at 12.7 lakh tons and we made 13.5. So, actually, it comes to 107 odd percent and as you would appreciate that it's a function of both the days of operation as well as the efficiency of operation of the plant.

Moderator: The next question is from the line of Bharat Sheth from Quest Investment Advisors.

Bharat Sheth: Just to reconfirm, you said that Urea contributes 60% to 70% of EBITDA of our fertilizer business. Is that correct understanding?

Gaurav Mathur: Approximately 70%.

Bharat Sheth: Last year I mean in '21-22, our import declined substantially and now again the price is increasing. How do we see this trend playing out in the volume terms for this traded business?

Gaurav Mathur: We believe that we should grow in volume in this year. Last year, while there was increase of price, there was a significant availability challenge also because there was very huge demand growth coming in from Brazil and USA. This year, as I mentioned in one of the earlier questions, we had already imported or contracted 3.5 lakh tons which showed up as part of our stock of DAP at the year end of last year. That, all of that will get sold this year. We believe that looking at the rest of the year,

we should be able to import more. In total, we should end up with a reasonable growth over last year.

Bharat Sheth: Now, we're seeing that internationally the DAP prices are declining month-on-month. How do we see this trend this year?

Gaurav Mathur: Bharat, if anybody in the entire industry, country or world could predict that, they would become billionaires because right now there are multiple things at play. There is a whole demand-supply equation at play because of the demand from US, Brazil, India, some of the big users, then there is the Russia situation which has come into the equation right now. And, like I mentioned in an earlier answer, the whole China situation as to what stance the Chinese Government will take on allowing free imports of DAP or imports with restrictions or not at all. There are so many dimensions at play. It is very difficult for anybody and as an industry and along with the Government, we are all working together to try and minimize the impact of the prices for the country and at the same time get adequate fertilizers so that the kharif and rabi requirements are met.

Bharat Sheth: In this whole global DAP and NPK prices, how much India plays the role, what is the importance of India in the whole business?

Gaurav Mathur: Well, India is important in the sense that it is one of the biggest importers of phosphatics. So, therefore, it has a role and the suppliers also understand that India is a large market. At the same time, if there is significant requirement and as you know in Brazil or in the US, the crop is also at free market pricing. If they see that they can get value for their crop, they use more fertilizer, the demand goes up and then it becomes a challenge. There are significant dynamics at play but India is a large importer, suppliers are aware of that and many of them are also clear that they want to supply a certain quantity into India and maintain that relationship with the country and with the companies.

Bharat Sheth: Which are the major countries from where our Company is importing?

Gaurav Mathur: We import from China, Saudi Arabia, Russia, Morocco. These are our major suppliers and on MOP, we import also from Canada.

Bharat Sheth: Is that fair understanding that month-on-month DAP prices declined?

Gaurav Mathur: Well, that's not necessarily the way we see it. We will see it evolve in the coming months how it goes forward and a lot will depend on China.

Moderator: The next question is from the line of Manish Mahawar from Antique Stock Broking Limited.

Manish Mahawar: In terms of your CPC business, I wanted to understand the strategy over next may be 2 to 3 years because in your opening comments you highlighted you are also filing for a registration for your products which means our intent towards imports and more of a manufacturing as well. What I understand I think more of right now, we are into the more of a co-marketing as a Company. Just you can highlight the strategy for the next 2 to 3 years window.

Gaurav Mathur: First of all, we have, as a conscious decision, stopped all co-marketing from this year onwards. We believe, the very strong Chambal Uttam brand that we carry has a significant connect with the farmers. In terms of the strategy, we have actually looked at it from each element. From a product portfolio element, we have thoroughly reviewed our product portfolio. As we mentioned in one of our previous calls, we have launched certain new products and even very recently we also launched a new product. Product crop portfolio, we have reviewed and we are very clear and we have a very comprehensive product portfolio that's in place now, that's one. The second is in terms of the network where we have really gone and examined our network. Now, please remember that we have an advantage in a little sense that the farmer necessarily comes to buy bulk fertilizer from our network. Therefore, we are trying to leverage that aspect to grow our Crop Protection and Specialty Nutrients business also. So, that's the network part of it and we are focused strongly on enhancing our network in this area. The third is in terms of capability building, we have taken strong measures over the last year to build the capability of our teams, not only in terms of further enhancing their skills on these but also increasing our feet on the ground in terms of the support that we provide through what we call the Uttam Krishi Sewak. And again, as part of the 'Seed-to-Harvest' that I talked about earlier, we will be engaging more 'Uttam Krishi Sewaks' who can go to the villages, meet the farmers on a regular basis and help them improve their usage as well as their output. So, product, channel, capability and when I talk of channel, we are also looking at what is the right way of incentivizing the channel which gives them also a benefit to participate. So, it's about creating that entire ecosystem. Like I mentioned earlier, the advantage we carry is that we have a whole range of products from bulk fertilizer Urea, bulk fertilizer non-urea, crop protection, Specialty Nutrients. The crop protection companies don't have bulk fertilizer and that channel can be separate but we bring that strength in our channel. A lot of bulk fertilizer companies don't necessarily have the crop protection business, the way we are driving it now. I hope that gives you a sense of the strategy that we have. Registrations are for sales. We also continue to evaluate possibilities of manufacturing and other possibilities but that will evolve over a period of time.

Manish Mahawar: Again, in terms of the CPC, are we planning to export as well going forward or we will be focused on the domestic market?

Gaurav Mathur: No, as we don't currently manufacture, we cannot export. That is something we will look at only once we have any manufacturing base because that involves registrations. If we have a manufacturing base and you have to go through the registration in the countries and so on and so forth so that would be a later stage.

Manish Mahawar: Once manufacturing will come then it is may be we can think about it. Second question in terms of your phosphatic fertilizer business, I think we have expanded to about five geographies or states in the last 2 years. Do you think what market share we have into our new geographies or states right now we can replicate the same share in the next may be these five states over next 3 or 4 years perspective?

Gaurav Mathur: You see last year, like I mentioned earlier, it was a very unique year. I mean I would request all of you to understand that what we've seen in '21-22 in terms of the fertilizer business not only in India but all across the world, has not been seen in decades. So, it was a very unique year and therefore while we had planned for much larger volumes in the new market, we could not do so solely because of availability challenges. If you see in an overall sense, the overall usage of fertilizer last year was a little bit lower given the availability challenges. Going forward, we see that building up and we would expect to at least in those markets reach a market share of around 5% or so to start within the next few years.

Manish Mahawar: 5% in these five states which you had started it last year?

Gaurav Mathur: Yes.

Manish Mahawar: In terms of IMACID, can you share what's the capacity at the moment for phosphoric acid and what was the production number for FY22?

Abhay Baijal: I don't recall it right at the moment. We can take it off-line.

Moderator: The next question is from the line of Deepak from ETG.

Deepak: Just one more question on the margin side for next year on the non-Urea side. How do you see our trading business will evolve in FY 23 in terms of margin?

Gaurav Mathur: Deepak, like I mentioned in response to a previous question, the Government stance has been that they want reasonable margins for the companies. So, we expect margins to be reasonable. Now, we also understand that given the very high input price, it would be probably a little bit unfair to expect the same kind of percentage

margins but possibly at an absolute level we would expect the margins to be along similar lines. Now, that will depend also on when the Government takes action because we also have to be very careful about the signaling to the international markets and so on.

Deepak: What about the availability of the products considering the Russia-Ukraine crisis which we have witnessed and also so far China has not been that much aggressive in terms of supplying the material. What is your feeling in that side? I know that we have some inventories which is available to absorb in at least in the kharif season but what do you think on that side?

Gaurav Mathur: So, when we looked at our volume numbers and specially as were making the next year's numbers and we had already procured/ contracted the 3.5 lakh tons that I've mentioned earlier. The number that we have taken we believe is reasonably possible and overall, for the country, we should be able to meet on an average what's been the consumption over the last 3 to 5 years and therefore we expect our volume also to be met. While there is a Russia-Ukraine conflict, Russia is still able to supply, fertilizer is not on any sanctions list and Russia is continuing to supply all over the world including India and we are also buying from them. We are reasonably confident that the volume we have considered, we should be able to meet that.

Deepak: Lastly just on an inorganic growth side as you mentioned earlier also, if I recollect in the previous calls that probably one of the options that we might be looking at is to basically have a non-urea facility itself in IMACID or may be in the Morocco side. That can be one of the options which we are exploring?

Gaurav Mathur: Deepak, like any Company all options remain on the table. Which one becomes feasible, which one is in the best interest of the Company, the Country so there are three-four-five options which are always being looked at. And, to be honest, because of these very unprecedented situations, we need to continuously keep evaluating those options. So, that's really it. It's not that there is only one option or the other on the table.

Moderator: The next question is from the line of Prashant Hazariwala, an individual investor.

Prashant Hazariwala: My only question is we are running at almost full capacity on the Urea plant. How do you get the growth? We are solely dependent on the Non-Urea side for the growth?

Gaurav Mathur: That's a fair comment Prashant. The Urea plants are by and large operated at the full rates and the output that we get from them is dependent on the shutdowns that we have. That's fairly true. At the same time, on the urea front also, we constantly look at how do we improve our cost on the urea side which is related to our energy efficiency.

About 85% of our cost of Urea manufacture is essentially gas, that means energy. We keep looking at that and we have just implemented energy saving project which will give us benefit in the coming years including this financial year so that's one. And we therefore, to the second part of your point, absolutely focus on the growth in the Non-Urea sector, which is both bulk fertilizers, crop protection, Specialty Nutrients.

Prashant Hazariwala: Are you confident that we can get 20% kind of growth from Non-Urea, on the total consolidated Company base, we can get 10%-15% kind of growth on Non-Urea?

Gaurav Mathur: On the Non-Urea side, we are confident of strong growth whether it's going to be 20%-10%-15%, it also depends on a year-on-year basis. If all things had remained steady then it's a different matter but like we've seen in the last 1.5 years, there is so much that happened because of global trade flows and global demand and supply. I reckon, for any company in this industry to say that they can have a 20% growth in the non-urea sector, would be a very brave statement I would say. But, we are strongly focused, we have the strength, we have the brand, we have the financial capability, we have the dealer network and now with the new geographies that we've opened, we cover approximately 90% of the market in India. We are positive about the future for sure. And in the crop protection and Specialty Nutrients as you've seen from the numbers in the investor presentation, we have seen very strong double-digit growth and we would like to continue that.

Moderator: The next question is from the line of Chandragupta, an individual investor.

Chandragupta: In your presentation, you have mentioned about experimenting with application of 'Drones' and some other new technology initiatives. I just wanted to know if you can elaborate on that what exactly we are doing and what is the potential that we see in this?

Gaurav Mathur: As you might be aware, from a broader perspective, there is a lot of focus on the usage of 'Drones' for a variety of purposes. Now, in the agriculture sector, broadly you can say 'Drones' can be used in two areas, one is for the spraying of Crop Protection Chemicals and Specialty Nutrients and the second is for mapping of farms to understand where there is a problem or even analyzing, using analysis for that. We have tried out both. The advantage that the 'Drones' offer in spraying of Crop Protection Chemicals and Specialty Nutrients is that it is obviously much faster, it is much more homogenous across the area that is being sprayed and it reduces the exposure of manually spraying it, that is currently being done as a practice, 99.9% across India. So, there are many advantages so this is one aspect. The second is that the Government of India, the Department of Fertilizers is very focused on encouraging this and their plan is to also provide may be some kind of an incentive

going forward to initiate this in a big way across the country. We, therefore, believe that this is very good for the farmer and through this process we will be able to get a better connect with the farmer where we will be able to better explain the value proposition that we bring with regard to the products that we have and so on and therefore get higher growths also. Does that answer your question?

Chandragupta: Yes. Would that allow us to open new some kind of a service which can become another revenue stream for us? Will that hold such a potential?

Gaurav Mathur: When we look at the financials of this, this is a service which wouldn't really add any value directly as such but there would be indirect benefit through like I mentioned product flow and increase in our growth on our products. Because this is something where we will be replacing what a human being was doing on the farm by the drone. Overall, it is kind of cost neutral for the farmer and for us but we would expect a better growth on our products.

Chandragupta: There's a lot of talk about nano Urea business which could replace the conventional Urea. So, any thoughts on that and are we doing anything on that?

Gaurav Mathur: We do not have any nano Urea with us and therefore we don't want to make any statements on that. It would be best addressed to those companies who make and sell nano Urea. We would leave it at that. As of now, we have no intentions to get into nano Urea.

Moderator: Thank you. Ladies and gentlemen this was the last question. I now hand the conference over to the management for closing comments.

Gaurav Mathur: Thank you very much all of you who joined this conference and also all of you who asked us the questions and I hope that I wish you all very well and take special care in the scorching heat. All the best. Take care.

Moderator: Thank you. On behalf of Chambal Fertilisers and Chemicals that concludes this conference. Thank you for joining us and you may now disconnect your lines.

Disclaimer: This is a transcription and may contain transcription errors. The transcript has been edited for clarity. The Company takes no responsibility of such errors, although an effort has been made to ensure high level of accuracy.

