



Chambal Fertilisers and Chemicals Limited Q4 FY '24 Earnings Conference Call Transcript May 08, 2024

Rishab Barar: Good day everyone and thank you for joining us on the Chambal Fertilisers and Chemicals Limited's Q4 and FY24 Earnings Call.

We have with us today, Mr. Abhay Baijal, Managing Director; Mr. Anand Agarwal: CFO; Mr. Anuj Jain, Assistant Vice President, Finance; Mr. Tridib Barat, Vice President, Legal and Company Secretary; and Mr. Ashish Srivastava, Vice President, Sales, and Marketing.

Before we get started, I would like to point out that some statements made or discussed in 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 Limited does not undertake to update them. The statement in this regard is available for reference in the presentation. We will begin this call with opening remarks from Mr. Baijal.

I would now like to invite Mr. Baijal to share his views. Over to you, sir.

Abhay Baijal: Good day to everybody, and a warm welcome to all of you participating in this call. We are happy with our financial and operating performance for the quarter and the year ended March 31, 2024. Since you'll would have had a chance go through the presentation and financial performance shared earlier, I will not spend time restating the numbers in my opening remarks.

Our Urea business continues to perform well. Both Gadepan I and II plants underwent planned maintenance shutdown. In addition, we have implemented energy savings schemes for both Plant I and II, and they have delivered better than expected results.

Urea production for the year was 33.83 lakh tons which was comparable to the previous year. Subsidy received was INR14,480 crore for FY24. The reduction in subsidy inflow was basically due to lower gas prices and lower NBS Fertilisers. Our TAN project is going on as per plan. The statutory approvals are all in place. We have spent about INR260 crore till March 31, 2024. All orders for long-lead items have been placed and construction activities are progressing well.

Our focus on Crop Protection and Specialty Nutrients business continues. We are on track to achieve our FY 26-27 numbers of INR300 crore + of EBITDA. We have a strong pipeline of 12 new products of CPC for FY25, with focus on Weedicides. We have already launched four of these products in the last month. Chambal Fertilisers, with its entrenched relationship with both leading global innovators and the farmer, expansive presence and efficient sourcing capability, is optimally positioned to be a complete solution and service provider of Crop Protection and Speciality Nutrition products.

In addition, we have now started focusing on biological products. We already have two products in the market, Superrhiza and Bio nano Phosphorus. One product was launched last year and this year we have launched Bio nano Phosphorus, which is basically a nano Phosphorus developed biologically by action of certain microbes on phosphate rock. This is a completely new type of product as



compared to what is available in the market. This is called Uttam Pranaam and is in collaboration with our research partner, TERI.

We are also evaluating two more biological products, which are presently under trial under our Uttam Santulit Poshan Abhiyan. Under this Abhiyan, we test out all these products in our own farms, evaluate the results and then launch the product.

In the Seed to Harvest program, Chambal Fertilisers continues to make strong progress. In Q4 & FY24, Chambal Fertilisers undertook 6,300 farmer meetings, reaching out to 3.5 lakh farmers, we collected 87,000 soil samples, covered 2,941 villages and 300 locations.

We continue to explore opportunity to create value. As we speak, our Board has also approved further energy efficiency projects worth about INR120 crore, and these will be implemented during next annual turnaround.

Keeping this in mind the challenging macro environment, we are happy with our performance in the just concluded financial year and look forward to doing better in FY25.

With that, I will now take your questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Prashant Biyani from Elara Capital (India) Pvt. Ltd.

Prashant Biyani: Sir, Thanks for bifurcating the segment financials into manufactured and complex fertiliser. It increases the clarity significantly. My question is what led to decline in profitability for Urea business?

Abhay Bajjal: There are three factors. One, our sales as compared to last year, were down by about 1.8 lakh tons. And in addition, our ammonia business is a little soft this year as compared to last year. Both these things majorly led towards reduction in the Urea contribution.

Prashant Biyani: Okay. And how much was the Gadepan I and II shutdown related cost? Was it something very material?

Abhay Bajjal: The repair and maintenance costs for each of these plants would be INR 9 crore to INR 10 crore.

Prashant Biyani: Okay and for FY25, what would be the growth drivers, segment-wise, if you can highlight?

Abhay Bajjal: One segment that we would definitely improve, is Urea. We have implemented energy efficiency projects. There will be some benefits coming out of there. As far as the complex fertilisers business is concerned, we are treading carefully.

We have already contracted for almost 2 lakh metric tons of material, both MOP & NPK, and we have also taken some amount of DAP. Going forward, we have to see how to balance this portfolio for the best and optimal results. Although we have done about INR150 crore last year, we will either match it or be a little less than that. That's my expectation. As far as the CPC and SN business is concerned, we are majorly focusing on growth in that particular segment. That's how we're going to plan.

Prashant Biyani: Okay. On the energy efficiency project, how much has your efficiency improved by in terms of Gcal per metric ton?

Abhay Baijal: I can say that the expectation in the first plant was roughly about 2% to 3% that has actually been a little better by about 45% to 50% which would mean around 3.5%. In Plant II, it is about 20% better than what we had assumed. Earlier, the expectation was to deliver about 1.5%, but we will do 20% better than that.

Prashant Biyani: Okay. And for FY-25, what would be the capex plan?

Abhay Baijal: There are two types. One is routine maintenance capex and one that we will do ordering for the new energy sale project. My expectation is about INR360 crore.

Prashant Biyani: And bifurcating between maintenance, efficiency, and TAN?

Abhay Baijal: TAN is separate. TAN is about INR700 crore additionally. And as far as in the capex of INR360 crore, roughly INR40 - INR50 crore would be towards energy savings schemes and the balance will be repairs and maintenance.

Prashant Biyani: Okay. Any update on nitric acid value chain project that you are evaluating?

Abhay Baijal: Yes, we are going in for a detailed cost estimation on Concentrated Nitric Acid plant which will be ordered on one of the major licenses. That has been approved.

Moderator: The next question is from the line of Harmish Desai from Phillip Capital (India) Pvt. Ltd.

Harmish Desai: In Q3FY24 and Q4FY24, we saw the DAP sales number was going very low. And because of the subsidies also decreased, so do we expect the same to continue in FY25? Just DAP sales?

Abhay Baijal: Essentially, DAP currently with the fixed MRP regime that is there, was not very viable. So, we have not concluded many contracts there. In any case, Q4FY24, we really don't have much sale. The sale actually begins in Q1 going up to Q2. There has been a softening in prices internationally and some things are coming in late. We will see and take it as it comes. We have already contracted about 60,000 tons of DAP.

Harmish Desai: Got it. Sir, and just wanted to get an update, Coal India announced this coal gasification project under which tie-up with BHEL, they're going to manufacture 2,000 tons of ammonium nitrate on a daily basis. So, is it going to be a threat to our project, which we are coming up, the TAN project?

Abhay Baijal: No, not really. Demand as I understand, is growing at 6% CAGR. We are already at 1 million tons plus. It means that every year, 600,000 tons is being added and the continued emphasis on infrastructure means we need more steel, we need more coal; we need more iron. So, the mining activities will further increase. We are quite confident that the market will absorb these quantities.

Harmish Desai: Understood. And Nano Phosphorus that we have launched. Can you provide some details on it? What do you expect the market size? Is it our own patent? Any updates on that?

Ashish Srivastava: Okay. The product which we have launched is Nano Phosphorous, which is other than the nano available in the eco-system. This is the only product which is derived through a biological route. The research trial shows that there can be reduction in DAP consumption. We are not claiming anything, but there can be a significant growth in this segment. Putting some numbers on the table will be difficult as of now. We're launching the product in a week's time and targeting around 5 lakh acres in Kharif.

Harmish Desai: Okay. And any pricing of the product, how is that priced?

Ashish Srivastava: Presently the Nano DAP, which is available in the market are 500 ml bottles and they are priced at an MRP of around INR600. But ours is a biological product and it's in 250 ml bottle. So, the price would be comparable in the ecosystem. I cannot spell out the exact number as of now.

Harmish Desai: Understood, sir. And lastly, if you can provide the bifurcation between G-I, G-II and G-III and the gas prices for this quarter?

Anuj Jain: Gas prices for this quarter was around \$17 per mmBtu on NCV basis.

Harmish Desai: Okay. And the bifurcation between G-I, G-II and G-III volume-wise?

Anand Agarwal: G-I and G-II both, have gone through annual ATR in Q4 FY-24. So, the utilization will be lower in FY-25 compared to FY-24.

Moderator: The next question is from the line of Viraj Kacharia from Securities Investment Management Ltd.

Viraj Kacharia: First is on the G-I, G-II energy efficiency, which we talked about. You said 20% improvement in plant II and 4% to 5% improvement in plant I, am I right?

Abhay Baijal: No, no, see you can't improve energy by 20%. The normal rate for improvement in these plants is between 1% to 3%. On any of these projects, it's not more than 1% to 3%. And it goes in steps because you debottleneck each and every process element as you go along. This is done over a period of 10 to 15 years. We have been doing this for Gadepan-I since almost 1995-96, and for Gadepan-II from 2000-2001. It's a long journey and every time, the delta is almost 1% to 3%. What I said was the improvement that was expected of that, the additional is about 40% of 1% to 2%. You get my point?

Anand Agarwal: So, improvement of 2% over whatever we had in '23-'24. And instead of 2%, it can be around 2.5%, 3%. That is what for G-I and for G-II, then another 20%, 25% on that. So around 2% on G-II.

Viraj Kacharia: Understood. both the units are under grouping 3 for the NPA policy and the policy was supposed to come out of new energy efficiency norms in 2025. Now even in G-III, we may be one of the most efficient units. But if the units were to come up and the energy efficiency targets were to revise and tighten further and the trend we're seeing across industry, the government focusing on per ton energy efficiency and additions, the savings which you expect post this investment, would that largely offset any errors impact do you see? Or you still see a positive of some form.

Abhay Baijal: This is a matter of discussion. There will be a discussion in depth with the industry in 2025. As an industry, we have been representing that energy efficiency projects must be encouraged, and that is what has been the stance of the Fertiliser Association of India. As far as Chambal is concerned, we are well below the norms as far as the current norms are concerned for the group in which we belong under NUP 2015 policy.

We do not expect any great reduction in the energy norms revision even if it were to happen in a frame of 2025-2026. If it will be done, it will be done by some other compensating factors that is the understanding that we have from the government. So, there will be some compensating factors, it will not be a net negative on the company. Because the government understands that the urea industry is very fine industry asset, which has been created over a period of roughly 40 years through various policy interventions. And it is vital to the food security of the nation. You must understand out of the 3.2 crore or 320 lakh metric ton of urea that is produced, currently, almost 90% is indigenous after coming in of the new plants.

And the underlying growth of urea is between 1.5% to 2% CAGR which means that every year, you add about 600,000 to 700,000 tons of consumption. That is because as we increase the irrigation penetration in various other hinterlands and these advanced practices for farming, the use of fertilizer is going up and with the focus on main biofuels and so on, this will further go up. So, the government will have to keep a certain percentage of domestic production running, otherwise, we will be totally focused on the vagary of the import market. That is very well understood inside the government. So, I don't think that even if they did something with the energy efficiency norm, there will be some other compensating policy intervention.

Viraj Kacharia:

And second question was the way the prices are for gas prices, ammonia and even the input parity prices for India. How should we understand spreads for us in FY'25 for the urea manufacturers?

Abhay Baijal:

See, as far as the NUP 2015 units are concerned and even NIP 2012 units are concerned, there is a cost-plus formula which operates. So, the spreads are protected given what the formulation in the policy is concerned. It is only when you go beyond the reassessed capacity that there is a high kind of comparison with the international import parity prices. There could be, I would say, times when this is very low or could be negative for some units with high energy costs.

But overall, the industry has been managing. And in any case, even in the old policy, there was a cap on the maximum that you would get on the import parity. That is something of the order of 1,635 or some 2020-odd dollar. So that's not a very great number in any case. However, in case there is a complete upturn in the urea price going down to some dollar 280 to 290 level. Definitely, many parts of the industry will have to relook at their production plan. And I'm sure that the government is cognizant of that. This is a continuous dialogue that takes place between the industry and the government on this issue, and they can, as per policy make some adjustments.

Viraj Kacharia:

Okay. So, for FY25 as a whole, if I look at comparison to FY24 the way the prices are right now when considering the energy savings, which you would expect to kick in from FY25 for I and II, would it be right the spreads, say, on a full year basis would by and large be similar?

Abhay Baijal:

No, it will increase. Please understand that when we talk energy efficiency, we are actually talking of lowering the consumption of gas per ton of urea. You can make an assumption that, the norm says that we are using 5.5 Gcal of energy for NUP 2015 units. And as per norm, is around 5 Gcal per ton for NUP 2012 units. The total quantum of gas that we purchased for this operation is of the order of something like 15 million Gcal, which is roughly about 60 million mmBtus. So, if 1% or 2% savings is there that translates into a big number. And that adds directly to the bottom line.

Moderator:

The next question is from the line of Rohan Gupta from Nuvama Wealth Management.

Rohan Gupta:

Sir, first question is on our Gadepan-III. I think that this plant is under review in terms of the policies in FY 25 - 26. What is the expectation in terms of the profitability percent as far as the GC is concerned?

Abhay Baijal:

No. First of all, it is not under review in '25/'26. It will be under review only in FY'26 -'27.

Rohan Gupta:

Okay. FY27, you are saying.

Abhay Baijal:

Yes, yes.

Rohan Gupta:

Okay. And sir, how you see that the policy changes would be having impact on the profitability on this plant, it will be brought down under the current regime.

- Abhay Baijal:** Anybody's guess. There are so many things floating around, from the control of urea to open pricing MRP. Let's wait for the first 100 days, and then we will talk about this.
- Rohan Gupta:** Okay. In terms of that our future plan as far as the urea business is concerned, I think that our existing price is fully utilized in terms of the land utilization. If you see that if there is any change in policy from the government, however, we see that India has already achieved almost self-efficiency as far as the urea is concerned with the recent increase in manufacturing capacity of urea volume in multiple years. So do you see that going forward, you will have further plan to increase the capacity if there is any changes of increase in the government policy as far as urea is concerned.
- Abhay Baijal:** See Rohan, some time back, our people have put up a paper to the government informally, and our calculation show that we will again start swinging back into negative from FY28-29 onwards. We are as it is negative. But the way it is that with 6, 7 lakh tons increase in the consumption every year the way it is going, we will be, again, in a kind of an imported situation by FY28-29, at least 3.5 million tons to 4 million tons or 5 million tons. Above whatever exactly today, it is, even last year, we have imported 7 million tons.
- Ashish Srivastava:** So, I'll just add, Rohan, see, this question of self-sufficiency in urea is still, is a long thing. If you look at the number, 6.2 million tons of imported urea was sold in our country last year. And if you look at the CAGR of urea, it's going at roughly around 2% and only one more plant yet to be commissioned that's Talcher, which will take another 2.5, 3 years, which is, say, 1 million tons. So still a lot of gaps in urea.
- Rohan Gupta:** Sir my question was that will you be willing to put a urea plant going forward if there is any change in the government policy?
- Abhay Baijal:** Well, that is a hypothetical question. And we have to see. Let me also point out that there are possibilities of putting one up in our own complex. Technically, it is possible.
- When and how we will do, that is dependent on what conversations we have with the government. As I have said, we have put up a paper and not from the point of view of anything else, except to apprise them that going in FY28-29-time frame, we will need at least 2 to 3 plants to supplement the supply of urea. That's our assessment. What the government does is between the NITI Aayog, Planning Commission, government policymakers that we don't know. But according to us, the writing is very clear.
- Rohan Gupta:** Second question is on our reporting. So, thanks a lot for doing the segmental reporting, which we see there is decrease in the numbers. There in terms of the own manufacturer fertiliser profitability has fallen significantly from '23 to '24 from INR1,900 crore to INR1,500 crore. It is primarily related to what, I mean, Gadepan-III plant, right, and why it would have fallen so much?
- Abhay Baijal:** No, no, you must understand that there has been a string of almost 1.8 lakh tons in sales last year to this year. And it is in one of the plants, which has a higher contribution. So that makes the difference.
- Rohan Gupta:** So, it's an additional volume of 1.8 lakh ton on Gadepan-III plant?
- Abhay Baijal:** Not exactly Gadepan-III. It will be half and half.
- Rohan Gupta:** Okay. But the profitability difference will be only in Gadepan-III, because that is the only plant where we have higher profit margin per ton, right? Because earlier plant, I mean, G-I and G-II are still under the old regime, right?

Anand Agarwal: So, Rohan, it's not only urea. We also manufacture some surplus ammonia. And last year, there were very high margins in ammonia. This year, the ammonia margins have come back to normal. So, there will be a substantial gap into that. And please also understand that we had a shutdown in all the plants in the current quarter. So, our expenses are also higher.

Rohan Gupta: Okay. Got it. Sir, on CPC and SN business, we have a pretty decent margin, EBIT margins are roughly at close to 19% to 20%, which is high, given that the industry standards. However, it is still for us in the branding and trading business. Do you see that this kind of 19% to 20% margins, are we able to achieve those margins? And do you see that these margins are going to sustain in our business?

Ashish Srivastava: Rohan, good question. The margins are culminating from the price positioning of the products, which we started initially. So, we targeted the MNCs with regards to price positioning of the product. And that's why and these are sustainable at least for a couple of years. And we are not competing with the Indian manufacturers in terms of MRPs and price positioning. That is one of the reasons. So, it is sustainable.

Rohan Gupta: And you're seeing it is across, including CPC as well as SN. Your SN is roughly 30% of revenue. So, it's not skewed to our SN, it's across the CPC as well as SN.

Ashish Srivastava: It is across. And Specialty Nutrients, we had the first mover advantage in the Bentonite Sulphur business, which gives us the advantage, and the product is sourced from a very efficient supplier from Saudi Arabia. So, the best product in that segment, that's why the best price positioning.

Rohan Gupta: And in terms of asset allocation, it is still very small towards this business, right, because we don't have any backward-integrated manufacturing plant as far as CPC is concerned. I think that most part of our portfolio are either trading or outsourcing model. So, because that is likely to remain in this way, plan to invest significantly going forward in CPC's manufacturing or in that business.

Abhay Baijal: So, Rohan, anything is on the table. The point is this that there are two ways of looking at it. One is to focus on certain lines in the CPC business, which we don't think is very wise. We have an open portfolio approach, which means that it could be a combination going forward that we will continue to do what we are doing. But we may get into 1 or 2 specific lines. That depends on what we think are the future growth options. But there, because it will be an asset allocation, we have to carefully think through the 5, 6 years, 7 years product profile movement, how it will move and what it will do.

So, one of the things that we are doing in order to get more depth in the business is to start talking strategically to many reputed manufacturers, Japanese and so on. And we are starting to get a feel as to what this business or this research-based stuff or the Gen 1 molecule actually means. And as we grow in that, I think this will be the first year when we are introducing certain Gen 1 stuff. And once we have a 1, 1.5-year experience down the line, definitely, our thoughts could change in terms of what we would try and do in terms of our open portfolio approach. We could mix in some out of asset allocation towards that. That's what our response in this matter.

Rohan Gupta: And one more last question from my side, especially on our DAP and complex fertiliser trading. Sir, last year, it hasn't been so great, but in current scenario also, the DAP prices are muted in the global market, but so as in the domestic market as well. Just wanted to understand what will be your strategy in the current year as far as the DAP trading is concerned?

That's one. And second the recent government paper has proposed that after the 12% kind of margins are allowed for the completely backward integrated manufacture for complex fertiliser and DAP. In

that sense and in terms of policy, do you see that if the trading makes sense or in future, you may be looking forward for backward integration integrating your business in that also.

Abhay Bajjal: So, let me tell you that at the moment, we do not have any plans for getting into this part. I'm happy to tell you that in our joint venture in IMACID we strongly evaluate expansion of the order of 55% to 60% of the existing capacity for phosphoric acid. And should that number on basis the evaluation come close to what the management thinks, definitely, there will be an investment in that particular business.

As far as the DAP and NPK strategy is concerned, as I have told you most of our markets are served by DAP products, DAP basically. However, we have territorially demarcated certain areas where we could get in with NPK, and we have already placed almost a lakh of tons we've already placed. So, let's see how that goes. And if we get continuing traction in that, we definitely pursue that.

I also hope that the government relooks, it's a wish, of course, at the current way the NBS is being done, should it return to its original format. I'm sure Chambal will not be found wanting in crossing 1 million tons in a very short period of time.

Moderator: The next question is from the line of Dhruv Muchhal from HDFC Asset Management Co. Ltd.

Dhruv Muchhal: Sir, possible to share what was the ammonia profit or savings last year and what is it currently?

Management: Less than half.

Dhruv Muchhal: Yes. But in absolute amount, sir?

Anand Agarwal: So last year, we made around INR125 crore. This year, we have made less than INR50 crore.

Dhruv Muchhal: This is for the full year, right?

Anand Agarwal: Yes.

Dhruv Muchhal: Okay. Sir, but the decline in the urea business profit, which is for the full year basis is about INR400-odd crore. So, about INR100 crore comes from this ammonia, but the rest is because of the shutdowns that you have taken, is it?

Anand Agarwal: So yes, some is on account of lower margins in Ammonia, some is from lower sale of urea on a combined basis for all the 3 plants and some will be due to lower Gas prices.

Dhruv Muchhal: Okay. But still the decline seems a bit large, probably, okay, I'll try to understand it offline. The second question is on the efficiency measures, the savings because of the efficiency measures. I'm just trying to understand a simple way to calculate it. Would it be fair to say 1%, 2% of your material consume cost, probably some percentage of material consumed cost would be a fair way to understand the benefit from efficiency savings?

Abhay Bajjal: Yes, yes.

Dhruv Muchhal: Because a large part of your material consumed will be gas, so excluding the purchased thing. So, 1%, 2% of that would be savings figures.

- Abhay Baijal:** Yes, I'll put it this way. As I told you, we are consuming roughly about 15 million Gcal, which works out to almost 60 million MMBtu. 1 MMBtu costs currently, let's say, ballpark \$17. 1% or 2% saving there is a big number.
- Dhruv Muchhal:** Got it. But this is only for your plant I and II, not for III.
- Abhay Baijal:** No, at G-III we haven't done any energy efficiency, see, this is as it is one of the most efficient plants in the world. Please understand that there are 2 parts to it. One is by design, and one is by operation. What we have got by design is given, and we are actually exceeding what the design parameters are. Whatever the guaranteed figures are, we are below them.
- If you have to go further below that, we have to do some other things, which has to be seen in the context of the policy parameters because we have to always compare it with the marginal tons that we produce. The marginal ton is much less profitable than the actual ton. However, efficiency projects work on the entire production. So, we have to see in the context of gas prices, the cost and then the technical feasibility. These studies normally take a cycle time of 1 to 1.5 years. And then there's an implementation time of 1 or 1.5 years more because you have to catch up with the next turnaround. It is a 3-year period in which you start to initiate such studies and then you come to conclusion, then you order the equipment, and you install that equipment and so on. So, this is how it goes on. And therefore, there is a glide path to achieving the numbers.
- So, I would say, Gadepan-III, we are very close to maybe possibly one of the lowest numbers in the world as far as efficiency of the urea is concerned. I'm not saying there is no further scope, but there is a study that is always ongoing on these issues. As far as Gadepan-I and Gadepan-II are concerned, we had options, and we have made those changes, and those changes have started yielding results.
- Dhruv Muchhal:** Got sir. My point was on competition purposes. So, when you mentioned 15 million Gcal or 60 mmBtu, that's on the all 3 plants. So, what savings we are deriving is for plant I and II, just for the consumption of gas and plant I and II, right?
- Abhay Baijal:** Yes. But what I told you was the 3 plants, actually, all the 3 plants because I am taking about 3 million tons of plus production. But if you are looking at plant I and II, then the numbers are slightly 4%, 5% higher because we are not at high levels. We have 4%, 5% higher than that. So, there will be a little bit more proportionately gas consumed in the Gadepan-I and II.
- Moderator:** The next question is from the line of Himanshu Binani from Anand Rathi Securities Pvt. Ltd.
- Himanshu Binani:** Sir, my first question was largely on the inventory position. So maybe if you can like comment on the inventory position, both Urea and the non-Urea for the company as well as maybe any sense on the industry?
- Ashish Srivastava:** Okay. So Himanshu, the inventory of urea in the country as on 1st of April was around 87 lakh tons. And DAP was around 22 lakh tons. NPK is 47 lakh tons and MOP 9 lakh tons. This is country inventory. And if you look at our inventories, it would be around 8% of the country in urea and very almost negligible in DAP.
- Himanshu Binani:** Okay. And sir, now we have like seen a decent amount of time in terms of the nanotechnology. So maybe if you are in a position basically to comment in terms of the volumes for the nano technology maybe in urea as well as in DAP, what has been the volume number? And maybe any sense on that the issue would be helpful?

- Ashish Srivastava:** Okay. So Himanshu, this nano urea, I would not like to comment because there's only 1 product in the market. It would not be proper for me to comment. As far as phosphorus is concerned, 2 nano-DAPs, along with the nano Phosphorous of Chambal has just been launched, which would be hitting the market for the first time.
- Now I can't comment on the nano DAP of other companies, but we are targeting almost 5 lakh acres of treated area of nano phosphorus in the Kharif itself. Other companies' number, it's difficult for me to quote.
- Abhay Baijal:** Himanshu, it is a process of first-time usage then evaluation, then if the product has actually delivered then there will be repeat buy. So, one is to understand what is the actual difference on the table that the product makes. If there is a visible difference, the product catches up very fast. If it is not, then the adoption could be slower.
- So as far as our own field trials are concerned, there have been very positive results because of that, we are confident that it will be uptaken by the farmers in great measure or in good quantity. But as we have launched it and the first field trials or other applications will happen in Kharif, we will really be able to comment only by Rabi.
- Himanshu Binani:** The reason I am asking this question was largely, if I actually look into some articles, so we have a comment from the ministry that this year, FY25, India is likely to have a very negligible amount of urea imports, number one.
- Secondly, as for your comments that we had something around the 6 million ton of urea imports last year, and the production and the consumption, there is a difference basically. So just wanted to have the sense that how is the volumes picking up basically into this segment. The government has been like focusing on Nano Urea and DAP big time, but then we are like completely in a black box in terms of the volumes. So how has been the volumes shaping up in this segment, both in the nano DAP as well as in the nano urea.
- Ashish Srivastava:** So nano phosphorus and DAP, there are no volumes registered so far because the products have just been launched. As far as nano urea is concerned, if you look at the urea sales, the 46% prilled urea it has gone up over last year despite a significant quantity of nano being pushed into the cooperative segment. So, I think the answer lies there, and it would be difficult for me to comment beyond that.
- Himanshu Binani:** Got it, sir. And coming back to my first question basically on the inventory position. Any sense in terms of the region-wise inventory, how is that positioned? Or maybe what is the starting inventory basically. And any particular reason where we have a higher inventory.
- Ashish Srivastava:** You want the state-wise inventories of urea?
- Himanshu Binani:** State-wise color basically just to get a sense in terms of how the inventories are placed?
- Ashish Srivastava:** I got your point. It is widely spread across the territory as far as urea is concerned. But in case of state-wise numbers, we can send it to you later. As countrywide, we can give country spread and DAP is only product whose inventories are lower when compared to last year, and you know the reasons. But if you need state-wise inventory levels, we can share this later. Whatever data we have through our own sources.
- Moderator:** The next question is from the line of Arjun Khanna from Kotak Mahindra Asset Management.

Arjun Khanna: If you could just help us with how much capex do we expect, what would be a capital expenditure for FY '25?

Abhay Baijal: I think we made two points. One is about INR360 crore of ongoing capex. That is maintenance plus efficiency projects as far as urea plants are concerned and about INR700 crore for TAN.

Arjun Khanna: Sure. And you also mentioned IMACID is looking at increasing capacities by 40% - 50%. So, would that be funded by its own accruals, we won't have to put in any capital there?

Abhay Baijal: You don't have to. There is a cash surplus. As and when the Board of IMACID decides, they have enough cash in store.

Arjun Khanna: Sure. And in terms of profitability, when do we expect the profits for IMACID to consequently improve given the capex.

Abhay Baijal: No, obviously, the capex will be done when there is a payback. And so, what is the gain in IMACID is that the capacity expansion comes at a significantly lower per ton cost as compared to a greenfield or even a brownfield. So that is where the benefit is. They have found the combination, by adding some sulfuric acid plant and so on, they are able to expand the capacity at much lower capital cost per ton.

Arjun Khanna: Sure. Sir, just on the energy savings for urea, we had mentioned that INR350 crore - INR380 crore. Essentially, that would be done, and we had mentioned payback of INR100 crore additional profits per year. So, are we on track for the same given where the market is?

Abhay Baijal: No. Arjun, I think you have missed what I have said. If you see our past presentations, those are closed over a period of time. They have not completed at the moment. It happens like this to develop a scheme. The scheme is proven on technical grounds, guarantees given by the various suppliers. Then you go to the Board, then the Board approves it, then you order the equipment. So, as I said, that's about a 3-year cycle, 1.5 years to develop and 1.5 years to implement.

Then the INR400-odd crore, I think that we have mentioned in a period of 3 years of that, about INR130 crore, INR140 crore is the fresh one that has been ordered. INR180 crore has been already done. That is how it is going on. you get my point. As far as the INR360 crore is concerned, part of it for this year is basically replacement capex.

Arjun Khanna: Okay, sure. I get that now. Sure.

Moderator: The next question is from the line of Manikantha Garre from Franklin Templeton India.

Manikantha Garre: The first question is, if you can give me the G-I, G-II plant numbers for FY24.

Abhay Baijal: So normally, we don't reveal that, but it is significantly lower than the norm. I can only say that. And after the expansion, it is still better. After the energy project implementation, it's different.

Manikantha Garre: Okay. And for the G-III plant, like you have commented earlier, for one of the questions, it's very close to the possibly the lowest number that is out there. So, is it fair to assume that for the next 3 to 4 years, we will not see any change in the Gcal number for G-III?

Abhay Baijal: See, that will depend on 1 or 2 schemes that we are pursuing, which will also work on the ammonia side. But that is subject to many considerations. We are talking to the licensors. The study is on. Once the study is completed, we will know exactly what are the things that they are suggesting by which

the ammonia production could be increased, and therefore, there will be a decrease in the energy, but that is something I can't really commit or comment at right this point because the scheme is under study and discussions as far as advance fee is concerned.

Manikantha Garre: Sir, like you pointed out earlier, the entire process itself takes 3 years, so if you have just started discussing on that, that it's fair to assume that something like 3 years at least, we will not see any change in Gcal right?

Abhay Baijal: Yes. Yes.

Manikantha Garre: Okay. Sir, the second question is on your nano phosphorus launch, which is a biological base launch, which you have mentioned, wanted to understand, is it because it's a biological-based product, is it literally easier or difficult to scale this product. I would assume that it is literally difficult to scale this product versus a chemical base process. Any thoughts out there, that would be helpful?

Ashish Srivastava: You mean scaling of the production of this product?

Manikantha Garre: Yes.

Ashish Srivastava: It's not difficult because the phosphorus is taken out from the low-grade rock phosphorus through a biological process. So, there is abundant raw material available to take that. So, there is no problem in scaling that up.

Abhay Baijal: To set your mind at rest, we can scale it up to 2x or 2.5x in about 6 to 7 months' time.

Manikantha Garre: Understood. I just wanted to confirm, you said the expansion is on Phos Rock or Phos Acid capacity?

Abhay Baijal: No, no. It is conversion of Phos Rock to Phos Acid. And as I said, this is something that is being conducted as we speak, by the licensors in Morocco, and they are due to report this matter in about 2 to 3 months, whereby after that, the board should take a decision.

Manikantha Garre: Okay. Understood, sir. And last question on your urea sales volumes versus production, if I have to see that sales volume as a percentage of the production. For FY24, it is 96%. For the last 3 years, it was above 100%, how should I think about this because if I look at the lower sales volume as a percentage of the industry sales, the market share seems to be falling on. In Q1, I see 10.6%. In Q4, I see 7.2%. Even if I have to see on Y-o-Y basis also Q4 last year was 7.9%. So, if you can just give some color on, how should I think about this market share movement here?

Abhay Baijal: So, let me just tell you that these plants are designed tight for production that is called stream day production. Let us say, we have got Gadepan-I that is unit I assuming that we are operating it at 3,100 tons per day, then the way I can increase production is that I should run it flat out 365 days a year. If I don't operate it, that many number of days, if I reduce by 10%, then there will be a reduction in production accordingly.

Now in a year when you have a turnaround, which we basically once in 2 years, you lose about 28, 29 days of production, plus any trips and shutdowns that you may have unplanned and so on. So that is as far as the production capacity is concerned. So, for most of the plants in India and everywhere in the world, these run flat out on full capacity. Otherwise, you don't get the energy efficiency a guaranteed parameter.

However, when we are saying there is a reduction in market share, that is because there have been 2 plants which have come, last year, we had Gorakhpur coming in. And this year, we have Sindri and Barauni coming in from HURL. So, the net supply has increased from the production. Therefore, there will be total overall percentage decline.

Manikantha Garre: But just on the question about sales as a percentage of the production, which has dropped to 96% on a full year basis for FY24 versus around 103% for FY'23. Any color there? Because I believe that, the sales as a percentage of total production were 96% versus 103% from last year.

Abhay Bajjal: Last year, we carried some stock on the opening, which was also sold and the production that was made, that was also sold. This year, we carried very little stock in the opening, and we carried some stock into '24-'25. So, there's a negative variation on the sales as you rightly pointing.

Manikantha Garre: Okay. So, it's all related to inventory-related variations only.

Abhay Bajjal: Yes, yes, that's it.

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

Manish Mahawar: Sir, my first question in terms of energy efficiency. If you look at the G-I, G-II 2.5% to 3% of efficiency improvement, right. For simplification, just wanted to understand right now should be urea EBIT of around maybe INR1,500-odd crore. The energy efficiency will add around 8% to 10% of the additional EBIT to the business.

Abhay Bajjal: Let's put it this way. We get around \$40, \$41 per ton average, right? 2% to 3% increase is about \$2 to \$3, \$3, \$4. You are right. 8% to 9%.

Manish Mahawar: Assuming INR17 crore of gas cost that I'm talking about. INR70 crore of gas cost.

Anand Agarwal: Roughly, yes.

Manish Mahawar: I think one of the comments you made in the call, right, Board has also approved an energy efficiency program of INR120-odd crore, right, which is over and above what we have done in the last year. How much of improvement can happen after this INR120-odd crore spending?

Abhay Bajjal: Obviously, these are all projects which are developed between 4 to 5 years payback. We don't go beyond 5 years payback.

Manish Mahawar: Okay. But what is energy efficiency percentage, what you said 2.5% to 3% last year. With this INR120-odd crore, percentage improvement?

Abhay Bajjal: Manish, you will have to talk offline.

Manish Mahawar: Sure, sir, no worry. And sir, right now, energy G-I, G-II, G-III, what is the difference? Basically, I wanted to understand how efficient is G-III versus G-I, G-II in terms of energy efficiency?

Anand Agarwal: As we said that G-III has a much better efficiency compared to G-I, G-II it's a newer plant and it's one of the best efficient plants around the world. Yes, it is better because in any case, our normative is 5. So, it is below 5. And as Mr. Bajjal also explained that for G-I, G-II, it is still above 5.

Anand Agarwal: And much be the norm, which is 5.5% for us.

Manish Mahawar: Okay. But still there is a gap G-I, G-II versus G-III, it is a 15%, 20% gap versus energy efficiency norms still, or no?

Anand Agarwal: No, not 15%, 20%. 15%, 20% is a huge number.

Manish Mahawar: Okay. Second question in terms of ag-chem business, CP business, basically, you have guided for INR750-odd crore of revenue. By FY '27, it will be around INR1,750 crore with the EBITDA of INR300-odd crore, right? So, this only domestic business you're talking about, we are not looking out for any export at the moment. Right? Because it will then lead us to start manufacturing CPC/SN, what I understand.

Abhay Baijal: Manish, that can only be possible if we put our plants to produce. This is purely domestic-oriented number. And I'm quite confident with the growth path that we have FY 24-25 where we will be achieving that number, what we have explained to you.

Manish Mahawar: But that is pure domestic business, right, sir, we are talking about?

Abhay Baijal: Yes. Yes, it's pro domestic.

Anand Agarwal: It's only a B2C business, no B2B, no exports in this, Manish.

Manish Mahawar: Understood. Okay. And if we wanted to go ahead with the export, we have to set up a manufacturing within that timeframe, which is over and above that, okay.

Ashish Srivastava: Yes. Without your own technical plant or a formulation unit, you cannot export.

Abhay Baijal: Difficult to get inside.

Manish Mahawar: Okay. And just one more clarity, in terms of ag-chem business, right now, basically, it's a branding business, right, because we are not doing some sourcing a technical and formulating some with the third parties. It's a pure repackaging and the branding business for us at the moment. That's the right understanding?

Abhay Baijal: Manish, please understand that we have an open portfolio model. We carefully examine the crop, the season, the pest, and we have got a methodology by which we can focus on those to get to the differentiating products that are there in the market. Some are to be applied early, some are prophylactic, some are late stage when infestation takes place. We have our eyes very tightly focused on these issues. And that is how we have been able to create pathways by which we have been able to grow and source the material. Plus, now that we have got this Santulit Poshan Abhiyan going, we are now entering into a cycle of testing, evaluating, and then entering. And I made the point about biologicals. This is an area that excites us where we are collaborating with some research institutes to get some products. And obviously, everything will not succeed. But should that succeed, then definitely, we will create more pipelines in those lines. And I must also mention that seeds are a business that we are very focused upon, and we will be looking at entering in a big way, which we will announce later.

Manish Mahawar: Okay. Understood, sir. And the last point, sir, Abhay sir, I think you commented, just wait for a first 100 days, right, in one of the questions, answering one of the participants. So, there are 2 parts, I wanted to understand what is the DBT and decontrol, right? How do you see the government intent or infra preparedness in terms of these two things?

- Ashish Srivastava:** Okay, Manish, so the government is thinking of doing some pilots on the DCT front instead of direct benefit transfer, they are talking about direct cash transfers in some private territories, which would happen in the next year. Upon the success of that, the DBT might get shifted to DCT, we can't comment on that.
- And as far as your question on decontrol is concerned, government is evaluating all things, they are talking about rationalization of MRP, whether it means decontrol to you or me, we can't say.
- Abhay Baijal:** Let's see what shape and color it takes, Manish, we are not very privy to what is going on, but we do understand that a lot of work has been done internally inside the ministry and various ideas and proposals are being forwarded and being discussed back and forth. What exactly it will come is that we do not know, but the government wants to relook at this sector and decrease the amount of subsidies that have to be paid. That is one of the general purposes by which they want to do something in this area. So that could mean anything. I mean, it could mean many, many things. But how it will span out it don't know.
- Manish Mahawar:** But whatever action will be taken, basically, it will lead to a rise in the urea domestic prices, which is the pharma prices, right sir ultimately?
- Abhay Baijal:** I have no idea. I have no idea. It's very premature for us to comment on these issues. I think...
- Manish Mahawar:** Sure, sure No issues, sir. And in terms of 4Q, if you look at EBIT of the urea business, right, you already mentioned the shutdown is one of the reasons. And I think the soft profit of your ammonia business. There is also, IPP-linked volume will be lower this year and also lower urea price will affect this 4Q numbers, that is also right, or no?
- Abhay Baijal:** You're Right. You're right. There is an element of reduction in the contribution beyond 100% production.
- Manish Mahawar:** So basically, the IPP volume will be lower versus last in the 4Q as well as IPP prices will be lower, right? Both the sites will be lower in the fourth quarter.
- Abhay Baijal:** IPP volume is more or less similar. But IPP contribution, as I said, is low.
- Manish Mahawar:** Will be lower. Okay. Sure. Understood, sir. That's all from my side.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments.
- Abhay Baijal:** Thank you very much, gentlemen, for giving a patient hearing to what we have to say. I hope we have answered most of the questions. And I also hope that the increased transparency in the publication of results had enlightened you more about Chambal, and we look forward to your continuing this journey as investors with us. Thank you very much.
- Moderator:** Thank you. On behalf of Chambal Fertilisers and Chemicals, that concludes the conference call. Thank you for joining us.
- Please note:** *We have edited the language, and made minor corrections, without changing the content, wherever appropriate, to bring better clarity.*