



CHAMBAL FERTILISERS AND CHEMICALS LIMITED

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February 13, 2024

BSE Limited

Phiroze Jeejeebhoy Towers
25th Floor, Dalal Street
Mumbai - 400 001

National Stock Exchange of India Limited

Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E)
Mumbai - 400 051

Dear Sir,

In continuation to our letter dated January 29, 2024 and pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of Analysts / Investors conference call held on February 6, 2024, on the financial results of the Company for the quarter and nine months ended December 31, 2023. The said transcript is also available on the Company's website at - <http://investor.chambalfertilisers.com/EarningCallTranscripts.aspx>

You are requested to notify your constituents accordingly.

Thanking you,

Yours sincerely,
for Chambal Fertilisers and Chemicals Limited

(Tridib Barat)

Vice President - Legal & Company Secretary

Encl.: a/a



Chambal Fertilisers and Chemicals Limited

Q3 and 9 Months FY '24 Earnings Conference Call Transcript February 06, 2024

Rishab Barar: Good day everyone and thank you for joining us on the Chambal Fertilisers and Chemicals Q3 and 9months FY24 Earnings Call.

We have with us today, Mr. Abhay Bajjal – 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 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. Bajjal. I would now like to invite Mr. Bajjal to share his views. Over to you, Sir.

Abhay Bajjal: Welcome to you all to this Conference Call of our 3rd Quarter Results. Good day to everybody and a warm welcome. Since you would have had the chance to go through the “Presentation and Financial Performance” shared with you, I will not spend time restating the numbers in my remarks. This was a steady quarter and our Urea business continues to perform well. All our plants have been operating at optimal capacity and our Urea production stood at 9.1 lakh metric tons and 27.15 lakh metric tons for the quarter and cumulatively for nine months.

Energy efficiencies too continues at optimal levels. Subsidy receivables stood at INR 468 crore as at December 31, 2023. The good subsidy inflow from the Government is helping to improve our working capital cycle.

Our Crop Protection Chemicals and Specialty Nutrient (CPC-SN) business continues to grow strongly. Over the years, we have introduced a range of molecules, most of which have been very well received and have helped us to further drive growth. This has been achieved by deep farmer connect, and number of activities are undertaken towards enhancing brand awareness. We have a strong pipeline of products to be launched next year to strengthen our position in the weedicide segment of soybean, maize, wheat and rice.

We are also introducing innovative biological products in collaboration with R&D organizations to promote soil health and sustainability. Our biological product ‘Uttam Superrhiza’ has been named as the winner of the most prestigious Applied Microbiology International Product of the year 2023. The product addresses United Nations' Sustainable Development Goals.

To drive future growth of our CPC-SN, we have entered into strategic alliances with global and local innovative R&D companies for introduction of new chemistries and stable and effective biologicals. The marketing activities which form part of our Seed to Harvest program are largely focused around digital and social media, which has helped deepen and expand our farmer and dealer connect.

Our TAN project is progressing in line with integrated timelines. We have obtained all the necessary approvals. All the long lead items have also been ordered and we are well on track to conclude our project on time.

Our balance sheet continues to show strength, giving us the confidence to explore inorganic growth opportunities. We have been recognized with the certificate of merit at the National Energy Conservation Award 2023, which is the first time that we participated, and this is a prestigious award in the fertilizer sector, acknowledging our substantial contribution to energy efficiency and conservation.

I look forward to continuing our strong performance and with that, I will now be happy to 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 S. Ramesh from Nirmal Bang Securities. Please go ahead.

S. Ramesh: Sir, if I want to understand the phosphatic fertilizer policy, giving a fixed mark up for integrated producers. You started the business as trading organization, so, what is your roadmap in terms of progressing towards manufacturer and integrated producer in phosphatic? And how do you reach that quality? Does it match the current nutrient-based subsidy schemes? And how does it help in terms of the back integration, especially when you look at backward integration where the benefit of the savings on input cost is actually thought to be a netted out when they take the cost to give the market. If you can share your thoughts on this.

Abhay Baijal: I think what you are referring to, is the new reasonability guideline which has been very recently published. There were three classes which were indicated in terms of what the cap on MRP would be, or the reasonable MRP would be, whether 8% for importers, 10% for intermediate producers and 12% for integrated producers.

At the moment, we really do not have any plans of getting into integrated manufacturing of NPKs. If at all we were to start today, it will be a three-to-five-year affair unless we do an inorganic purchasing. Inorganic purchases are always possible given the strength of our balance sheet, but that is something that we keep evaluating. Should a kind of a option come across, and we find that the fit is there, we definitely do not have any hesitation in going through with that. That is what I can say.

As far as the policy itself is concerned, it brings more clarity to what the Government is trying to achieve. There are some issues that the Fertilizer Association of India have taken up with the Ministry. My feeling is that this is the first cut, it will evolve over a period of time. It has clarified some of the positions which were prevalent in the previous reasonability guidelines.

And so far as my view on the matter is concerned, while it is a definite forward step from where we were, in terms of clarifying some issues, and most notably that the GST is not form part of the revenue, it is a very welcome step that the government has taken. I do have issues in terms of whether it should be 8% or 10% or should be equal for all. But this is not the forum to discuss that and all our views have been

encapsulated and are being discussed as we speak, in FAI and will be raised to the government in a systematic manner going forward.

S. Ramesh: That's very useful line of thinking. In terms of your crop protection business, as a percentage of your capital allocation and your overall revenue, is there any aspirational targets you have for the next two years? And how do you see the business moving, over the next four quarters, given the kind of uncertainty on the de-stocking related pressures and the pricing pressures?

Abhay Baijal: Well, we have a view that the way the prices fell in the last two or three quarters, this pace of fall has started to decelerate. We have long term relationship with our suppliers and formulators and will be making strategic purchases. As a practice, we do purchase in a staggered manner and the same has paid us dividends in the past. Our success of the last year was a result of this particular strategy.

You know that we are growing the business with lot of efforts. Seed to Harvest is a farmer connect and in a sense, explaining the advantage of certain types of molecules and new molecules, plus also developing a pipeline backwards into certain research organizations or research-based companies who can give us Gen 1 or Gen 1.5 molecules at least. So, the effort of having backward linkages is also going well and given our track record, the way that we have been able to quickly get the products into the market and create usage, many of the companies are now getting or contacting us in terms of how we can take this forward in a bigger way.

As far as capital employed is concerned, you could look at the segmental results, and see the kind of capital that is required. I don't think there is much difficulty for Chambal to obtain this capital, given its strong balance sheet. Moving ahead, we have already laid out a three-years roadmap for the investors, and we stick by that, I would like Mr. Ashish Srivastava to articulate what is the ambition in terms of the number that we want to achieve for CPC-SN and over to you, Ashish, on that issue.

Ashish Srivastava: Ramesh, your question regarding the CAPEX and the capital employed has already been answered by Mr. Baijal.

As regard your query on the inventory, so if we do a deep dive on the nine-months results of major companies in the SN-CPC segment, the biggest inventory hit has come from the export segment. The export has taken a beating. We are not in that segment, that's the first point. Secondly, we do not have much inventory going forward into the new season, and prices are more or less stable for molecules that are required for Kharif crops. So, we don't see any hits on inventory as far as Chambal is concerned. I hope I have answered your query on inventory.

S. Ramesh: Yes. Can you give us that aspirational target for crop protection chemicals in your road map?

Ashish Srivastava: The three-year forecast is already there in our Investor Presentation.

S. Ramesh: Ok, if you are looking at your overall annual growth you can expect in CPC over the next one, two years on the margins, how do you see that moving?

Ashish Srivastava: See, if you look at the Investor Presentation, we have mentioned a top line of approx. INR 1,750 crore from the segment in year '26-'27 with a contribution of around INR 310 crore. It's already there. It's already there in the Investor Presentation.

S. Ramesh: So, are you also looking at the custom synthesis, contracts manufacturing of CDMO model when you look at crop protection?

Ashish Srivastava: Ramesh, this is never ruled out. When you do a trading model, these things are never ruled out. So, in case a good opportunity comes our way of contract manufacturing for our brands, why not?

Moderator: Thank you. Next question is from the line of Prashant Biyani from Elara Securities. Please go ahead.

Prashant Biyani: Abhay sir, can we get some sense on trade business profitability for Q3? How much was the EBITDA or profit swing versus last year on the traded fertilizer business?

Abhay Baijal: We did not do very much volume. In fact, our volumes are down almost 60% - 70% from last year. There is very little margin both in MOP and DAP. The effect of any negatives was already taken in terms of stock valuation in the second quarter. So, this was done more as a strategic move in order that our channels are supplied and our other overall business strategy goes forth from there.

As of now, the situation with the NBS is, that it is not viable to do DAP at all. And therefore, in terms of our strategy going forward, we have contracted 1 lakh tons of various grades of NPKs, which is in our estimate something which we can do in terms of profitability and which helps us to sustain the channel in these kind of product line. And as we await the new NBS subsidy figures, which the government assures us is just around the corner, the further strategy from there will evolve.

Prashant Biyani: When you say flat margins, do you mean flat vis-a-vis last year or no profit no loss?

Abhay Baijal: No, it was more or less a no profit no loss situation.

Prashant Biyani: And, on the NBS policy, would it be applicable from Q4 or Q1 only?

Abhay Baijal: That is a million-dollar question. We ourselves have been asking this question, whether it is applicable from 1st of January or whether it is applicable from 1st of April. The answer lies in the files of the Government. We are not privy to that.

Prashant Biyani: And, can we get some sense on how much was the swing in profit for traded business versus last year?

Abhay Baijal: It would be negative or rather I do not think it is more than double-digit, small double-digit numbers.

Prashant Biyani: Sir, some sense on outlook for IMACID for Q4, given that phosphatic prices have been more or less at the same level vis-a-vis Q3. I don't know how much of the rock phosphate price have fallen or where they are.

Abhay Baijal: No, we expect, barring unforeseen circumstances, that IMACID should continue its good run. They have not yet frozen their numbers for India supplies, but one marker comes from Jordan. Jordan has been contracted by Coromandel at USD 968 CFR. So, taking that USD 968 maybe \$5 plus/minus kind of number would be there for OCP or IMACID as well.

Now, looking back from there as to the rock purchase and their adjustment, I think the price at which rock was sold to IMACID will continue. And basis the above, we can take the run rate unless the plant does not perform.

So, my view is that these factors being what it is, on a provisional basis, some material is being supplied. We will come to know in another 5-7 days' time how this will play out, but I think at the moment they are on a good wicket.

Prashant Biyani: Sir, in the PPT on the 5th page, under 2nd point on channel model, channel capabilities, that point I am speaking about. Can you explain what that point mentioned?

Ashish Srivastava: A good observation Prashant, because this is the first time we are talking of the channel things. We were generally a bulk fertilizer company. So, if you look at the channel, the bulk supplier segment and crop protection chemical segments are very different. But now, a synergy is developing in that, and we are looking to expand our market depth as well as width for this and which is giving us dividends. So, we are looking at retail outlets as our future dealers who are primarily CPC and SN selling dealers. So, that is what we are building on.

Prashant Biyani: What is the significance of this 25% and INR10,500 crore and then INR750 crore? Any significance on that?

Ashish Srivastava: Yes, I will answer that. You know, when we started the CPC and SN business, the width and the depth were in the range of 10% to 12%. So, as we started building up the channels in the retail segment, those widths and depth accrued to us. That is the reason we are doing exceedingly well in the CPC and SN segment. Does that answer the question?

Abhay Baijal: Prashant, I think to make it in simple words - there are two channels. One is the fertilizer channel and there is other than fertilizer channel to distribute this. What I think is being indicated is that not only we will now, we have onboarded to some extent and created wallet share in the fertilizers channels, which is what we have done, we are also now jumping the channel into pure pesticide or CPC channel. That is what I think is meant. So, we are widening the scope.

Prashant Biyani: And sir, has the state government finalized the incentive that they will give us for TAN?

Abhay Baijal: Yes, I think that has been organized. That was done some time back. I will not reveal the numbers. But it is a healthy figure, and this has been closed with the Government.

Prashant Biyani: But sir, it would be a public thing only. So, what is the hesitation in revealing it?

Abhay Baijal: I think we will disclose it. Don't worry. It is not a figure that is available on a website. It has to be derived basis certain numbers to be achieved milestones.

Prashant Biyani: Sir, some book-keeping questions. What would be the gas price for Q3?

Anuj Jain: Gas price for Q3 is around \$18 NCV basis.

Prashant Biyani: And current price?

Anuj Jain : Currently, it is about \$17.35 per NCV.

Prashant Biyani: And, what would be the breakup of power, freight and packing expenses? Breakup of other expenses into power, freight and packing.

Anand Agarwal: I don't know how you relate it because it all depends on the gas prices. So, out of our other expenses, I think power and fuel is almost INR1,000 crore and freight is around INR155 crore.

Prashant Biyani: And sir, surplus ammonia volume for the quarter?

Abhay Baijal: I think about 25,000 tons were sold.

Prashant Biyani: And lastly, how much will be the contribution of G3 for urea sales?

Abhay Baijal: That is one question nobody wants to answer. But it is there. You know that in the formula, you get paid \$285 based on \$6.5 gas price. And for every dollar increase in the gas, you get another \$20. So, basically, the multiple is about 5x, 5 G Cal per metric ton is what is embedded into the formula. So, you can make a calculation.

Prashant Biyani: No. I meant volume contribution from G3 this quarter.

Anand Agarwal: G3, I think the overall sales have been 3.37 lakh tons in this quarter.

Moderator: Thank you. Next question is from the line of Harmish Desai from Phillip Capital. Please go ahead.

Harmish Desai: Sir, my first question is on this PBT margin cap. As a trader, you have a margin of 8%. So, is it fair to assume that we do not consider this as a limit of cap on us and how do we see the margins? Because in the Con-Calls the manufacturers mentioned that they have a lot of headroom for margins. So, what is the case for us?

Abhay Baijal: See, I will also say that there is a lot of headroom because, at the moment, if you take DAP as a part of this whole thing, and exclude all other products, you start with negative margins, okay? But what this current formulation is, it does not take only one single grade. It takes a combination of all the grades that you do. Let us say, for instance, if I am doing in a quarter or in a year, 12:32:16, 10:26:26, 20:20:0:13, DAP and MOP, all of them will be clubbed together as combined sales and its cost will be determined and on that basis, it will be determined whether the 8% is there or not. In my opinion, what somebody told you that there is a healthy headroom, I would second that. That's not an issue.

Harmish Desai: And sir, on the CAPEX side, so how much CAPEX have we incurred in the crop-protection side in 9 months?

Abhay Baijal: There are two parts to it. One is the TAN. In TAN, INR200 crore. And as far as other projects are concerned its around INR210 crore.

Harmish Desai: So, in the first 9 months is INR410 crore. Is that right?

Abhay Baijal: Yes.

Harmish Desai: And sir, the total CAPEX that we have on TAN project is INR1,645 crore. Out of that, INR200 crore we already spent in the first 9 months. So, how have we spread it out in FY '24 and there is a commissioning in FY '25? Have we spread the CAPEX?

Abhay Baijal: I can give you percentages. I think about 50% to 60% will be spent this year. If you were to take up to March '25, and the balance thereafter, some part is the lingering tail because it is subject to retention and so on basis the contract. So, 10 odd percent always is kept retained for some time for achieving certain milestones and performance parameters. I would say about 50% to 60% will go out by March '25.

Harmish Desai: So, in the second quarter call, you mentioned that you guys are planning for a INR350 to INR380 crore investment in the next five years in energy savings schemes in Gadepan I and II, and you expect to derive INR100 crore per year cost savings. So, can we expect this cost savings to kick in from FY '25? Or do we already have some amounts of cost savings in FY '24 already itself?

- Abhay Baijal:** G1 is already undergoing a turnaround and G2 will also start in less than a month. So, for both Gadepan I and II, we would start reaping the benefit, if all goes well, from middle of April or so, once the plants stabilize.
- Anand Agarwal:** So, for your question, I think around 40% to 50% will be spent in this ATR which we are doing now and the balance over a period of next two years.
- Harmish Desai:** And sir, on the crop protection side again according to the presentation, we have seen that in the first-nine months, revenue share of insecticides has been the highest and followed by weedicides and the last is fungicide. Can we understand that we have the highest amount of portfolio on the insecticide side, and the rest follows? Or how is the number of products between these three segments?
- Ashish Srivastava:** If you look at the breakup of insecticide, herbicide and fungicide segment in Chambal's portfolio, Chambal's portfolio is around 44% of insecticide, 41% of herbicide and 15% of fungicides. And if you look at this quarter results, it's primarily a weedicide,. So, insecticides majorly are consumed in paddy crop, which was in the first half of the year.
- Harmish Desai:** And lastly, can you throw some light on this specialty nutrient segment, what kind of products we have, and what kind of market are we making in this particular segment?
- Ashish Srivastava:** The product portfolio consists of two variants of sulphur which is water dispersible granule as well as bentonite sulphur and then we have water soluble fertilizers primarily the calcium nitrate. The other major thing is the mycorrhiza for which we have got the award, the product which came from the research of TERI that's the major segment. And then we have certain micronutrients and zinc that's the total portfolio of specialty nutrients.
- Harmish Desai:** And sir the kinds of margin in this segment?
- Ashish Srivastava:** I think we report CPC-SN as a single segment, so it would not be proper for me to share the numbers separately for individual products
- Abhay Baijal:** I would just say that it is healthy double-digit.
- Moderator:** Thank you. Next question is from the line of Himanshu Binani from Anand Rathi. Please go ahead.
- Himanshu Binani:** My first question was largely on gross margin side. So, we have seen a very decent improvement gross margins during this quarter. If you can like throw some light in terms of the reason in the increase in the gross margin and the segmental contribution basically, so which segment has contributed to more to the gross margin level?
- Abhay Baijal:** I think in terms of segments we would have understood what the CPC-SN has done and what the urea and especially the traded products have done. So, because the traded product sales were so less as compared to last year, mostly, all our sales were urea.
- And as I mentioned in my opening remarks that this is the major season, we have good efficiencies and energy was saved because the plants ran very steadily, and we also had ammonia sales. So, all concluded we got that lift in the margins.
- And in this CPC-SN, it is anyways you can see about 22% to 23% number which is there. So, these are the two reasons why the margin was healthy . We did not have

any inventory related issues either in the CPC-SN business or in the NPK business, whatever was there was already accounted for as we have explained to you in the last quarter. So, there was no carry forward issue as far as the third quarter was concerned.

Himanshu Binani: So, just wanted to have a sense on this new capping policy basically. In the current scheme of things if you look, looking at the global prices also and the trading business particularly into the fertilizer segment that is like not at all remunerative. However, what the government is suggesting is that if at all the industry is making any sort of profits over and above the capital limit, they need to return that to the government.

So, in the current scheme of things, we are not able to make any sort of profits in the trading side. Can we expect any sort of reversal as and when this gets implemented from the government be it 1st January or 1st April? So, can we expect some sort of like reversal in terms of the current losses which we are making?

Abhay Bajjal: See we are not making any losses. As I just explained that we have calibrated our portfolio to a strategy where we will not make any losses whatever we have bought in the 4th Quarter in January that is at profitable numbers.

Now, coming back to what is the Government's stance, I think the Government's stand is to make the fertilizers available at reasonable MRP to the farmers. Now, what is reasonable MRP, what is the mandated MRP, I think the nuance is there. A reasonable MRP is something which is what the farmers normally expect in terms of what he should be paying. It is more a function of what is derived from its perception of what the past prices have been and that is also suggested in terms by the Department of Agriculture and Welfare, etc., that this is the price at which the application will be suitable for the farmer given the MSP and so on so forth, that is one sort of calculation.

Now given the international prices and the commodity prices, obviously the Government wants to see MRP to be affordable from the point of view of the farmer, it has to make an adjustment to the subsidy. Unfortunately, in the last five or six seven quarters for the industry that adjustment in subsidy is not visible, especially in the case of DAP.

So, I don't know, whether they are benchmarking the product costs that are coming from import or they are benchmarking the product coming from an integrated producer, what is their calculation or what is their thought process, is not very well revealed to us.

Now, going forward, assuming that they have given a reasonability guidelines, it stands to reason logically that when you have got a reasonability guideline then people cannot raise the MRP arbitrarily or they will fall foul of the cap, which means that inherently there is a signal, although very faint and not very obvious, that the government is thinking in some way to go back to the earlier NBS policy where the subsidy was fixed and MRP was floating according to surplus.

So, if it is around the corner, it is possible that it may happen after the election. Nobody can speculate on this issue. What the government will do, that only the government knows and we have to respond to what the position evolves in terms of policy and prices and take our positions accordingly.

- Himanshu Binani:** Sir the reason behind asking this question was that as we have been making a break-even sort of number and assuming this to be at the gross level or at the EBITDA level, but then this 8% margin cap is applicable at the PBT level. So, maybe at the PBT level we would be incurring some sort of losses in the current?
- Abhay Baijal:** Yes, I agree, but you're absolutely right. If we are breakeven at EBITDA level then after considering interest, definitely we will have negative margins but in our situation what we are doing is that we are buying very selectively so that we do not incur losses and only according to the needs of the channel and we did not take greater exposure
- Secondly, going forward, we will calibrate our portfolio strategy in such a manner that we continue to remain slightly positive or above, and if there is any chance to make some profits why not.
- Himanshu Binani:** My second question is largely on the fertilizer inventory position as on 31st December. So, both into the urea side, the non urea side inventory position for our company as well as any sense on the industry and the outlook going forward for the kharif season?
- Ashish Srivastava:** Himanshu, we don't have access to the inventory of competitors as well as country, but our market intelligence and data analytics suggests that the urea inventories year-on-year basis as on 31st January is up by 51%. And tentatively the urea inventory should be around 7 million tons roughly that's what's our calculation where we don't have access to that.
- DAP inventories should be around 2 million tons, NPK should be around 3.9 million tons and MOP should be around 1 million tons that's a ballpark number we can share because we don't have access to that data that's our own internal calculations.
- Himanshu Binani:** Just one follow up question in regard to this only. Last year if I understand this is like entry position for the industry we were active neck-to-neck in terms of the inventory and the demand basically. So, how would you actually term this number as a moderate inventory or normal or a higher size?
- Ashish Srivastava:** Our estimation is that by the end of this financial year, DAP would be an adequate inventory what has been in there in the past same is with NPKs and Potash. So I don't see much changes in those in the adequate inventory levels what the country envisages on 1st of April.
- Himanshu Binani:** And sir if you can repeat the MOP inventory level number please?
- Ashish Srivastava:** Around 1 million tons.
- Moderator:** Thank you. Next question is from the line of S Ramesh from Nirmal Bang . Please go ahead.
- S Ramesh:** So, if you are looking at FY25 and FY26, until you start the ammonium nitrate project, so based on your modernization and turnaround in the urea plants, is there any potential for additional volumes and additional contribution to your EBITDA and profits from the urea business over FY25?
- Abhay Baijal:** So, the TAN business is a forward integration of the ammonia surpluses that we have. With further debottlenecking, definitely, there are small possibilities to the extent of 4% - 5% further expansion in ammonia availability that could feed into other products in the nitric acid chain or nitric acid production itself from weak nitric acid to

concentrated nitric acid and so on. We are working on those possibilities. I think last time also I had made a mention of this issue.

There are further possibilities to go for more energy saving schemes which have been proposed by both Haldor Topsoe and by KBR, both are licensors which are under study, and they could also yield further ammonia generation. So, that could also lead to further possibilities in the nitric acid or the chemicals businesses which will be properly evaluated in terms of the cost benefit, etc., and the schemes that are being proposed. So, this is an ongoing study for which the results should be available in the May to June timeframe and when they are approved, we'll definitely come back to you.

S Ramesh: For FY25 is it fair to understand, will be more or less flat compared to FY24?

Abhay Baijal: No. There are two things you must understand. This year, we have had shut downs of Gadepan I and II in March '24. Going forward, these two plants will continue full one year and the second year of operations. So, '24-25 is full year of operation. FY '25-26 again there will be a major turnaround and in that point of time, Gadepan III will be in annual turn around in '24-25 and '25-26 will be basically a replica of 23-24.

S. Ramesh: If you are looking at the growth from the ammonium nitrate project, what is the kind of average price you are expecting for ammonium nitrate in terms of your current discussion with customers and how do you see the lumping of projects from other competitors like say GNFC, Deepak Nitrate, your own project coming online kind of creating a surplus?

Abhay Baijal: When we did the study for ammonium nitrate, we have taken these capacity expansions into account. One variable in business is Russian imports which keeps fluctuating. Further in the current year, there have been lot of Russian imports of ammonium nitrate.

But on the other side, the Government continued to give emphasis on infrastructure and power and so on, and I've heard the Minister for Power saying that we will have to invest in some 80 GW or whatever of electrical energy and so on, which will require huge amounts of coal and that coal has to come from coal mines and those coal mines have to have TAN.

So, my view is that on the one side there is production then on the other side the demand is supposedly going to accelerate. We have seen or we had planned for a 6% CAGR, but I think this will accelerate by at least 1.5% to 2%.

Anand Agarwal: With Coal India and all going for gasification, I think the demand will increase much more exponentially than we have estimated.

Moderator: Thank you. Next question is from the line of Rucheeta from iWealth Management LLP. Please go ahead.

Rucheeta Kadge: Sir. My question was on P&K fertilizer side. So, could you help me what is fixed and the variable cost in this business like in terms of absolute value maybe for this quarter or maybe for FY23 if you could help me with?

Abhay Baijal: Madam, there is no fixed cost, this is a trading business. So, basically we have only variable cost. The fixed cost is a very small component it is required to run the administration services and the sales and operating processes in this, but as of now as we have been saying this the cost and values of the revenue are more or less matching which is why there is no margin.

Rucheeta Kadge: And sir a little basic if you could help me with this EBITDA per ton for Gadepan-I and Gadepan-II and Gadepan-III. I remember in one of the calls you mentioned that Gadepan-III is around \$130 per ton, so is there any variability to it like if the gas prices go above a certain level, how much incremental do we get?

Abhay Baijal: See, this is a formula driven business where a percentage of the lower gas utilization helps earn additional margins as efficiency gains. Difficult to say without first tagging the dollar number on gas. The other thing is the dollar value itself whether it is 83 or whether it is 85, that will also make a difference. So, it's a little bit of an involved calculation. So, I would suggest that if you were to divide the number of tons with the kind of EBITDA we have reported because the fact that I mentioned was that there was hardly any profit or loss from the trading business, you will get the number. It's a very simple calculation.

Moderator: Thank you. Next follow up question is from the line of Prashant Biyani from Elara Securities Plc. Please go ahead.

Prashant Biyani: Sir how much headroom do we have to sell urea from G3 in the 4th Quarter?

Abhay Baijal: What do you mean by headroom? There is a certain stock that we have, and we have to sell it.

Prashant Biyani: I mean, how much have we achieved already and how much can we sell more?

Abhay Baijal: See I think what we will produce we will sell. Have you got what I'm trying to say.

Prashant Biyani: No sir.

Abhay Baijal: That means that the opening stock and closing stock will remain more or less there and whatever we produce, will get sold.

Prashant Biyani: I meant that the mix between G1, G2 and G3 varies?

Abhay Baijal: Actually, G3 will increase because if G1 and G2 will not produce this quarter, G3 mix will increase.

Prashant Biyani: And G1 and G2 are going for maintenance shutdown in March only?

Abhay Baijal: Yes, 32 and 36 days respectively. So, you can assume that on an average 32 days or 33 days multiplied by 6,000 tons about 2,00,000 tons is off the field.

Prashant Biyani: And, you alluded to this NBS policy in your opening remarks. Is it likely to come in February? I mean I know there is no accountability?

Abhay Baijal: It is in the files of the Government and what they think when they should reveal this. My understanding is that discussions are ongoing between the Department of Expenditure and Department of Agriculture and so on, and one or two ministries have given their feedback. One or two are awaited and then it has to be presented to Cabinet.

Prashant Biyani: And what would be your plan for traded fertilizer business for next year, any targets in terms of volume?

Abhay Baijal: So, it is fluid. As I said that this is a business that we are doing for two reasons at the moment, given the kind of situation which is with respect to frozen MRPs and kind of negative contribution, it is right to do only to the extent that is strategically necessary for our channel.

And secondly, to focus on certain grades which will give us more benefits in terms of the markets that we are addressing and thirdly in terms of understanding or keeping the certain portfolio approach that we have in certain other markets which are our core markets. So, these three considerations are driving what we will do. The moment the NBS is restored back, I'm very sure that our volumes will bounce back.

Prashant Biyani: Sir, for this portfolio approach and to maintain your channel relation, typically 1,00,000 ton of volume is enough if the subsidy is adverse like in current times?

Abhay Baijal: No, we are not saying that it will work, but the fact of the matter is the grades that we sell have to fit to the market and we have to also see the stock of the alternate product which is available. There are people who are still bringing in DAP which means that the market has requisite stock in the system.

So, we'll have to see, there is a substitution effect and when the main product is available, the substitute will not sell unless that substitute is the preferred product.

Prashant Biyani: I meant to ask in a year how much is the minimum volume that you will do for sure in traded?

Abhay Baijal: I don't think we can make a number of a minimum volume or whatever. We have to play it by the year. We went up to a million tons. We came down this year to something happening. They came down and so next year how much we will do it's still being cooking inside our system. We can't really at the moment reveal what we will do, but maybe I can answer that question post the publication of the NBS rates.

Moderator: Thank you. Next question is from the line of Himanshu Binani from Anand Rathi. Please go ahead.

Himanshu Binani: Sir my question was largely on the CAPEX side. We have been evaluating for any sort of organic or inorganic growth particularly into the complex fertilizer side and we have been on the drawing stages or the discussion stages. So, maybe if you can throw any light on the status of that and when can we like expect any sort of announcement from your end?

Abhay Baijal: No, I'll just put it this way. When we said we were evaluating we were also seeing the developments on how the Government is treating the NBS policy. We can see some clouds moving away on the NBS side with the first, is the publication of the new reasonability guideline.

I think we will need a little bit more color on where the Government is going with this policy, integrated non-integrated, etc., what is happening on that and whether organic or inorganic, that also depends on whether we can strike up some alliances or do something on that particular. This is because you will know that or you will understand that de novo investment to bring into the market is a 4-5-year affair in terms of how things work in particular India.

So, our first thought process would be to see if there are alliances, inorganic possibilities, etc., which is there and that again depends back on how the policy or what is the thinking of the government. We really are not very clear as to where it is going although we see some silver lining in the cloud.

And when we said that last two, three times when I kept on saying that we are looking at that, basically our pointer was to that we do not really know where this business is going in terms of the NBS policy, because if it continues like this as it is today, it's very difficult for a non-integrated player to make money and it will be an off and on affair with the investment on the books. It's not something that is expected of Chambal.

Moderator: Thank you. As there are no further questions, I will now hand the conference over to the management for closing comments.

Abhay Baijal: So, thank you gentlemen and ladies for patiently listening to our answers and I hope we have enlightened you with extent that you felt necessary. We hope to have a good quarter as I said going forward and welcoming you in May for the Quarterly Result. Thank you very much.

Moderator: Thank you very much. On behalf of Chambal Fertilisers and Chemicals Limited, that concludes this conference. 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.*