



**CHAMBAL FERTILISERS AND CHEMICALS LIMITED**

August 10, 2022

**BSE Limited**  
Phiroze Jeejeebhoy Towers  
25<sup>th</sup> 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 August 1, 2022 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 August 4, 2022, on the financial results of the Company for the quarter ended June 30, 2022. The said transcript is also available on the Company's website at - <http://www.chambalfertilisers.com/investor/>

You are requested to notify your constituents accordingly.

Thanking You,

Yours sincerely,  
**for Chambal Fertilisers and Chemicals Limited**

**Rajveer Singh**  
Vice President - Legal & Secretary

Encl.: a/a



## Q1 FY23 Earnings Conference Call August 04, 2022

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**Moderator:** Ladies and gentlemen, good morning and welcome to the Q1 FY'23 earnings conference call of Chambal Fertilisers and Chemicals Limited. 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 touchstone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rishab Barar from CDR India.

Thank you, and over to you, sir.

**Rishab Barar:** Thank you. Good day, everyone. Thank you for joining us on the Chambal Fertilisers and Chemicals Q1 FY'23 Earnings Call. We have with us today Mr. Gaurav Mathur - Managing Director, Mr. Abhay Baijal, CFO, Mr. Rajveer Singh, Vice President-Legal and Company Secretary, Mr. Ashish Srivastava, Vice President - Sales & Marketing, Mr. Anand Agarwal, Vice President- Finance 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:** Thanks Rishabh, and good day to everybody. Warm welcome to all of you participating in this call. I'm sure all of you had a chance to go through the presentation and financial performance shared earlier with you. So I will not spend time restating the numbers in my opening remarks.

The proactive procurement of DAP and other P&K fertilisers, and hence, the good inventories, which we had at the beginning of the quarter, enabled us to register higher sales during this quarter.

The high price of P&K fertilisers in the international market continue to pose a challenge during the first quarter of the financial year and impacted our margins. Similarly, high prices of gas and P&K fertilisers have also resulted into substantial increase in working capital borrowings and interest cost impact. As we move forward, we see the prices of phosphatic fertilisers have retreated from their peak levels, and we are hopeful of softening trend in the market going forward.

Our urea operations remained steady. We successfully implemented schemes to improve energy efficiency in both Gadepan - I and Gadepan - II plants. And while there was not much variation in the production and sales volume of urea during the first quarter in comparison to the corresponding quarter of previous year, energy efficient operations added to the bottom line of the Company. The crop protection chemicals and specialty nutrients remain the focus area and we are very happy with our performance in these products with another strong quarter of double-digit growth.

The geographical expansion in the past year and focused marketing strategy in existing marketing territory is giving impetus to robust growth in crop protection chemicals, specialty nutrients and NPK fertilisers. We had done a pilot of our seed-to-harvest program earlier and we are very happy that there is good progress on this as we continued in this quarter. We addressed key kharif crops which include paddy, cotton, maize, oil seeds, and vegetables.

The thrust has been on improving our penetration and reach across our target markets through channel expansion, farmer demand generations, and widening of the product portfolio. This demand generation program, that is the seed-to-harvest program, will be continued through Rabi as well as widened in its geographical scope. We remain confident of our prospects going forward. Groundwater levels continue to be high as do acreages and this augurs well.

Our focus continues to be on leveraging our experience in the Agri-space and our strong relationship with the farmer to widen our product basket and enhance our value proposition. The Ammonium Nitrate project is progressing as per plan, commercial discussions are ongoing with international vendors of repute and the statutory approval process is on track. With that, we would be very happy to 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 Faisal Hawa from H.G Hawa & Company. Please go ahead.

Ladies and gentlemen, we have lost the line of Mr. Hawa. Let's move on to the next question, which is from the line of Surya Patra from PhillipCapital. Please go ahead.

**Surya Patra:** Thanks for this opportunity, sir. First question about the IMACID, how long that was shut for the quarter, sir?

**Gaurav Mathur:** Sorry, you are asking about the IMACID shutdown?

**Surya Patra:** Yes.

**Gaurav Mathur:** That was about 30–35-days annual shutdown, which they have.

And that is carried out once in two years, you know, in line with most companies, so that was done in that quarter.

**Surya Patra:** Okay. Fine, sir. And regards the subsidies levels that has gone up, sequentially let's say Rs. 5,500 odd crores. Can you give a sense, the split between the subsidy debtors that has gone up because of urea and how much because of the P&K?

**Gaurav Mathur:** Yes. I'll ask Anuj to give you the details on that. Anuj?

**Anuj Jain:** You see, urea is about Rs. 3,400 crores and P&K fertilisers is about Rs. 1,300 crores, so total is about Rs. 5,485 crores. So, urea is, it includes escalation. It is majorly on account of escalation which should get clear shortly.

**Surya Patra:** Sure. One more clarification that I wanted is for Gadepan III, the 80,000 ton of extra capacity, which has been allowed in the previous year, whether that is continuing even for this year, and it is a kind of ongoing kind of approval, or it is, that was only for the last year, sir?

**Gaurav Mathur:** So, there are two parts to it, Surya. Even earlier was a one-off approval. Our understanding and looking at what is happening in the global market is that these approvals will most likely be extended. However, having said that, we take a shutdown of our plants every two years. So, Gadepan- III will have a shutdown in March, which is part of the ongoing normal process.

**Surya Patra:** Okay. So that is already been done, taken then - the maintenance shutdown?

**Gaurav Mathur:** That will come up in March of 2023.

**Surya Patra:** Okay. Sure.

**Gaurav Mathur:** So, we continued to run the plant through March of 2022, based on the approval from the government and our normal once in two-year shutdown, will happen in March of 2023.

**Surya Patra:** Okay. And just from the margin front, one question, obviously we have seen a kind of sharp correction. This is also to some extent known that because of the sharp price and the input cost and obviously, which has been a pass-through, so that is why there is a major shrink in the margins that we are witnessing, sequentially as well as YOY, but who is the bigger culprit? So, let's say, gas is obviously one reason, but how much of the dent that we are witnessing at the margins level because of DAP procurement at elevated cost, sir?

**Abhay Baijal:** Yes, I'd just answer this question. See, margin that you are saying is basically a numerator denominator effect.

**Surya Patra:** Yes, correct.

**Abhay Baijal:** As you see, we have maintained our EBITDA levels or even PAT levels at the standalone level. The difference is coming because turnover has gone up due to sharp increase in prices. That is the major reason. I would say 90% of the reason is accounted for from that. Of course, yes, traded product margins have undergone decline, but that is not the reason for the major ratios that you are seeing in terms of the decline. That is because the turnover has gone to Rs. 7,200 Crores, profits and EBITDA remain more or less the same.

**Surya Patra:** Yes. So that is clearly visible, sir, but I just was trying to understand something, what is the impact because of the DAP volume rise on profitability? So if you can give some colour to that?

**Abhay Baijal:** See, the DAP volume rise is of the order of about 1.05 Lakh metric tons and the margins have shrunk to that extent that we are still, you can understand that because of the high input prices and kind of market conditions which prevail, there has been a substantial decline in the DAP margin.

**Surya Patra:** Okay. So, with this sharp correction in the Sulphur prices and the indications that ammonia is also likely to see a kind of similar, so given that, any clarity or colour that you can provide for let's say next quarter, sir, because here volume is also expected to be really stronger in the subsequent quarter.

**Gaurav Mathur:** Yes. So Surya, as I mentioned in my opening remarks, you know, we see a softening trend in the prices going forward from international suppliers and like you mentioned, Sulphur has gone down substantially, Ammonia, while it has gone down, it is steady and we have to see how it progresses going forward. As you can understand, there are many dynamics at play over

here, with obviously Russia and all coming into the picture, Right. But overall, like I said, we expect a softening on international prices going forward.

**Surya Patra:** Sure. If you allow just last one question. Let's say in fact, in the seed-to-harvest kind of initiative, obviously, we have seen some progress, but could you give some colour, what is the ultimate goal that we are trying to achieve this, through this initiative, and how successful so far we have been?

**Gaurav Mathur:** Yes. So, I'll ask Ashish Srivastava, our Vice President- Sales & Marketing to give you a view on the seed-to-harvest program.

**Ashish Srivastava:** Yes. Hi, Surya, this is Ashish here. So, what we did was, you know, we did a deep dive on the existing geography last year and looked at some certain districts where the market penetration was low. So those territories were identified and then we identified certain crops where we wanted, where the molecule fit was perfect to the penetration needed. So, on that basis, certain territories have been identified, certain foot soldiers have been put in place. So, each foot soldier is responsible for taking care of almost roughly 10 villages and in those 10 villages, each village would be, there would be 30 farmers who would be enrolled in this program. So, whatever is the need of that farmer right from seed to the harvest, whatever crop protection chemicals are required, whatever specialty nutrients are required that would be provided from Chambal's window. Now, as far as progress is concerned, you know, we did a pilot last year and a double-digit growth was seen in those markets. So, we expect similar things to replicate and in the territories identified so far.

**Surya Patra:** Whether this effort is currently breakeven, sir, at EBITDA level?

**Gaurav Mathur:** Yes. It is much better than breakeven. And that's why, if you see the numbers on our crop protection and specialty nutrient, which are there in the presentation, I think that would give you a sense. We have seen as mentioned in the presentation, 64% growth in our top line. So, you can well understand that not only the seed-to-harvest initiative, but you know, a very active portfolio management. I think the presentation also mentions the new products which have been added, launches, tying up with a channel. So, it's a very comprehensive approach of which seed-to-harvest is a key, key program, but there is an overall comprehensive approach, which is visible in the numbers.

**Surya Patra:** Sure. Thank you, sir. All the best.

**Moderator:** Thank you.

**Gaurav Mathur:** Thank you.

**Moderator:** A request to all the participants to limit their questions to three per participant. Should you have a follow up question, please re-join the queue. Thank you. The next question is from the line of Shalini Vasanta, from DSP Mutual Fund. Please go ahead.

**Vivek Ramakrishnan:** Hi, this is Vivek Ramakrishnan. I'll just have one question - In terms of gas availability, given all the international disturbances, do you see any problem going ahead, especially because there has been news item saying that there'll be some disruptions. Thank you.

**Gaurav Mathur:** Yes, very good question. So, while there was this news about a 10% cut, however, we have not seen any disruption. Our plants continue to operate at full capacity. And the way it works is that we have tied up with spot gas,

which is available. So, we have seen, and we do not foresee any disruption in the coming months also on availability of gas for our plants.

**Vivek Ramakrishnan:** Thank you, sir, and good luck.

**Gaurav Mathur:** Thank you.

**Moderator:** Thank you. The next question is from the line of Abhijit Akella from Kotak Securities. Please go ahead.

**Abhijit Akella:** Yes. Good morning and thank you so much. So just a couple of questions from my side. First one, I was just hoping to get your thoughts on this nano urea initiative being, you know, proposed by the government. They seem to have very big plans for it. Talking about replacing maybe 20 million tons of urea that's sold correctly in the country in coming years. So, I mean, how do you see this? Is this a realistic target? What are your thoughts about the product itself and whether Chambal would also consider getting into this space?

**Gaurav Mathur:** It's a very good question, Abhijit. So, I think the way I look at it is that it is early stages in the nano urea application. The result that we see, the way it works is that, you know, when you apply nutrient, whether it is urea or nano urea, especially when you apply nutrients in the soil, traditionally, some of it gets used up by the plant, some of it gets lost in through drainage, etc. and the concept of nano urea is that since it is sprayed, it will have a much higher nutrient use efficiency.

However, what we have to see, and this has to be seen across multiple seasons and multiple crops, is the overall impact of nano urea in reduction of the total urea consumption and obviously it is early days. So, we are monitoring it very closely and we are also conducting our own trials to understand this. We will see how it progresses and as and when we have a much firmer picture, maybe 6 to 9 months from now, then probably we'll be in a better position. The industry also will be in a better position to understand this. The farmer will be in a better position to understand it as it is used across multiple crop cycles.

**Abhijit Akella:** Okay. Sure. That's helpful, sir. Thank you. Also, just on the topic to understand, I mean, has such an intervention been tried anywhere else across the globe? And you know, if not, why not? And you know, I mean, how do you see, you know, why is India so different in terms of this product?

**Gaurav Mathur:** So, this nano urea has not been tried anywhere else in the world. Why it is being tried in India? Well, it's an innovation, right? So, if innovation, as you know, there is a big thrust in India on innovation nowadays. So, it probably is a part of that. And, you know, in other parts of the world, for example, in North America, they don't use urea so much, you know, they use ammonia, they use liquid ammonia, and they inject it into the soil directly.

In Europe, of course, urea is used, but that is granular urea, quite a lot of granular urea instead of prilled urea. So there are different climatic conditions, different agronomic requirements, and of course, the whole concept of innovation. So, that's where it is right now.

**Abhijit Akella:** Thank you, sir. That's really helpful. One last thing from my side. On the subsidy outlook, how do you see the rest of this year shaping up in the context of, you know, the heavy subsidy burden on the Government? People are talking about Rs. 2,50,000 Crores. So, I mean, do you, expect the flow of subsidies from the government to remain smooth, sir, across both the segments, urea and phosphates, over the rest of the year? Thanks a lot.

**Gaurav Mathur:** So, if we look at what has happened in the last two years, we see a positive stance from the government on subsidy allocation, as well as disbursement. If you go back two years ago, this government made a big allocation of almost Rs. 65,000 Crores in the month of November 2020, to clear the backlog of the industry. Last year also the original, if I remember my numbers correctly, the original subsidy amount for 21-22, was more around Rs. 80,000 crores. And then finally they increased it and it went up to almost Rs. 160,000 crores, right.

This year, while the original allocation was around Rs. 110,000 crores, the government, including, the honourable minister has made public statements as well as honourable Finance Minister has made public statements on increasing the subsidy allocation to, initially Rs. 225,000 crores or so, now they're talking of Rs. 250,000 crores. So, to us in the industry, that is an indication that the Government is cognizant of the fact that the subsidy needs to be provided by the Government, which passes onto the farmer and through the fertiliser companies and therefore we expect the subsidy flow to be positive.

**Abhijit Akella:** Thank you so much, sir. All the best.

**Gaurav Mathur:** Thank you.

**Moderator:** Thank you. The next question is from the line of Faisal Hawa from H.G. Hawa and Company. Please go ahead.

**Faisal Hawa:** You know, next expansions, once these capacities are almost near to the full capacity utilization and what is our capacity utilization at this point of time in all the units?

**Gaurav Mathur:** So, we operate the units at full capacity utilization. Now, the way the urea industry works is that there was something called the re-assessed capacity, which was for each plant and for, based on that, our older plants, which is Gadepan-I and Gadepan-II, actually operate close to 115% to 120% of the re-assessed capacity, which is also the maximum capacity of the plant. The new plant, which is Gadepan-III operates at its full capacity. So, all three plants, we operate at full capacity.

**Faisal Hawa:** Huge shortage of urea as it is in the country, and we are going to import most of the urea. So, will we be planning for further expansions also or we will get furthermore clarity on government policies?

**Gaurav Mathur:** So, Faisal, if you look at it, if you look at going back to Gadepan III, which was the first new urea plant, which Chambal put up in the country, if you'd start from there to all the plants that will come up, I think seven plants are coming up, right? So, you are adding in 7 x 13, close to 9 million tons of capacity, right? Earlier than that, the capacity was around 24 million tons. So, if you add that, we are talking of 32- 33 million tons of capacity, which comes very close to the total requirement of the country, right? Therefore, at this point in time, I do not see that there is need for further capacity addition in the urea industry.

**Faisal Hawa:** Are we looking at various means to, you know, cut down on our debt or, you know, be able to reduce it faster?

**Abhay Baijal:** Actually Faisal, point is that the debt is episodic, coming out of subsidy build-up and repayment and so on. So, if you see from last year to this year, there's been quite a bit of build-up purely because of the price inflation and commodities. As that, you know, cycles out, naturally the working capital debt will come down. As far as the long-term debt is concerned, that is getting paid according to schedule, almost a 100 million dollars a year.

So that is also declining considerably, and you can see what our ratios were two years down earlier and now what they are, I mean, we had sub-one debt-equity ratio. So, because of this year's high price inflation, we have had this kind of entry, but that is cycling out within two to three quarters as this subsidy gets fixed.

**Faisal Hawa:** Utilize large tracks of land or some commercial real estate, which would be very, you know, valuable at this point of time, which we can probably liquidate or have better uses for?

**Gaurav Mathur:** Faisal, we Chambal Fertilisers has its manufacturing site in Gadepan, which is where we operate. Other than that, we do not have any tracks of lands which we can liquidate.

**Moderator:** The next question is from the line of Falguni Dutta from Jet Age Securities Private Limited. Please go ahead.

**Falguni Dutta:** I just have one question, which is on the thought process of the company. Like, so now we have three segments, urea, P&K, and the crop protection part. So, what I understand is, we would continue to do the way we are doing in P&K that is to trade and cater to the market that way and then we have entered this new space. So, in urea, would we be keen to acquire some existing unit to expand? I mean, generally I just wanted to know the broad thought process of the company in these three segments.

**Gaurav Mathur:** Falguni, every company probably keeps evaluating options. So, I cannot make any specific comments from whether we are going to acquire any other urea company or not.

**Falguni Dutta:** Okay.

**Gaurav Mathur:** Right? So, company is still evaluating possible options and, you know, that's a normal process that goes on.

**Falguni Dutta:** And for the other two segments, we intend to not shift to manufacturing, right? Just to know, I mean, you may decide at a later point to do that, but the thought process as on date for the other two.

**Gaurav Mathur:** We actively look at all the options, right? So, these are ongoing evaluations, which we will be carrying out to see whether, what is the best way of sourcing the product; whether we continue with the trading model, whether we put our own plant and what kind of plant, so again, those are ongoing evaluations that we do, looking at both the pricing, the margins, security of supply, considerations.

**Falguni Dutta:** Okay, fine, sir. Thank you. That is all from my side.

**Gaurav Mathur:** Thank you.

**Moderator:** Thank you. The next question is from the line of Vidit Shah from IIFL Securities Limited. Please go ahead.

**Vidit Shah:** Hi. Thanks for taking my question. Just a few data points that I was seeking from you, the first one on the interest rate on the excess working capital debt that we take, what would be the average interest rate on that?

**Abhay Baijal:** See about five and half percent.

**Vidit Shah:** Okay, fine. Understood. Can you also share the Gadepan-III sales volumes for 1Q?



**Gaurav Mathur:** Yes. So, the Gadepan-III sale volume was approximately 3.5 lakh metric tons.

**Vidit Shah:** Okay. And this last data point on the energy cost for the quarter, what was that fixed at and what is it right now and what can we expect going forward?

**Gaurav Mathur:** So, the energy price was around 24.

**Anuj jain:** This time it is 24. The USD 24 per MMBTU.

**Gaurav Mathur:** Yes. So, it was US dollar 24, approximately that per MMBTU as a net calorific value and let's see what happens to it going forward.

**Vidit Shah:** Okay. So currently it's at 24 as well, right?

**Gaurav Mathur:** Yes. It's around the 24 mark.

**Vidit Shah:** Okay. Got it. And you've stated before that you are constantly evaluating, you know, growth options and opportunities, but, you know, are we close to anything likely anytime soon and you know, are we evaluating stuff only in India, outside India? What is the thought process there, again given this additional debt that we have taken, so we expect to see lesser cash balances to invest further?

**Gaurav Mathur:** See, as Abhay mentioned in response to an earlier question, the additional debt that we see is the working capital debt linked to the high subsidy because of the high prices and therefore, the ratio of subsidy to market realization going higher, right? And we expect that as the government has talked about making supplementary budget allocations, that this will start to, you know, hopefully come down by the end of the year. As regards any acquisitions, evaluations, again, that is not information which I can divulge this in investor call. And we continue to actively look at all possible options to grow. We did, we mentioned and announced Ammonium Nitrate project. And like I mentioned in my opening remarks that is progressing as per plan, other than that we continue to evaluate options.

**Vidit Shah:** Okay, understood, Fine. Thanks a lot for taking the call.

**Gaurav Mathur:** Thank you.

**Moderator:** Thank you. The next question is from the line of Vineet Agrawal from SKP Securities Limited. Please go ahead.

**Vineet Agrawal:** Good morning, sir. Thank you for this opportunity. Sir, I have one question on the energy consumption of all the three plants. Can you please, if it is possible to share with us, how much is the energy consumption for G1, G2 and G3?

**Gaurav Mathur:** Vineet, we don't have the numbers off hand, right? So yes, but I mean, we are obviously, because we are energy efficient, so we do operate below the energy norms that are applicable to our plants.

**Vineet Agrawal:** Okay, sir. And so, my next question is regarding this, the new development which is happening between China and Taiwan. This aggression of China continues and West imposes sanctions on China, so how do you see the business scenario so far as Indian fertiliser industry is concerned as well as Chambal in particular?

**Gaurav Mathur:** So, again, you know, Vineet, these are geopolitical questions, which is very difficult to answer and, in a sense, hypothetical questions on sanctions, what is the scope of the sanctions and so on. Even if you see in the case of Russia, while there are sanctions, but essential commodities like oil, gas, fertilisers are actually not under sanction. So, one cannot define what, A- what will happen in terms of the China-US-Taiwan situation. And B- when and what would be the context, etc.. So that would be a little bit of crystal ball gazing in my view to talk about these things.

**Moderator:** The next question is from the line of Aditya Harlalka from Citibank. Please go ahead.

**Aditya Harlalka:** Sir, my only question was that with the innovation in nano urea technology coming up, do we see any potential threats? If the innovation is successful in case of the industries like us, where we could continue to manufacture the synthetic urea going forward, like in a span of two years, three years of five years of time or can we kind of tweak our plants to manufacture nano urea instead of the synthetic urea that we do currently.

**Gaurav Mathur:** Thanks Aditya for that question. So, we do not see any threat on our urea business as a consequence of nano urea in the coming years. I mean, in response to an earlier question I'd mentioned that even with the new plants coming up, right, we may just about be equivalent to what the demand is or remain a few million tons lower because the demand will also grow maybe by 1 or 2%. And nano urea even if you see the public statements that have come out from various places, do not indicate that it is going to very substantially replace the conventional urea. So, in short, we do not see any threat.

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

**Rohan Gupta:** Yes. Hi, sir. Good morning and thanks for the opportunity. Sir, couple of questions. First is on this, you mentioned that on DAP and trading business, there is a pressure on margins in EBITDA per ton. However, on the other side, that there has been delayed subsidy payments from the Government. It means that our margins will further come under the pressure if we adjust it for interest cost. Do you see that in the current scenario it makes sense to do the trading with the kind of margin under pressure? What will be your strategy for this year? What kind of volume you are targeting? And it is only to keep it minimum to maintain your market share you'll be doing this business, or there is still will be some, profit element will be there?

**Gaurav Mathur:** Yes. So, Rohan, what happens is that it's a dynamic situation, right? So, we have a situation where prices in the international markets peaked. And now we see that there is softening already from the peak that was, that existed even two weeks ago, three weeks ago, to now there is softening that has happened. In terms of, we are not necessarily focused just to maintain market share for the sake of maintaining market share.

So, we take a logical view of the situation. We also look at what Government stance is in terms of subsidy, in terms of how they see the industry with the margins and so on and take decisions based on these number of factors. We are also, you know, cognizant of the fact that there is a requirement of fertiliser in the country for the farmers, for food security and the Government is looking at the big companies to partner with them, to, you know, also ensure adequate supply of fertiliser. Otherwise, it leads to other challenges in the Indian economy, Indian food production, and so on, right? So, we look at all these factors put together. We work closely, you know, to understand what's happening with the Government and so on, and then take a decision.

**Rohan Gupta:** Okay. Sir, second question is on our global ambition, and we have mentioned somewhere earlier that we can backward integrate our DAP business and can get into phos acid manufacturing globally. Any thought process on that front. Have you crystalized anything on in the capex plans or future strategies?

**Gaurav Mathur:** We haven't crystallized anything yet on putting up a phos acid plant, etc.. There are number of dimensions to anybody putting up a new phos acid plant. One is, obviously the financial feasibility. There are significant environmental aspects to be addressed because phos acid production generates a lot of gypsum as a by-product, you can say. So, as of now we don't have any specific concrete plans to put up a phos acid plant.

**Rohan Gupta:** Okay. And sir, the maintenance shutdown which you mentioned at a urea plant at the end of this year that will be only at the Gadepan III, or our entire plant is due for the maintenance and can affect the volume for the current year.

**Gaurav Mathur:** So, we actually carried out the shutdown of our Gadepan II plant in February of 2022, Gadepan I plant in March-April of '22 and therefore, both those plants are done. So those plants will not be shut, they will continue to operate. Their next shutdown will be due in March '24. Therefore, only Gadepan III will be having its bi-annual shutdown in March of '23.

**Moderator:** The next question is from the line of Surya Patra from PhillipCapital. Please go ahead.

**Surya Patra:** Did you mention about gas, about the question of non-availability of gas, so did you say that you were even looking for spot availability, gas availability of the spot rate and all that? If generally, we do get gas at the pool price, right, sir?

**Gaurav Mathur:** Yes. So, the way it works is that approximately 80% of our gas is on long term contracts and 15 - 20% tends to be on spot. Whatever gas is procured by any fertiliser companies, all goes into the pool and therefore, at the end of the year it becomes one pool price.

**Surya Patra:** Okay.

**Gaurav Mathur:** Right?

**Surya Patra:** So, in the interim period it could be anything, it could be upward?

**Gaurav Mathur:** It's pooled on a regular basis and, but the real squaring-up happens on an annualized basis.

**Abhay Baijal:** Let me explain, the pooling mechanism is a monthly procedure. Everybody takes in gas and that is pooled, and the final numbers are pronounced 45 days from the end of the month. So, it is an ongoing rolling process. There is and then, of course, final adjustments in terms of production and stock and this and that, whatever it is, that is done for the minor numbers that are there at the end of the year. But ongoing basis pooling keeps happening, pooling is a dynamic ongoing process.

**Surya Patra:** Okay, sure. Another question, sir, see, sometimes, it was believed that this IMACID is a kind of natural hedge against the kind of a rising input cost for us. So, now, how should one really build the profitability in the models for that IMACID?

**Abhay Baijal:** IMACID is an ongoing hedge. I would say that it is just this quarter they did not produce enough and sell enough.

**Surya Patra:** Okay.

**Abhay Baijal:** Depending on, of course, the quantum that they will produce in the next two or three quarters, which I think they will return back to normal, whatever the value addition in the chain in their side and we have participation to the extent of one third there, so that works and should continue to work, structurally there is no change.

**Surya Patra:** Okay. There is no change to the volume expectations or anything there at IMACID?

**Abhay Baijal:** No. Their budgets are their budgets, and they will maintain their budgets according to their production plans. I haven't heard anything to the contrary.

**Surya Patra:** Okay. Sure. And just on the last question, on the crop protection side, so what would be our ultimate goal? See why, because in terms of growth if we think, urea may not be a growth area for us, in terms of volume, let's say, trading is obviously one, but in that the focus area it seems with the kind of seed-to-harvest initiatives and all that, the focus, it seems that crop protection could be one real focus area and large part of our energy is going to be there, that side. So, sure if you can give some clarity about the portfolio that you're trying to build, the ultimate goal that you're trying to achieve, something on that front, or are you trying to really think about having a large manufacturing setup also, on that side?

**Gaurav Mathur:** Yes, so I think if you look at the, and we shared the top line numbers for the last financial year, and if you look at the numbers this year, so you can see that even last year we grew very significantly and we continue to do so this year. So, at a broad level, if I take last year as a base, we are looking to may be grow that business in the range of three times of what it was in the last financial year over the next 3-4 years, right?

And therefore, like you rightly mentioned, there's a strong focus and a lot of energy going in that. As I said earlier, we have a very, very clear strategic approach where we have looked at in great detail what is our channel penetration. How can we leverage Chambal's channel strength and use the fertiliser channel better to penetrate the market, that's on the channel side, and we are creating very strong links with the dealer network, etc.

On the supply chain side, we continue to work very closely with a number of supplier companies, both at the tactical and strategic level. So that is the supply side. Then the front-end side, we carried out a thorough exercise on looking at our product portfolio across the key crops and now have a very robust product portfolio, which has at least, in most cases, 2-3 products for each crop for different whether it's weedicide, fungicide or insecticide.

We have taken very active steps to train our field force. And, you know, as we are growing very rapidly, the whole, you know, the sales, the selling and so on, both in terms of selling, skills, technical skills and so on, we are adding a lot of, we added substantial number of people for field demonstrations to work with farmers, with what Ashish mentioned earlier. And so we are basically taking steps in all these verticals across the value chain in a strategic way with the ambition of may be tripling the business in the next 3-4 years.

**Surya Patra:** Sure, sir. Just if you can add something, your initiative in the non-core regions, let's say down south or something like that, and what are the kind of progress and success that so far that you have seen?

**Gaurav Mathur:** Can you repeat your question, I couldn't understand it.

**Abhay Baijal:** Want to know how it would progress?

**Surya Patra:** On the down south, in terms of your focus to achieve the pan India presence beyond from your core regions.

**Gaurav Mathur:** Right. Okay. You're talking of the geographical expansion which we undertaken. We are actually making good progress on that, you know, and of course, we started last year and this year, which are two very tumultuous years in the fertiliser industry globally, in India, everywhere because of what's happened in, globally, both in terms of demand last year, and this year, the disruptions because of Russia.

So, taking that into consideration, we are making very good progress. We have sold whatever plans we had for our fertiliser, bulk fertiliser sales. We have started sales of our crop protection, specialty nutrient business. So, you know, those will remain our, continue to be focus areas for us going forward.

**Surya Patra:** Ok sir. Wish you all the best.

**Gaurav Mathur:** Thank You.

**Moderator:** The next question is from the line of Himanshu Binani from Prabhudas Lilladhar. Please go ahead.

**Himanshu Binani:** So, thank you for taking my question. So, sir, my first question was largely on the inventory side. So can you please give it a sense on how has been the inventory position at the end of 1Q for our company as well as for the industry? Any, any broader sense would do?

**Gaurav Mathur:** Anuj, can you give a sense of that, please? You see one, in terms of the industry, we don't have the information. Earlier there was a situation where the FMS of the government was available to everybody where everybody could see the data that is no longer visible to any company. So there is no visibility of the inventory across the industry as such. So we would not like to hazard a guess on that, in terms of our inventory, Anuj you can probably provide.

**Anuj Jain:** I don't have readily available.

**Gaurav Mathur:** We'll just provide it shortly, trying to dig that out.

**Himanshu Binani:** Sure, sir. And the second question was pertaining to this inventory only. So, is there any sort of inventory gain component into EBITDA numbers basically as compared to March and June quarter?

**Gaurav Mathur:** It is a, it is almost negligible for us.

**Himanshu Binani:** Okay. And, sir, the third question was regarding to the crop protection business. So what I can see is a 64% sort of growth during this quarter, so just wanted to have a sense on the price and the volume breakup basically on this segment.

**Gaurav Mathur:** So if you see we've got a growth of 64% and a very significant part of that, more than two thirds of that is volume driven. So it is not just a price led growth. It is a very good question you asked, Himanshu, because we also monitor it closely that our growth should not simply come through price increase, but also that we're actually growing our volumes. So significant part of our growth more than two thirds is through volume growth.

**Himanshu Binani:** Okay. And, sir, the last question basically from my side is number one, sir, we are saying that we want to grow our crop protection business to 3x over the next three to four years as compared to FY'22 base. So pertaining to that, what different are we doing, number one, in terms of the crop protection business?

And secondly, what we see is that the other cooperative bodies in the fertiliser space, they are also entering into the crop protection segment. So, what different in terms of the products, as well as the distribution, what we are doing different basically so that we are able to guide this sort of guidance basically for the four years.

**Gaurav Mathur:** So first of all, Himanshu, I just outlined in my previous response or the one to previous to that that we have a comprehensive strategy, which straggles the entire value chain of the crop protection business, starting from supplier to product to customer, farmer, demand generation, dealer, etc.. So it's a comprehensive strategy on that.

The second thing, you know, which differentiates Chambal from your mentioned cooperative players, is that we have a very strong brand, right, one. Second, our decision making processes, our speed in the market, all of those are significantly, I would say, different from if you would take cooperatives. And of course, our team, our team is a very strong team. All our folks are strong agriculture background folks, have worked for many, many years in the market.

And the last bit is that we have now committed to, may be which I didn't mention earlier is that we are now significantly committed to demand generation through various marketing initiatives, right? Whether it is, the seed-to-harvest program, whether it is launching of new products. So if you look at an overall strategy and then super-impose on that, Chambal's inherent strengths, our huge reach, network, brand, financial strength, that's what gives us the edge, which we see demonstrated in the market over the last one, one and a half years, that the strong growth we get.

**Himanshu Binani:** Right sir. Thank you, sir.

**Gaurav Mathur:** Thank you.

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

**Nikhil Rungta:** Yes. Hi, sir. Thanks for the opportunity. Sir, just one question from my side in our JV IMACID basically what's the capacity there and since last year in couple of quarters, we operated at almost full utilization level. What are the capex plans we have for IMACID?

**Gaurav Mathur:** So, the capacity in IMACID is close to 5 Lakh tons. And, as of now there is no immediate capacity expansion plan. We continue to look at it in the JV, with the JV partners, but there is no immediate expansion plan right now.

**Nikhil Rungta:** Okay sir. And any plans on, any investment in Morocco itself, which we are planning as part of our long-term investment?

**Gaurav Mathur:** Well, we keep evaluating it and as and when anything fructifies or whatever, then we let you know for sure.

**Nikhil Rungta:** Sure, sir. That's all from my side. Thank you and all the best.

**Gaurav Mathur:** Thank you.

**Moderator:** Thank you. The next question is from the line of Saket Saurabh, an individual investor. Please go ahead.

**Saket Saurabh:** Thanks for the opportunity. So, a very basic manner question. So, when we talk about say DAP, which was primarily responsible for top line increase, but at the same time margin dilution, so I think one of the opening remarks was that the pricing of DAP or say sulphuric acid or even ammonia is coming down. So, does that mean, say Q2 onward it could also lower our realization and in case we are carrying, say high price or high-cost inventory, will it further dilute our margins or if you can help us with this?

**Gaurav Mathur:** See, we are operating in the market and because of the dynamic situation, I think it is difficult for us to say whether there will be further dilution in the margin or vice versa, because it's a very dynamic situation. Like I said, we are seeing the softening of international prices, so let's see what happens, Saket. It's a very, very, very dynamic situation. It keeps changing every few weeks.

**Saket Saurabh:** Thank You. That's all.

**Gaurav Mathur:** Thank you Saket.

**Moderator:** Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments.

**Gaurav Mathur:** Thank you everybody for joining this call and for your very insightful questions. I wish all of you all the best on behalf of Chambal Fertilisers and have a good day. Bye-bye.

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