



CHAMBAL FERTILISERS AND CHEMICALS LIMITED

February 13, 2023

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 February 03, 2023 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 08, 2023, on the financial results of the Company for the quarter and nine months ended December 31, 2022. 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

Rajveer Singh

Vice President - Legal & Secretary

Encl.: a/a



CHAMBAL FERTILISERS AND CHEMICALS LIMITED

Chambal Fertilisers and Chemicals Limited Quarter 3 and 9 Months of Financial Year 2023 Earnings Conference Call Transcript February 08, 2023

Moderator: Ladies and gentlemen, good day and welcome to Chambal Fertilisers and Chemicals Limited Q3 FY23 & Nine Months FY23 Earnings Conference Call.

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 this conference call, please signal an operator by pressing '*' then '0' on your touchtone 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' Q3 & Nine Months FY23 Earnings Call.

We have with us today, Mr. Gaurav Mathur– Managing Director; Mr. Rajveer Singh, Vice President-Legal & Company Secretary; Mr. Anand Agarwal – CFO; Mr. Ashish Srivastava, Vice President-Sales & Marketing and Mr. Anuj Jain – Assistant Vice President - Finance.

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 the call with Opening Remarks from Mr. Mathur. I would now like to invite Mr. Mathur to share his Views. Over to you, sir.

Gaurav Mathur: Thank you, Rishab. Good day and a warm welcome to all of you participating in this call.

We have already shared the presentation on financial performance of the Company which I hope you would have gone through.

Overall, we are happy with the performance of our Urea plants, where we have achieved better efficiency in operations.

The Crop Protection Chemicals and Specialty Nutrients business continue to do well, and we have a lot of confidence to continue the journey of growth as we go ahead.

We have substantially increased the sales volumes of DAP and NPK fertilisers with encouraging performance in the new geographies. However, the high prices of DAP and NPK fertilizers had impacted the profitability. As we look ahead, there is a declining trend in commodity prices including prices of DAP, NPK and MOP fertilisers and also natural gas. This augurs well for the Company as it will not only give stability

to a P&K fertilizer segment but will also help in substantial reduction of working capital requirements of the Company. Moreover, the timely release of subsidy by the Government of India is another positive factor and we hope that this trend will continue as we have seen for the past few years.

We are also happy with the execution of our "Seed To Harvest Program", which continues to provide desired momentum to our growth plans, especially in Crop Protection Chemicals and Specialty Nutrients, where we are directly engaged with a large number of farmers, and we are continuously increasing this program as we progress.

I would also like to share that in Corporate Social Responsibility, which has always been a high priority for the Company, we have made focused interventions in different areas to make a perceptible positive change in the lives of the community at large, and especially the community around our site in Gadepan. The highlights of our efforts on this front are also provided in the presentation. Our intervention in the area of education has received accolades over the years from the Government and Non-Government organizations.

Further, health, safety and environment is another non-financial indicator, which remained the focus area for the Company. We continue to benchmark ourselves with best industry standards and strive to achieve better performance on continuous basis.

With that, I would be happy to take your suggestions along with my team. Thank you.

- Moderator:** We will now begin the question-and-answer session. The first question is from the line of Tarang Agarwal from Old Bridge Capital. Please go ahead.
- Tarang Agarwal:** Three questions from my side. On the CPC business, if I look at your nine months FY23 performance, it's noteworthy. Just wanted to check, are we EBITDA-positive in this business or not?
- Gaurav Mathur:** Absolutely. We have a very reasonably good EBITDA on this business. As a Company, we are very clear that as we grow, we will have profitable growth and we would not like to just grow the top line, but we would like to have profitable growth.
- Tarang Agarwal:** The second is the Rs.237 crore write-off that was taken as a prudent measure in Q2, any update on that?
- Gaurav Mathur:** There is no update on that as yet. We continue to work with the industry association, FAI, with the Government. But, as of now, there is no specific update.
- Tarang Agarwal:** What's happening in IMACID, the contribution has been considerably low for nine months. I understand that acid prices have come off significantly?
- Anand Agarwal:** There were two things which happened in the current quarter. One was that the prices of the phosphate reduced substantially in Q3. And second was that our sale quantity has been very high in particularly Q3. And third point was that the rock prices have not fallen commensurate with the finished goods prices. So, these were the three reasons. And one more point is there that they adjust the rock prices post the quarter. So, some adjustments for the previous quarters are also taken into account in this quarter.
- Tarang Agarwal:** So, when you say, they adjust the rock prices post the quarter, if you could explain a little more?

Anand Agarwal: Not really. I think we should see going forward the differences will reduce say in the next few quarters.

Tarang Agarwal: So, for instance, if rock phosphate prices have gone down during the quarter, right, would we see the impact of that at the end of the current quarter, and similarly, if rock phosphate prices were to go up, we would see the impact of that at the end of the quarter? So, in a downward trend, we lose but in an upward trend, we benefit. Is that how it works?

Anand Agarwal: Yes, that is true. But, we have to see how the market dynamic work on the raw material prices and the finished goods prices going forward.

Tarang Agarwal: What's the working capital cost of debt right now for Chambal?

Anand Agarwal: So, for the working capital, it will be somewhere around 7.25% to 7.50%.

Moderator: The next question is from the line of Akshat Mehta from Sameeksha Capital. Please go ahead.

Akshat Mehta: A couple of questions. One is about the Nano fertilisers. I think you expect it to be the game changer for the industry. I just wanted to understand what according to you what kind of numbers of size or demand that you see going forward? And how will that scale up over the next few years. If you can give any color on that?

Gaurav Mathur: Thanks, Akshat. There has been a lot of news on Nano. So, we are doing trials with Nano fertilisers ourselves, as well as, we are getting input from what's happening in the market. What I would say is that being the first sort of year, it's very early days. And so, I think we will need to see the whole cycle across a few cropping seasons to come to a full conclusion as to the potential of Nano and the impact it would have on the conventional fertiliser. So, it is still quite early days actually. So, it would not be fair for me to comment on this.

Akshat Mehta: I think we're still testing out one bottle of this Nano fertilizer, may replace one bag of bulk fertilizer that we are currently selling, that theory is still being tested out? If you can throw some light.

Gaurav Mathur: Those are the trials that are ongoing in the market, and I'm sure that the companies who have brought forth this Nano would be in a better place. Like I said, we are doing trials, but we want to make sure that we gather reasonable data. So, we are doing trials over a few cropping seasons to make sure that we understand what is being promised.

Akshat Mehta: Secondly, on the traded fertilisers. How do you determine the margin on the fertilisers, is there a fixed margin, be it the purchase cost that we do or only based on what your domestic market prices in the country and whatever is left out from a purchase price will be the margin?

Gaurav Mathur: Your voice is a bit muffled. You are talking about margin of what?

Akshat Mehta: Sir, I was talking about margins on traded fertilisers. So, I just wanted to understand, how do you determine the margin, is there a fixed margin which is charged on the purchase cost of this fertilizer or the margin is purely determined based on the purchase cost and the domestic price of the fertilizers that you sell at?

Gaurav Mathur: There is no fixed margin. It is determined by the purchase price, the market realization, the subsidy, and other costs incurred in the process, whether it be handling cost, interest costs, and so on. So, it's not a fixed margin, it is variable.

Akshat Mehta: Is there a kind of normalized situation number or a sustainable number that you can generally achieve, like 5% 10% margins, I don't know, is there some kind of a number that you can share?

Gaurav Mathur: No, we don't share specific margin data as such, but the Government has a cap, that's all I can tell you. They have a cap of 12% return on cost of goods sold. It is unusual for companies to normally reach that cap. And of course, again it will depend year-on-year. Right now we're seeing too sort of second year of turbulence. Hopefully, in the next few years, things will stabilize.

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

Vidit Shah: Just wanted to understand a bit more on the finance cost line that we have. We've seen your costs go up versus Q2, but both working capital and subsidy levels are coming down. So, what's the reason behind this sequential increase in finance cost?

Anand Agarwal: What has happened is that the subsidy payments started post-October, and still for the quarter, it was the highest compared to earlier quarters, so the finance costs were higher on that count. And second, due to increase in the interest rates also, there was some kind of hit. And we see that now in the last three months, we have received substantial subsidy, so that should start coming down.

Vidit Shah: We've seen a very healthy improvement in EBITDA levels YoY whereas Urea volumes are in fact 2% down versus last year. While you don't disclose margins, I understand, but is this growth driven by the DAP or the trading business or is it driven by better efficiencies in the Urea business?

Gaurav Mathur: Well, it is largely driven by better efficiencies in the Urea business. We had implemented energy efficiency projects in our plants and that have shown the results this year. And that's something that we will keep doing going forward to keep on improving the energy efficiency of our plants, which is good financially as well as good from ESG perspective also.

Vidit Shah: So, is there any CAPEX that you have in mind for this energy efficiency improvement initiatives going forward?

Gaurav Mathur: Yes, we keep investing on an ongoing basis, Vidit. So, normally, we are constantly on the lookout, and we keep exploring energy efficiency projects. So, we keep investing capital in the range of Rs.200 crore to Rs.400 crore almost every year on energy efficiency, as well as other capital projects to replace old assets, health, safety and environmental-related and so on.

Vidit Shah: Any further discussions or have discussions moved forward in terms of other CAPEX initiatives other than the technical ammonium nitrate project?

Gaurav Mathur: Not as yet. Once we have something, we will definitely share it with all of you.

Vidit Shah: What's the timeline in which do you expect to move to the new tax regime where tax rates could come down? How much old losses or MAT credit do you have outstanding?

Anand Agarwal: We hope to change in a couple of years.

Vidit Shah: So, like by FY'26, do we assume you would have probably moved to the new tax regime?

Anand Agarwal: Yes, somewhere around I think next to next year or year after that.

Moderator: The next question is from the line of Harmish Desai from PhillipCapital. Please go ahead.

Harmish Desai: Sir, in the second quarter, we had this one-time loss on the realization of DAP, and you mentioned that we could get this overturned. So, is that something that has taken place or can we stop expecting that to happen?

Gaurav Mathur: As I mentioned earlier, we are working with the Fertilisers Association of India and the matter continues to be in discussion with the Department of Fertilisers. As of now, we don't have any specific update on that, but we do continue to pursue it by us and collectively through FAI.

Harmish Desai: On this IMACID performance in the entire nine months that we have seen, it has been impacted because of lot of reasons in Q1, Q2, Q3. So, what can we expect from the performance going in FY'24? I understand there were issues with RM pricing and all that. But what can we expect from IMACID from Q4 & FY'24?

Gaurav Mathur: Let me answer this in two parts. One is that, given the volatile situation which still sort of persists, right, the whole conflict situation is still there, etc., it's difficult to predict anything right now on this area. Second is that, overall, if you look at IMACID performance, we have to bear in mind that previous year was a bit of an exceptional year because of exceptional circumstances. So, we need to sort of see what is the normal situation. So, we may be closer to normal now than in last year.

Harmish Desai: In the Non-Urea segment, we know that in the crop protection segment, we do not have any assets. What is our plan from this segment in FY'24? Do we plan to have any kind of CAPEX and introduction of new technicals in this particular segment?

Gaurav Mathur: You're talking of a manufacturing facility in crop protection, etc., We continue to evaluate that, right. And obviously, if you look at CPC assets, there is technical manufacturer, there is formulation manufacturer and so on. We continue to evaluate it, and as of now, we don't have any concrete plans to acquire or build any assets right now. We have a business model, which seems to be working fine and is giving us a strong top line growth profitably. So, no specific plans right now.

Harmish Desai: But, sir, do we have any plans in terms of targeting some amount of CAPEX for registration of off-patent molecules?

Gaurav Mathur: But, for that, we need a manufacturing facility. We can't register off-patent molecules without having a manufacturing facility. But we keep exploring various options in this area as we are now growing in size and there are opportunities in various forms.

Harmish Desai: Sir, my last question, We have Urea business and we have Non-Urea business. What can be the margin profile in the nine months that we have seen the bifurcation between Urea and Non-Urea?

Gaurav Mathur: We don't really normally share that. These are very, very unusual years. So, these are not also representative of a stable situation.

Moderator: The next question is from the line of Prashant Biyani from Elara Capital. Please go ahead.

Prashant Biyani: So, what would be the breakup of urea production from G1, G2, G3 for Quarter 3?

Gaurav Mathur: G1 plus G2 was 5.35 lakh MT and from G3 was 3.46 lakh MT.

Prashant Biyani: Sir, would we be taking any maintenance shutdown in this quarter?

Gaurav Mathur: Yes, in Q4 this year. We have completed two years operation of Gadepan-III and we'll be taking a shutdown in March.

Moderator: The next question is from the line of Dhruv Muchhal from HDFC Mutual Fund. Please go ahead.

Dhruv Muchhal: Sir, a question on the non-urea business. Now, if I understand correctly, the government did not cut the subsidy amount significantly, and the input prices are falling, and your volumes have also increased. So, based on my rough calculation, it seems we should have benefited decently for the Non-Urea business in this quarter. But it seems that's not fully reflected. So, is it because we had the higher cost inventory or probably my understanding is wrong, if you can probably help?

Gaurav Mathur: See, normally if you see, this quarter is a key consumption quarter for Rabi and a reasonable amount of quantity arrives by the end of September or early October which has been contracted earlier. So, what you said is right. When you look at the weighted average cost of goods, it does result in some positive movement, but not an exceptional gain.

Dhruv Muchhal: So, it is because you had already contracted the sale price of the input prices in the earlier quarter at higher prices probably because of the situation and hence the full benefit is not getting reflected. Is that a fair understanding?

Gaurav Mathur: There's a lead time of 30-45 days. Therefore, if you have to supply material in the peak Rabi season in October and November, we have to do the contracting in September and August. So, the prices were still a little bit on the high side and then they started to fall. And these are also linked to what's happening in the global situation in terms of Brazil, China and the US, etc.,

Dhruv Muchhal: Now, the global market is somewhat stabilizing, and the prices have also started falling. I just wanted to understand, do you think the traded volumes will start increasing given the availability is improving? And also, wanted to get some sense on the domestic inventory or the supply situation? For the last two years, we were seeing that market was extremely tight. So, do you think some relaxation can happen in the next two years from a market perspective and how does that dynamics play out?

Gaurav Mathur: Sorry, what was the first part of your question?

Dhruv Muchhal: So, broadly, the import prices have started to decline and there is some stability in the pricing. So, do you think the traded volume for us can increase now because there is more visibility to our trading now?

Gaurav Mathur: Look, if I go back a year, we had started to see the same sort of trend one year ago also and then things again changed. So, while we have seen a positive trend of decline of international prices, let us wait and see what happens over the next few months, that's one. Second is that in terms of the overall volume for the country, the

change would not be very significant, because along with the Department of Fertilisers and all the companies put together, we ensure that adequate quantity of fertilizer was available. As regards Chambal, depending on what the international procurement prices, what the announcement of subsidy from the Government is, we will then plan our volumes accordingly.

Dhruv Muchhal: You mentioned there is a cap of about 12% on cost of goods sold for the Non-Urea fertilizers, if I'm not wrong. So, that cap for you then reflects basically the imported cost of purchase of these DAP and NPKs. Is that correct?

Gaurav Mathur: Yes, the 12% is based on the import price. There is a certain formula that the Government uses. So, they base at 12%, but it is essentially linked currently to the CFR price plus import duty.

Dhruv Muchhal: Margin of 12% is maximum that you're allowed?

Gaurav Mathur: That's right, that's the ceiling.

Moderator: The next follow-up question is from the line of Prashant Biyani from Elara Capital. Please go ahead.

Prashant Biyani: Sorry, my line got disconnected. Sir, this G3 maintenance shutdown will be there for a month?

Gaurav Mathur: Yes, it is close to a month.

Prashant Biyani: Sir, in that case, in January and February, can we produce beyond 100% or whatever is the mandated limit by the government to compensate for the March production?

Gaurav Mathur: Actually, we run our plants at the full capacities. We don't reduce the output from the plant.

Prashant Biyani: So, this 12,70,000, which is the production limit, if I'm not wrong, then, is that achievable in the 11-months was broadly what I wanted to ask?

Gaurav Mathur: Once we achieve that, we will take the shutdown only thereafter, and we hope to achieve that in the first week of March.

Prashant Biyani: Sir, what would be the closing inventory for Urea for us at the end of Q3?

Gaurav Mathur: Around 24,000 tons.

Prashant Biyani: Sir, what would be the pool gas price for Q3 and current gas prices?

Anuj Jain: It is \$23.22 per MMBtu for Q3 NCV basis.

Prashant Biyani: And current price is?

Anuj Jain: In December, final price was \$20.5 per MMBtu on NCV basis. So, January is only provisional price.

Prashant Biyani: How are the current ammonia realizations?

Gaurav Mathur: The ammonia realization margin is consistently reasonably good in the range of 15% to 20% .

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

Resham Jain: So, just on the capital allocation part, which I'm asking every time, I think you have announced one CAPEX on TAN. But beyond that, how are you planning to allocate such a large cash pool because it will take another 2-3 years' time to whatever large projects, you will commission, so, it seems a lot of delay. I don't know what is happening on that side, if you can just explain this, because this has been a general investor concern on how are you planning to deploy substantial cash flows, which you are going to generate?

Gaurav Mathur: Thank you, Resham. So, yes, we are going ahead with the ammonium nitrate project and we continue to explore further opportunities. As and when, we come up with something, we will definitely let the investor community know. We just want to be mindful that what we do is aligned with the Company's goals and focus and we continue to work in that direction.

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

Falguni Datta: Sir, is it possible to share the profits in NPK trading. Would they be flat on an absolute basis YoY in Q3?

Gaurav Mathur: We don't comment on that as such. Yes, the volumes and the situations were quite different last year compared to this year.

Falguni Datta: Just wanted to know given that we have done quite good volumes, so, would it be fair to assume that they were flat if not fallen?

Gaurav Mathur: The margins were under higher pressure this year because of the procurement prices going so high, and the fact that as an industry along with the DoF, we want to provide fertilizer to the farmers at a reasonable price. So, the margins are under greater pressure compared to last year.

Falguni Datta: I just missed your comment. So, if we have to supply DAP and NPK for Rabi season, when do we need to import, which month?

Gaurav Mathur: We start to contract from August onwards for Rabi season and then that continues till October or so. August, September, October would be the main months for contracting for Rabi Season. Product goes into the soil largely till the middle of December or at best the third week of December. So, idea is to get bulk of the product by then, so it gets sold and it gets used by the farmers.

Falguni Datta: How would be the fertilizer inventory situation in the country as of now?

Gaurav Mathur: Well, now, as companies, we are not privy to the overall inventory data. Earlier, the data was available, but I think the department has now stopped access of that. But our understanding and discussion with the department is that the inventory situation is quite reasonable.

Falguni Datta: Meaning, it's managed, it's neither high nor low?

Gaurav Mathur: Yes, it's quite reasonable. That's what our understanding is.

Moderator: The next question is from the line of Shreeya Shah from ICICI Prudential Asset Management. Please go ahead.

Shreeya Shah: My question is regarding energy efficiency. As of now, as compared to other companies, its quite energy efficient. How much further can we expect it to be efficient?

Gaurav Mathur: Are you asking about energy efficiency?

Shreeya Shah: Yes

Gaurav Mathur: One is absolute energy efficiency, and also the other is that if you're investing, are you getting a reasonable payback. So, as of now, we consider any project which gives us a payback of around four years, then we would implement that energy efficiency project, right? Then this is also a function of the gas price and so on and so forth. So, while there is a number that a plant can reach, but it also depends on the kind of payback. So, we look at all of that and then decide to invest. What I can say to you is that overall Chambal, if you take overall industry average, is significantly better in energy efficiency than the overall industry average.

Shreeya Shah: How much further can we expect to improve, because you're already better off than the others?

Gaurav Mathur: Well, it's difficult to answer that, Shreeya, because it depends on a number of circumstances, there is an absolute level, but it depends on a whole host of other circumstances.

Moderator: Next question is from the line of Aman Madrecha from Augmenta Research. Please go ahead.

Aman Madrecha: Sir, can you please highlight how the prices in the market of ammonia is behaving globally?

Gaurav Mathur: As of now, we are seeing a downward trend for the last one and a half to two months. As you might understand that ammonia is also linked to gas and gas has high usage in the winters in Europe for heating and so on and so forth. Also, obviously, ammonia goes as a raw material in a number of chemicals large part in fertilizer and so on. So, right now we're seeing a downward trend. Again, whether that will continue, how low that will reach, will probably emerge in the next few weeks. As you know, the whole new sort of year evolves, and will also depend on what happens in terms of the geopolitical situation across the world.

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

Himanshu Binani: So, sir, I have two questions. #1, it is on the NPS rates. What we understand is that the RM prices are falling, so it is very likely that the Government would be revising downward the NBS rates for FY'24. So, the question now is, if at all this happens on a retrospective from 1st January onwards, so how does one should actually look into the margin profile. Maybe we can expect some sort of like one-offs in the Q1 '24 numbers, so can you please help us with this?

Gaurav Mathur: You are right. The Government had announced the NBS rates, and normally, in any case, they announce fresh rates from the 1st of April. What we understand is that they will start to do this calculation from the middle of March. They look at the prices for the last six months and then basis that, they do the calculation and declare a rate

for the next six months. As regards, whether that will have an impact, etc., we're still in sort of early February, it will also depend on what kind of prices happen in February and March. We have seen a decline in prices, especially, let's say in January, but the decline was less till then. So, it again depends on how the prices move in February and March. There is also a discussion happening with the Government on how to treat the existing stock which the industry has, and whether the existing rates should apply on that or not. So, there's a lot of discussion that the fertiliser industry is having with the department to streamline the subsidy process.

Himanshu Binani: So, just to add on that basically, if I actually work out with a spot pricing in terms of the RM as well as on the subsidy and the MRPs, so the industry is actually making very decent sort of margins in the current juncture. So, the question is largely that will the Government allow the industry to make profits?

Gaurav Mathur: But understand, this may be a situation at a point in time. But when the Government looks at one full year's data, so when they look at the reasonability, they look at the full annual data, and they calculate the return on cost of goods sold on an annualized basis.

Himanshu Binani: So, the second question was largely on the book-keeping side. So, just wanted to have an understanding on the excess ammonia which we have been generating from the Urea process. So, how do we account that on our books basically?

Gaurav Mathur: It's not very complicated. We sell that and that's revenue. There is a formula or a policy that the Government has, what we have as excess ammonia is called 'Technical Excess Ammonia', which means, it is generated because of the inherent design of the plant. And when that happens, the government takes certain Percentage, 35% of the profit Government takes, the 65% the company keeps. So, it's quite straightforward in that sense.

Himanshu Binani: And that is accounted into the Urea revenues only?

Gaurav Mathur: Yes.

Moderator: The next question is from Ranjit from IIFL Securities. Please go ahead.

Ranjit : So, during the quarter, there was this change in policy from the Government of India rather encouraging the companies to get into a more long-term price contracts for the gas sourcing. So, just wanted your thoughts, how should one view, is this material enough or would it change the way we had in accounting for gas sources?

Gaurav Mathur: Currently, for a large proportion of our gas, we have long-term contract, which expire in 2028, and very relatively small percentages on a spot basis. Here again, I think, between the industry and the Government, there has been close working to minimize the cost of spot gas. The Government has also formed a small committee to look into medium and long term contracts for bridging the gap which exists currently between long-term contracts of the company and what is required currently in the short-term. Yes, I think, overall, the Government wants gas to be purchased at the lowest possible cost. It is situation-dependent, what proportion should be long-term, what proportion should be short-term, but in general, we want a significant proportion in long-term contracts, and we also have some mid-term contracts. If we find an advantageous situation, we've also taken the opportunity to enter into one year and two-year contracts.

Ranjit: But you also kind of highlighted about the ability was earlier with the government to pay the higher costs, which will now get transferred to the companies, so how should one view that?

Gaurav Mathur: Sorry, voice was a little unclear. Can you repeat the question please?

Ranjit : So, these long-term contracts would be a take or pay, and to that extent, it also brings a bit of liability, which was earlier borne by the Government, which is now getting transferred to the companies.

Gaurav Mathur: The long-term contracts have take or pay, but that's not really an issue if that is your question.

Moderator: The next question is from the line of Tarang Agarwal from Old Bridge Capital. Please go ahead.

Tarang Agarwal: Two questions. The first one is on the trading business. Do we run any NRV risk, should the Government decide to push down the subsidy prices?

Anand Agarwal: Yes, if the subsidies revised downwards, whatever closing stock we do have, we have the NRV risk.

Gaurav Mathur: At the same time, like I mentioned, fertiliser association is in discussion with the government to apply the existing subsidy on the stock that is available with each company which you carry in your books at the end of the quarter.

Tarang Agarwal: How much would that be by volume approximately?

Gaurav Mathur: It is difficult to state the number at this point in time because the sale is still going on. So, if it moves out and the farmer picks it up, then it is no longer in stock. So, it is a little difficult to state what would be the number.

Tarang Agarwal: Any ballpark estimate?

Gaurav Mathur: It's quite difficult, because it depends not only on us, it depends on the stocks and movement of other companies have and so on.

Tarang Agarwal: The second question is on Crop Protection. Just to get a sense on the business a bit better, how is our portfolio of things here, are we pervasive across all pesticides, fungicides, herbicides, insecticides? Are we pervasive across cotton, corn, rice, just some flavor on this would be helpful? Are there any special registrations that we have, which are probably not yet in the market in terms of the other peers and that's why we're getting traction on them?

Gaurav Mathur: That's a really excellent question. I'll ask Ashish, our Vice President - Sales & Marketing to answer that.

Ashish Srivastava: Tarang, as you rightly asked for, whatever crops are there in our operating geographies, each and every insect, pest, fungus, we covered in our portfolio. In fact, in some cases, we have multiple solutions offering to the trade for some of the insecticides and fungicides. So, the portfolio is broadly covering the entire crop cycle of insect, pest and fungus.

Tarang Agarwal: Traction in the December quarter has also been quite nice. So, would it therefore be safe to presume that you have offerings for Kharif as well as Rabi?

- Gaurav Mathur:** Yes, like Ashish mentioned, we have a very comprehensive mapping of crop versus fungicide, pesticide and weedicide, very, very intimately mapped across both Kharif and Rabi. So, it's crop-wise map actually. So, therefore, it doesn't matter whether it's Kharif or Rabi, it's got mapped. It's a very comprehensive portfolio that we have.
- Moderator:** The next question is from the line of Prashant Biyani from Elara Capital. Please go ahead.
- Prashant Biyani:** Sir, during the implementation of 'One-Nation, One-Fertilizer' the Fertilizer Secretary had told on television that eventually they would want to restrict the movement of fertilisers, implying that, if we have a plant in Rajasthan, then rather than selling fertilisers to as far as U.P, we should rather first exhaust the demand in Rajasthan or the nearby states. So, have we seen any change in supply plan from the government for the entire industry, whereby the supply to our hinterland markets are increasing and to the far-off markets are reducing. Have we seen any sort of indication or change in supply plan?
- Gaurav Mathur:** Look, I think, first of all, it's very positive that the Government is doing because it reduces the overall logistics costs for the country, right, which was not benefiting anybody. So, they have developed an optimized model for movement of fertilizers, which they are in the process of implementing. As regards movement, obviously, the consumption of one state is way less than our production. We will continue to get supply plans and we continue to get supply plans for multiple states. And also, I'm sure that there is also realization that if you make it too restrictive, then in case there are shutdowns, and so on and so forth, then there will be a challenge on availability. So, an optimized approach is being taken, that's one. As Chambal, while of course, Urea is a key product, but over the years, we have built a very, very strong brand, which is not just restricted to Urea or other Non-Urea bulk fertilizers but also to Crop Protection and Specialty Nutrients, the Uttam brand. And therefore, we are pretty comfortable with whatever optimized movement plans that the government gives.
- Prashant Biyani:** Sir, there have been changes in the supply plan to that effect or at least the start has been made to that effect?
- Gaurav Mathur:** As of now, it is almost negligible.
- Prashant Biyani:** Sir, if that happens, then our other products apart from Urea, they have been mostly tagged along with Urea. So, if our sale is concentrated in the hinterland geographies only, then would it have some sort of a question mark on growth of other business segments?
- Gaurav Mathur:** Prashant, first of all, we do not tag any products with Urea at all. So, let me be very explicitly clear on that, right. That's one. Second, as I said, in the first part of my answer, we have built a very, very strong Uttam brand, which is not restricted to Urea at all. So, if you see, we have expanded into five states in south and east, Maharashtra, West Bengal, Gujarat, Andhra Pradesh and Telangana, and we are selling Non-Urea bulk fertilizers, we are selling Crop Protection Chemicals, Specialty Nutrients to those states, we don't have any Urea there. So, our recognition by the farmer of Chambal as a company, of our brand Uttam, our practices in the market in terms of the support that we provide, all of those also stand for themselves. So, we're not at all bothered about any changes in movement plans.
- Prashant Biyani:** Lastly, sir, on the crop protection side, many companies have told that there is surplus channel inventory because of the adverse monsoon and delay. Sir, how has been our receivables fairing in that context? And do you see that it would be prudent to slow the rate of growth in CP in the light of the industry already having higher channel inventory?

- Gaurav Mathur:** So, first of all, our receivables are absolutely very very good, very strong, no issues. We do a large proportion of our business in CPC on cash terms, one. Second, we don't take any returns back from the market. And third, we absolutely have no intention of slowing down. We believe we provide a lot of value through the products and the service and programs like seed-to-harvest to the farmer, and we have intentions to keep speeding along as we are.
- Moderator:** The next question is from the line of Deepak Chitroda from ETG. Please go ahead.
- Deepak Chitroda:** Just I have one question on the National Hydrogen Mission policy which has been announced by the government. So, what's your thought in terms of how it is going to have impact for the industry, especially in case of Urea, because as I understand, I think, some targets have been set by the Government about 5% to 20% from next year onwards. So, how it is being translated into the costing part of it? Will it basically improve the margin for the industry going forward, what's your thought process when you interact with the Government and various other organizations?
- Gaurav Mathur:** So, first of all to be very, very clear, there is no target set for any part of the fertiliser industry on use of green hydrogen, green ammonia. Second is for production of urea, you not only need hydrogen, which is then converted to ammonia, but you also need carbon dioxide. So, I think that not only the Department of Fertilizer, but this has also been explained to the Ministry of Energy and the Renewable Energy Department that to produce Urea you need both carbon dioxide and ammonia, which comes from hydrogen, therefore, just producing green hydrogen is not going to suffice to produce Urea. As regards the broader question on green hydrogen policy, we are looking at it. That's not necessarily our core area. We are examining it as of now if we see any opportunities in it going forward. But it's very, very early days on that.
- Deepak Chitroda:** So, basically, it's very early days to talk about it and Ministry is also basically not clear in terms of what is the future towards the Urea industry particularly if you talk about in the costing terms?
- Gaurav Mathur:** No, the future is very clear for the Urea industry. The Urea industry needs carbon dioxide also to make Urea. Therefore, the use of green hydrogen and green ammonia in the Urea industry is not foreseen in the future that I can think of.
- Moderator:** I now hand the conference over to the Management for closing comments.
- Gaurav Mathur:** So, thank you very much all of you for your very insightful questions. Always, good to have the questions and provide clarity to our investors. Thank you. Have a good day.
- Moderator:** On behalf of Chambal Fertilisers and Chemicals Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.