CHAMBAL FERTILISERS AND CHEMICALS LIMITED

Ref. No.: CFCL/SE/2024-25/69 August 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 July 31, 2024 and pursuant to Regulation 30 of the 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 7, 2024, on the financial results of the Company for the quarter ended June 30, 2024. 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 faithfully,
For **Chambal Fertilisers and Chemicals Limited**

TRIDIB KUMAR BARAT

Digitally signed by TRIDIB KUMAR BARAT
Date: 2024.08.13 15:07:43 +05'30'

(Tridib Barat)
Vice President - Legal & Company Secretary

Encl.: a/a

Chambal Fertilisers and Chemicals Limited

Q1 FY '25 Earnings Conference Call Transcript
August 07, 2024

Rishab Barar: Good day everyone, and thank you for joining us on the Chambal Fertilisers and Chemicals Limited Q1 FY25 Earnings Call.

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

Before we get started, I would like to point out that some statements made or discussed in the conference call today may be forward-looking in nature and must be viewed in conjunction with the risks the Company faces. Chambal Fertilisers and Chemicals Limited does not undertake to update them. The statement in this regard is available for reference in the presentation.

We will begin this call with “Opening R`emarks” from Mr. Baijal. I would now like to invite Mr. Baijal to share his views. Over to you, Sir.

Abhay Baijal: Thank you, Rishab. Good day to everybody and a warm welcome to all of you participating in this call.

During the quarter on standalone basis, the Company has achieved EBITDA of INR 942 crore as against INR 778 crore last year, which is a growth of 21% and PAT of INR 552 crore as against INR 469 crore, showing growth of about 18%.

At the consolidated level as well, the Company has performed registering PAT of INR 448 crore as against INR 339 crore last year, which is a growth of 32%.

As you must be aware, the country has received good rains, resulting in higher acreage till date. The agencies are forecasting a better precipitation for the balance period, which are good signs for the agri sector.

Our Crop Protection Chemicals and Speciality Nutrients (CPC-SN) business continues to grow strongly with better margins. We have launched 8 new CPC offerings, primarily comprising weedicides and fungicides. We have added 4 products in the pipeline, all of which have been introduced in the current financial year.

Our focus is to cater to high-value crops like fruits, vegetables and niche crops. We are also focusing on further harnessing our channel strength to increase the market width and depth. Our strategic partnership with innovators is ongoing and growing. We have introduced new products, 6 in the Weedicide and 2 in the Fungicide segments. Our focus on biological products is also showing good results.

We have introduced "Uttam Pranaam" (Bio Nano Phosphorus), a unique product produced through biogenic process having 10% P2O5 under the biologicals vertical. We have developed this product in collaboration with TERI and the response till date has been very encouraging.

We are also working on new biological products especially for fungicides and Nematicide to be launched over the next 6 to 12 months for which trials are already on. We are also analyzing and testing some eco-friendly bio-stimulants, and we are very confident of launching a variant in near future. Our pipeline continues to diversify and grow in this segment.

Our new focus area is to enter in hybrid and research variety seeds. This will complete the Agri-Input products profile.

Our urea business continues to progress well. All our units have been operating at optimal capacity and our production of urea in the quarter is 9.23 lakh metric tons. Energy saving schemes that were implemented in the Annual Turnaround in March 2024 for Gadepan-I and II plants are giving better than expected results. Our focus continues on improvement in plant operations and implementation of various energy schemes to remain the best in class.

In P&K fertilizers, we continued to follow the portfolio approach. The product portfolio is being optimized based on geographical requirements and viability. Our cash flows have been good. We received about INR 2,300 crore of subsidies in the 1st Quarter, and we have prepaid our long-term loans, and we have zero debt in the Company.

Our emphasis on maintaining strong connect with both dealers and farmers continues. Communication via digital channels is delivering good results. We launched product display contests across territories, which has helped us to enhance visibility and connect with the farmers.

As part of the "Seed to Harvest" program, a key focus area for Chambal, we undertook more than 1,200 farmer meetings, conducting over 700 demos and 124 soil sample days to collect over 43,000 soil samples in "Seed to Harvest" territory.

Our joint venture, IMACID, is also performing well with higher production and better margins.

Our TAN project is progressing as per plan. Statutory approvals are in place, and we have spent about INR 342 crore till June 30, 2024. Orders for all the long lead items have been placed. Construction is progressing well. Several of the long lead items have also been inspected for various milestones and there are no showstoppers there.

We continue to look forward to creating value for our stakeholders and with that, we will be happy to take your questions. Thank you.

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

Prashant Biyani: Referring to your Slide of the presentation, the 110 metric ton per day increase in production capacity for G-I, G-II combined, would this mean that you can make more urea with same amount of ammonia?

Abhay Baijal: No, there is a particular ratio of urea to ammonia. That chemical composition does not change. What it means is that ammonia has increased at the background, and to that extent, the throughput has increased.

Prashant Biyani: And, with increased ammonia, you would like to make more urea or produce more of surplus ammonia?

Abhay Baijal: We are producing both, and in fact the country needs both.

Prashant Biyani: And Sir, how much is the incremental surplus ammonia that we will generate from this?

Abhay Baijal: If we are producing 110 metric ton per day more of Urea, obviously there is 60-65 tons increase in ammonia, by a back calculation.

Prashant Biyani: But that will get only if we do not make urea. If we make urea, then that ammonia will be used for urea only.

Abhay Baijal: Yes, it is basically when we have said 110 ton per day increase in production capacity, this is basically for urea. Supposing there is also a balancing between the two plants, it could be that sometimes we are producing 75 tons, so 10 tons may become surplus, or 5 tons may become surplus. That is from time to time.

Prashant Biyani: And is it also on your discretion that, for example, if ammonia prices go up, you may rather want to produce more of ammonia than this extra 110 metric ton per day?

Abhay Baijal: It's not normally like that. I am not saying that there is no discretion, but in a production plan, we tend to also support the Government in their requirement for urea.

Prashant Biyani: Right. And secondly, what has driven this 40% growth in contribution profit for CPC and SN?

Ashish Srivastava: So, this is an approach of an advanced placement scheme which is yielding results for Chambal so far.

Prashant Biyani: So, this is more driven by advanced placement.

Anand Agarwal: Not only that. That is one part of the strategy. The other thing is that this year because of the way we have chosen our products, we had a good growth in our overall revenue and we had a good growth in our margins also. So, taking both together, this 39% - 40% growth is coming.

Abhay Baijal: And Prashant, you must remember that when we have said that good results are coming from biological, to that extent, some of the uptick is also from the biologicals.

Moderator: Thank you very much. Next question is from the line of Harmish Desai from Phillip Capital (India) Pvt. Ltd. Please go ahead.

Harmish Desai: Can you please provide an update on IMACID? How is IMACID doing right now?

Anand Agarwal: I think IMACID is doing well and what has helped us in IMACID to improve our realizations, is that the input prices have softened a bit there. And our production has also been more compared to last year in Q1 FY-25. And therefore, our margins are higher.

Harmish Desai: And do you expect this situation to continue for the rest of the financial year?

Abhay Baijal: I would say that you have to benchmark it against the global DAP situation or the global requirements of phosphoric acid as such and since most of the production in IMACID is directed towards the Indian market and given the fact that DAP prices are firming up, we feel that the price at which they will sell phosphoric acid because that is their basic output, that would remain stable. So, yes, they could repeat the performance in this quarter and maybe again, subject to the fact that they do not have any blackouts in production or problems in production, I would say that they would be able to repeat the performance in this quarter at least.

Harmish Desai: And can you please provide some update on "Uttam Pranaam" product? How do you see this product going ahead and contribution? Because nano phosphorus, I think this is our first product in biological vertical. So, if you can please provide some update on it?

Ashish Srivastava: So, the differentiation comes from its sourcing. This is the only product in the ecosystem which comes from a bio-process. A bacteria helps conversion to phosphorous from rock phosphate and at the same time eliminating the trace elements. So, this is the only product which is coming through a biogenic process. That makes the product differentiation. And since the application is initially with the seed, so the initial results are good. You know, we have already treated around 76,000 acres of land with this product.

Harmish Desai: So, any target on how much do you want it to grow? Have we placed any target for FY-25, FY-26?

Abhay Baijal: The fact is that this product has to be handled. We are doing marketing, and we are doing trial demonstrations and so on. As the acceptance of the product grows, I would say next year onwards, the growth will be much steeper than what we are seeing.

Ashish Srivastava: During Q1 FY-25, we have sold around 19,000 liters, which translates to 76,000 bottles in Q1 FY-25.

Harmish Desai: How is it priced?

Abhay Baijal: Almost 76,000 bottles, which generated a turnover of about INR 2.0 crore. So, we see this growth, growing more exponential next year, as the two or three applications in cropping season and the farmer's confidence grows as he starts using the product

Harmish Desai: Lastly on the seeds, the question I would like to ask is, you have mentioned that you would like to focus on seeds going ahead. Have we devised any plan? Seeds of which crop are we targeting?

Abhay Baijal: Let me keep that a secret for the moment. We have just said that we are quite advanced in our planning for entry into this business and the requisite men, material, resources are being gathered up to start this process. I think I would be able to give more color on this in the next few quarters.

Moderator: Thank you. Next question is from the line of Viraj Kacharia from Securities Investment Management Ltd. Please go ahead.

Viraj: Couple of questions. First is on the crop protection. You said that early product placement has given better contribution growth. Can you explain how does an early placement drive better contribution margin?

Ashish Srivastava: What happens in the CPC market is that there are some products which are incident based and some products which are prophylactic usage in nature. So, the more early you place them, you occupy the shelf, hence, you take care of the competition to an extent. At times that results in good margin.

Abhay Baijal: To cut a long story short, the fact is, tactics do not only dictate. There is product value. There is a value on the table in terms of what the product actually delivers. This is only one tactic.

The tactic, as he rightly said, may not be completely repeatable, but at the same time, it means that your product, which is a good product, has been used by the market. And once the use of the product is established in the market, then it's repeat buy is what makes the difference. And once the repeat buy comes, that is when the volume and margin growth happen.

So, let us not only put it down to early placement as a kind of a tactical manoeuvre but strategically what happens is that your product has been used by the market and when it has been used by the market and seeing is believing because our products are really very well thought of, chosen, directed and with all the ingredients which work for various crops. So, the farmer tends to create repeat buy and once the repeat buy starts happening, then automatically volume growth and margin growth happens. That is really the essence of what this is.

Viraj: Just a few questions on this only. If you look at the portfolio, it is largely generic. There are no specialty molecules right now. And as such, we do not have any strong combination molecules, unlike say other companies, where they are a success, for example, BASF. They have two or three combination molecules, primarily based on generics. So, if I look at the portfolio per se, when you say there is a repeat buying, there is a good amount of traction, of the products which we have sold or launched in last three years - five years, when I look at the top 5 - top 10, would it be the same products, or you will still see a lot of churn in the portfolio compared to that? So, that is one.

And then, secondly, if there is a churn in the portfolio, then how are you looking at say three years or five years hence? When you are looking to build an INR 750-crore kind of a scale, how you are looking at that?

Ashish Srivastava: So, first to answer your question of the combinations, let's look at the products which have been launched now. Especially in the soybean weedicide category, there is a molecule which is a combination product. So, it is not that there are no combination products being launched.

Secondly, your next question was about the generics versus combination products. If you look at our portfolio today, it is around 65 CPC molecules which we are marketing in the entire year. Out of the 65 in the last five years, we have launched 38 new molecules which are contributing to 25% to 30% of sales. So, this is a continuous process, you know. We will keep adding, keep deleting product portfolio including combinations. So, it is not that we are not launching combination products.

Viraj: No, my question was specifically that when the portfolio is largely generic, Sir talked about having a product value proposition and having high repeat purchases. So, I am just trying to understand when the portfolio is largely generic and keeping aside the tactic of early placement or late placement, there are similar competitors in each of the molecules which you will be launching or already launched.

So, when I look at the sales base of current year, say close to INR 900 crore to INR 1,000 crore, the molecules which you have already launched, say, 3 or 5 years, would they still be the top molecules for you? It will give some sense whether the value proposition which we are seeing, that's reflected in the sales profile or not. Can I compare the top 5, top 10 molecules?

Ashish Srivastava: Yes, got your question. If you look at the first question and the answer on generics, still in this country, 75% of sales is through generics CPC business. Now amongst the balance, I will give you a specific example. We were marketing one chemistry by name Imazethapyr for soybean. We were also marketing another weedicide in soybean by name Quizalofop-P-ethyl. I am talking of technicals. Now this year, we have launched a combination of that which has come from the house of Nissan, and we are only the third Company who has been allowed. So, because of our relationship in the ecosystem whether it is a Nichino or a Nissan or a Syngenta, we are getting those products early in our portfolio. That is also making a difference for us.

Viraj: Just two questions. I think somewhere we were evaluating whether we want to get into manufacturing piece on technical or we will be looking at collaborations with foreign companies. I think you talked about Nissan and Syngenta, but if you can just broadly give more color on how are we looking at the CPC-SN space? Do we still want to have an asset light approach or you think that with now traction in generics and some positive indications on manufacturing , you would also have to have a back-end manufacturing? That is one question.

Abhay Baijal: You see, we are approaching a certain critical mass in this system and we are now beginning to create enough traction with some of the innovator companies and when these innovator companies are approaching us and we are talking to them, our credibility in order to be able to market these products has now risen to a level in which the more research-based, GenX type of molecules start getting available. And with that, at some point of time, will also come the responsibility of creating volumes and manufacturing and so on.

And when that stage arrives, I believe with these type of product, my understanding is that you need a three-to-five-year kind of comfort creation between the parties when you come to a situation where you can actively start looking. And I think we have just climbed the first few steps of that ladder and as we grow up in this situation and we reach a certain size and they get comfort because they would be parting with intellectual property material as they talk to us and go with us, then is the time when we will start creating structures by which we could manufacture and that's exactly the strategic direction we are taking.

Ashish Srivastava: Just to add what Mr. Baijal said, we have some dedicated tollers who have come up in India, who are not into B2C business. So, their business is B2B and just formulation. So, the question of manufacturing till time for these products are available through our tollers we are not looking at it as of now, but we always keep evaluating various options.

Viraj: Just last question, on CPC again. Somewhere in the presentation, you talked about a certain percentage in terms of the width and the depth. Can you elaborate more in terms of coverage when it comes to core territories of Chambal? What is the coverage of CPC-SN and even the tie-ups which you are getting from say the MNCs now, would that be only for those core territories, or you are getting more of a pan-India kind of a portfolio access or another distribution agreement you would have with them?

Ashish Srivastava: So, the last question first. Whatever agreements are in place with the partner, it is for pan-India. They are not geography specific. Whenever we have access to a molecule, it is for the pan-India market.

Viraj: On the depth and the width of the coverage compared to the core territory of Chambal in urea, where would we be in that right now?

Ashish Srivastava: So, the idea is to put a channel in place which can take care of around 30% of depth and width that takes care of our future projections.

Viraj: To put it differently, of the sales which you have right now, would there be any sales which will be outside the core territory of Chambal in urea for crop protection, or all the sales would still be primarily from the core?

Ashish Srivastava: No, the CPC sales are also coming from the non-Urea states also.

Viraj: What will be the contribution roughly?

Ashish Srivastava: Say, it should be around 8% to 10%.

Moderator: Next question is from the line of S. Ramesh from Nirmal Bang Securities Pvt. Ltd. Please go ahead.

S. Ramesh: If you look at your segment numbers, there is a sharp increase in your traded complex fertiliser margins. Can you just give an understanding of how you would achieve this in the next year? And secondly, if you look at your segment asset, there is a significant movement. The segment assets for complex fertilisers declined sharply quarters-on-quarter and similarly for crop protection. So, if you can give us some insight into the improvement in the performance of complex fertilisers from this movement in the segment assets, then that would be helpful.

Abhay Baijal: I think some of your questions are with respect to the margins in the bulk traded fertilisers, NBS fertilisers, is that right?

S. Ramesh: Let me repeat this. The improvement in the margins of traded fertilisers segment numbers have gone up from INR 30 crore last year to INR 120 crore this year. So, that is one. Secondly, if you look at the segment assets, there is a steep decline in the segment assets, whether you see it on Y-o-Y or Q-on-Q in complex fertilisers in the crop protection business.

Abhay Baijal: So, the answer is very simple. For the first one, if you see, there is a prior period income item, which I think we have disclosed in the note. That is one reason why it shows a higher number. And if you see otherwise the comparable quarter-to-quarter, the numbers look more or less the same, I think 8% or 10% here or there, although the volumes this year were a little lower. That is one thing. So, that should explain the first part of your question. As far as segment assets are concerned, I will let Anand handle this.

Anand Agarwal: What happens that there is a seasonality involved. Last year in complex fertilisers, we had higher stock going forward in Q2 from Q1. This year because of little bit of lower volumes on DAP side, our stocks are lower and hence the result is that we have lower segmental assets for complex fertilisers.

If you look at CPC-SN, this is more because I think we do not want to increase our stocks with us and we have been efficient in our collections and our sales to that extent. And the reduction is not that great in CPC-SN. Otherwise, I think we are at similar levels compared to last year Q1.

S. Ramesh: How much would be the prior period income which Mr. Baijal referred to in, the traded margins?

Anand Agarwal: It is there in the note. There is INR 92 crore for this quarter, but there will be something or the other every quarter which keeps on happening with DOF. Some subsidies will come in later, some compensations for prior period, some compensation also get deducted, which we get next year.

Abhay Baijal: This is part and parcel of the game.

S. Ramesh: So, in terms of the subsidy you have given in the presentation, there is a decline in the subsidy. So, what is that? Is it because of the cut down in the Gadepan I, Gadepan-II units?

Abhay Baijal: Which subsidy decline are you talking about?

S. Ramesh: So, if you see the Slide 15 of the presentation where you have given the subsidy received. The subsidy, it has declined in Q1 FY-25 compared to last year.

Anand Agarwal: The commodity prices have come down compared to last year, especially on the bulk fertiliser side. And hence, the subsidy levels have come down.

Abhay Baijal: I will explain this. What has happened is the DAP subsidy was down by about INR 10,000 per ton. And we have done far less volumes on DAP, number one. Number two, in even MOP volumes, the subsidy went down quite a bit, which was almost INR 7,000- INR 8,000. This is the impact of the price variance in that sense, which has happened in this case.

And secondly, the quantum of traded fertilisers has been less this year as compared to last year. So, both have impacted. As far as the urea subsidy is concerned, it is stable because gas prices in both corresponding periods more or less the same.

S. Ramesh: In terms of the outlook for your traded margin, urea is going to remain steady, but for the volume growth. We are given to understand that either you have to see the retail prices or MRP maybe increase for DAP and complex fertilisers, or the government would have to increase the NBS rate because of the recent increase in ammonia and the phosphatic prices. And is there an increase in the phosphoric acid contract price you envisage? And do you see the industry being able to raise retail prices in case the government does not change the NBS? What is the outlook for the second half in terms of the NBS rate and the potential for retail prices being increased for complex fertilisers and DAP?

Abhay Baijal: I cannot say what the government's stance on retail prices will be, given that there are political compulsions of various elections. But as far as our approach is concerned, If you notice, we have been consistently stating that we have a portfolio approach. We match the geographic requirements with the kind of NPKs or various fertilisers that we want, whether MOP or whether NPK or various grades and see the viability and then we go about doing that. So, depending on what matrix fits we will do, we have stocks for this quarter, albeit not that much. Going forward, we will see what happens in the October subsidy mechanism that comes, and we will take our call according to that.

S. Ramesh: Sir, if you look at the last year's segment results for complex fertilisers, based on the current percent margin and the kind of volumes you can place, do you think we will be able to match it or show a growth on that in terms of the segment results?

Abhay Baijal: This is very dynamic. I cannot give you any guidance on this actually because there are two factors in play. One is the government's own policy decision on MRP. Second is the international prices. Third is the subsidy that they decide. When everything is open, you have to be exceedingly tactical on this. There is no strategic play here and we have to work according to what the best information they have. So, I will not be able to give you any guidance on this.

S. Ramesh: So, on the consolidated numbers, I understand that there is an adjustment of the other income, which explains some of the decline in the consolidated results compared to the standalone results and that is there in the last year result also. But is there anything else which has led to the difference between the standalone and consolidated numbers?

Abhay Baijal: As part of consolidation, dividend gets knocked off. That is INR 140 crore. Balance, then you add back the performance of the joint venture itself.

Anand Agarwal : For the current quarter. That is the only difference. Otherwise, there is no difference.

Abhay Baijal: Everything else matches.

Moderator: Next question is from the line of Falguni Dutta from Mansarovar Financials. Please go ahead.

Falguni Dutta: Sir, I just have a basic question on this INR 92 crore. So, has it affected any part of the numbers being reported? This INR 92-crore loss that you have given.

Anand Agarwal : Falguni, this was on account of losses we took on complex fertilisers two years back, which was approved. So, at that point of time we recorded lower subsidy. Now the balance subsidy has been given by the government. So, we are recording it.

Falguni Dutta: So, this would have come in our profits in the complex fertilisers for this quarter?

Anand Agarwal: Yes. Minus tax and whatever you have to pay, that gets deducted from here.

Falguni Dutta: So, in short, I should see the complex segment number excluding this generally I am saying.

Anand Agarwal: Yes.

Abhay Baijal: But you will still see that it has improved from last year.

Falguni Dutta: Yes, certainly sir.

Moderator: Next question is from the line of Ranjit Cirumalla from IIFL Securities Ltd. Please go ahead.

Ranjit: The question is on the CPC and SN front. So, in the presentation we have kind of guidance for FY27 and that contribution margin works out to be around 18 odd percent. For the last few quarters, we have been consistently delivering above 20% and now we are at almost 23%. So, is there any change in that guidance of 18% from the contribution level in the CPC and SN segment?

Anand Agarwal: This volatility will keep on happening from 18% to 23%. However, what we will say that we will be somewhere near the kind of margins that are earning, and we will be able to deliver consistently over a period, yes.

Ranjit: This will largely be taken as an EBITDA or there is something else to it.

Anand Agarwal: No, these are basically your net margins, which you said net gross margin. So, below this there will be expenses, and the EBITDA will be little less than what is there, yes.

Abhay Baijal: Although Ranjit, we run a very tight ship.

Anand Agarwal : If you see the segment, you will be able to see the EBITDA levels.

Ranjit: The second question is on the urea front. The expansion or the increase in 110 metric ton per day. So, we will be able to increase or reassess capacity so that we will also get the benefit of IPP?

Abhay Baijal: Yes, but that depends on how the IPP behaves. As of now, it is too early to say where it is headed. A bigger or sharper analysis would be possible by the third quarter, I think.

Ranjit: And this has already happened or is there a timeline to this?

Abhay Baijal: What? What is the timeline?

Ranjit: Increasing capacity is already through.

Abhay Baijal: This throughput increase has already happened.

Ranjit: And we are also undertaking the energy saving program.

Abhay Baijal: Yes, we have a road map which I think the discussion on that took place. One part of that has been executed.. So, these are to catch the 2026 timeline when we will have the ATR for these two plants once again. So, it is going according to schedule. And then there are future energy saving schemes which are continuously under evaluation. So, this is a kind of a continuous process. We do not stop at one point. We keep improving so that as we have said in our statement, we aim to be the best in class.

Ranjit: And lastly, from my side, on the Gadepan-III benefits, any update on that?

Abhay Baijal: Too early to talk about this. I think we have not had any conversation on this with the government. My own sense is that discussion will start late FY-25.

Anand Agarwal : We still have 2.5 years from now. So, it's early to start discussing with them.

Ranjit: And that all the steps that we are taking should, at best, be able to kind of fill the gap if at all those benefits are going to expire.

Abhay Baijal: Exactly. The point is that we continue to grow not only to fill the gaps, but also to grow. And so, lines of businesses have to be developed. Whatever we can sort of multiply, use force multipliers, we can use, we are using. And going forward, if there are some breakthroughs here and there, you will learn about it. Like TAN is one of the things that we have done. We can do product line extensions on that. There are other issues, I mean, the other items that could be produced out of that. So, as we said, we keep a continuous process of first creating a foundation and then building upon it.

Moderator: Next question is from the line of Tarang Agrawal from Old Bridge Capital Management. Please go ahead.

Tarang: Fantastic execution on crop protection side and the transformation of balance sheet, I think it's worthy. So, just a couple of questions directed at crop protection. How are the credit terms in this business and how different are they from your other business?

And second, the trajectory that we have seen for this business in FY-22, FY-23, FY-24 and I know that you have a longer-term target of about INR 70 crore to INR 50 crore. How should we see this business for the full year FY-25? Should the Q1 trends continue? These are the two questions.

Ashish Srivastava: I will answer this question first with regards to credit, usually the fertiliser and the CPC and SN market are different in terms of the credit which you play in the market. But if you compare it with industry, we are doing reasonably good in CPC segment. Our Q1 66% sales have come from cash and 34% from credit sales. But if you look at the SN segment, it's a different segment. Only 36% comes from cash and 64% comes from credit. So, it's a product positioning depending on the market. So, our credit cycle is lower than the industry. That much I can say.

Now with regards to extrapolating the Q1 numbers to financial year, we have the product portfolio in place. The Kharif crop looks good. So, we intend to keep the growth level, but what numbers exactly? Difficult to project as of today, but there would be growth in this business for sure.

Abhay Baijal: But Tarang, we want to maintain the momentum. How much we are able to achieve, that is dependent on, of course, seasonal factors as well, what will happen in Rabi. But we have the wherewithal, we have the products, we have the partnerships. I think the marketing team has been tasked and they are executing that.

Tarang: So, just a couple of follow-ups. One thing that you spoke about where you said that 66% is in cash and one third is on credit and then you gave a reverse analogy of some other business where one-third is on cash and 66% is on credit. What was that?

Ashish Srivastava: Crop Protection Chemicals, we are doing cash 66%. Speciality Nutrient segment we are doing 36% cash between the two.

Tarang: And second, how is the fixed cost base of this business moved over the last three years?

Abhay Baijal: I will put it this way, that the allocation of the costs in marketing, is in between three segments. One is urea, the other is bulk fertilisers and the third is the CPC-SN. So, what happens is that depending on the effort analysis from year to year, we have a certain allocation mechanism agreed with our auditors. They audit that.

I am not saying we have time sheets to that extent and all that, but we have a template to organize and analyze. I would say it has remained stable because the number of people who work in marketing have not increased. That should give you some indication. Of course, salary levels go up, but the numbers have not increased. So, to that extent, there is a tight control on the way we do things.

Tarang: Would it be fair to presume that the trend for fixed cost base for this business is broadly in line with the trend that we see for the overall business?

Abhay Baijal: Yes, you are absolutely correct.

Tarang: And my sense is last three years we see the contribution numbers. It continues to be EBITDA neutral or EBITDA positive, correct?

Anand Agarwal: It is increasing year-on-year depending upon the business and the allocation. And there is a fair allocation being done nowadays because we are also now reporting the segmental accounting. So, it is fair.

Abhay Baijal: It is quite EBITDA positive.

Anand Agarwal : So, if you start achieving economies of scale, obviously it will be EBITDA positive.

Moderator: Next follow-up question is from the line of Viraj Kacharia from Securities Investment Management Ltd. Please go ahead.

Viraj: My query was a quarter or two back we talked about us evaluating capital investments in the nitric acid value chain in addition to the TAN project. So, any update you can give?

Abhay Baijal: So, we have received certain estimates. Those estimates on that particular plant are a little off what we thought. We know what it is costing with other parties, but the quote we received was a little higher than what our expectation was. So, we are relooking at the numbers with another party. So, once we have a satisfactory number, we will get back to you.

Viraj: And second question is, on the seed side, you talked about the process of acquiring land and other resources. Is the approach to seed business more organic or initially you would have more of a distributed kind of arrangement with maybe some of the MNCs?

Abhay Baijal: No, it will be to begin with organic and at some point of time, inorganic options will also be evaluated.

Viraj: The reason why I asked is, even when we talk about organic, it's a process where from the R&D to commercialization takes somewhere between 4-5 years to 10 years, right? So, what we visualize right now, and we will be having to make an investment on annual basis depending on the segments we choose, we will have to kind of make those investments either in P&L or Capex to kind of achieve a scale, 5 or 7 years. So, is the understanding correct? Is this how we are looking at it?

Abhay Baijal: We know that there is a cycle of 3 to 5 years for research on hybrid seeds and we are prepared for it. In the meantime, there are licensing options and many other options to also generate products which can be brought to the market. So, as I said that we have created a certain framework internally and that will be in the fullness of time. In the next one or two quarters, the things will be clear to you exactly what will happen. I am not at liberty at the moment to disclose every facet of what we are going to do, except that it is a serious entry into this business.

Moderator: Next follow-up question is from the line of S. Ramesh from Nirmal Bang Securities Pvt. Ltd. Please go ahead.

S. Ramesh: If you look at your cash surplus and the increase in receivables and adjust for the Capex there is possibly some credit you are getting on the working capital side. Has the inventory gone down by about INR 1,500 crore? So, if you see the slides on receivables and the net cash position and your Capex number you shared, that's the number I get. So, has the inventory declined to that extent over INR 1,400 crore, INR 1,500 crore?

Anand Agarwal: Yes, some bit of inventory has declined, but overall, I think we are generating good cash now and government is also supporting us by giving us our subsidies in time. And therefore, we hope that this will continue, and we will keep on generating cash surplus.

S. Ramesh: So, on the crop protection side, you have improved margins by about 500 basis points and if you see your volume, out of that 16% the volume if you adjust for the weighted average impact as shown in the presentation, it's about 18%. So, how much would be the decline in pricing in that revenue growth of 16% and on this 24% margin, is that margin sustainable for the remaining 9 months and would you be able to improve on that in FY26?

Abhay Baijal: As I said, this is a dynamic situation, and we do not as a rule give you guidance on what is going to happen. We as a Company have never given forward guidance, but what I told Tarang when he asked us this question, more or less in similar fashion is that the marketing department has ambitious targets and they are working to execute towards it and that requires the correct combination of products and placement and everything, the strategies that have been discussed. So, it is, of course, my hope and my task or ask from the marketing department. Let us see how it plays out. The first part has gone well. The second and third part we have to see. Up to December is the crucial time. So, we will have to see how this progresses. We have the wherewithal. We have the channels. We have the product partnerships. So, let's see how it goes.

S. Ramesh: On this breakup between volume and pricing, can you confirm these numbers? Because you have given the product wise volume growth and the revenue share. If I multiply that, I arrive at the volume growth of around 18%. So, is there 18%-20% volume growth and then do you have a price decline of around 3% - 4% on your 16% revenue growth? Is that number correct?

Abhay Baijal: Decline in revenue growth or what you are saying? Is there a price variance? Is that what you are saying?

S. Ramesh: Yes, in the crop protection business, how does the revenue grow to 16%? I get the sense that there is a price decline of around 2% - 4%. Is that number correct?

Abhay Baijal: See, first of all, it is a combination of crop protection and speciality nutrients. Secondly, when we have shown that the 1st quarter has grown from 296 to 343. This is the net revenue. When you do net revenue, you are deducting all discounts and other such things from this.

S. Ramesh: That's fine. So, all we are trying to arrive at is in terms of the overall equation between volume and price, most companies have talked about volume growth and then some price decline. So, I just want to understand in your portfolio, crop protection and specialty nutrients taken together. On the 16% revenue growth, what would be the split between volume growth and price variance?

Ashish Srivastava: Ramesh, I will break this thing into crop protection and speciality nutrients. Whatever I am going to answer now about crop protection is about the gross invoice number. I do not have a net number. If you look at the gross numbers in crop protection chemicals, our sales have gone up by roughly 27%. Out of that, 17% growth has come from the new molecules. 17% has come from the increase in volumes of the existing portfolio. And 7% reduction is because of price decline. Volumes have gone up, but the prices have gone down. So, that gives a net impact. Does that answer your question now?

S. Ramesh: Yes, that is perfect.

Moderator: Thank you very much. I will now hand the conference to the management for closing comments.

Abhay Baijal: So, thank you very much, gentlemen, for patient hearing to our conference call. I hope we have been able to answer the questions, and we look forward to welcoming you for our next call at some time in November this year. Thank you very much.

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

Please note: *We have edited the language, and made minor corrections, without changing f the content, wherever appropriate, to bring better clarity.*