Chambal Fer. & Chem.

Operator: Ladies and gentlemen, good day and welcome to the Chambal Fertilisers and Chemicals Ltd. Q1 FY27 earnings conference call hosted by Valorem Advisors. As a reminder, all participant lines will be in 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 the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Purvangi Jain from Valorem Advisors. Thank you, and over to you, ma'am.

Operator: Thank you. Good morning, everyone, and a warm welcome to you all. My name is Purvangi Jain from Valorem Advisors. We represent the investor relations function of Chambal Fertilisers and Chemicals Ltd. On behalf of the company, I would like to thank you all for participating in the company's earnings call for Q1 FY27. Before we begin, let me mention a short cautionary statement. Some of the statements made in today's earnings call may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs, assumptions, and information currently available to management. You are cautioned not to place any undue reliance on these forward-looking statements when making any investment decision. The purpose of today's earnings call is purely to educate and create awareness about the company's fundamental business and financial results for the quarter under review.

Let me now introduce you to the management participating in today's earnings call and hand it over to them for their opening remarks. We have with us Mr. Abhay Baijal, Managing Director; Mr. Narendra Goyal, Business Head (Manufacturing Operations); Mr. Anuj Jain, Chief Financial Officer; Mr. Ashish Srivastava, Vice President (Sales and Marketing); Mr. Tridib Barat, Vice President (Legal and Company Secretary); and Mr. Vivek Mishra, Business Head of TAN. Without any delay, I request Mr. Abhay Baijal to begin with his opening remarks. Thank you, and over to you, sir.

Management: Thank you. Good morning, everyone, and thank you for joining us on the conference call to discuss Chambal Fertilisers' performance for the first quarter of financial year 2027.

The Indian fertiliser industry continued to operate in a challenging environment during the first quarter, navigating geopolitical uncertainties, elevated raw material prices, and a delayed onset of the southwest monsoon. Geopolitical developments in West Asia continued to disrupt global fertiliser and energy supply chains during the early part of the quarter, resulting in sharp increases in the prices of key raw materials such as ammonia, sulfur, and phosphatic intermediates, along with higher freight costs and procurement challenges. While conditions began to improve toward the end of the quarter as geopolitical tensions eased, raw material prices remained well above historical levels.

The Indian agricultural season began on a relatively subdued note, with emerging El Niño conditions contributing to an uneven onset of the southwest monsoon and below-normal rainfall across several regions during June. Consequently, kharif sowing and fertiliser offtake remained subdued during the early part of the season. As of the end of June, summer crop sowing stood at around 183 lakh hectares, approximately 23% lower year-on-year. Encouragingly, monsoon activity strengthened significantly during July, and sowing has since accelerated across major crop-growing states.

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According to the Ministry of Agriculture, acreage has broadly caught up with last year's levels, while the IMD continues to maintain its forecast of a normal monsoon. We believe these developments provide a favorable backdrop for agricultural activity and fertiliser demand during the balance of the year.

The Government of India remained closely engaged with the fertiliser sector during the quarter, ensuring domestic gas availability for urea manufacturers and adequate DAP and NPK supplies ahead of the kharif season. While the nutrient-based subsidy rates for kharif were revised upward by around 10%, they were announced before the sharp increase in global prices following the geopolitical developments in West Asia and therefore do not fully reflect the subsequent cost escalation. The industry continues to engage with the Department of Fertilisers on this matter, while timely subsidy disbursements have supported industry liquidity and ensured uninterrupted fertiliser availability.

A very important development during the quarter was the government's approval of the National Investment Policy for Urea 2026. We believe that the policy provides a strong framework for future investments in domestic urea capacity, while reinforcing India's long-term commitment to self-sufficiency and food security. Accordingly, we have continued to progress preparatory activities for a potential fourth urea plant. However, any investment decision will remain subject to approval by our board.

Turning to the operational and financial performance for the quarter under review, our urea business continued to operate despite the planned shutdown at Gadepan 1 and the extended shutdown of Gadepan 2 during the quarter, which were bunched together due to the geopolitical situation. The bulk fertiliser business also delivered a healthy performance, supported by timely procurement of phosphatic and potassic fertilisers ahead of the kharif season. During the quarter, we also expanded our portfolio with the introduction of an ammonium sulphate grade and continued to evaluate newer NPK grades to strengthen our balanced nutrition offering.

Our crop protection chemicals and specialty business continued to strengthen its product portfolio, with the launch of 7 new products across herbicides, fungicides, and insecticides during the quarter. While demand was impacted by delayed sowing, the business delivered a meaningful improvement in profitability through a better product mix. Our seeds business expanded its portfolio with 2 new maize and pearl millet varieties. Our biologicals business continued to witness growth in volumes and revenues, driven by increasing farmer acceptance of sustainable crop solutions. The business also recorded profitability, supported by a better product mix and scale benefits.

We partnered with TERI to establish the CFC-TERI Centre of Excellence for advanced and sustainable agriculture solutions, which focuses on the research and development of next-generation agriculture technologies. The dedicated laboratory is now operational, and products are expected to be launched from FY28-29 onwards. Based on the efficacy of our products, we will also explore export markets for these products. During the quarter, we expanded the portfolio with the launch of a biostimulant, Jettam-Ras Gold. Our collaboration with TERI continues to strengthen our pipeline of patented crop protection and crop nutrition products.

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Our "Seed to Harvest" program continued to contribute toward improving farmer awareness and showcasing product efficacy. We concluded more than 1,400 farmer meetings and 500 demonstrations, and analyzed more than 38,000 soil samples. We also significantly expanded our use of social media to reach a large number of stakeholders, with our Facebook, YouTube, and Instagram platforms crossing 1.63 crore views.

Our technical ammonium nitrate project progressed well during the quarter, with production commencing of weak nitric acid and ammonium nitrate solution, while high-density ammonium nitrate moved closer to commissioning. Our joint venture in Morocco was impacted during the quarter due to sulfur shortages and elevated sulfur prices, which resulted in a temporary production shutdown to avoid operating at negative margins. With market conditions improving and customers becoming receptive to higher prices, production resumed in July, and we expect performance to improve hereafter as market conditions continue to normalize.

Finally, let me walk you through the details of the financial performance for the period under review. On a standalone basis, revenue from operations stood at 5,000 crores as compared to 5,700 crores, lower by about 12%. EBITDA, however, rose 12% to 851 crores, with margins expanding to 17% from roughly 13%, an improvement of about 350 basis points. Profit after tax grew 10% to 703 crores, with PAT margins at around 14% as compared to 11% last quarter. On subsidy flows, we received a subsidy of around 2,480 crores during the quarter as against 2,512 crores last year. As of June 30, total receivables stood at INR 3,300 crores, comprising market debtors of INR 834 crores and subsidy receivables of 2,466 crores.

Turning to the segmental performance, our urea segment delivered a resilient result despite the bunched shutdown and an extended period of Gadepan 1 shutdown. We delivered 2,860 crores against 3,109 crores, lower by 8% due to lower production and sales. Despite lower volumes, the business maintained healthy profitability.

In the complex fertiliser segment, revenues stood at 1,737 crores against 2,131 crores, lower by 18%, reflecting a measured approach to placement in a season where sowing was delayed. Segment EBITDA rose 67% to around 239 crores. The crop protection chemicals, specialty nutrients, and seed segment recorded revenues of about 430 crores as against 458 crores, lower by 6%, reflecting deferred farmer purchases. Segment EBITDA, however, grew 13% to 108 crores, with margins improving to about 25%.

However, despite a challenging operating environment, the quarter demonstrated the resilience of our diversified business model, supported by stable operations, prudent procurement, and improved profitability across key businesses. Looking ahead, while geopolitical developments and raw material prices will continue to warrant close monitoring, the long-term outlook remains constructive. The recently announced National Investment Policy for Urea provides a supportive framework for future capacity expansion, while the ramp-up of our technical ammonium nitrate project and continued growth in our value-added businesses strengthen our long-term growth prospects. Backed by a strong balance sheet and disciplined capital allocation, we remain well-positioned to create sustainable long-term value for our stakeholders.

With this, I would like to hand it back to the moderator and open the question-and-answer session. Thank you.

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Operator: Thank you, sir. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Our first question comes from the line of Prashant from Vallara Capital. Please go ahead.

Prashant – Vallara Capital: Thank you for the opportunity. Sir, do we need to seek approval again for the new urea plant, or does the earlier application remain eligible and is the decision now with the government?

Management: I think it is a slight mixture of both. We will have to formally approach the government. As you know, there is a process of obtaining bank guarantees and so on, and that only happens once the government approves the project. That is part of the process. However, I believe we are a very strong contender for this. That is number one. Number two, in any case, all decisions of this type are subject to approval by the board.

Prashant – Vallara Capital: Certainly. Sir, are there any timelines for when the application window will be opened or closed?

Management: As far as I know, it is already open. However, you would understand that projects of this type, involving almost 10,000 crores, go through several phases in terms of preparation. First, we will need our board to approve the expansion, for which we will have to present some financial figures and so on. As of now, we are awaiting the financial bids for the tenders that we had floated. We have the technical bids with us. The financial bids, after equalization of the technical requirements, should be available to us by perhaps the middle of October or so. Thereafter, once the analysis is completed and board approval is obtained, we will definitely go ahead with it.

Prashant – Vallara Capital: How much WNA and ANS revenue and volume have we booked in Q1, if we have booked any?

Management: Prashant, you will see that we have not shown it in the segment, which indicates that we have not really booked it, although we have had sales. Commercially, the product has been accepted, and we have made margins on it. It will come in.

Management: We were talking about WNA and ANS. We have made the sales. The process is as follows: you have to commission the project in all its respects, and only then can you start booking it in your books. As of now, whatever sales we have made are not part of the profit and loss account.

Rather, they go toward an adjustment or decapitalization in this case because we are making some profits on the sales that we are making. So, it is actually decapitalizing the project. However, we are very soon going to put it into the P&L account.

Prashant – Vallara Capital: Can I get the split of sales between G1, G2, and G3?

Management: I think I will ask Mr. Anuj Jain to provide that.

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Management: You are asking about sales. G1 is about 0.96 lakh tons, G2 is 1.85 lakh tons, and G3 is 3.29 lakh tons.

Prashant – Vallara Capital: Would it be our endeavor to utilize the full 1.27 million tons of G3 by November itself, and is that possible?

Management: No. I think the run rate of the plant means that the maximum we can do is about 9.5–10, depending on how the circumstances develop. It is not possible to complete that quantity within the period before the policy period ends.

Prashant – Vallara Capital: I have a few more questions. I will return to the queue for now. Thank you.

Operator: Thank you. The next question comes from the line of Shivam Gupta with Trinetra Asset Management. Please go ahead.

Shivam Gupta – Trinetra Asset Management: Good morning. Firstly, regarding the complex fertiliser business, margins were much better this quarter. Was it mainly because of inventory purchased earlier at lower prices, or were there any other factors?

Management: No. We were right when we said on the last call that we had adequate inventory for the kharif season. There was some advance purchasing, which helped us with this placement and also with the margins.

Management: My last statement was regarding our discussion on the placement or purchase of NPK fertilisers. My answer was that we did have an advance purchase. This was disclosed on the previous quarter's call, and it helped us to create the necessary revenues and margins.

Shivam Gupta – Trinetra Asset Management: What margin are we expecting for the future?

Management: It will decline as the prices are averaged, and as we continue, that will happen. However, we will still maintain a certain level.

Shivam Gupta – Trinetra Asset Management: Secondly, out of the P&K volumes you are targeting this year, how much is already tied up with customers?

Management: No, we are tied up with vendors. We do not really tie it up with customers. With the vendors, I think we have tied up about 8.5 lakh tons to date. Ashish?

Management: 8.5 lakh tons of complex fertiliser.

Management: Yes, 8.5 lakh tons has already been tied up.

Shivam Gupta – Trinetra Asset Management: That is all from my side. Thank you.

Operator: Thank you. The next question comes from the line of Virat Acharya with SIMPL. Please go ahead.

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Virat Acharya – SIMPL: I have a couple of questions. First, regarding the existing urea policy, which expires by November, can you provide any update on whether it will be extended or under which group it will now fall?

Management: No, this is under the NIT 2012 policy. My understanding is that this is a group other than NUP 2015. The treatment will likely be different, and we are already in discussions with the government. They have asked for certain data. That data has been provided, and the department is currently carrying out its internal work.

Virat Acharya – SIMPL: Hypothetically, if we were to consider the last updated policy of 2015, where there are various groupings, and if we were to classify our G1 and G2 under one of those groupings, what kind of financial impact would we probably see?

Management: I did not get your question. Are you saying that they will put it into the new group or the old group?

Virat Acharya – SIMPL: Yes. If we were to classify it under one of the older groups, what kind of financial impact would we probably see?

Management: This is a hypothetical question to which no answer can be given. We have just told you that this group of new plants consists of a plant that has not been fully depreciated, being only about 8 years into production. Even under the government's own policies, the timeline for a plant to be fully depreciated is 15 years. Therefore, there is no way that you can mix the two policies.

Virat Acharya – SIMPL: My second question is on NUP 2026. Since we are now going ahead with it, if we compare it with the earlier NUP 2012, the ROI profile seems relatively diluted. Why is it still exciting for us to pursue, and what kind of spread should one be looking at on an EBITDA-per-ton basis once it is fully commercialized?

Management: You have made a very pertinent point. It is dilutive compared with the last policy; definitely, it is. However, the advantages of scale at a single location also have to be factored in when designing the entire framework of this policy for a brownfield project, especially with Chambal having 4, or possibly 4, plants at the same site. You will understand that it will be not only the largest in India, but possibly the second-largest in Asia after Qatar's QAFCO and so on.

The benefits of scale are tremendous, particularly in terms of fixed costs, manpower costs, and so on. Secondly, there is the optimization of various possibilities arising from having the plants at one location, not only in terms of capital expenditure but also in terms of how operating costs can be reduced. We have to take all of that into account in totality, and there are also many other synergistic benefits that flow from scale, particularly when we have a very large presence in urea and a growing market, as you know.

Today, consumption is close to 404-405 lakh metric tons, while production is only 305-306 lakh metric tons. The gap, the reach of our entire dealer network, and the cross-selling opportunities that arise from that are also benefits that cannot be ignored. We would like to believe that we have a good investment case. Of course, it is subject to approval by the board. The most important thing for us is to see how we can optimize the capital expenditure.

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Virat Acharya – SIMPL: In terms of timelines, by when do we tentatively expect the plant to be commissioned, and what kind of spread would one see on a steady basis once it reaches full capacity?

Management: What kind of spread are you referring to? Spread on what?

Virat Acharya – SIMPL: On an EBITDA-per-ton basis.

Management: I think EBITDA per ton is close to, if I am not mistaken, based on the policy. The one thing that is open in this is the dollar variable at which it will be converted into the revenue stream. That is something like, even if you take today's number, almost {? 13,500 rupees ?}. If you were to take the cost below that and the other factors, I would say we would still be around 12,000 rupees per ton.

Virat Acharya – SIMPL: Understood. Regarding the timeline, by when do we expect it to be commissioned?

Management: This depends on the effective date of the contract and when the entire preparatory process that I mentioned begins and the project construction is commenced. In my opinion, even with today's situation regarding stressed timelines for critical equipment, we should be able to deliver it within 2030.

Virat Acharya – SIMPL: I have one last question, and I will return to the queue. Given the sizeable capital investment we will be undertaking, we have a good amount of net cash on the balance sheet and a steady flow of cash from the existing business. Other than this, are there any other projects? In the last few calls, we discussed exploring several other projects, whether in the chemical value chain, nitric acid, or elsewhere. Can you provide any indication of whether there are any other projects besides those?

Management: The encouraging signs that we are seeing in our TAN business are definitely making us optimistic about moving forward in the direction you just mentioned. Moreover, as I said, having these 4 plants in place also means that we will have additional raw material sourcing capabilities in terms of ammonia. That also feeds into this entire model.

Thirdly, I mentioned last time that we are having discussions on a joint venture abroad for phosphatics. Along those lines, some progress has been made, and we are proceeding with certain actions. As and when we reach that stage, we will definitely inform you about that as well.

Virat Acharya – SIMPL: Thank you. I will return to the queue.

Operator: Thank you. The next question comes from the line of Prashant with LARA Capital. Please go ahead.

Prashant – LARA Capital: Thank you once again. Sir, how much could be the GCal per metric ton for the new plant whenever we set it up, similar to what we achieved in G3, Gadepan 3?

Management: Similar to what we achieved in G3, Gadepan 3.

Prashant – LARA Capital: Has there been no technology improvement after that?

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Management: There could be. I am not fully aware, but there could be improvements in terms of the catalyst or reductions in certain pressures here or there. We will see that once the technology suppliers provide us with the specifications.

Prashant – LARA Capital: How much was the gas price for Q1, and how much net cash do we have on the books?

Management: The gas price for Q1 was, I think, because the government has declared only the provisional price, on an NC basis {? $17.25 ?} for the quarter.

Prashant – LARA Capital: And net cash?

Management: We had net borrowings of about 200 crores, or minus 200 crores.

Prashant – LARA Capital: That is all. Thank you.

Operator: Thank you. Ladies and gentlemen, if you wish to ask a question, you may press star and one. The next question comes from the line of Sanjay K, an individual investor. Please go ahead.

Sanjay K – Individual Investor: Good morning. Am I audible?

Management: Yes, you are.

Sanjay K – Individual Investor: Yes, sir. Congratulations to the management on the good operational performance and the improvement in margins. There was a delay in the monsoon starting, and I think we started late in July. Are you seeing the impact that occurred on production in Q1 now, with the monsoon getting better and better as we progress? Are you seeing Q2 demand being better than what we expected, perhaps compared with last quarter?

Management: Yes, definitely. I mentioned that in my opening remarks, and it is visible from the way fertilisers have been picked up as we speak today. I see the improvement from what was happening in the middle of June to what is happening now in July. This month alone, we have had almost 3.8 lakh tons of farmer sales of urea and almost 92,000–93,000 tons of NPK sales. That means the pickup is close to 19,000–20,000 tons a day, which is quite good in terms of how things are improving. Along with that, once sowing has proceeded to a certain level and the shortfall is being made up, the subsequent sales of various other specialty nutrients and crop protection chemicals will follow.

Sanjay K – Individual Investor: Overall, are you seeing Q2 progressing better than we anticipated?

Management: Yes, we feel that Q2 will also progress well. Liquidation from the channel is also happening, which will create the second round of demand.

Sanjay K – Individual Investor: Thank you for the update, and I wish you all the best.

Management: Thank you.

Operator: The next question comes from the line of Druv Muchhal with HDFC AMC. Please go ahead.

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Druv Muchhal – HDFC AMC: Thank you. I have a few questions. Firstly, regarding the urea business, we see an improvement in profitability despite lower volumes. Is it because of surplus ammonia sales and possibly the currency? Could you share the benefit from surplus ammonia?

Management: Let me first take you through it. When Anuj mentioned the relative quantities of Gadepan 1, 2, and 3, Gadepan 3 was the predominant factor in this quarter. That was the first factor. The second factor was that we had a currency uptick, which directly impacts margins as far as {? Gadepan 3 ?} is concerned. Thirdly, there were some ammonia sales with better margins. These 3 factors contributed to the better margins.

Druv Muchhal – HDFC AMC: We have seen that NPK subsidy rates are yet to be revised, costs are high, and local production is running at a very low level. What is probably delaying the subsidy announcement, and if it is not announced, could it cause challenges, including from the import side?

Management: I will put it this way. Yes, the subsidy announcements were delayed. Normally, this happens once or twice a year—once for kharif and once for rabi. The kharif number is what it is. As I mentioned in my opening remarks, the industry has been continually engaging with the government to try to improve the terms. Otherwise, there will be demand destruction through much higher prices for farmers. That is one issue.

The second issue is that production has been at a low level because sulfur availability has been an issue for most phosphoric acid manufacturers, and that has resulted in lower production for the phosphatic fertiliser industry in India. The third issue has been logistical disruption from Saudi Arabia and elsewhere in terms of the importation of materials, especially finished fertilisers such as DAP.

These 3 factors combined have created a difficult situation. Nevertheless, there were opening stocks from March, because of which we are in a position of some comfort. These stocks will need to be replenished going forward, and quickly enough. The feeling is that the government might definitely do something by October. Interim relief was sought, but that has not yet come through.

As far as Chambal is concerned, we took calculated positions in our purchases starting from January onward. Although it was not planned that way, it has worked out, and we have, as you know, taken about 8.5-9 lakh tons of material. That will flow into the system, and we are maintaining a good pace of sales, especially in terms of new grades such as ammonium sulphate, which we believe is a grade with significant promise going forward. All in all, I think Chambal has planned its inventory and sales more effectively than possibly others, so an advantage will flow from that.

Druv Muchhal – HDFC AMC: If I understand correctly, the kharif season is done, at least from the government's side. The next action will probably have to be in rabi, and that will drive further action for you and the industry.

Management: Yes.

Druv Muchhal – HDFC AMC: In an earlier comment, you mentioned EBITDA of about 12,000 per ton for a plant of about 12,000 tons. Is that the base earning, or can there be upside from GCal savings

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or ammonia savings? I am also a bit confused about the clause regarding the 12–16% variable cap on ROE. I am not sure whether that was also present in the earlier policy. What I am trying to understand is whether, if reported ROE gets higher than 16% because of any of these savings or efficiencies, it gets capped at 16%, or whether there is potential to benefit from the efficiencies.

Management: I do not think there is a cap at 16% per se because the government is not controlling your investment. Supposing you were to execute it theoretically at 9,000 crores as opposed to the budgeted amount, you can work out the mathematics yourself. The return could go up depending on efficiency, gas prices, energy gains, and so on. That is one part.

The other part is that the most important variable in this project today is to get the capital cost to a level at which the numbers work for us. That has to be achieved through a range of actions involving the management of foreign exchange, taxes, and so on, so that we arrive at the right combination. That is the effort currently underway, to ensure that we get the best possible combination. I hope I have answered your question on that aspect.

As far as 12–16% is concerned, that is only an indicative range of what the government believes is a floor-and-ceiling system. In the old policy, there was also a provision under which you could earn a little more if the IPP exceeded a certain number, and some portion of it would flow into your profits. However, that is subject to the gas price not being more than $14. As long as the gas price remains between $14 and $6.5 or $7, whatever the applicable figure is, you can receive that benefit. That is a theoretical benefit.

The other benefit, which is real, is that if you are able to bring the project cost down to a certain level and operate the plant more efficiently, those benefits are not capped.

Druv Muchhal – HDFC AMC: My last question is about how the plant gets allocated. I want to understand the process. You said you are in a good position, but what if there are multiple applicants, since the quantum is restricted to, if I am not mistaken, 8–10 million tons? What if other applicants also want to proceed? How does that process work, and what gives you the confidence that you will be selected?

Management: I would put it this way: they have to establish the plant within 5 years, number one. There are a large number of greenfield applicants and a large number of brownfield applicants. The question is who gets off the block first. You must understand that in this business there are only 2 or not too many vendors, so to speak, who are qualified to provide plants of this type. If they get booked early, or if the vendors' capacities get booked early, whoever has the first-mover advantage will have a significant advantage.

Management: Not only that, people who then have to provide 300–400 crores in bank guarantees have to think through whether they can actually deliver within that timeframe, because there is also a financial aspect to it. That is an entry barrier if you are not confident that you can proceed.

Druv Muchhal – HDFC AMC: Thank you so much, and all the best.

Operator: Thank you. The next question comes from the line of Mayuresh with Investec. Please go ahead.

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Mayuresh – Investec: Am I audible?

Management: Yes.

Mayuresh – Investec: Thank you for the opportunity. My question is regarding the TAN business. The Indian TAN market is currently import-dependent, but with upcoming capacities from Indian companies, domestic capacity could broadly match demand by FY28. Do you see any risk of temporary oversupply if demand growth or import substitution is slower than expected? In such a scenario, how do you see capacity utilization, pricing, and industry margins over the medium term? Also, there have been reports of Reliance Industries evaluating entry into the TAN business. How do you view the potential impact of a large player entering this market?

Management: You have raised extremely pertinent points. To answer your first question, yes, we know that there is capacity expansion in this space, so Indian supplies are going to increase, although Indian demand is also increasing. That is the positive aspect. There is continued pressure on infrastructure, roads, ports, bridges, and so on, all of which will require TAN. This includes very large demand projections of almost 86—I mean, something like 3 lakh gigawatt or whatever figure is being discussed—in terms of expansion of thermal capacity and so on. Coal mining and infrastructure requirements, including blasting requirements for infrastructure, are also increasing, which is quite encouraging.

My own experience and assessment is that we may be short or slightly long in the market for perhaps not more than a year or so, and we will have to manage that situation. Going forward, however, the market is again likely to become short, with demand exceeding supply. In that sense, we do not have a problem with capacity utilization.

Number two, it also depends on the pricing structure of your plant in terms of both fixed and variable costs. I believe we have a good mix there. Thirdly, you rightly mentioned that Reliance is coming in, which means that they may bring a very large capacity if they decide to enter. We will see what happens then. We cannot speculate right now about the capacity that may come in, the timeline for execution, and so on. That is somewhat in the future and is a hypothetical question. As of now, I see no roadblocks.

Mayuresh – Investec: With current TAN realizations being elevated due to geopolitical factors, how should we view a near-sustainable realization and margin over the medium term?

Management: At the moment, it is good. Mr. Mishra tells me that our margins are currently better than budgeted.

Mayuresh – Investec: Thank you, sir. That is all from my side.

Operator: Thank you. The next question comes from the line of Himani Negi with HDFC Bank. Please go ahead.

Himani Negi – HDFC Bank: Thank you for taking my question. We discussed some time ago that the ROE and ROI under the new investment policy were somewhat diluted compared with the old policy, but that we would still be able to achieve good savings through the benefits of having the project at a single location. I wanted to understand whether, when we consider the benefits of

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having the project at a single location, those benefits would make the returns similar to those under the new investment policy, or whether they would...

Management: Himani, could you repeat that? I heard you somewhat muffled in the middle. I missed something about the old policy and the new policy.

Himani Negi – HDFC Bank: If we compare the new policy with the old policy, as we discussed a few minutes ago, the new policy is somewhat return-dilutive. However, we have the advantage of setting up the project at a single location, which will give us significant operational advantages. I wanted to understand whether the benefit of those operational advantages would bridge the gap in ROI.

Management: No, not really. No, not really. There is still a difference. However, as I said, being a scale player in any commodity business is a strategic advantage in itself. That is a very important advantage in terms of how the market is addressed through distribution and so on, as well as the synergistic benefits that will come from it.

Himani Negi – HDFC Bank: Thank you, sir.

Management: Thank you.

Operator: Thank you. The next follow-up question is from the line of Prashant with Elara Capital. Please go ahead.

Prashant – Elara Capital: Abhay sir, on the phosphatic side globally, due to the Middle East war, how are you seeing supply from the North African market? Is it being impacted by ammonia or sulfur? I wanted your views on global phosphatic supply.

Management: I will answer this based on my limited understanding of the phosphatic markets. The North African market, which I think you are referring to, primarily involves OCP. As I mentioned in my opening remarks, and as you would also see in the results, we had a long period of shutdown for 2 reasons. One was the non-availability of sulfur, and the other was its exceedingly high price. They are rich in phosphates but short of sulfur and ammonia.

Ammonia is somewhat manageable. They have supplies coming in from Trinidad and Tobago and elsewhere, so that is an alternative route for obtaining ammonia. In any case, ammonia accounts for 22% or less in certain grades. They also export a significant amount of TSP, which is devoid of ammonia, and that addresses the ammonia issue. Sulfur, however, is an essential element, and sulfur is needed to manufacture phosphoric acid.

My understanding is that they have recently been able to source supplies from North America, and production has now restarted. There were, I think, a few cargoes available to them from the Gulf and the Middle East during that period of inactivity. At the end of the day, I would say that they remain a very strong supplier to the Indian market as well as to the global market. They have substantial phosphatic reserves, and as long as they continue increasing their capacity and exploiting that position, I am sure they will be able to capture the markets.

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As we know, China has been more or less out of the phosphatic market for the last 1.5-2 years. Saudi Arabia is stepping in with expansion. However, it is currently constrained by logistical issues. For the short term, I would say that North Africa is more or less a major supplier in the market today.

Prashant - Elara Capital: Are Chambal's sources broadly from North Africa only? Is it traded...

Management: No. As I said, for the grades that we have, we have significant exposure to Russia, and most of the raw material comes from Russia. Some of it comes from North Africa in the form of DAP or TSP. In this year's mix, particularly, we had a large amount from Russia because we mainly did the NPK base.

Prashant - Elara Capital: Thank you so much, sir.

Operator: Thank you. Our next follow-up question is from the line of Virat Kacharia with SIPL. Please go ahead.

Operator: I am sorry to interrupt, Mr. Virat. Could you please use your handset? Hello, Mr. Virat, can you hear us?

Operator: Mr. Virat, could you please use your handset?

Virat Kacharia - SIPL: Am I audible now?

Operator: Yes, please go ahead.

Virat Kacharia - SIPL: My question is on NUP 2026. You said that if we get the product cost right and are able to derive better efficiencies, the gains are not capped at the 16% ROE. Under the earlier 2012 policy, there was a certain sharing of those efficiency gains. Does that continue under the NUP 2026 policy?

Management: Under the earlier policy, up to 8 years, as far as I know, there was no gain-sharing in the efficiency gains. I think it is the same under this policy.

Virat Kacharia - SIPL: Understood. When you say we can get the product cost right, is that because it is largely brownfield in nature, or what will be the driver of a lower project cost for us compared with other players?

Management: I will not compare it with other players because that is their business and their strategy. It depends on the type of contract. For instance, whether we execute it ourselves through our own project team, or whether we award it in an LSTK mode, in which case we transfer some of the risk to the contractor executing it. These are 1 or 2 important structural decisions.

Apart from that, the timing of placement, the type of tax structure we choose for executing the project, the execution timeline, and the financing structure, which will determine the interest during construction, are all relevant. There are many factors that add up to the project cost. All of them have to be managed correctly and on time. Most important is timely execution. We have a track record in that area, as you know. That gives us the confidence that we can execute the project and achieve the required return on the business.

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Virat Kacharia – SIPL: My second question is on the phosphatic business. We already have a joint venture with OCP for Phos Asset. We seem to have a good number of projects or opportunities in hand, whether in urea or in the nitric acid value chain. What is the thought process behind exploring another joint venture in phosphate? Why not pursue a solo model in India rather than going overseas? Can you provide any insight?

Management: I can tell you that we have evaluated a full-scale granulation plant based on rock, starting from rock. The issue that always faces us is, number one, the execution time in India. The second issue is that the cost of putting up a project in India is not very different from what it would cost to go abroad and execute it.

Number three, OCP has a certain structure in terms of its entire operations. It is already expanding its Phos Asset capacity from 500,000 tons to 700,000 tons, which should be operational, I think, by the middle of next year, from April to June 2027 or so. That gives us further capacity and scale. It is one of the largest Phos Asset capacities in Morocco as it stands today, and one of the largest globally. This opens up certain other opportunities to exploit the asset, not only for supplying to India but also for entering some value-added segments.

Those are other possibilities for Phos Asset. It has a different kind of structure, with a different thought process and objectives for that particular joint venture. The other joint venture that we are discussing is linked solely to the supply of material to India in granular or finished form. In that joint venture, we would be involved on both sides, in terms of selling as well as purchasing, or rather producing as a partner somewhere. That is the logic for pursuing that particular joint venture.

Virat Kacharia – SIPL: My last question was on the TAN and WNA project. In the last few quarters, the expectation was that, looking at the year as a whole, we should be able to ramp up utilization quickly to a high level. For FY27 as a whole, we could see utilization of more than 70–80%. Does that still hold given the market dynamics?

Management: I would put it this way. Based on what little I have seen over the last 1.5 months, we started production of ammonium nitrate melt in earnest on June 15, and we have completed almost a month in terms of volumes. I would say that the market has responded well to our product in terms of quality, delivery schedules, and pricing. That gives me the confidence that despite this being a lean season, we can move forward and look toward a better season beginning in the third quarter, sometime in the first week of October, as the market picks up.

As you know, I spoke about the H-DAN capacity nearing completion and almost starting very soon. That gives us 3 products in the pipeline: WNA, weak nitric acid, nitrate melt, and H-DAN. We will run the combination in the most profitable manner. We have also started putting up warehouses, some of which are nearing completion, while one is already complete. This gives us the capacity to place our material advantageously with users.

All of that marketing mix is coming together and should be completed by around the end of December, including all the marketing-mix elements and product elements. That gives me the confidence that we will be able to generate the necessary numbers and volumes.

Virat Kacharia – SIPL: Thank you, and good luck.

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Operator: Thank you. The next question comes from the line of Karan Gupta with Chavvy Capital. Please go ahead.

Karan Gupta – Chavvy Capital: Thank you. I appreciate the opportunity. I have one quick question. With this potential large capex coming up, what are your views on capital allocation with regard to dividends or buybacks going forward?

Management: Regarding dividends, based on the numbers we have declared, we will definitely maintain the levels we have established. I do not see any difference. We have a policy under which, if there is a profit, we have declared that we will pay approximately 25% of it. I do not think there is an issue there.

As far as buybacks are concerned, we have always said that a buyback is subject to whether we have visibility regarding projects and so on. If we do not have that visibility, we will definitely consider a buyback. Otherwise, I do not think a buyback is on the horizon.

Karan Gupta – Chavvy Capital: Thank you.

Operator: Thank you. The next question comes from the line of Darshita with DSP Asset Managers. Please go ahead.

Darshita – DSP Asset Managers: Thank you for the opportunity. My first question is regarding the higher cost of setting up a granulation plant in India compared with internationally. Could you provide some insight into which part of the overall process results in the higher cost and what the cost differential would be approximately?

Management: We conducted a theoretical exercise on the west coast of India, including all the elements such as land, development, port facilities, and so on. In this type of plant, the main facilities are the sulfuric acid plant, the phosphoric acid plant, and the granulation plant. Beyond that, there are many other costs related to storage, gypsum disposal, raw material storage, and so on.

The outside battery limit, or OSBL, cost outweighs even the inside battery limit, or ISBL, cost. We have conducted these calculations a couple of times. You have to establish infrastructure to transport and store the rock.

Management: If you are producing potash grades, you need potash storage. You also need significant facilities to store ammonia because if you do not have ammonia backup, you need ammonia tanks, which are very expensive items. Taken together, these outside battery limit requirements cause a significant increase in costs.

When we calculated the figure, we had engaged some consultants. They provided us with a number, which was not—when taking the number into account, you use the higher limit plus 20%, not the minus 20% of what they provided. It therefore turned out to be more expensive to execute the project domestically than through a joint venture overseas.

Darshita – DSP Asset Managers: Secondly, someone has already asked what is causing the delay in the government announcing the subsidy. We have been going around in circles on this for some

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time. What is your best assessment of why there has been such a delay when NPK production has already fallen significantly over the last quarter and we are facing issues procuring it?

Management: My assessment is that the government was, or is still, watching 2 things: the level of stocks, the progress of El Niño, the depletion of stocks, and whether there is enough material in the pipeline for the first month of the rabi season and so on. If I were sitting in a position in the Department of Fertilisers, I would imagine that this would be part of the thought process.

It is a balancing act. The government also has to consider its fiscal situation. It already has a policy for urea under which all costs are absorbed through a cost-plus mechanism. It has a policy for DAP under which all costs are absorbed. The question is what its focus is. Are these only the 2 grades that are important, with the others being supplementary grades, or are there other grades for which the government may not have the same sensitivity? I do not know. My assessment is that the government may be balancing the NPK subsidy. DAP is open in terms of its advantages and disadvantages and is more or less like urea now.

Darshita – DSP Asset Managers: I have one last question regarding the e-token system that has been announced in a few states so far, under which there is a restriction on how much urea and DAP farmers can purchase. How do you view this? What do you think the government's thought process is? Secondly, if this is implemented across India, do you see consumption of DAP and urea declining?

Management: Akshita, as far as I know, there was an agitation 2-3 days ago in Madhya Pradesh, and the government has suspended the e-token system.

Darshita – DSP Asset Managers: Understood. Thank you so much. That is all from my side.

Operator: Thank you, ladies and gentlemen. That was the last question for today. I now hand the conference over to the management for their closing comments.

Management: Dear friends, I would like to thank you all for joining the call today, and I hope we were able to address all your queries. If you have any other questions, you can reach out to our investor relations partners at Valorem Advisors. Thank you once again for participating in the call.

Operator: Thank you. On behalf of Chambal Fertilisers and Chemicals Ltd., this concludes the conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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