



Q3 FY24 EARNINGS WEBINAR

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SATURDAY, FEBRUARY 3, 2024

- **Mr. Navin Agrawal – Head Institutional Equities, SKP Securities Ltd.:**
- Good morning, ladies and gentlemen! On behalf of Mangalore Chemicals & Fertilizers Limited and SKP Securities, it's my pleasure to welcome you all to MCFL's Q3 FY24 Earnings webinar. We have with us Mr. Nitin Kantak, Whole-Time Director and Mr. T.M Muralidharan, CFO. All participant lines have been muted at this time and this webinar is being recorded for compliance reasons. We will have the opening remarks and the presentation by the management followed by the Q & A session. Thank you and over to you Mr. Kantak.
- **Mr. Nitin Kantak – Whole Time Director, Mangalore Chemicals & Fertilizers Ltd:**
- Thanks Nikhil, for arranging this conference call. Good morning, everyone and thank you for joining us today. I welcome our esteemed investors for this Q3 FY24 earnings call. I would like to begin by sharing the agricultural scenario, overall business environment followed by Q3 performance. Against the backdrop of a deficient south west monsoon notably in Karnataka, our primary market where we experienced 18% deficit, our challenges persisted with the complete absence of north east monsoon in South Peninsular India and Western India. The actual rainfall deficits were 36% in Karnataka, 24% in Andhra Pradesh, 38% in Maharashtra and we had a surplus of 4% in Tamil Nadu. As of end of December, major reservoir levels in our market remained critically low at 29% of gross capacity, marking a 63% decrease compared to last year and a 49% decrease compared to last 10 years average. The crop acreage for the Rabi season reached only 72% of normal and 86% of last year's acreage. The year 2023 will be remembered as Karnataka's worst drought year. Despite Karnataka experiencing 16 drought years since 2001, it saw its lowest combined rainfall, that is the south west and north east monsoons in the last 123 years leading to 223 of the 236 taluks being declared as drought hit. In terms of the business landscape, the commodity prices with the exception of ammonia persisted at elevated levels throughout the quarter. The shipping disruptions in the Red Sea by drone attacks from Houthi rebels compelled many vessels to reroute through Cape of Good Hope consequently raising freight costs.
- All India urea sales for the quarter decreased by 10% year on year to 9.8 million metric tonnes and cumulatively for the year, it was marginally up by 0.25% to 28.2mn metric tonnes. All India DAP sales for the quarter were down 13% to 3.5mn metric tonnes and for the year it was up 6% to 9.7mn metric tonnes. All India NP/NPK sales for the quarter were down to 0.5% to 3mn metric tonnes and for the year, it was up 14% to 9.2mn metric tonnes. Similarly, all India MOP sales for the quarter were down 10.5% to 0.51mn metric tonnes and for the year, it was flat at 1.28mn metric tonnes.
- Despite encountering challenges from adverse weather conditions, we take pride in our ability to adapt and thrive in the market ensuring sustained success. Due to adverse conditions in Karnataka, we managed to boost sales in Tamil Nadu showcasing our agility in navigating turbulent times. Despite the difficult market environment, we upheld our market leadership by consistently delivering high quality products and services, strategically managing our inventory to meet market demands efficiently. In the 3rd quarter, our primary sales reached 1.36 lakh metric tonne totalling 6.77 lakh metric tonnes year to date as of December. Our steadfast commitment to maintaining a significant market share in Karnataka underscores our strategic positioning and strong customer loyalty. Notably we have retained our top position in Karnataka for N20 product which is our major product which is at 31% market share in quarter 3 and 26% for the year. Moreover, we continue to lead in total fertilizer sales in Karnataka holding a 16% market share for the year.
- As we navigate through challenges and successes, it is crucial to highlight our dedication to innovation, operational excellence and customer centric approaches. Our resilient market share in Karnataka is a testament to our adaptability and resilience in the face of adversity.
- Shifting to plant operation updates, our ammonia urea plant completed the annual turnaround successfully in October following the replacement of 24 year old primary reformer tubes. Our ammonia plant is now operating at more than 100% load. The surplus ammonia beyond the requirement for urea production is utilized for phosphatic fertilizer manufacturing covering 75% of our ammonia requirement thus reducing ammonia imports. I am pleased to announce that the specific energy consumption of urea productions remains within the range, 5.4 to 5.45 giga calorie per tonne of urea surpassing the target of 5.5 giga calories per metric tonne set in our ammonia energy improvement project

which we completed last year. Consequently, we rank among the top 10 energy efficient ammonia urea plants in the country and also lead among the plants of our vintage. However, our phosphatic fertilizer plant operated at lower loads during the quarter due to constrained sales.

- Moving on to our financial performance for the quarter, significant decreases in the nutrient based subsidy from October 23 to March 24 along with rising input costs and challenging market conditions compounded by increased competition presented considerable obstacles that impacted our margins on phosphatic fertilizer significantly. Additionally, reduced urea sales stemming from the plant's shutdown in terms of annual maintenance led to decrease in profit before tax for the quarter to Rs 51 crores, down from Rs 106 crores in the previous quarter and Rs 97 crores for Q3 FY23. PBT for the period ending December 23 stands at Rs 233.4 crores compared to Rs 84.3 crores for the corresponding period of financial year 23.
- I invite you to engage with us further during the session as we share insights, address queries and chart a path together forward. I will now hand over to our CFO, Mr. Muralidharan for a detailed presentation of our financial performance. Thank you. Murli, you can take over please.

– **Mr. T.M. Muralidharan – Chief Financial Officer, Mangalore Chemicals & Fertilizers Ltd:**

- Thank you sir. Thank you for your introduction and insights. Navin, can I request you to share the presentation?

– **Mr. Navin Agrawal – Head Institutional Equities, SKP Securities Ltd.:**

- Murli, is it visible?

– **Mr. T.M. Muralidharan – Chief Financial Officer, Mangalore Chemicals & Fertilizers Ltd:**

- Ya, it's visible. Thank you Navin. Good morning dear shareholders. In this presentation, we shall cover the highlights of Q3 FY24 and 9 months operation, FY24 and the past annual performance. Next please, next please.
- This is an overview of the operations of Q3 FY24 in a snapshot. We have resumed operations of urea and ammonia plant after planned maintenance shutdown taken in end of September 2023. Phosphates production was moderated based on market conditions and demand. Next.
- The highlights of the quarter 3 performance and 9 months' performance is presented here. Sales volume is 1.36 lakh metric tonnes in Q3 FY24 compared to 1.93 lakh metric tonnes in Q3 FY23, a reduction of 30 % mainly due to shutdown of urea plant in October 23 on account of planned maintenance. However, we have registered a growth of 74% in sales volume during 9 months FY24 at 6.77 lakh metric tonnes compared to 3.90 lakh metric tonnes in 9 months FY23.
- Coming to revenue, revenue for Q3 FY24 is at 641 crores compared to 1173 crores in Q3 FY23, a decrease of 45% on account of reduction of volumes as explained above. However, revenue for 9 months FY24, we have registered a growth of 21% at Rs.3009cr. in 9 months FY24 compared to Rs.2478cr. in 9 months FY23.
- Moving to EBITDA, EBITDA for Q3 FY24 is at Rs.92cr. compared to Rs.148cr. in Q3 FY23 which is decrease of 38% due to reduced volumes. Once again however, EBITDA in 9 months FY24 is at Rs.368cr. compared to Rs.201cr. in 9 months FY23 which is a growth of 83% due to increased sales volumes and improved efficiency.
- PBT in Q3 FY24 is at Rs.51cr. compared to 97cr. in Q3 FY23, a reduction of 47%. whereas the PBT of 9 months FY24 increased by 177% at Rs.233cr. from Rs.84cr. in 9 months FY23 primarily on account of higher sales volume and improved efficiency.
- PAT in Q3 FY24 is at Rs.33cr. in Q3 FY24 compared to 76cr. in Q3 FY23, a reduction of 57% whereas PAT of 9 months FY24 increased by 124% at Rs.150cr. in 9 months FY24 as against Rs.67cr. in 9 months FY23.
- Lastly, we come to the EPS. EPS for Q3 FY24 is at Rs.2.78 per share compared to EPS of 6.42 per share in Q3 FY23, a decrease of 57% whereas EPS for 9 months operations FY24 is at Rs.12.65 per share compared to EPS of Rs.5.63 in 9 months FY23, an increase of 124 %. This is so far the highest EPS recorded on cumulative basis, in the history of MCFL. Next slide please.
- Now we shall present the details of production, sales and revenue. The production and sale of urea is 0.81 lakh metric tonnes and 0.76 lakh metric tonnes respectively in Q3 FY24 compared to production and sale of urea of 1.25 lakh metric tonnes and 1.22 lakh metric tonnes in Q3 FY23. As far as 9 months FY24 is concerned, we have achieved

- production and sales of urea of 3.13 lakh metric tonnes and 3.11 lakh metric tonnes compared to 2.08 lakh metric tonnes and 2.07 lakh metric tonnes in the corresponding period of FY23.
- With regards to complex fertilizers, we have sold 0.61 lakh metric tonnes in the current quarter compared to 0.71 lakh metric tonnes in Q3 FY23. For 9 months of FY24, we have sold complex fertilizer of 3.66 lakh metric tonnes compared to 1.83 lakh metric tonnes of corresponding period of previous year. This is the highest sale of complex fertilizer so far for 9 months operations in the history of MCFL.
 - Lastly coming to revenue from operations. As far as revenue from operations, urea business has posted a revenue of Rs.356cr. in Q3 FY24 as compared to Rs.720cr. in Q3 FY23 and has posted a growth in revenue from Rs.1209cr. in 9 months FY23 to 1322cr. in 9 months FY24. As regards non-urea business, it has registered a revenue of Rs.285cr. in Q3 FY24 as against Rs.453cr. in FY23 Q3 and Rs.1687cr. in 9 months FY24 as against Rs.1269cr. in 9 months FY23. Move on Navin. Thank you.
 - Now we shall look into the financial position. It could be seen the net worth has appreciated by Rs.199 crores between December 2022 and December 2023. The net worth stands at Rs.935cr. at the end of December 2023. We are at the cusp of crossing Rs.1000cr. net worth. As far as the long-term debt, there is a marginal net increase of 5cr. in December 2023 over December 2022 after factoring repayments. Coming to short term debt, that is working capital is Rs.584cr. in December 23 as against Rs.1143cr. in December 2022, a reduction of not more than, around 50% due to improved liquidity. Short term surplus is Rs.367cr. in December 2023 as against Rs.403cr. in December 2022. Next slide please.
 - We shall present now the position of receivables. There are 2 types of receivables in bulk fertilizer industry. One is the market debtors, the dues we collect from the dealers. The other one is subsidy which is due from the Government of India. The market debtors is Rs.130cr. in December 2023 as against Rs.129cr. in December 22 despite the higher volume of sales, still we are able to maintain similar level of market debtors. This demonstrates our control over the POS credit assessment and debt recovery process. Coming to subsidy receivables, it is Rs.359cr. at the end of Q3 FY24 as against Rs.645cr. at the end of Q3 FY23 due to timely disbursements of subsidies by the Government of India. Against the 359 crores which is outstanding at the end of December 2023, we have received Rs.165cr. in January 2024. This clearly demonstrates that even in the last quarter of the current financial year, the government is arranging adequate subsidy grants and disbursement for the fertilizer industry.
 - We shall look at now some past annual performance. The revenue from operations was Rs.3074cr. in FY19 increased to Rs.3642cr. in FY23. As regards EBITDA, you can see from the levels of Rs.200cr. for FY19 able to maintain the EBITDA due to some difficult times in the last 3-4 years and have been able to improve it to Rs.340cr. in FY23. While PBT has improved from Rs.50cr. to 176cr. in FY23 due to receipt of natural gas in FY21 and successful commissioning of our Ammonia Energy Improvement Project in FY23. With respect of PAT, similarly we have been able to improve from Rs.33cr. in FY19 to Rs.135cr. in FY23. Next slide.
 - Cash profit has improved from Rs.72cr. in FY19 to Rs.194cr. in FY23. Earnings per share has improved from Rs.3 per share in FY19 to Rs.11 per share in FY23. We could see that the total receivables have come down from Rs.1564cr. in FY19 to Rs.757cr. which is almost 50% reduction. This is possible on account of improved liquidity in the market and significant reduction in subsidy receivables due to the fiscal stimulus given in FY21 during covid19 to clear subsidy arrears and continued additional support given in FY22 and FY23 by Government of India and timely disbursement of subsidies. We expect a similar trend to continue going forward as adequate budget support is given. Despite the amount what is announced at the time of presentation of the budget, if the situation warranting additional allocation of subsidy or grant of subsidy, the Government of India is able to allocate these subsidies, underline the importance of fertilizer in the economy.
 - We shall look at the details of production and sales. We are able to consistently produce 3.8 lakh tonnes per annum in terms of urea which is our re-assessed capacity. However last financial year FY23, there is a reduction in production due to planned shutdown for the implementation of energy improvement project. The trend in sales of P&K Fertilizers is based on availability and viability in this spectacle.
 - We carry this slide for first time participants. This is an overview of MCFL operations as regards to the location of the plant, products manufactured, the capacities, market territories and the brand. The plant is situated at Mangalore West Coast, opposite Mangalore Port and the production capacity of urea is 3.8 lakh tonnes which is our re-assessed capacity as said earlier whereas the capacity of DAP & other complex is 2.8 lakh tonnes per annum. We are also

trading in MOP, DAP and 10:26 based on market opportunities and business viability. We operate in the states of Karnataka, Kerala, Tamil Nadu, Andhra Pradesh, Telangana and Maharashtra. We sell about 78% of our sales in Karnataka, 3% in Kerala, 10% in Tamil Nadu, 5% in Andhra Pradesh and 4% in Maharashtra. We sell under the brand Mangala. Thank you for your time shareholders.

- **Mr. Navin Agrawal – Head Institutional Equities, SKP Securities Ltd.:**
- Murli, anything else or we can start with the Q&A session?

- **Mr. T.M. Muralidharan – Chief Financial Officer, Mangalore Chemicals & Fertilizers Ltd:**
- I am done.

- **Mr. Navin Agrawal – Head Institutional Equities, SKP Securities Ltd.:**
- We can start with the Q&A now. Anyone wishing to ask a question, request you to please raise your hand, we will unmute you and take your question forward. We will wait for a couple of minutes till the questions line up. The first question is from Aditya Jhavar. Aditya, please go ahead and ask your question. Please unmute yourself.

- **Mr. Aditya Jhavar - Participant:**
- Thanks for the opportunity. A great detailed presentation. Thanks for that. I have very broader questions. Firstly, I want to understand the profitability in a better way. So, our profitability, from what I understood, please correct me if I am wrong. So whatever raw material, natural gas is for the urea, let's talk about the urea plant, whatever raw material is based on that pricing only, we will be able to get the finished product and based on that only, we get the EBITDA per tonne. I want to understand, how can we increase this EBITDA per tonne. I know we have done NEP Program but currently suppose, what can be sustainable and how can we increase EBITDA? That is my 1st question. I will ask the subsequent question on the NPK front. This is related to urea.

- **Mr. Nitin Kantak – Whole Time Director, Mangalore Chemicals & Fertilizers Ltd:**
- Murli, you can take it up.

- **Mr. T.M. Muralidharan – Chief Financial Officer, Mangalore Chemicals & Fertilizers Ltd:**
- Ok. Aditya, your understanding of the operating aspects of urea is very good and we have done the best possible investments to improve the EBITDA. The urea margins are linked to, there are 2 factors – one is the efficiency with which we operate. No.2 is determined by the prices of the raw materials, the gas. The current levels of natural gas prices are very stable now and we were operating at gas prices of about \$9 or \$10 per MMBtu. Now it is hovering around \$15-16 per MMBtu. It was in fact peak of during the covid and post covid times. The prices were very high at \$25 per MMBtu. In the last 1-1.5 yrs., you could see that the gas prices are at the levels of 15-16 dollars per MMBtu. This is the level it operates. So the margins are fully protected and our investments are made at the levels, when the prices of gas were at 9-10 dollars, so we are pretty confident that this price will hold and the margins, the EBITDA will be protected. As regards the other part of the margins, the efficiency, we have done what best we can do so far. Still, we are constantly engaged in trying to improve these various small capex investments are done which is on going exercise as our CEO Mr. Kantak has replied, we are the top 10 efficient plants in India and the **best amongst** the vintage we belong to and we will continue to meet the focus of how to keep on innovating ourselves and pro-assessing ourselves so that we maintain the EBITDA or improve the EBITDA. We will ensure that at any point of time we don't have a dilution of EBITDA at any point of time. This is our stated or focused direction. I hope I am able to reach out to you Aditya.

- **Mr. Aditya Jhavar - Participant:**
- What can be in urea? What can be making 4000 or 5000 or 6000 EBITDA? What do you think, based on current 15-16, what do you think, is it sustainable for us?
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- **Mr. T.M. Muralidharan – Chief Financial Officer, Mangalore Chemicals & Fertilizers Ltd:**
- Currently we are making about 5000+ depending upon the sometimes, some variation in operations will happen. 5000+ EBITDA we are making, that will be the fair figure to assume in the long term at least,. I won't say long term, maybe short term or medium term, so we will be able to assume this to be realized and it is a pretty good EBITDA to operate.

- **Mr. Aditya Jhavar - Participant:**
- So we are happy with this 5000 metric per tonne for the urea part?

- **Mr. T.M. Muralidharan – Chief Financial Officer, Mangalore Chemicals & Fertilizers Ltd:**
- Yes, ya, ya.

- **Mr. Nitin Kantak – Whole Time Director, Mangalore Chemicals & Fertilizers Ltd:**
- One second, I would like to add to what Mr. Muralidharan has mentioned. I would also like to mention that we are now implementing sulphuric acid project, 300 tonnes per day which is going to generate steam from waste heat generated in the process. This steam is going to be utilized in our urea plant and we have got an opportunity to bring down the urea energy consumption per tonne further. Right now, as such we are operating at a much lower level of around 5.4 to 5.45 GCal/MT and going forward, there may be an opportunity that it may come down by about 0.2 to 0.25 GCal/MT which is definitely going to improve our EBITDA margins further. You can go ahead with your 2nd question please.

- **Mr. Aditya Jhavar - Participant:**
- Ya. You are saying Sir on this follow- back, so 5.4 to 5.25, then what will be the EBITDA per tonne we can increase Sir here with this? It will go by more 500?

- **Mr. T.M. Muralidharan – Chief Financial Officer, Mangalore Chemicals & Fertilizers Ltd:**
- Ya, maybe. Again not 1000rs. May 250-300rs.

- **Mr. Aditya Jhavar - Participant:**
- Ok. So coming to the 2nd question on the NPK front – so here we are, I understand that we recently have a capex of 250-240cr. for sulphuric acid, it's kind of a backward intermediate product for the DAP. Right?

- **Mr. T.M. Muralidharan– Chief Financial Officer, Mangalore Chemicals & Fertilizers Ltd:**
- Ya, ya.

- **Mr. Aditya Jhavar - Participant:**
- How do you see DAP, I understand the price is currently whatever, earlier what we used to do was import DAP and MOP. Right?

- **Mr. T.M. Muralidharan – Chief Financial Officer, Mangalore Chemicals & Fertilizers Ltd:**
- Ya.

- **Mr. Aditya Jhavar - Participant:**
- So how do you see as a strategy, how much EBITDA we can make and if we are going with backward integration, what are the thought process here sir on the NPK front?

- **Mr. Nitin Kantak – Whole Time Director, Mangalore Chemicals & Fertilizers Ltd:**
- I will just come in here. just wanted to inform you that as far as manufacturing is concerned, our focus is on non-DAP because the margins on DAP are much lower because of the higher input prices and also substantial

reduction in subsidy. So we don't focus on manufacturing DAP. Our focus is on N20 product which we have been able to market and we have increased our sales over the last two or three years. Thus major part of our product mix is N20 product where we are getting good margins. However, to meet the requirement of DAP of the market we resort to imports and we take the opportunity to see that whenever the conditions are better we do that. Like in the last quarter, we imported quite a substantial quantity of DAP; almost 70,000 tons and got good margins on that because that time the conditions were favorable. So, this has been our strategy to see that on our Phosphatic we get good margins.

0 **Mr. Aditya Jhaver - Participant:**

0 Okay-okay. So, what I'm understanding is so N20 project is nonregulated, so we are focusing more on that and for that we are doing a backward integration of Sulfuric Acid, right?

0 **Mr. Nitin Kantak – Whole Time Director, MCFL:**

0 N-20 product is also regulated but we had good margins on that. And Yeah we doing backward integration with Sulphuric acid Project.

0 **Mr. Aditya Jhaver - Participant:**

0 So, what is EBITDA per ton here we are making, Sir? And what can be the potential after ..

0 **Mr. Nitin Kantak – Whole Time Director, MCFL:**

0 Murali we can give those inputs.

0 **Mr. T. M. Muralidharan -- Chief Financial Officer, MCFL:**

0 Aditya, see this EBITDA is what we make is very seasonal based on purely on the subsidy and what we call the support given by the government, okay. So, it fluctuates from as low or sometimes we make 2000-3000 and sometimes we go up to 4000-5000. It's very difficult to say that this will be the money we will be making it every year-on-year. As you know that there's a regulation in that also and we are unable to give beyond this direction like we are not able to give you for Urea.

0 **Mr. Aditya Jhaver - Participant:**

0 So, Sir, if we go with the backward integration, what can we increase in this because we are putting significant amount, right, 240 crores on this? Then there should be some thought process on...

0 **Mr. Nitin Kantak – Whole Time Director, MCFL:**

0 No, the major benefit out of Sulfuric Acid project is the steam which is going to be generated. As far as the Sulfuric Acid requirement of our plant is concerned, yes, it is going to meet our requirement but the benefits in terms of Sulfuric Acid is going to be low for the NPKs, for the NP production.

0 **Mr. Aditya Jhaver - Participant:**

0 Okay-okay.

0 **Mr. T. M. Muralidharan -- Chief Financial Officer, MCFL:**

0 Aditya, we'll get about ₹1000-₹1500, okay. That's the overall benefit, we'll get, okay.

0 **Mr. Aditya Jhaver - Participant:**

0 Okay. Sir, last question I have for Nitin ji. Sir, I know and I have been following this Mangalore journey and we have moved from Naphthalene to Gas and now we started with NEP and then we are going with the backward integrator for the NPK. But, Sir, if you have a 2 to 3 years of horizon, there is always a profitability predictability is vary because we are into regulated market whereas in the Adventz Group only you have been following in this Group.

You have Paradeep where they are into nonregulated this thing. So, why to have this cross dependency? And where do you see the Mangalore journey in the next 2-3 years, Sir? I need some medium term horizon for investors because investors always like predictability in earnings. So, that is my question to you, Sir.

0 **Mr. Nitin Kantak – Whole Time Director, MCFL:**

0 As we also mentioned, post Ammonia Energy Improvement Project we have been able to increase our daily Urea capacity to 1350 tons per day as compared to what we were operating earlier of 1200 tons per day, which on annual basis would be around 4.7 lakh metric tons against our reassessed capacity of 3.8 lakh MT. All these years we have been mostly restricting to about 3.8 lakh metric tons but now we are going to go up to about 4.7 lakh metric tons, which is going to give us a higher revenue in the next few years.

0 And as far as the Phosphatic capacity is concerned, that also we have been able to significantly increase this year. If you have seen in Q1 and Q2, we were operating at almost 40% higher production levels of Phosphatic i.e. our earlier capacity used to be around 800-900 tons per day but we have lifted that up to 1300-1350 tons per day. So, that also is going to give us higher total revenue over the next few years. Of course, in this quarter we had to restrict the plant load because of the adverse market condition, which is once in many years. Like it was a worst drought year after many years but going forward if the season is good we'll definitely be able to gain more from this.

0 And other thing, of course, this Sulfuric Acid Project is implemented, the benefits will start coming in another two years. So, that is also going to add to our revenue and the bottom line.

0 **Mr. Aditya Jhaver - Participant:**

0 So, Sir, in the Urea...

0 **Mr. Navin Agrawal – Head Institutional Equities, SKP Securities Ltd.:**

0 Aditya, I'll have to interrupt you. Can you please join the queue? We need to give other participants an opportunity.

0 **Mr. Aditya Jhaver - Participant:**

0 Okay-okay, I will join back.

0 **Mr. Navin Agrawal – Head Institutional Equities, SKP Securities Ltd.:**

0 Thank you.

0 The next question is from Sandeep Mukherjee. Sandeep, please unmute yourself and go ahead.

0 **Mr. Sandeep Mukherjee - Participant:**

0 Am I audible?

0 **Mr. Navin Agrawal – Head Institutional Equities, SKP Securities Ltd.:**

0 Yes, Sandeep.

0 **Mr. Sandeep Mukherjee - Participant:**

0 Good morning, Sir. Sir, my first question is regarding the average cost price, what is average gas cost price? What is the average gas cost price for the quarter and what is the outlook, Sir?

0 **Mr. T. M. Muralidharan -- Chief Financial Officer, MCFL:**

0 I will take it. As I told you just now, Sandeep, the average cost price is \$16 per MMBtu.

0 **Mr. Sandeep Mukherjee - Participant:**

0 Currently?

0 **Mr. T. M. Muralidharan -- Chief Financial Officer, MCFL:**

0 Almost 2-3 quarters this is the same price that has continued and we expect this to continue in the foreseeable future; at least in the short to medium term.

0 **Mr. Sandeep Mukherjee - Participant:**

0 Okay, Sir. Sir, what are the manufacturing volumes and EBITDA per ton for DAP and NPK for this quarter?

0 **Mr. T. M. Muralidharan -- Chief Financial Officer, MCFL:**

0 See, we have manufactured a small quantity of 5000 tons during this quarter and the management decided not to share the information on EBITDA because it will be fluctuating on a quarter-on-quarter basis. So, we'll try to share the information to you but we've decided not to share the information because it is very, very cyclical by nature and also little sensitive by nature, informations. We can discuss with you offline if required, Sandeep.

0 **Mr. Sandeep Mukherjee - Participant:**

0 Okay-okay. Sir, How do you see the margins going forward?

0 **Mr. T. M. Muralidharan -- Chief Financial Officer, MCFL:**

0 Okay. Outlooks are very good, Sandeep, and we are able to see a stability in the margins in terms of both for Urea as well as the DAP and other complexes and we are able to see the prices are stabilizing, if not correcting very deep or it is not going to escalate very, very high or steeply. So, we expect the margins what we've been making it last 2-3 years on average basis, we'll be able to maintain it; at least good news for the industry as well as for the investors.

0 **Mr. Sandeep Mukherjee - Participant:**

0 Okay-okay, Sir. In the current scenario where the freight rates are so high, do you see is it possible to trade in DAP, NP and NPK and MOP?

0 **Mr. T. M. Muralidharan -- Chief Financial Officer, MCFL:**

0 Can you repeat the question, Sandeep? I couldn't get few words of your question.

0 **Mr. Sandeep Mukherjee - Participant:**

0 In the current scenario, Sir, where the freight rates are so high due to the Red Sea disruption, is it possible to trade in DAP, NPK and MOP?

0 **Mr. Nitin Kantak – Whole Time Director, MCFL:**

0 I'll take it.

0 **Mr. T. M. Muralidharan -- Chief Financial Officer, MCFL:**

0 Okay.

0 **Mr. Nitin Kantak – Whole Time Director, MCFL:**

0 See, as far as the DAP is concerned, DAP prices remained at an elevated level of around \$595 per ton over the last almost three months and the price continues to remaining at that level. Although it was supposed to go down but because of these freight rates going up it has remained at that level.

0 And, also, second reason is because of China. China has stopped exports of DAP to the market, so that has maintained the DAP prices.

0 So, at the current prices and current subsidy levels and the current MRP, which has been fixed by the government at 1350 per bag, it is not economical to manufacture DAP. So, going forward like after April what will be the conditions, so based on that like by that time we hope that China comes back to the market and the DAP prices start going down and if subsidy is just then we will be able to manufacture at that time if we make good contributions on DAP.

0 **Mr. Sandeep Mukherjee - Participant:**

0 Okay, Sir. Okay, Sir. Thank you.

0 **Mr. Navin Agrawal – Head Institutional Equities, SKP Securities Ltd.:**

0 Thank you, Sandeep.

0 We have a question from Darshita Shah. Darshita, please unmute yourself and go ahead.

0 **Ms. Darshita Shah - Participant:**

0 Hello, good morning. Thank you for the opportunity. So, my first question was regarding the recent guidelines that the government has announced with respect to capping the profit margins in the NBS space or in the Non-Urea space. You know, if you could share some light on what is the government's intention behind it? Given that we were moving towards reducing the subsidy burden, especially in this space and we've spoken to a few industry experts and even they have said that they would want to increase the MRP as much as possible just in order to reduce the subsidy burden, for the Non-Urea space especially. So, what could be government's intention to come out with this guideline, especially by capping the MRP? Some color on that?

0 **Mr. Nitin Kantak – Whole Time Director, MCFL:**

0 Yeah, I will take it. Madam, this notification came just about two weeks back. We are studying the operative aspects of this notification at the Fertilizer Industry Body level and we are getting inputs from all the Fertilizer Industry fraternity and we shall represent to the Department of Fertilizer for suitable resolution.

0 **Ms. Darshita Shah - Participant:**

0 Right, okay. Secondly, MRP on the NPKs going forward. We have seen some increase in the MRP over the past few months, on monthly basis I think, ever since the government reduced the subsidy rates back in October. Is this expected to continue for NPKs? DAP I understand is capped at 1350 per 50kg bag but for NPKs is this expected to continue in Kharif as well; as we move towards Kharif?

0 **Mr. Nitin Kantak – Whole Time Director, MCFL:**

0 So, in fact, the MRPs were reduced in the last quarter i.e. Q3 and that was because there was stiff competition in the market, especially the southern market where because of the adverse market conditions the sales were not happening, and all the manufacturers had reduced the prices.

0 But, yes, going forward because of the notification we have started bringing down the MRP as of now. So, we will take the call as it goes so that we maintain our margins.

0 **Ms. Darshita Shah - Participant:**

0 Okay. No, because, you know, the data that government releases or the DoF releases on monthly basis, over there we saw that N20 average realization which used to be closer to 24,500 increased close to 27,000. This is the data that is released by the government on monthly basis, so that's why I was asking the question that are we expecting it to increase or...? But you're suggesting that it has come down and probably we could see an increase...

0 **Mr. Nitin Kantak – Whole Time Director, MCFL:**

0 Last quarter it had come down and now we have started increasing the MRPs because of reasons, certain other reasons.

0 **Mr. T. M. Muralidharan -- Chief Financial Officer, MCFL:**

0 Darshita, to supplement, you see all the players are importing the same sources, the prices are pretty common for everybody, there's no big elbows for anyone to operate with wide variation between the prices. Industry operates within tandem, generally, okay.

0 **Ms. Darshita Shah - Participant:**

0 Okay-okay, got it. Then on are we expecting any increase in the NBS rates or you know how in the Q4 FY23 the government came in retrospectively to reduce the rates, are we expecting anything of that sort happening? I understand, I think, the industry was in constant touch with the government to increase the rates retrospectively. Is there any progress over there?

0 **Mr. T. M. Muralidharan -- Chief Financial Officer, MCFL:**

0 We do not speculate. I think, we'll see.

0 **Mr. Nitin Kantak – Whole Time Director, MCFL:**

0 As of now we don't have any information on whether subsidy is going down or going up or what is happening but at least for this quarter we don't expect any change in the subsidy which was declared in October.

0 **Ms. Darshita Shah - Participant:**

0 Got it-got it. And in the budget the 1.64 lakhs crores subsidy that has been provided, we think it should be enough considering the current Phos-acid rates?

0 **Mr. T. M. Muralidharan -- Chief Financial Officer, MCFL:**

0 Yeah, it should be sufficient. Darshita, as I told you...

0 **Mr. Nitin Kantak – Whole Time Director, MCFL:**

0 That should be sufficient and in case there is a change happening like commodity prices going up, the government always supports and comes out with additional subsidy.

0 **Mr. T. M. Muralidharan -- Chief Financial Officer, MCFL:**

0 To add on, Darshita, to what Mr. Kantak had said, I think investor communities should not get bogged down on the allocation given in the budget as first time when budgets are presented like last 4 years has demonstrated that if the situation warranting on account of hardening of the prices, commodity prices, government has come realizing the importance of the industry and always they come back and provide additional support if required. So, that must be the, what you call, get bogged down on the budget what is presented.

0 **Ms. Darshita Shah - Participant:**

0 Right-right, got it. And just one last question, are we looking at probably merging like the Zuari Group companies or the Adventz Group companies together? Are we seeing any interactions happening with any of the other companies, Group companies be it Paradeep or Chambal? I if you could give some highlight on that?

0 **Mr. Nitin Kantak – Whole Time Director, MCFL:**

0 Let me take it. See, these kinds of reports, Darshita, are speculative in nature. We are not privy to any such discussions. If at all in future anything comes up, we will come back to the shareholders with the information.

0 **Ms. Darshita Shah - Participant:**

0 Sure, all right. Okay. That's it from my side. Thank you.

0 **Mr. Navin Agrawal – Head Institutional Equities, SKP Securities Ltd.:**

0 Thank you, Darshita.

0 We have a follow up question from Aditya Jhaver. Aditya, Please go ahead.

0 **Mr. Aditya Jhaver - Participant:**

0 Yeah, thanks again for the opportunity. So, I have a question on the guidance part. I know that we don't give guidance but if we take that after NBP we are able to maintain good margins i.e. for FY23, if I see we have maintained roughly around 10%-9%. So, we are making roughly 300 crores of EBITDA and this year maybe for the first half we have made a significant jump but how do you see this run rate is sustainable or is a onetime event for next 2-3 years? Because for the last 10 years we are hovering around 200 crores of EBITDA and because of NBP we have added 100 crores of more EBITDA. How do you see, Sir, in next 2-3 years? Medium term, not for short term?

0 **Mr. Nitin Kantak – Whole Time Director, MCFL:**

0 Murali, you can take it.

0 **Mr. T. M. Muralidharan -- Chief Financial Officer, MCFL:**

0 Yeah. Aditya, we qualified ourselves saying that we don't give guidance. Nevertheless, see in 2-3 years' time this EBITDA what we have in the range of 300 plus. I would say the exact numbers, I wouldn't speculate. So, 300 plus is the levels we are targeting to achieve in the next 2-3 years depending on... See, you have to understand, the investor community has to understand this industry is very, very regulated industry is one part of it. That is very significant because we are operating under regulated industry all along in the last 50 years plus, okay. One more aspect you have to see and appreciate is the seasonality of the market we operate based on the rainfall, as explained by CEO how this year has been very bad majorly our market territory in Karnataka. So, barring those industry constraints, what we have as a nature of the industry, we expect this to be fairly achievable, okay.

0 But we are not giving any definitive commitment nor we are giving guidance; I want to qualify at this point of time. It is achievable as of today with the way we are able to anticipate things.

0 **Mr. Aditya Jhaver - Participant:**

0 Okay, that's helpful. And, Sir, I want to just understand the management's perspective, right. So, here we are in the Urea and Complex Fertilizer and we have the Group company Paradeep is also mostly in the NPK and so there are a lot of synergies if we merge, right. What are your thoughts here, Sir?

0 **Mr. T. M. Muralidharan -- Chief Financial Officer, MCFL:**

0 I think it's already answered by my by CEO. So, it's not a...

0 **Mr. Nitin Kantak – Whole Time Director, MCFL:**

0 We are not privy to any such discussions, so we would not like to talk about it.

0 **Mr. Aditya Jhaver - Participant:**

- 0 Okay-okay. So, apart from Sulfuric Acid do you have any CapEx program in mind, Sir?
- 0 **Mr. Nitin Kantak – Whole Time Director, MCFL:**
- 0 As of now no because we have just completed like last year itself the Ammonia Improvement Project. We had to take a large CapEx loan. So, we have to first service that and improve our balance sheet and I think going forward maybe we will look at it.
- 0 **Mr. Aditya Jhaver - Participant:**
- 0 Okay-okay. And the last part I have is, Sir, on the revenue part I understand the EBITDA part i.e. 300 whatever run rate is sustainable but since it is a regulated industry, I think, the only thing we can make is EBITDA per ton not the we cannot maximize our revenue, right? And because you have said that in Urea also we have increased the capacity but whatever about the RAS capacity it is not margin accretive also, right. So, on the revenue part can we have a maximization or this is what we can achieve since it's regulated? Just your thought on this.
- 0 **Mr. T. M. Muralidharan -- Chief Financial Officer, MCFL:**
- 0 Yeah. Aditya, I think even this revenue part is a factor of prices. Prices keep going up, the revenue we will be seeing a great revenue growth but you cannot get expect the EBITDA percentage on the revenue. So, this industry you have to understand a little differently, okay. So, that there could be an escalation in the raw material prices or finished goods prices, which we do the trading, but not necessarily we can be able to post a consistent EBITDA percentage on the turnover, okay. You have to look at many other stakeholders in terms of bankers and other analysis is done by the people. They look at more on EBITDA as a value terms. As correctly you understood, you're asking about the levels of 200 plus. Consistently we've been maintaining that. Different conditions we maintained 200 plus and now we are able to improve on to the value terms to 300 plus, okay. That is what is the range you should look at it.
- 0 Suppose you say 6000 crores like somebody is able to post a top line revenue, you can't expect a 10% flat as 600 crores, it can't jump like that. This industry doesn't operate like that, you have to understand that.
- 0 **Mr. Aditya Jhaver - Participant:**
- 0 Right. Right. Right. So, on the interest cost it is possible to decrease, Sir, interest cost or it will be hovering around this range only because we will generate enough cash, right?
- 0 **Mr. T. M. Muralidharan -- Chief Financial Officer, MCFL:**
- 0 Yeah-yeah. See, we are keeping the interest costs like you need to see the interest cost in relation with the interest we also earn on the surplus cash we carry, which is Other Income, okay. Significantly.
- 0 And, Number two, to answer your question is, yes, you could see that there is a softening compared to last year; this year you could see that. Going forward, the improved liquidity in the market and also timely disbursement will translate into reduction in the finance cost as we go forward and we are only caring about close to about...One second. Long Term Loans we have is 400 crores and with a clear repayment schedule we have in place you'll see us going forward there will be a reduction of at least 10% or 20% as we progress into the future. So, improvement in PAT on account of this benefit is flowing into you.
- 0 **Mr. Aditya Jhaver - Participant:**
- 0 So, currently it is around 100 crores yearly and you're saying that in 2-3 years it can be 50% or...
- 0 **Mr. T. M. Muralidharan -- Chief Financial Officer, MCFL:**
- 0 No-no, I said 10% year-on-year you could see that, okay.
- 0 **Mr. Aditya Jhaver - Participant:**
- 0 Okay, that will be dropping. Okay, Sir. Thank you, Sir. Thank you for answering my questions.

0 **Mr. T. M. Muralidharan -- Chief Financial Officer, MCFL:**

0 Welcome, Aditya.

0 **Mr. Navin Agrawal – Head Institutional Equities, SKP Securities Ltd.:**

0 Thanks, Aditya.

0 A follow up question from Darshita. Darshita, please go ahead.

0 **Ms. Darshita Shah - Participant:**

0 Yeah-yeah, I just had one question. What is the land parcel size that we have in Mangalore like at the plant? And how much spare land do we have?

0 **Mr. Nitin Kantak – Whole Time Director, MCFL:**

0 Murali, you got information on this?

0 **Mr. T. M. Muralidharan -- Chief Financial Officer, MCFL:**

0 Yeah-yeah. So, Darshita, we have 200 acres of land just contiguous and we are having a green belt about 70 acres been allocated and they were demarcated for that. We have about 100 acres current facilities are there. Even there is a facility that we have some space to even to expand also.

0 **Ms. Darshita Shah - Participant:**

0 Right. So, 100 acres the current facility is there. How much is for the green belt?

0 **Mr. T. M. Muralidharan -- Chief Financial Officer, MCFL:**

0 Green belt is additional. It is 70 acres we have kept.

0 **Ms. Darshita Shah - Participant:**

0 70 acres you've kept. So, 170 acres is used and then we have 30 acres of spare land to put another plant?

0 **Mr. T. M. Muralidharan -- Chief Financial Officer, MCFL:**

0 Yeah, for expansions or anything.

0 **Ms. Darshita Shah - Participant:**

0 Okay-okay. And in 30 acres land, according to your judgment, so if we were to expand would we look at expanding in Urea or Non-Urea?

0 **Mr. T. M. Muralidharan -- Chief Financial Officer, MCFL:**

0 I think Urea is a very capital intensive and depending on the policy of the government like if they decontrol Urea and is lucrative then we will invest in Urea. But it is capital intensive.

0 **Mr. Nitin Kantak – Whole Time Director, MCFL:**

0 More likely in Phosphatic.

0 **Ms. Darshita Shah - Participant:**

0 More likely in Phosphatic?

0 **Mr. T. M. Muralidharan -- Chief Financial Officer, MCFL:**

0 Phosphatic.

0 **Ms. Darshita Shah - Participant:**

0 Right. And 30 acres of land is enough for setting up maybe how much of a capacity of a plant? And especially like if you want to backward integrate, then Phosphoric Acid or Sulfuric Acid can come in in that 30 acres of land or would we require more?

0 **Mr. T. M. Muralidharan -- Chief Financial Officer, MCFL:**

0 Yeah, it will be sufficient.

0 **Mr. Nitin Kantak – Whole Time Director, MCFL:**

0 I think even for 1 million metric tons of DAP capacity that is sufficient.

0 **Mr. T. M. Muralidharan -- Chief Financial Officer, MCFL:**

0 See, Darshita, since the all other facilities are all in place now currently, the other supports utilities, whatever we expand we need only the heart. So, every other things are in place. See, the incremental space required is very less for expansion, not like a greenfield expansion. You know that.

0 **Ms. Darshita Shah - Participant:**

0 Right. No-no, I understand that the utilities are in place but what I was just trying to understand is as Kantak Sir mentioned that 1 million of DAP capacity can come and if we want to set up a plant for Phos-acid or Sulfuric Acid that can also be like adjusted in that land or there will not be any backward integration?

0 **Mr. T. M. Muralidharan -- Chief Financial Officer, MCFL:**

0 Even the existing place...

0 **Mr. Nitin Kantak – Whole Time Director, MCFL:**

0 We can have integrated Phosphoric Acid and Sulfuric Acid Phosphatic facility.

0 **Mr. T. M. Muralidharan -- Chief Financial Officer, MCFL:**

0 Possible. And existing space also we can reorganize to create more space also, okay.

0 **Ms. Darshita Shah - Participant:**

0 Right, that was my next question that if we have to acquire more land and expand there is space available close the plant?

0

0 **Mr. T. M. Muralidharan -- Chief Financial Officer, MCFL:**

0 No, no space. No-no, Darshita...

0 **Ms. Darshita Shah - Participant:**

0 No-no, to acquire. To acquire.

0 **Mr. T. M. Muralidharan -- Chief Financial Officer, MCFL:**

0 No, to acquire there's no space available, Number one. See, this was done a long time back, 50 years back, so now there's no land available for purchase in the vicinity, Number one.

0 What I was going to say is when you set up a plant in 200 acres of land, that point of time you plot out things in a very, very spacious way and we don't have the constraint. So, now when we have a constraint of an area, going for any expansion the existing facility itself can be reorganized to create more space. That's what I am trying to explain to you.

0 **Ms. Darshita Shah - Participant:**

0 Okay. Okay-okay, got it. And as of now there is nothing new discussions that are happening with respect to extending our Phosphatic capacity?

0 **Mr. T. M. Muralidharan -- Chief Financial Officer, MCFL:**

0 Yeah, at this point of time...

0 **Mr. Nitin Kantak – Whole Time Director, MCFL:**

0 So, as I mentioned earlier, we have just completed our Ammonia energy improvement project and then we are going ahead with Sulphuric Acid project. So, right now we are not looking at any other Capex. It may happen after about 3-4 years.

0 **Ms. Darshita Shah - Participant:**

0 Okay, 3-4 years. Got it-got it. That's all from my side. Thank you for answering all my questions.

0 **Mr. T. M. Muralidharan -- Chief Financial Officer, MCFL:**

0 Thank you. Welcome.

0 **Mr. Navin Agrawal – Head Institutional Equities, SKP Securities Ltd.:**

0 Thank you, Darshita.

0 Friends, anyone with the question, request you to please raise your hand and we'll take it up. So, since there is no further questions, Mr. Kantak, if you would like to add something more?

0 **Mr. Nitin Kantak – Whole Time Director, MCFL:**

0 Yeah. Thank you, Navin. In closing, I want to express my gratitude to our investors, stakeholders and entire team at MCFL. Your unwavering support and dedication have been instrumental in our journey. Despite the hurdles faced in Q3 our resilience, operational achievements and commitment to sustainability has set a strong foundation for the future. We are leveraging our strengths, learning from challenges and evolving to meet market demands.

0 Looking ahead, we remain focused on innovation, efficiency and customer satisfaction. Our proactive measures, strategic positioning and unwavering dedication will drive us forward ensuring sustained growth and profitability. Thank you for your continued support and trust in MCFL. I'm confident in our ability to overcome challenges and seize opportunities continuing to deliver value to our investors and stakeholders. Thank you.

0 **Mr. Navin Agrawal – Head Institutional Equities, SKP Securities Ltd.:**

0 Thank you very much. On behalf of all of us at SKP Securities, I'd like to thank Mr. Kantak and Mr. Muralidharan for taking time out and interacting with the investors.

0 Thank you very much, ladies and gentlemen, for joining us this morning and see you next quarter. Thank you. Bye-bye and have a nice day.

0 **Mr. Nitin Kantak – Whole Time Director, MCFL:**

0 Thank you.

0 **Mr. T. M. Muralidharan -- Chief Financial Officer, MCFL:**

0 Thank you, all.

END OF TRANSCRIPT