



Mangalore Chemicals
& Fertilizers Limited

Q2 FY24 EARNINGS WEBINAR

MR. NITIN KANTAK, WHOLE TIME DIRECTOR

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– **Mr. Navin Agrawal – SKP Securities Ltd:**

- Good morning, ladies and gentlemen, on behalf of Mangalore Chemicals & Fertilizers Limited and SKP Securities, it is my pleasure to welcome you to MCFL's Q2 FY 24 earnings webinar. We have with us today Mr. Nitin Kantak, Wholetime Director, along with Mr. T.M. Muralidharan, CFO, most of you would have already met. All participant lines have been placed on mute and this webinar is being recorded for compliance reasons. We'll have the opening remarks and presentation by the management followed by Q&A session.
- Thank you and over to you, Mr. Kantak.

– **Mr. Nitin Kantak – Wholetime Director, MCFL Ltd:**

- Thank you, Navin Ji, for this conference call.
- Good morning, ladies and gentlemen, esteemed investors, partners and colleagues, I am delighted to welcome you all to our Q2 investor meet today and I am truly excited to share the remarkable journey of MCFL over the past quarter. Despite facing several challenges, our company has continued to shine demonstrating resilience and adaptability in the face of adversity.
- Let me take a moment to take you through the hurdles we confronted in this quarter. As you all know South India especially Karnataka faced one of the worst monsoon seasons in the recent memory. The monsoon was alarmingly erratic with delayed arrival in June, excess rains in July and abnormally low rains in August, and again normal rains in September. Overall, the deficit for the kharif season in Karnataka is 18% and the deficit in south interior Karnataka is 28%. This posed a significant challenge to our operations given that over 80% of our products are sold in this region. However, even in the face of adversity I am proud to announce that MCFL has not only weathered the storm, but has emerged stronger and more resilient. As of end of Q2, the average water levels of reservoirs in our marketing area have reached a mere 61% of their gross capacity and this is just 66% of last year's storage. This is expected to have an impact on crop acreage of irrigated area in the Rabi season in our markets.
- On the raw material supply side scenario, the commodity prices are once again on an increasing trend from last month after cooling during October 22 to August 23 from a super cycle ride quarter-on-quarter till Q2 FY23.
- The fertilizer industry in India has performed exceedingly well in Q2 this year. All India urea sales for the quarter increased by 10% year-on-year to 12.2 million tons and for H1 it was up by 6.6% to 18.4 million tons. All India DAP sales for the quarter were up 34% to 4.1 million tons and for H1 it was up 22% to 6.3 million tons. Similarly, all India NP/NPK sales for the quarter were up 33% to 4.6 million tons and for H1 they were up 25% to 6.1 million tons. All India MOP sales for the quarter were also up 21% to 0.55 MMT and for H1 they were up 9% to 0.77 MMT.
- While the monsoon may have been erratic, our production and sales have remained steadfast proving that MCFL is not just a fair-weather performer. So, we have continued to deliver quality products and maintain our market leadership even in the face of adverse condition. We have achieved number 1 position in Karnataka in terms of total fertilizers sale with market share of 20% in Q2 and 17% in H1. N-20 market share was also highest with 25% each in Q2 as well as H1. We achieved primary sales of 3.32 lakh metric tons for Q2 and 5.4 lakh metric tons in H1, which are one of the highest Sales in many years. Our overall POS sales which is the direct sales to the farmers, were highest ever at 4.02 lakh tons in Q2 and 6 lakh metric tons for H1.
- During the quarter we imported about 1.1 lakh metric tons of fertilizers which included DAP, MOP & 10-26-26. This material was received end of June and early July and by the end of September within two and half months we have achieved 100% primary sales and almost 95% POS sales. This achievement is a testament to the dedication and commitment of our team and the trust that our partners and customers placed in us.
- On the plant operation front, both our urea plant and NP/DAP plants were operated without interruptions throughout the quarter. NP/DAP plant operated at higher loads around 1350 tons per day than normal which is 900-950 metric tons per day. Production for the quarter was highest ever at 1.07 lakh metric tons with record

monthly productions in July and September. Also, we have achieved highest ever half yearly production for both Urea and Phosphatic fertilizers.

- Moving onto our financial performance for the quarter, I am pleased to announce that we have continued on our upward trajectory of the previous 3 quarters and are happy to inform the investors that this is the best ever quarterly and half yearly performance of MCFL.
- Our revenue from operations for Q2 stands at Rs. 1403 crores reflecting a staggering 395% increase over corresponding period last year. You will recall that last year our urea production was stopped for implementation of energy improvement project. Also, our phosphatic production was curtailed due to raw material supply constraints. Further we could not deal in any trading last year due to negative margins on imported fertilizers.
- Revenue for half year stands at Rs. 2361 crores which is an increase of 81% over H1 FY23 of 1305 crores.
- EBITDA for the quarter is Rs. 148 crores against negative Rs.16 crores in Q2 last year. EBITDA for half year is Rs. 271 crores as against Rs. 58 crores in H1 FY23.
- PBT for the quarter is Rs. 106 crores compared to a loss of Rs. 49 crores in Q2 FY23. For H1 the PBT stands at 182 crores against loss of 13 crores in FY23.
- PAT for the quarter is also significant at Rs. 67 crores vis-à-vis loss of 32 crores in Q2 FY23. PAT for H1 is Rs. 117 crores against a loss of Rs. 9 crores last year.
- I am happy to inform that we have completed the financial closure of our 300 tons per day sulphuric acid project and signed LSTK contract with M/s. ISGEC Heavy Engineering Limited. As you are aware the project was approved by the board in the last quarter at an investment of Rs. 240 crores. The project will be completed by July 2025.
- I will now hand over to our CFO – Mr. Muralidharan to take you through our financials.
- Thank you.
- **Mr. T.M. Muralidharan - CFO, MCFL Ltd:**
- Thank you, sir, and thank you for your lucid presentation on the key highlights of the performance.
- **Mr. Nitin Kantak – Wholetime Director, MCFL Ltd:**
- Murali, you can put it on full screen.
- **Mr. T.M. Muralidharan - CFO, MCFL Ltd:**
- Is my screen visible now to all of you.
- **Mr. Nitin Kantak – Wholetime Director, MCFL Ltd:**
- Yes.
- **Mr. T.M. Muralidharan - CFO, MCFL Ltd:**
- Thank you.
- The overview of Q2 and H1 performance:
- We have taken up a planned maintenance of urea and ammonia plant during the last week of September 2023, and currently the start-up is in progress.

- We have achieved highest ever half yearly productions for ammonia – 1,43,499 metric tons and we have the best highest production of urea at 2,31,899 tons and highest phosphatic fertilizers at 1,92,382 tons.
- For understanding with the comparison with last year’s performance we have achieved 86% higher production in H1 FY24 compared to H1 of FY23.
- The sale of imported DAP/NPK/MOP is highest in this history of MCFL - 1,16,000 tons in H1.
- We shall move to some of the key highlights of Q2 and H1 performance with corresponding periods of FY23.
- Coming to sales quantity:
 - We have achieved a growth of 712% in sales volume at 3.33 lakh tons in Q2 FY24 compared to 0.41 lakh tons in Q2 FY23. The lower production in FY23 was on account of shutdown of urea operations we had taken up for the implementation of the ammonia energy improvement project.
 - Coming to the H1 performance on the sales quantity:
 - We have registered a growth of 174% in H1 FY24 at 5.41 lakh tons compared to 1.97 lakh tons in H1 FY23.
 - Regarding revenue from operations, we have registered a growth of 398% in Q2 FY24 at Rs. 1410 crores compared to Rs. 283 crores in Q2 FY23.
 - Similarly, we have registered a growth of 82% in revenue in H1 FY24 at Rs. 2368 crores compared to Rs. 1305 crores in H1 FY23.
 - As regards EBITDA it has increased exponentially by 1269% in Q2 FY24 at Rs. 152 crores for the quarter compared to loss of Rs. 13 crores in Q2 FY23.
 - Similarly, the EBITDA for the H1 increased by 393% at Rs. 276 crores compared to Rs. 56 crores in H1 FY23.
 - PBT - we have reported Rs. 106 crores which is an increase of 316% over Q2 of FY23 against the loss reported. PBT of H1 FY24 increased by 1539% at Rs. 182 crores from a loss 13 crores in H1 FY23 which is primarily on account of higher sales volumes and improved efficiency.
 - As regards PAT, we have registered a growth of 313% in Q2 FY24 at Rs. 68 crores compared to loss of 32 crores in Q2 FY23.
 - Similarly, PAT of H1 FY24 increased from a loss of Rs. 9 crores to PAT of 117 crores in H1 FY24 registering a growth of 1346%.
 - Coming to the last - the important EPS, we achieved EPS of Rs. 5.71 per share in Q2 FY24 compared to negative EPS of 2.71 rupees per share in Q2 FY23.
 - Coming to H1 performance as regards EPS, the EPS is Rs. 9.87 per share in FY24 compared to negative EPS of 0.79 rupees in H1 FY23.
- Let us look at some details of the production, sales and revenue.
 - The production and sales of urea is 1.10 lakh metric tons and 1.15 lakh metric tons respectively in Q2 FY24 compared to production and sale of urea of 0.1 lakh tons and 0.11 lakh tons in Q2 of FY23.
 - As far as H1 FY24 is concerned we achieved production and sales of urea of 2.32 lakh tons and 2.36 lakh tons respectively compared to 0.83 lakh metric tons, and 0.85 lakh metric tons in the corresponding period of H1 FY23.
 - With regards to non-urea fertilizers, we have sold 2.18 lakh metric tons in current quarter compared to 0.30 lakh metric tons in Q2 FY23.

- For H1 of FY24 we have sold complex fertilizers of 3.05 lakh metric tons compared to 1.12 lakh metric tons during corresponding period of previous year.
- As far as revenue from operations:
 - Urea business has posted growth from Rs. 58 crores in Q2 FY23 to Rs. 434 crores in Q2 FY24. And from 489 crores in H1 FY23 to 966 crores in H1 of FY24.
 - Non-urea business registered a revenue of Rs. 976 crores in Q2 FY24 as against 225 crores in Q2 FY23 and Rs. 1402 crores in H1 FY24 as against Rs. 816 crores in H1 FY23.
- Now we shall look at the financial position:
 - Net worth appreciated by Rs. 243 crores between September 2022 and September 2023, the net worth stands at Rs. 903 crores at the end of September 2023.
 - As far as long-term debt, there is a marginal increase of Rs.7 crore in September 2023 over September 2022, due to repayment of loan.
 - Coming to short term debt that is working capital it is Rs. 633 in September 2023 against Rs. 1076 crores in September 2022. The reduction is due to improved liquidity and lower borrowing.
 - The short term surplus is Rs. 959 crores in September 2023 as against Rs. 194 crores in September 2022 due to higher subsidy disbursement of Rs. 1476 crores during Q2 of FY24, compared to 462 crores we received in Q2 of FY23.
- Receivables:
 - As all of you know there are two of types of receivables in bulk fertilizer industry, one is the market dues which we receive from the dealers and the other one is the subsidy which we receive from the government of India. The market dues is Rs. 185 crores in September 2023 as against Rs. 127 crores in September 2022.
 - Coming to subsidy receivables, a very different position we are facing today, very welcome position. We have received excess subsidy on account of de-escalation in the prices of gas for urea operations and therefore subsidy receivable has become subsidy payable to the government of India at Rs. 185 crores in the end of September 2023 as against 576 crores receivable in September 2022.
 - I want to clarify how this happens, government recognizes and notifies the escalation of the gas prices, de-escalation of gas prices, there is a time in delay in the processes. So, when we continued to get at higher prices as subsidies are disbursed, subsequently the prices decreased, there is a time in difference. By virtue of that we end up getting some excess subsidy temporarily which will be refundable to the government of India when the de-escalation or reduction of the gas prices is notified by the government accordingly, that is the reason of the situation of payment of subsidies to the government has happened this time. One more factor is and we are able to convert all the primary sales into the sale through Point of Sale as explained by our CEO, one of the reasons we are able to get subsidies for other complex fertilizers also.
- Now we look at some of the past annual performance.
 - Revenue from operations was Rs. 3074 crores in FY19 has increased to 3642 crores in FY23.
 - EBITDA you can see from the levels of 200 crores in FY19 we were able to maintain the EBITDA in difficult times during the last 3-4 years and able to improve it to 340 crores in FY23. The first time we have crossed 300 Crore Club, hopefully we are able to maintain the same levels in the Club we belong to.
 - PBT has improved from Rs. 50 crores in FY19 to Rs. 176 crores in FY23 due to receipt of natural gas in FY21 and successful commissioning of ammonia energy improvement project in FY23.
 - In respect of PAT similarly we were able to improve from Rs. 33 crores in FY19 to Rs. 135 crores in FY23.

- The cash profit has improved from Rs. 72 crores in FY19 to Rs. 194 crores in FY23.
- Earnings per share has improved from Rs. 3 per share in FY19 to Rs. 11 per share in FY23.
- We could see from that the total receivables have come down from Rs. 1565 crores in FY19 to 757 crores which is almost reduction of more than 50%. This is possible on account of improved liquidity in the market and also significant reduction in subsidy receivables due to the support given by the government of India during the difficult Covid times by way of fiscal stimulus and the subsequent years from FY22-23 also adequate support has been given by the government of India by budget support. Similar trend we expect to continue going forward also.
- We shall look at the details of production and sale of urea:
- We are able to consistently produce at 3.8 lakh tons per annum which is our re-assessed capacity. However, in the last financial FY23 there is reduction in production due to plant shutdown for implementation of energy improvement project. The trend in P&K Fertilisers is based on availability and viability in this vertical.
- We carry this slide for the first-time participants, this is an overview of MCFL operations as regards the location of the plants, products manufactured, the capacities, marketing territories and the brand. The plant is situated at Mangalore west coast opposite Mangalore Port, and our present capacity of urea is 3.8 lakh tons which is re-assessed capacity as said earlier whereas capacity of DAP and other complex fertilizers is 2.8 lakh tons per annum. We also trade in MOP/DAP and 10-26-26 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 84% of our sales in Karnataka, 3% in Kerala, 6% in Tamil Nadu, 5% in Andhra Pradesh and 2% in Maharashtra. We sell under the brand Mangala, a trusted brand of the farmers.
- Thank you for your time.
- **Mr. Navin Agrawal – SKF Securities Ltd:**
- Thank you, Murali.
- Friends we now open the floor for Q&A session, anyone wishing to ask a question please raise your hand and we will take it up.
- We have our first question from Darshita Shah, Darshita, please go ahead.
- **Ms. Darshita Shah:**
- Yeah, hope I am audible?
- **Mr. Navin Agrawal – SKP Securities Ltd:**
- Yes, you are, please go ahead.
- **Ms. Darshita Shah:**
- Thank you so much for the presentation and congratulations on a strong set of numbers. I have a couple of questions, so the first one was regarding the NBS subsidy cut that the government took for the second half of the year. Have you provided for any provision in the 2nd quarter numbers?
- **Mr. Nitin Kantak – Wholetime Director, MCFL Ltd:**
- Murlu, you can go ahead.
- **Mr. T.M. Muralidharan - CFO, MCFL Ltd:**
- Yes, I will respond. Thank you, sir. Darshita, we have provided for deduction of the NBS rates from 1st of October. Whatever inventory we are carrying, we made adequate provision.

- **Ms. Darshita Shah:**
- Okay. So, could you share the provision number and the unsold inventory at the POS and the factory?
- **Mr. T.M. Muralidharan - CFO, MCFL Ltd:**
- Yeah. The amount we have provided for is 33 crores.
- **Ms. Darshita Shah:**
- Okay. And what is the quantum of the pending inventory in million tons?
- **Mr. T.M. Muralidharan - CFO, MCFL Ltd:**
- It's about 33,000 tons only.
- **Mr. Nitin Katak – Wholetime Director, MCFL Ltd:**
- Of NPK Fertilizers.
- **Mr. T.M. Muralidharan - CFO, MCFL Ltd:**
- 33,000 tones. Darshita, the average reduction of the subsidy from 1st October 2023 is 10,000 per ton. And, we have made provision for 33 crores, which is about 33,000 tons.
- **Ms. Darshita Shah:**
- Alright, okay, perfect. Second was, lastly Mr. Katak mentioned that we've been able to increase our market share in the Karnataka region, and that we've been able to sell the highest ever volumes also. Now, this was despite the kind of rainfall that we saw during the kharif season. So, could you elaborate a little on how were we able to push the inventory? Was the month not impacted on farmer level? And how were we able to push the inventory despite lower acreages or despite the lower monsoon that we saw?
- **Mr. T.M. Muralidharan - CFO, MCFL Ltd:**
- Yeah. May I answer sir, with your permission?
- **Mr. Nitin Katak – Wholetime Director, MCFL Ltd:**
- Go ahead.
- **Mr. T.M. Muralidharan - CFO, MCFL Ltd:**
- Or, you can respond sir.
- **Mr. Nitin Katak – Wholetime Director, MCFL Ltd:**
- Ok I can do it.
- **Mr. T.M. Muralidharan - CFO, MCFL Ltd:**
- Yeah, please.
- **Mr. Nitin Katak – Wholetime Director, MCFL Ltd:**
- Darshita, we have been focusing on 20-20 production over the last more than a year now, and we have been trying to promote 20-20 in our markets, and it has been well taken by our farmers. And our Mangala brand is the strongest in Karnataka and farmers insist on our brand, Mangala brand. So, mainly because of the Mangala brand and commitment of our farmers towards our product, and our good set of dealer's network what we

have in Karnataka, that is the reason we are able to push our market shares. We have been consistently increasing our market share. And as I told, this year, overall fertiliser sales also, we are no. 1 in Karnataka despite very adverse conditions what we have been facing due to monsoons. But still, we have been able to push mainly because of our brand value i.e. our Mangala brand.

– **Ms. Darshita Shah:**

– Right. I was just trying to get a better understanding as to how are we doing that? Like, how are we improving the brand presence, with the farmers, as well as the distribution network that we have. Do we have some schemes in place, some discounts in place for distribution, for the distributors? And, with respect to farmers, what are we doing to improve our brand presence? Or, what have we don't in the last one year, that has helped us improve our market share in the Karnataka market? If you could just elaborate a little on that?

– **Mr. Nitin Kantak – Wholetime Director, MCFL Ltd:**

– No, actually we are doing as good as others in promoting our products. We are not doing anything special. We give normal rebates only as the others are giving. So, there is absolutely nothing in that. But, our dealer network is very loyal and they promote our product. As I told, farmers very much want the Mangala brand. In fact, I have visited some of the markets, and I have found farmers insisting on Mangala brand, when other brands are also available. So, this is the long-term what MCFL has done over the last 50 years, on market development activities, what we have been doing, and this is continuing. So, there is nothing extraordinary what we have done. But yes, efforts of our team has been excellent in promoting our products and close monitoring of our stocks lying with the dealers/retailers. Whatever fertilisers are there with the dealers, stocks, we ensured that they are sold. So, close follow up also is being done with our dealers.

– **Ms. Darshita Shah:**

– Got it.

– **Mr. T.M. Muralidharan - CFO, MCFL Ltd:**

– Can I supplement to Mr. Kantak?

– **Mr. Nitin Kantak – Wholetime Director, MCFL Ltd:**

– Yes, please.

– **Mr. T.M. Muralidharan - CFO, MCFL Ltd:**

– Thank you sir. Darshita, what we have done is, since we got our imported fertilisers only by the end of June, by the time we got visibility of the rains and where the demand is there, we were able to populate the details and we kept a clear follow up with the monsoon also, how it spanned out in July also. So, those markets where the demand is going to be good, consumption can be good. So, there we have placed our products and we're able to do the sales. This is one of the good strategies we have followed. And also, as explained by Mr. Kantak our CEO, a strong brand pull and also the schemes which we have been doing in the form of market development schemes, not these discounts... we'd only offered the discounts offered by all the competitors in the market. So, No. 1, the brand pull, the planning of choosing the pockets or where the demand is for the products, mapping is done very well, so that we're able to do the primary sales and capture the market share.

– **Ms. Darshita Shah:**

– Okay. In the mapping bit that you mentioned, that we are choosing the markets and we are mapping it very well. So, do we have any app or something in place that helps us understand that okay, this dealer is sitting with higher level of inventory, so we can move our inventory from here to the other region where actually there is demand? I mean, how are we doing the mapping? Do we have our on-ground officers, field officers that are helping us get a better understanding on that?

– **Mr. T.M. Muralidharan - CFO, MCFL Ltd:**

- See, we have... this industry operates strongly with marketing officers in the field. So they keep visiting the locations, they get the pulse of the market, where it is raining, where sowing is in progress, even after the sowing is in progress, what is the growth of the crops? So that monitoring is done. It is a very detailed process that we have, and every company has got similar processes. And we have robust processes to ensure that we feed the market where demand is there, so that our fertilisers do not end up sitting in the delivery point without consumption of the farmers.
- **Ms. Darshita Shah:**
- Okay. Also, for the 2nd half of the year, how are we... I mean, one with respect to the volume. As you mentioned, reservoir levels are very low. How are we expecting the volume offtake to be for the Rabi season?
- **Mr. Nitin Kantak – Wholetime Director, MCFL Ltd:**
- I can answer that. Darshita, of course, it is going to be challenging for us in the next two quarters. But, we have plans to focus on certain areas where rain has been adequate, and there will be proper supply. It is not that all the places it will be very low, but some pockets will still be there where we'll be able to promote our fertiliser sale.
- **Ms. Darshita Shah:**
- Okay. And, with respect to the subsidy cut that we have recently seen, and I believe that your raw material prices started to move up. So, with the subsidy cut that we have seen, how are we looking at the profitability going forward for the 3rd and the 4th quarter? It seems like, whatever benefit that we saw in the 1st half of the year, where raw material prices were moving down and your MRP and subsidy were stable, the government did not cut the subsidy at that time. And, now when the raw material prices are going up, we are seeing a significant, like a substantial subsidy cut coming through. So, how are we seeing the profitability for the 2nd half of the year?
- **Mr. Nitin Kantak – Wholetime Director, MCFL Ltd:**
- See, this government subsidy is decided based on 5 months of raw material price movement over the previous 5 months. So, since the prices have come down in the previous two quarters, the subsidy level of the government has gone down. So, this is a cycle, and I don't think it is going to be a problem. And, we will still be able to make decent profit, because we would be selling where there are more contributions. The 20-20 product will still have more contributions and we will be having a higher MRP also of 20-20, and ensure that our profitability is maintained.
- **Ms. Darshita Shah:**
- So, what is the current MRP per ton for our N20 products, and how much do we see it to increase now, for the 3rd quarter?
- **Mr. Nitin Kantak – Wholetime Director, MCFL Ltd:**
- For DAP it is 1,350, and we don't intend to change the DAP price; it will continue at 1,350. Whereas 20-20, which was around 1,250, we are now increasing it from 1st November to 1,325 per bag. What I'm talking about is per bag.
- **Ms. Darshita Shah:**
- Okay. And, the farmer would be willing to buy it at 1,325, especially when he's already getting DAP at 1,350? What is the value proposition for the farmer to buy N20, which would be a lower DAP grade at almost a similar rate?
- **Mr. Nitin Kantak – Wholetime Director, MCFL Ltd:**

- I agree with your point. But, even if you have seen, about a year back or so, the price of our DAP was lower 1,350, and price of 20-20 was even about 1,425. Despite that, we were able to sell 20-20 in the market. So, I don't think that will be a major challenge from this point of view.
- **Ms. Darshita Shah:**
- Okay. And, I just had one last question regarding the segment-wise subsidy per ton. If you could share that? Your urea, DAP NPK subsidy per ton for the quarter, as well for the 2nd quarter of FY23.
- **Mr. Nitin Kantak – Wholetime Director, MCFL Ltd:**
- Murli, you can comment.
- **Mr. T.M. Muralidharan - CFO, MCFL Ltd:**
- See, urea is not for quarter-on-quarter, it's for whole year basis. It is based on estimation. So, urea is as per the feedstock prices Darshita. So, that would be dynamic, to answer you. Regarding the subsidies for Q2... one second.
- **Ms. Darshita Shah:**
- I wasn't mentioning the subsidy, I wanted the EBITDA per ton.
- **Mr. T.M. Muralidharan - CFO, MCFL Ltd:**
- EBITDA you wanted? Okay. My apologies, I'll give you. EBITDA per ton, we have earned about Rs. 5,000 for urea. And for the N20 we are making about Rs. 5,000 EBITDA per ton. And MOP we have imported in H1, and is about Rs. 3,000 per ton EBITDA we are making. And on imported DAP also we are making about Rs. 4,000 per ton. And, manufactured DAP we have lost money. It is about Rs. 1,500 per ton.
- **Ms. Darshita Shah:**
- Okay. And, if you could share the same numbers for the 2nd quarter of FY23, the base quarter?
- **Mr. T.M. Muralidharan - CFO, MCFL Ltd:**
- This was for H1. Since the prices have been moving back and forth, the EBITDA figures that we have given is what we have been doing for Q2 and H1.
- **Ms. Darshita Shah:**
- No, I was talking about 2nd quarter FY23. Last year, the same quarter, what was the EBITDA per ton?
- **Mr. T.M. Muralidharan - CFO, MCFL Ltd:**
- I don't have the figures now, we can share it with you offline.
- **Ms. Darshita Shah:**
- Okay, no problem.
- **Mr. Nitin Kantak – Wholetime Director, MCFL Ltd:**
- It was lower. Urea was around Rs. 2,259 for H1 FY23, and DAP was about Rs. 1,638 per ton, and N20 was around Rs. 4,200 per ton.
- **Mr. T.M. Muralidharan - CFO, MCFL Ltd:**
- Sorry, sir. Thank you, sir.

– **Ms. Darshita Shah:**

– Okay. And I just had one last... your views on this Mr. Kantak, if we are expecting any kind of subsidy increase to take place for the 4th quarter? 4th quarter FY23, something that we saw with respect to subsidy cut. Are we expecting any subsidy increases to take place, given that your raw material prices for both phos acid and ammonia?

– **Mr. Nitin Kantak – Wholetime Director, MCFL Ltd:**

– I don't expect any increase in the subsidy in the Q4 of this financial year, because whatever has been declared, is for the next 6 months, that is valid upto March 2024. And, I don't expect that subsidy is going to be increased in Q4.

– **Ms. Darshita Shah:**

– Alright. Got it. Thank you so much. That's all from my side. Thank you.

– **Mr. Navin Agrawal – SKP Securities Ltd:**

– Thank you Darshita. Hope your questions are all answered. Friends, anyone with a question, please raise your hand and we'll take it up. Sir, there's a question on the Q&A board from Chirag Shah. Given the near zero debt levels, do we expect reductions in interest outgo? And, any outlook on margins and EBITDA per ton?

– **Mr. T.M. Muralidharan - CFO, MCFL Ltd:**

– See, as regards the debt, on long-term debt we have a program of scheduled repayments as per the terms of sanction agreed. Those reductions in the debt borrowings will come 90 crores during the current financial year, that is FY24. And, another 60 crores and 50 crores will keep coming down in FY24 and FY25. Short-term debt, will be a factor of the market liquidity and either in terms of market receivables as well as subsidy receivables. So, there could be marginal reduction. Since the rate of borrowings is very high currently, so the inflation levels will be high. RBI is rates and change in the last two monetary policies. So, there could be a marginal positive impact on the borrowings.

– I couldn't understand the second part of the question.

– **Mr. Nitin Kantak – Wholetime Director, MCFL Ltd:**

– EBITDA per ton. Same what we have already answered.

– **Mr. T.M. Muralidharan - CFO, MCFL Ltd:**

– As you know, we don't give any guidance as a practice on the EBITDA, because it's a factor of very volatile situations in the market. So, it's very difficult to give any guidance on that, as a practice.

– **Mr. Navin Agrawal – SKP Securities Ltd:**

– Thank you Murli. Chirag, in case you have any follow up question, please unmute yourself and we'll take it up. Friends, anyone with a question, please raise your hand and we'll take it. Guess, your presentation was very elaborate and answered most of the questions. Murli, in case you have anything more to add, or Mr. Kantak, please.

– Okay just one second, there's another question on the Q&A board before you takeover. What is the current spread between phosphoric acid and DAP prices? Is it possible to consider an MRP increase in DAP if subsidy is not increased for Q4?

– **Mr. Nitin Kantak – Wholetime Director, MCFL Ltd:**

– Murli, I'll take it. The DAP prices are at the level of around \$600 per ton, about \$595 per ton currently. During Q2 they were between \$440 to about \$600 per ton. In fact, it has been gradually going up from \$440 in the

- beginning of the quarter to around \$595 now. And, the P2O5 prices for the last quarter was \$850 and now it is \$980.
- Now, you have asked about the MRP, whether we'll be able to increase the MRP? And my answer to that is No. The government has already decided that... in fact, this is for more than a year now, even when the commodity prices had gone very high, the government did not allow to increase the prices of DAP. And that's why we had negative contributions on DAP in the last year. Even now, the situation remains the same. So, DAP prices are not going to be increased beyond 1,350 per bag what is existing. However, the government has allowed other NPK prices which can be increased. So, whatever loss which may happen on the DAP, the government has allowed the manufacturers and the traders to get it covered on the other products, so that overall you don't make any loss.
 - **Mr. Navin Agrawal – SKP Securities Ltd:**
 - Thank you, Mr. Kantak. Shubhro, I hope your questions are answered. Friends, anyone with a question, please raise your hand, we'll take it up. Darshita has a follow up question.
 - **Ms. Darshita Shah:**
 - Yeah, actually I just had one clarification. So, the EBITDA per ton that Murli sir gave for urea, NPK and MOP/DAP, that was, I'm guessing, for the 1st half of FY24, or was it for the 2nd quarter alone?
 - **Mr. T.M. Muralidharan - CFO, MCFL Ltd:**
 - I gave it for H1 FY24.
 - **Ms. Darshita Shah:**
 - Can you give for the 2nd quarter specifically, if that's okay?
 - **Mr. T.M. Muralidharan - CFO, MCFL Ltd:**
 - I'll give you. For Q2, the N20 was Rs. 4,000, that is our flagship product. Other imported MOP is same, Rs. 3,000 per ton EBITDA. And the other imported products, Rs. 4,500 we are able to make. And for imported DAP, we got special at about Rs. 6,000 per ton. Coming to urea, we earned about Rs. 4,000 per ton.
 - **Ms. Darshita Shah:**
 - And for manufactured DAP, I'm guessing a Rs. 1,500...
 - **Mr. T.M. Muralidharan - CFO, MCFL Ltd:**
 - We didn't manufacture DAP at all during Q2.
 - **Ms. Darshita Shah:**
 - Okay. Got it. And for 2nd quarter FY23, do you have that handy, the EBITDA per ton number?
 - **Mr. Nitin Kantak – Wholetime Director, MCFL Ltd:**
 - I gave it already.
 - **Ms. Darshita Shah:**
 - I thought that was for 1st half.
 - **Mr. Nitin Kantak – Wholetime Director, MCFL Ltd:**

- That was for H1. For Q2 specifically, of course, the urea plant did not operate, if you have seen. And, DAP we got about Rs. 1,430 per ton. And on N20 it was only Rs. 630 per ton. That was very less. At that time the condition was quite difficult.
- **Ms. Darshita Shah:**
- Right. I get it. I think the Phos acid requirement itself was an issue.
- **Mr. Nitin Kantak – Wholetime Director, MCFL Ltd:**
- Also, commodity prices were at extreme levels at that time.
- **Ms. Darshita Shah:**
- Right.
- **Mr. T.M. Muralidharan - CFO, MCFL Ltd:**
- Darshita, one more thing I wanted to highlight, since a lot of discussion happened about the EBITDA. See, the quarter-on-quarter tracking is very difficult in this industry, because there is a timing difference in which the pricing is happening, even subsidisation happening. So, there are lot of dynamics behind this. It is very very volatile and dynamic, and there will be a timing difference in recovering the increasing prices. Sometimes, even the reduction in the prices will be happening, but we won't be able to pocket it, because we're carrying high-cost inventory. So, it's very difficult to track quarter-on-quarter or H1 to H1 basis. So, we only go on overall yearly basis. While we also evaluate internally to be EBITDA positive in all the products, sometimes the discounting is necessitated by the compulsions of the DOF to ensure that all farmers are given the prices... supply of various fertilisers based on the demand and the type of crops they grow. So, it's very difficult to draw any parallels comparing Q1 to Q1 or H1 to H1 and Q2 to Q2. This is the small guidance I wanted to give you, because any calculations you try to do would be slightly different as it goes behind multiple factors in earning EBITDA.
- **Ms. Darshita Shah:**
- I totally get your point. So, it's just to get a broader understanding as to what kind of gains are we making. I get that currently the situation is very volatile, so these numbers are not sustainable. So, I get that.
- **Mr. T.M. Muralidharan - CFO, MCFL Ltd:**
- Thank you for understanding Darshita.
- **Mr. Navin Agrawal – SKP Securities Ltd:**
- Thank you Darshita. Before I hand over the floor to Mr. Kantak for his closing remarks, we'll just take the last question on the Q&A board. Shubhro Tripathi again. Given the current crisis in the Middle-east, how do you see the supply dynamics shaping out in the next 3-6 months?
- **Mr. Nitin Kantak – Wholetime Director, MCFL Ltd:**
- I do not expect the commodity prices to rise much like during the Russia- Ukraine war unless the other Arab countries enter the fray. However, there are challenges for MCFL. The next two quarters are going to be very challenging. Both, the commodity prices are hardening, and also, the subsidy has gone down. And also from the market front, we have challenges in terms of the Rabi season, the irrigated area is going to be affected. So, we are hoping the North-east monsoons bring some relief, and at least in the rainfed areas we'll be able to sell the product. Yes, it is challenging, but we'll be able to get good profitability in the next two quarters.
- **Mr. Navin Agrawal – SKP Securities Ltd:**
- Thank you sir. As there are no further questions, over to you for your closing remarks, or if you want to add anything?

- **Mr. Nitin Kantak – Wholetime Director, MCFL Ltd:**
- Yeah. Thank you very much. In conclusion, I would like to reiterate that MCFL's performance in Q2 is nothing short of outstanding. We have not only overcome the challenges presented by the erratic monsoon, but have also set the stage for a promising future. Looking ahead, we acknowledge that the next two quarters present unique challenges with water reservoirs at only just about 61% of the total capacity currently. However, we are not the ones to back down from challenges. We have faced adversity before and emerged stronger each time. Our team is agile, innovative, and driven by a passion for excellence. We are well prepared to navigate these uncertain waters, leveraging our strong relationships and deep understanding of our markets. Rest assured, we will continue to explore new avenues of growth, optimise our operations and deliver value to our stakeholders. As we move forward, I want to express my gratitude to our dedicated team, loyal partners, and you our esteemed investors, for your unwavering support. Together, we will write the next chapter of success for MCFL. Thank you for your trust in us and I look forward to another prosperous quarter ahead.
- **Mr. Navin Agrawal – SKP Securities Ltd:**
- Thank you very much sir. On behalf of all of us at SKP Securities, many congratulations once again on a good set of numbers and all the best for the future quarters. Thank you ladies and gentlemen. We'll end the webinar here and looking forward to hosting all of you again in the next quarter. Thank you and have a wonderful day.

END OF TRANSCRIPT