Paradeep Phosphates

Operator: Good day and welcome to Paradeep Phosphates Limited Q1 FY27 earnings conference call, hosted by Antique Stock Broking Limited. 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 would now like to hand the conference over to Mr. Manish Mahawar from Antique Stock Broking Limited. Thank you, and over to you, sir.

Operator: Thank you, Manish. I am pleased to host today's earnings call of Paradeep Phosphates Limited. We have the leadership team represented by Mr. Rajiv Nambiar, Joint MD and CEO; Mr. Harshdeep Singh, President and Chief Commercial Officer; Mr. Bijay Biswal, CFO; and Mr. Alok Asthana, Head of Corporate Finance and IR, on the call. Without further ado, I would like to hand over the call to Mr. Nambiar for his opening comments, after which we will open the floor for the Q&A session. Thank you, and over to you, Rajiv sir.

Management: Thank you, Manish, and good morning to everyone who has participated in this call. We welcome you to Paradeep Phosphates Limited's earnings call for Q1. I appreciate your time and interest in our company. I trust you have seen our earnings presentation and press release, which have been circulated and are available on our website and the stock exchanges.

Let me provide an overview. I am happy to report that PPL has once again delivered a very strong financial and operational performance, as well as a best-in-class EBITDA per ton. Many congratulations to all of you. Despite the prevailing global uncertainties arising from the Middle East crisis, which resulted in a sharp escalation and volatility in raw material prices and availability, PPL delivered a very strong performance on the strength of its existing supply chain efficiency, sourcing diversification strategy for key raw materials, and pan-India market presence and distribution capability. With this performance, the company has been able to further strengthen its leadership position in the phosphatic fertilizer sector.

In Q1, revenue from operations increased 36% year-over-year to {? 6,124 crores ?}. EBITDA rose 25% to 742 crores. PBT increased by 24% to 526 crores, and PAT stood at 393 crores. Sales volume grew by 4% to 9.85 lakh tons, just close to a million tons, I am saying. During the quarter, we received the full benefit of our expanded sulfuric acid capabilities, due to which sulfuric acid production was higher by 32% year-over-year. Phosphoric acid production was higher by 7% year-over-year, reflecting the strength of our backward integration benefits in phosphoric acid and sulfuric acid, and this helped us improve our quality of earnings. Our key expansion project for phosphoric acid, namely Phase 1, from 5 lakh tons to 7 lakh metric tons, is on track.

I am happy to report that the PPL board, in its Q1 meeting, approved the investment proposal of 250 crores for setting up an aluminum fluoride plant at our Paradeep facility. The proposed investment aligns with the company's strategic objective of entering and diversifying into the related industrial chemical space and will build and strengthen the company's non-subsidy portfolio in due course. The proposed investment reinforces our manufacturing excellence capability by converting a by-product into a value-added product. These investments in specialty or industrial chemicals will further augment our endeavor to create long-term value for our shareholders.

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Looking ahead, we remain in challenging times given the Middle East situation, and we have seen high volatility and availability challenges for key raw materials, particularly sulfur. As you are aware, 70–75% of global sulfur and ammonia trade crosses the Strait of Hormuz. Supply disruptions for these commodities are expected to continue in the short term. Despite these uncertainties, the industry is making concerted efforts, and an empowered committee comprising government and senior industry officials is working in close coordination to ensure fertilizer security for the nation and the farmers. PPL remains committed to driving growth in these challenging times through focused operational discipline. Thanking you once again, I now open the floor for questions.

Operator: Thank you very much, 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. We have our first question from the line of Prashant Biyani from Elara Securities. Please go ahead.

Prashant Biyani – Elara Securities: Yes, thank you for the opportunity, and congratulations on the great numbers. Rajiv sir, for Q2, how are we placed on sourcing raw materials? At these sulfur prices, are we willing to continue buying sulfur and manufacturing acid, or is it now worthwhile to buy acid and use it for manufacturing fertilizers?

Management: Thank you, Prashant. As you are aware, prices have definitely gone up in the current situation. We are constantly looking at various opportunities where we can bring efficiency into our supply chain. With phosphoric acid and sulfur prices going up, there is a strain in our overall working philosophy, but we are also sourcing from various sources, and some additional support is coming from the reduction in ammonia prices. We are hopeful that, with production currently at a significant level, we are able to operate at around 70% of phosphoric acid capacity. Moving ahead, I am sure there will be some additional support that we expect from the government.

Management: Prashant, just to share with you, we are also augmenting through imported DAP and NPK. We have a robust pipeline as far as the Rabi season is concerned, where we are augmenting our production through imported products.

Prashant Biyani – Elara Securities: Sure, sir. On the aluminum fluoride plant, if you can share some details regarding when the plant can be operational, how much the per-ton realization could be, and the EBITDA per ton.

Management: Prashant, the plant capacity is going to be around 15,000 tons per annum. We expect at least a top line of {? 180–200 crores ?} from this facility. We are currently quite optimistic about getting this plant commissioned within 20–24 months. The basic engineering work is currently in progress. We are also preparing the sourcing strategy and determining the right sourcing strategy for aluminum fluoride. As of today, looking at the market, we do not see a major challenge in terms of B2B sales, and we expect at least 60 crores of EBITDA from this.

Prashant Biyani – Elara Securities: Right. Lastly, before I return to the queue, on the trading volume side, what were the traded DAP and NPK volumes for this quarter?

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Management: Prashant, we will send you the numbers. We will just get back to you, Prashant, okay? Exactly.

Prashant Biyani – Elara Securities: Sure, I will return to the queue.

Operator: Thank you. We have our next question from the line of Riju from Antique Stock Broking. Please go ahead.

Riju – Antique Stock Broking: Hi, sir. My first question is regarding the volumes [inaudible]

Operator: Sorry to interrupt you, Riju. Your voice is breaking. Can you please move to an area with better reception?

Riju – Antique Stock Broking: [inaudible] Hello?

Management: No, we cannot hear you, Riju.

Riju – Antique Stock Broking: [inaudible]

Operator: Riju, may we request you to rejoin the queue and come back for the questions? Thank you. We have our next question from the line of Aman Kotari from Equirus Investments. Please go ahead.

Aman Kotari – Equirus Investments: Thank you so much. Firstly, congratulations on this wonderful set of results. Sir, my first question would be around the mix that we saw this quarter. We saw 55% growth in DAP volumes and a 9% decline in NPK volumes. Why was there a decline in NPK in the first quarter? Is this a mix that is going to be maintained going forward for the full year?

Management: Good morning. I think there are 2–3 important things. The way you look at it, yes, there was significant growth in DAP, and that was more of a tactical shift because, from a policy perspective, the profitability of DAP appears significantly better compared to NPK. However, as far as the market strategy is concerned, the focus on NPK continues. As far as farmer sales are concerned, we grew our NPK portfolio by 6%. NPK farmer sales are up. But as a primary strategy, in line with optimizing profitability, we focused more on DAP in Q1.

Aman Kotari – Equirus Investments: We saw a 9% decline in NPK volumes, but you said the portfolio grew by 6%. Is that because of some price increase that we took?

Management: No, that is because farmer trade-stock POS sales grew by 6%. That is why the growth, as far as farmers are concerned, has been maintained. Of course, we have taken a significant price increase in the NPK portfolio in order to maintain our profitability. Just to give you an example, a bag of DAP today sells at 1,350 rupees per bag, whereas the complexes range from 2,100 to 2,500 rupees per bag. There is a significant difference for a farmer because of the way the current policy is structured. We have ensured that we partially pass on the increase to the customer, and we expect the government also to partially address the cost increase that has occurred.

Aman Kotari – Equirus Investments: Got it. This is my last question before returning to the queue. In terms of building our non-subsidized portfolio, aluminum fluoride is something that we are going

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ahead with. Do you see this aluminum fluoride catering to which industry? Is there a clear demarcation between a lower grade and [inaudible]

Aman Kotari – Equirus Investments: What is it that we are targeting?

Management: This is mainly going to target the Odisha area, where the aluminum industries are located. We have conducted our study properly, and we feel that, as a strategic player in Odisha, we should be in a position to market this product without much difficulty.

Aman Kotari – Equirus Investments: Got it. Thank you, sir. I will return to the queue.

Operator: Thank you. We have our next question from the line of Sukrit Patil from ISite Inpact. Please go ahead.

Sukrit Patil – ISite Inpact: Good afternoon to the team. First of all, congratulations on a good set of quarterly results. My first question to Mr. Nambiar is: beyond the regular outlook, I want to understand what the top 2–3 execution priorities are that you are focusing on in the next few quarters. Alongside that, what do you see as the biggest risks from demand shifts or competitive pressure, and how are you preparing to manage them while sustaining Paradeep's position in the fertilizer space? That is my first question, and I will ask my second question after this. Thank you.

Management: If you look at it, we have given one clear signal in the quarter. One is that there is a tactical shift toward profitable products. We have a long-term view in terms of NPK, which is very strong, and all the capacity optimization that is going to happen will have a huge thrust on NPK. However, we know that these are unprecedented times in our business, arising from the conflict on both the Ukraine side as well as the Russia side. We cannot simply stick to exactly what we have done. Therefore, this is a short-term tactical shift that is going to take place. We are still exploring whichever products we can manufacture, and I am happy to report that we are one of the companies with the maximum product portfolio capability to manufacture at our facilities. We will definitely leverage that.

Wherever a price advantage is available, our supply chain logistics are quite strong in terms of sourcing facilities, and we will explore various areas where we can optimize our supply chain. Coupled with our upcoming capacity expansion in both phosphoric acid and the major expansion expected in 2029–30, these are the 3–4 areas on which we will be concentrating over the coming 2–3 quarters.

Sukrit Patil – ISite Inpact: Thank you. My second question to Mr. Singh is: on the commercial side, what are the key priorities you are driving in terms of market expansion, pricing, and customer engagement? What risks do you see in the distribution or regulatory framework, and how are you preparing to mitigate them? Thank you.

Management: Good morning. There are 2–3 priorities. One is the future-looking priority of market development. We are building a portfolio of products with high nutrient-use efficiency, including our nano category, and we are growing significantly in that category. As far as the market is concerned, apart from the current supply chain risk, there is also a challenge related to the monsoon. However, July has been a good month for rainfall. We are trying to address the market

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requirement by balancing our NPK and DAP portfolios. DAP demand remains quite robust because of the price point that the government has maintained for a bag of DAP. We have had significant growth in both farmer sales and primary sales.

If you look at farmer sales, I think the industry growth for phosphate, DAP, and NPK has been around 1%. As a company, we have grown by around 15-16%. We are maintaining our leadership position as far as the market is concerned. We are also maintaining our leadership position as far as product pricing is concerned. We are very conscious that we are going to drive profitable growth. That is our current commercial market strategy.

Sukrit Patil – ISite Inpact: Thank you. I am done. Thank you.

Operator: Hello. Yes, sir, thank you. We have our next question from the line of Riju from Antique Stock Broking. Please go ahead.

Riju – Antique Stock Broking: Yes, hi, sir. I hope I am audible now. My question is regarding the sales volume data that you have reported. In the presentation, on slide 4, we have seen that the total fertilizer volume is 9.85 lakh tons, right? However, if I calculate the product-wise details—that is, DAP, NPK, Urea, TSP, and MOP—the total comes to roughly 10.03 lakh tons. I just want to understand the math here.

Management: I think you would have counted the Zythite sales in it. If you consider DAP, NPK, and MOP, that would be around 9.85 lakh metric tons. However, if you also consider Zythite, which is a soil conditioner, then you are right—it is roughly a million tons. That represents around 15,000-20,000 tons of Zythite sales. If you add both of them, it will be a million. Otherwise [inaudible]

Riju – Antique Stock Broking: Understood, sir. And in terms of the sulfuric acid capacity that we currently have and the excess capacity, how are we selling that? I think we might be selling it externally. How much additional EBITDA can we make from the excess sulfuric acid by selling it externally as of now?

Management: Right now, we are fully utilizing the sulfuric acid capacity. We are not selling it externally at present. The entire quantity is consumed in our fertilizer production.

Riju – Antique Stock Broking: No, sir, my question is regarding the Paradip facility. We have to expand the sulfuric acid capacity from 1.4 to roughly 2 million metric tons, right? The phosphoric acid capacity will come in Q2 FY27. How are you utilizing the excess sulfuric acid capacity?

Management: I will explain. Basically, we do not have any excess sulfuric acid capacity at Paradip. Even if it occurs, it could be due to short-term fluctuations for a limited duration. If you look at it, sulfuric acid is used not only for phosphoric acid production; 20-20 is also a sulfur-dominated product, so a significant amount of sulfur goes into that as well. As of today, if you ask me, we do not have sustainable excess capacity at Paradip. Obviously, there may be some smaller quantities that we trade from time to time, but it is not significant at all.

Riju – Antique Stock Broking: Understood, sir. In terms of power generation, the cogeneration from the sulfuric acid plant, are we selling any excess power to the grid as of now, either in this quarter or

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perhaps in the last quarter?

Management: We sold power at the beginning of the last quarter, but because of fluctuations in sulfur and sulfuric acid availability, we did not do much afterward. However, the facility is available.

Riju – Antique Stock Broking: Okay, understood. One last thing regarding Urea. The Goa Urea facility's energy improvement happened in the last quarter. How much EBITDA per ton have we been able to achieve this quarter? Also, regarding the NCLP Urea plant, the EBITDA benefit we were receiving under the old policy may have expired last year. How should we look at the EBITDA per ton for the NCLP plant as well as for Urea?

Management: Regarding the Urea policy, I think the new Urea policy was notified yesterday. We are evaluating that policy. If you look at the policy vis-à-vis the energy benchmark that we currently have, the impact in Goa will be positive by around 1,500 rupees per metric ton. There will be a reduction in Mangalore of around 700-800 rupees per metric ton based on the new Urea energy policy.

Regarding the energy improvement we are discussing, we invested in it, it has been completed and capitalized, and it has been put into operation. We have started receiving the benefit from this year and this quarter. Energy consumption has been reduced by 0.2 Gcal on a Urea production basis this year.

Riju – Antique Stock Broking: So, what is the accrued benefit in terms of EBITDA from that?

Management: That is what the 0.2 means. Due to this energy impact, it will be 1,000 rupees per metric ton at present.

Riju – Antique Stock Broking: Okay. On a normalized basis, can we expect that it might have improved by roughly 700-800 rupees per ton at the EBITDA level for Goa Urea?

Management: In Q1, yes, you can say that.

Riju – Antique Stock Broking: Understood, sir. Thank you for clarifying my questions.

Operator: Thank you. We have our next question from the line of Parth Lodha from Tancet Asset Managers. Please go ahead.

Parth Lodha – Tancet Asset Managers: Am I audible? Hello?

Management: Yes, sir, we can hear you.

Parth Lodha – Tancet Asset Managers: Thank you. First of all, thank you for the opportunity. My question is: over the medium or long term, what percentage of EBITDA do you believe could come from the non-subsidy business, such as industrial chemicals?

Management: We continue to focus on fertilizer, as we said earlier. The sustainable EBITDA guidance that we give is 5,000 rupees at the moment. When we complete our backward integration, it should improve by 30-35%. As far as the non-subsidy portion is concerned, I think that will take some time to evolve. Over a period of time, our long-term vision is that at least 20% of

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EBITDA should be supported through non-subsidy businesses, but that is a long-term target we have set for ourselves.

Parth Lodha – Tancet Asset Managers: Got it. Thank you so much.

Operator: Thank you. We have our next question from the line of Madhur Rathi from Counter Cyclical Investments. Please go ahead.

Madhur Rathi – Counter Cyclical Investments: Sir, thank you so much for the opportunity. I wanted to understand how much of the raw material for aluminum fluoride, namely FSA, is currently produced in-house. What are we doing with it? Are we selling it externally, or are we incurring effluent treatment charges?

Management: Currently, we are producing around 9,000-10,000 tons per annum. All these quantities are sold to external parties. The whole purpose of our investment is to ensure that we obtain a much higher value than what we have been receiving by selling it as a raw material to other parties.

Madhur Rathi – Counter Cyclical Investments: Got it. If you could help us understand this, it seems that this product is very critical to aluminum smelters. How critical is this product, and has validation started for it, or will there be a gestation period after the 24-month commissioning of the plant?

Management: Basically, we are just starting. The board has given its approval, and we have just started the engineering work. Engineering, construction, and commissioning should take 22-24 months. We do not see any challenge in terms of the marketability or saleability of this product.

It is currently being sold. In fact, just to add to Mr. Nambiar's comments, a lot of work was done in the background before we took it to the board, so everything is established. We just need to complete the project in the next 24 months and get it operational. Also, for your understanding, a lot of imports are taking place in this particular product. With this project, we should be able to ensure that the Indian manufacturing setup complements the market and reduces imports of aluminum fluoride.

Madhur Rathi – Counter Cyclical Investments: Yes, sir. My question was along similar lines. Since these imports are of a different specification from what Paradeep Phosphates would manufacture, would there be a gestation period with the smelting customers for testing and validating our product?

Management: No, it will not require any gestation period. It is readily marketable.

Madhur Rathi – Counter Cyclical Investments: Got it. How much capacity can we increase? We are manufacturing 10,000 metric tons of FSA, so how much can we expand the 15,000-metric-ton capacity to?

Management: We are currently designing for 15,000 tons. The reason for 15,000 tons is that, with the expanded capacity we expect within 2 years, we should be in a position to utilize the entire FSA—sorry, hydrofluorosilicic acid—for conversion into aluminum fluoride.

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Madhur Rathi – Counter Cyclical Investments: Okay, got it. Sir, that was from my end. Thank you so much, and all the best.

Management: Thank you.

Operator: Thank you. We have our next question from the line of Dhruv Muchhal from HDFC AMC. Please go ahead.

Dhruv Muchhal – HDFC AMC: Thank you. I have a few questions. Firstly, regarding traded volumes, can you share the traded volumes this quarter, excluding Urea?

Management: The traded volumes we have done total 1.25 lakh metric tons, including MOP, TSP, and DAP. The major imports are arriving in July, August, and September. We have almost secured half a million tons of imports for the Rabi season.

Dhruv Muchhal – HDFC AMC: What we have seen right now is a shift toward higher DAP sales and relatively lower NPK sales. I am trying to understand how this works in the market. As a structural strategy, the market wants to shift toward NPK, and that seems to be the direction [inaudible]

Dhruv Muchhal – HDFC AMC: Given the better profitability and better farmer economics, DAP is probably better for the farmer. However, raw material supply chain issues, government policy actions, and all those factors create this disruption. I am trying to understand, for example, if a farmer is shifting to DAP today but was earlier an NPK buyer, how soon does that farmer return to NPK if prices normalize? What kind of resistance does that involve? Because with these kinds of policies and disruptions, the movement toward NPK could become slower. I am trying to understand how this works and how you see it.

Management: There are 2–3 things. First, fundamentally, our entire market development effort and farmer engagement effort is to create awareness of balanced fertilization, which essentially includes phosphate, potash, micronutrients, and even organic carbon, which is very essential from a soil-content perspective.

As far as the short-term context is concerned, we have undertaken most of our awareness campaigns to shift farmers from the conventional approach of using DAP fertilizer to using an NPK mix. Currently, the difference between NPK prices and DAP prices is quite stark. Hence, there is a shift among farmers. However, many farmers, especially in South India, where awareness levels are much higher, continue to use the NPK portfolio. We still see NPK as a dominant category.

As far as the current season and perhaps the Rabi season are concerned, as long as Urea and DAP prices are maintained at a special price for farmers, you will see a shift toward DAP uptake. However, I do not see that as a fundamental concern from an overall strategy perspective because farmers are aware of the use of balanced fertilization.

If you look even at a fertilizer such as potash, where government support is very minimal and prices are almost as high as {? 2,200 rupees a bag ?}, highly aware farmers growing cash crops continue to use potash even though the price is quite high.

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Dhruv Muchhal – HDFC AMC: I was wondering about the pace of the shift toward NPK. Does this slow it down, or can the movement reverse quickly?

Management: Yes, it will reverse quickly if the price equation is addressed. As long as DAP and NPK are within a price range of 200 rupees per bag, I think the shift can happen very quickly. Currently, the difference is quite stark, at almost 1,000 rupees per bag.

Dhruv Muchhal – HDFC AMC: The other question was on the expansion plan, the phosphoric acid and probably NPK granulation expansion. Has there been any change in plans given what is happening, or does it remain on track? I believe that the last time we spoke on the call, you mentioned that equipment ordering was pending. I am trying to understand where we stand.

Management: No, none of the plans are being changed because of the short-term turbulence we are experiencing. That is good news for all of us. The phosphoric acid expansion that we earlier described, from 5 lakh to 6 lakh tons, will become a reality by this December. The expansion from 6 lakh to 7 lakh tons is also expected to happen mostly by August-September next year.

Regarding the larger expansion of 3 lakh tons of phosphoric acid as well as sulfuric acid, that is also progressing as planned. We are almost at the stage where final commercial discussions are taking place. All these expansion projects are progressing normally, irrespective of what is happening around us.

Dhruv Muchhal – HDFC AMC: Okay. Great, sir. Thank you so much, and all the best. Thank you.

Operator: Thank you. We have our next question from the line of Somil Shah from Paras Investments. Please go ahead.

Somil Shah – Paras Investments: Hi, thanks for the opportunity. Sir, last quarter EBITDA per ton was somewhere around 5,300. What is the EBITDA per ton in this quarter? Have we started seeing the benefits of backward integration?

Management: This quarter, EBITDA is around 7,000 rupees per metric ton. In the same quarter last year, it was around 6,500 rupees. This increase is mainly on account of the inventory we had at the beginning of this year. That inventory has played out better and has resulted in this increase in the EBITDA margin.

Also, if you look at it, our backward integration of sulfuric acid, both in Mangalore and Paradeep, is running at full capacity. Coupled with the inventory that we were able to harness within our system in terms of low-cost inventory, backward integration has started contributing.

Somil Shah – Paras Investments: Can this 7,000 range be sustained in the current quarter as well?

Management: No. We believe realistic EBITDA for the year should be around 5,000-5,500 rupees. Once we complete the expansion projects we explained earlier, we should be in a position to achieve sustainable EBITDA of 7,000-plus.

Somil Shah – Paras Investments: And when would that be?

Management: It will come in phases. You can take it as 2-2.5 years.

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Somil Shah – Paras Investments: One follow-up: you mentioned to the previous participant that the incremental capacity of our phosphoric acid plant from 5 lakh to 6 lakh tons will be completed when?

Management: By this December.

Somil Shah – Paras Investments: What is the current capacity utilization of this plant?

Management: It is almost 100%.

Somil Shah – Paras Investments: So, we are confident of adding 1 lakh tons by Q4 of this year?

Management: Yes. Execution is already under way. The equipment has also been ordered and has started arriving at the site.

Somil Shah – Paras Investments: That is it from my side. Thank you, and all the best.

Management: Thank you so much.

Operator: Thank you. We have our next question from the line of Deep Gulwani from KRChoksey. Please go ahead.

Deep Gulwani – KRChoksey: Thank you for the opportunity, sir. Despite industry phosphate fertilizer volumes being flat this quarter, the company was able to grow volumes by 13% year-over-year. What is the company doing differently from its peers that has enabled us to gain market share?

Management: If you look at the overall market strategy, we have focused on the North, East, West, and South in a very balanced way. We are strong in the West and South, but our overall strategy is to maintain a balance across the key markets of India. That gives us an advantage, especially when there is a demand effect because of every scenario. That is one strength.

Second, there are significant market development efforts related to our brands. Jai Kisaan Navratna and Jai Kisaan Mangla are strong brands and enjoy a great deal of trust among farmers. That gives us an advantage in terms of uptake and pull. These are the 2 fundamental things that we do.

We have also kept flexibility in our portfolio by optimizing the range of products, including Urea, DAP, and NPK. The complete mix is available in terms of solutions for farmers. That gives the company an edge.

Deep Gulwani – KRChoksey: How is OCP helping in securing raw materials during the current difficult situation?

Management: That is one of our key strengths compared to many other players. We do not face any serious issue, or any issue at all, in terms of rock availability. We also have access to rock of much superior quality, as well as acid. To a large extent, we do not have any major issue with rock and acid, other than some smaller supply chain issues that might arise. However, because of very good raw material planning, we have been able to turn that uncertainty into a strength.

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Deep Gulwani – KRChoksey: With the long-term view of the non-subsidy business contributing 20% after FY29, can we expect capital allocation to shift toward other industrial chemicals as well?

Management: Yes, of course. Backward integration is our current thrust, along with entering the specialty chemicals space. I am sure the current aluminum fluoride project is only the beginning, and we are seriously thinking about what else we should be able to do. This is the shift that is taking place.

Deep Gulwani – KRChoksey: One last question: do we produce semihydrate hydrofluorosilicic acid to cater to the 15,000-metric-ton-per-annum aluminum fluoride plant?

Management: Yes, we do.

Deep Gulwani – KRChoksey: Okay, thank you.

Management: Thank you.

Operator: Thank you. We have our next question from the line of Prashant Biyani from Elara Securities. Please go ahead.

Prashant Biyani – Elara Securities: Yes. Harish sir, you were referring to the higher trading volume that we initially plan to undertake in Rabi. Can you elaborate on that? What is the plan?

Management: What we are trying to do, Prashant, is to partly augment our supply with imported DAP. This is also something the government wanted to ensure so that the country's supply chain is maintained. We will also import some complex fertilizers, such as NPK and DAP, as well as TSP.

TSP is a product for which, from a long-term perspective, we are trying to build a portfolio of high-phosphate fertilizers with lower nitrogen. Between DAP, TSP, and NPK, and with the additional thrust we have placed this year on ammonium sulfate, which is a good source of nitrogen and sulfur, we are building this portfolio. The government wanted us to encourage ammonium sulfate as an alternate source of nitrogen and sulfur. That is the portfolio of traded products we are developing.

Prashant Biyani – Elara Securities: Last year, our traded volume during the Rabi season was around 270,000 tons, if I am not mistaken. How much could it be this year?

Management: We have not provided forward guidance on the exact numbers as of now, Prashant, but it will be significantly higher. As I told you, we have almost secured half a million tons of imports for the traded products, which will support us in both Q2 and Q3, up to December.

Prashant Biyani – Elara Securities: How much was the DAP trading volume in Q1 this year and in Q1 last year?

Management: This year, DAP traded volumes in Q1 were lower, at around 1,000 tons. We did around 24,000 tons of TSP and 22,000 tons of ammonium sulfate. Last year, we did not undertake any such trading. DAP was just 1,000 tons in the first quarter because we produced a significant amount of manufactured DAP.

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Prashant Biyani – Elara Securities: On the subsidy side, how much is the outstanding subsidy, and how much did we receive in Q1?

Management: As of June 30, the outstanding subsidy is around 4,600 crores. During this year, we received subsidy for this quarter of somewhere around 2,650-odd crores.

Prashant Biyani – Elara Securities: How much is the gross debt currently?

Management: Gross debt? Just a second, I will tell you. It is around 6,000. Just a second, I know it is around 6,000, {? 6,500-odd crores ?}.

Prashant Biyani – Elara Securities: Okay. Sure, sir, that is all from my side.

Operator: Thank you. We have our next question from the line of Manish Mahawar from Antique Stock Broking. Please go ahead.

Manish Mahawar – Antique Stock Broking: Hi, sir. Just regarding the capex timeline: you said the phosphoric acid expansion is 2 lakh tons, from 5 lakh to 7 lakh. Out of that, 1 lakh is coming by December and the other 1 lakh is coming next August, right? You said in 2027.

Management: Yes, Manish.

Manish Mahawar – Antique Stock Broking: Earlier, I believe the timeline was H2 of this year, perhaps by Q3. Has it been delayed, or am I missing something in terms of the timeline?

Management: No, it is the same timeline.

Manish Mahawar – Antique Stock Broking: The second thing is the larger capex that we announced earlier, of 3,000-500 or 3,600 crores. What is the timeline for that, and will it come in stages or in one phase?

Management: It will come in one phase, obviously, as we said, with completion in 2029-30.

Manish Mahawar – Antique Stock Broking: What, then, is the timeline for starting it?

Management: It will begin around 2029-30.

Manish Mahawar – Antique Stock Broking: When you say 2029-30, should we assume that it will start by 2029?

Management: From March 2029 to the first half of 2029-30, perhaps around the middle of 2029-30. These are larger projects, so generally there may be some variation here and there. It will likely be around Q2 of 2029-30.

Manish Mahawar – Antique Stock Broking: Understood. Regarding the traded volumes this year, particularly DAP, you said we are importing a significant amount of DAP. Does that basically mean that the manufactured volume itself will be lower this year, while total volume will grow, with traded volumes offsetting the decline in manufactured volumes? Is that the right understanding?

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Management: No. What we are trying to do is optimize the market requirement. This is a year with disruptions, and it would not be appropriate to make a volume-to-volume comparison merely for the sake of volume. What we are trying to do is maximize stakeholder value. We are balancing manufactured and imported volumes so that our market share is maintained.

We will continue producing at the plant, but we would not like to produce if raw material prices are too steep or if there are supply chain disruptions because of the war. Any such shortfall in production will be made good through trading. Overall, there will be no shortage in our volume.

Manish Mahawar – Antique Stock Broking: [inaudible] decrease in sales and everything.

Manish Mahawar – Antique Stock Broking: Understood. One last question regarding EBITDA per ton: we performed very well in the first quarter, partly because of the benefit from the low-cost inventory we had earlier. Considering the current raw material costs for all 3-4 raw materials and commodity prices, what EBITDA per ton can we achieve? If there is a shortfall from 5,000 rupees, how do we mitigate it? Is there any expectation of additional subsidy from the government?

Management: It is an evolving situation involving both the state government and the industry. However, based on the interactions we are having, we continue to believe that we should have sustainable EBITDA of 5,000 rupees per ton. That is the number we are targeting by the end of this year. Hopefully, with all the corrections that are taking place, we should be able to cross that number.

Manish Mahawar – Antique Stock Broking: Okay, understood. Thank you.

Operator: Thank you. We have our next question from the line of Aman Kothari from Equirus Investments. Please go ahead.

Management: Aman, are you there?

Operator: Aman, are you there? No, Aman, your voice is breaking.

Operator: No, Aman, we still cannot hear you. We will move on to the next participant. We have our next question from the line of Dinesh Iyer from Sequence Investments. Please go ahead.

Dinesh Iyer – Sequence Investments: Thank you for the opportunity. I wanted to understand our average landed cost of sulfur in Q1 FY27 and the current price. Could you give us a comparison of sulfur prices?

Management: Sulfur prices moved quite significantly in Q1, and the price as we speak today is above 1,000 dollars. As far as sourcing is concerned, I do not think it would be prudent for us to provide that number because it is commercially sensitive, but it has been competitive with other global benchmarks.

Dinesh Iyer – Sequence Investments: The current sulfur price you are referring to is around 1,000 dollars, right?

Management: Above 1,000 dollars, yes.

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Dinesh Iyer – Sequence Investments: What was the price in Q1, on average, for comparison?

Management: The Q1 average was around 800–850 dollars.

Dinesh Iyer – Sequence Investments: Okay, perfect. Can you share the same information for sulfuric acid?

Management: The sulfuric acid price right now is around 350 dollars.

Dinesh Iyer – Sequence Investments: And in Q1?

Management: In Q1, we did not purchase much sulfuric acid because our sulfuric acid capacity was 100% utilized. However, as you asked about the price, I would say that the sulfuric acid price right now is around 360–370 dollars.

Dinesh Iyer – Sequence Investments: What percentage of our procurement in Q1 FY27 was covered by the long-term contracts we have entered into with sulfur suppliers, and what percentage was on a spot basis?

Management: Currently, we do not have any specific long-term arrangement for sulfur because of fluctuations on both sides. It is being procured entirely on a spot basis at present.

Dinesh Iyer – Sequence Investments: Okay, got it, sir. That is all from my side. Thank you.

Operator: Thank you. We have our next question from the line of Kush from KR PMS. Please go ahead.

Kush – KR PMS: Hello? Yes, my questions have been answered. Thank you.

Operator: Thank you. We have our next question from the line of Sandeep Mukherjee from SKP Securities. Please go ahead.

Sandeep Mukherjee – SKP Securities: Thank you for taking my question. What were the production volumes of DAP, NPK, and Urea for this quarter?

Management: Sandeep, we will come back to you again. Overall fertilizer production in Q1 was {? 7.66 lakh ?} [inaudible].

Sandeep Mukherjee – SKP Securities: Okay. Thank you.

Management: Urea was around 2 lakh tons. We can take the remaining quantity as NPK.

Management: DAP was also around 2 lakh tons.

Operator: Thank you. We have our next question from the line of Archit Agarwal from Step 8 Capital. Please go ahead.

Archit Agarwal – Step 8 Capital: Hello? Hello, am I audible?

Operator: Archit, you need to speak a little louder.

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Archit Agarwal – Step 8 Capital: Hello? Yes, is it audible? My question is regarding working capital. Last quarter, management guided that the buildup in both inventory and subsidy was temporary and would likely unwind in Q1 FY27, leading to normalization of operating cash flow and lower borrowing. Could you share the progress? How much inventory has been liquidated, how much subsidy has been received, and is operating cash flow positive?

Management: As we said, the additional inventory from last quarter was liquidated during this quarter, and that worked well for us. During this evolving situation, if you compare last year's inventory and last quarter's inventory with this quarter's inventory, there has been growth and an increase in inventory, mainly on account of the trading volumes we are discussing. However, raw materials and finished goods inventory have declined.

Management: We have also reduced debt by around 700 crores overall, and cash flow from operations is positive. To further explain this, cash flow has been more robust as far as the market is concerned. We had 43% growth in cash flow from the market, and subsidy collections were also 22% higher than last year for the same period. We have had robust cash flow, which has supported the overall [inaudible].

Archit Agarwal – Step 8 Capital: You mentioned that 2,600 crores of subsidy was received in this quarter?

Management: Yes.

Archit Agarwal – Step 8 Capital: Okay, that is all from my side. Thank you.

Operator: Thank you. We have our next question from the line of Aman Kothari from Equirus Investments. Please go ahead.

Aman Kothari – Equirus Investments: Hello. This year, we are in the phase of expanding our granulation capacity. When can we expect to reach from 3.7 to 4 this year?

Management: The debottlenecking is expected by December.

Aman Kothari – Equirus Investments: For NPK, as you mentioned, traded volumes would be significantly higher compared with last year. Should we expect a margin impact this year going forward, considering that trading volumes will be higher?

Management: No. Overall, we continue to maintain our EBITDA per ton at the company level because a lot of supply chain efficiencies have been brought into the system. We do not think there will be pressure on EBITDA per ton below the guidance we have discussed.

Aman Kothari – Equirus Investments: I think you touched upon the product mix going forward, but my question remains: in terms of the NPK market, apart from the current price difference, what could unlock value for us, considering that we are the industry leader both in terms of volumes and pricing going forward?

Management: Could you clarify exactly what your concern is?

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Aman Kothari – Equirus Investments: The idea is to understand what would drive NPK adoption going forward, apart from the current price difference.

Management: There are 2–3 fundamental drivers. One is the increasing awareness arising from farmer involvement and understanding of soil health, as well as the need for sustainable agriculture through the application of organic carbon and balanced nutrients, including nitrogen, phosphorus, and potash.

We have a challenge of nitrogen overuse in the country because of the heavy subsidy, and farmers apply nitrogen primarily in the form of Urea. However, we see a strong opportunity for NPK fertilizers going forward because significant awareness has developed, and farmers today feel they are getting better productivity when they use a balanced portfolio.

If you look at last year, the phosphate market was approximately 24 million tons, of which DAP accounted for around 10 million tons and NPK accounted for around 14 million tons. Of the 14 million tons of NPK, the most robust NPK grade, in which your company is a market leader, is {? 10-26-26-0-13 ?}, which accounts for around 6–7 million tons. We still believe that this is a very promising grade because there is sulfur deficiency in the soil, and it is a very good fertilizer for farmers.

Today, however, there is a price difference, which I believe is a short-term issue. I do not see it continuing. Once the government removes the cap on the MRP for DAP, I think the portfolio will become balanced.

Aman Kothari – Equirus Investments: [inaudible] pricing cap on DAP [inaudible]

Operator: Sorry to interrupt, Aman. We are unable to hear you; your voice is breaking.

Aman Kothari – Equirus Investments: [inaudible] pricing cap [inaudible]

Management: You may have to ask the political representatives about that. Currently, it does not seem likely in the short term, but I think it should be removed at some point going forward. That is how we look at it, but not in the short term.

Aman Kothari – Equirus Investments: [inaudible] you touched upon this [inaudible]

Operator: Sorry to interrupt, Aman. We are unable to hear you.

Aman Kothari – Equirus Investments: [inaudible] Hello? Aman? Hello?

Operator: Hello?

Aman Kothari – Equirus Investments: Hello?

Operator: Yes, now we can hear you.

Aman Kothari – Equirus Investments: [inaudible] having any margin impact [inaudible]

Operator: Sorry, Aman, but we are unable to hear you.

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Aman Kothari – Equirus Investments: [inaudible] Hello?

Operator: We cannot hear you, Aman.

Aman Kothari – Equirus Investments: [inaudible] Hello?

Management: Aman, are you there?

Operator: Ladies and gentlemen, that was the last question of the day. I now hand the conference over to management for closing comments. Over to you, sir.

Management: Thank you, dear investors, for taking the time to join our earnings call. In case you have any further questions, we will be very pleased to address them through our investor relations team. Thank you once again, and have a good afternoon. Thank you.

Operator: Thank you. Thank you. On behalf of Antique Stock Broking Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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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