



“Paradeep Phosphates Limited Q2 & H1 FY-25 Earnings Conference Call”

October 29, 2024



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MODERATOR: **MR. MANISH MAHAWAR – ANTIQUE STOCK BROKING**

Moderator: Ladies and gentlemen, good day and welcome to Paradeep Phosphates Q2 FY25 Earnings Conference Call hosted by Antique Stock Broking.

As a reminder, all participant lines will be in the 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 an operator by pressing the “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Manish Mahawar from Antique Stock Broking. Thank you and over to you sir.

Manish Mahawar: Thank you. On behalf of Antique Stock Broking, I would like to welcome all the participants on the call of Paradeep Phosphates.

Today, we have Mr. Suresh Krishnan – MD and CEO; Mr. Rajeev Nambiar – COO; Mr. Bijoy Biswal – CFO; Mr. Alok Saxena – Head of Corporate Finance & IR; and Mr. Susnato Lahiri – DGM Strategy, IR and ESG.

Without further ado, I would like to hand over the call to Mr. Krishnan for “Opening Remarks”. Post which, we will open the floor for Q&A. Thank you and over to you, Mr. Krishnan.

Suresh Krishnan: Thank you Manish. And good evening everyone and welcome to Paradeep Phosphates Limited’s Q2 and H1 FY2025 Earnings Conference Call. We have shared our earnings presentation and press release, both available on our website and stock exchanges, and I hope you have had a chance to review the same.

Coming to our quarterly update in Q2 of FY2025:

We benefited from favorable conditions, including good monsoons, healthy reservoir levels and robust crop prices. This environment allowed us to achieve positive volume growth across our diverse NPK fertilizer portfolio, including with our climate and soil friendly new products of nano fertilizers and Triple Super phosphate. This performance is a result of our strategic sourcing, backward integration, soil and cross specific product portfolio and a robust sales and distribution capabilities across pan India.

Coming to the volumes that we have achieved during Q2,:

Our production reached 6,93,311 metric ton, reflecting a 5% year-on-year increase. While our sales volume total 865,286 metric ton up by 7% year-on-year. We also experienced positive growth in the production of both phosphoric and sulphuric acid, which are intermediate products for us. For the first half of 2025 our cumulative production was 1.232 million metric ton, the total sales volume exceeding the production at 1.419 million metric ton. We successfully produced and sold over 10 varieties of NPK this quarter, showcasing our flexibility to meet diverse market demands. Notably our newly launched nano fertilizers and TSP have gained

strong traction, the sales volume of nano DAP and nano urea surpassing 600,000 bottles in H1, while the Triple Super phosphate sales reaching 63,000 metric ton.

Coming to our Financials:

For the quarter our PAT PBT and EBITDA climbed year-on-year by 155%, 146% and 65% respectively. Revenue from operation grew by 4.4% year-on-year, reaching Rs.3,843 crores. The EBITDA stood at 440 crores with a margin of 11.4%, our profit after tax was 227 crores with a margin of 5.9%. For H1 the total income from operation stood at 6,221 crores, and EBITDA was 606 crores yielding a margin of 9.7%. This growth in our quality of earnings is driven by our strategic raw material sourcing, our backward integration play and an effective operational management resulting in a 25% reduction in our net debt to equity. We ended the quarter with a robust cash generation from operations of Rs.1,238 crores.

With the aim to further enhance the quality of earnings. I am pleased to announce that our board has approved a CAPEX plan to augment our phosphoric acid capacity from 0.5 to 0.7 million metric tons per annum. This initiative aims to achieve 100% backward integration in our fertilizer production with regard to the phosphate requirements, reducing our import dependency and boosting our operational capabilities. The expansion is expected to cost approximately Rs.250 crores to be funded through a mix of internal approvals and external financing.

Looking forward, I am optimistic about the upcoming Rabi season, which we expect to reflect the strong demand we witness during Kharif. We will continue to invest in innovative soil and climate trendy products like our nano and Triple Super phosphate. We shall continue to leverage our backward integration capabilities and supply relationship as we navigate the current landscape of rising raw material prices, we will continue to model our growth on strong footings of our ESG journey.

All in all, we are well equipped to serve the Indian farmer and soil effectively. I sincerely thank all our stakeholders for their continued support in our journey.

I would like to open the floor for questions. Over to you.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Prashant Biyani from Elara Securities. Please go ahead.

Prashant Biyani: Mr. Krishnan, the additional benefit of 3500 on DAP that is there right now, have we recognized full 3500 for entire H1?

Suresh Krishnan: No, we have only taken for the quantity sold up to Rs.3000 per metric ton, which is what has been disbursed by the government.

Prashant Biyani: Up to Rs.3000?

- Suresh Krishnan:** Yes.
- Prashant Biyani:** Okay. And sir for H2 how do you see the profitability or overall margins on a Y-o-Y basis?
- Suresh Krishnan:** Well, as you know the fertilizer raw material scenario right now is quite volatile. We are seeing a significant price movement in ammonia for sure that is something that is being noticed, and the industry is yet to finalize the quarter three prices for phosphoric acid. So, once we get to see that, we will have a clearer picture in terms of what kind of margins will evolve, but we are quite confident about the volume growth and that we are getting to see in the market. I am sure that the volumes which is coming in terms of our own production will get well absorbed. And we should be very clear that this is a bit of a peak season that we are talking about. So, the prices will be consistent with what we saw in the last quarter. And if there is a, based on the raw material prices, if a correction is required, we will have to review it as they evolve.
- Prashant Biyani:** And sir in the wake of rising RM prices. Would the government be willing to continue with additional DAP subsidy beyond December?
- Suresh Krishnan:** There is no clarity on that right now, as the industry we will try to get to have a dialogue with the government on this subject for sure, but as you know government has been very consistent in terms of how they have handled the subsidy under NBS. So, we normally get to see them, coming out with numbers twice in a year. That's what we have normally seen, so let's see how this evolves in terms of what is the kind of spike that we will get and what kind of an impact that it could finally have on the margins.
- Prashant Biyani:** And sir we were also hearing that the industry may be allowed to take price hike in DAP, January onwards. If that is the case, how much price increase would you like to take?
- Suresh Krishnan:** Well, it's important for us to get a decent margin and as you know that as a trader, we are allowed an 8% PBT margin. As a manufacturer, between 10% to 12%. So, I am sure whenever price hike is really looked at, the Rs.1350 per bag will get corrected, keeping that in mind and just as a pointer for you, today government is offering between Rs.150 to Rs.175 a metric ton as an additional cost for DAPs. And if that's something which is withdrawn, at least that would be something that will be factored into the price.
- Management:** Prashant just to add there, the storyline has evolved from our traditional DAP. If you look at our product basket, the contribution of DAP actually has reduced quite a bit. It's now 25% of the total product basket. And we are looking at even more value-added products like TSP and all, which are variants of DAP. And, more value adding to the soil.
- Prashant Biyani:** Yes, certainly. And my question next question was on TSP only. So if there can be some guidance on, how much are we planning to increase the trading in DAP in the next six months to a year, that will be quite helpful.

- Suresh Krishnan:** Primarily, our position is very clear that we are a manufacturer, so trading will only be to fulfill our overall portfolio if you see a demand spike in some of our key markets. Otherwise, as we speak today, we are not planning to really look at any contracting of any DAP between now and the rest of the year.
- Prashant Biyani:** Sir, TSP I was talking about?
- Suresh Krishnan:** TSP also, whatever that we had to contract for the current season has already been contracted. So, we would be doing up to 1,50,000 tons of TSP during this season.
- Prashant Biyani:** And should that be the annual run rate next year onwards also or we would look to increase given the TSP?
- Suresh Krishnan:** TSP as a category is something that we have taken quite seriously and we will look at the evolving situation, the performance of the product in a broader market, and we will take a call. We are focused on this product for sure, there is a lot of marketing activity we have taken up, and we are quite clear that we will keep the focus on.
- Prashant Biyani:** Sure. Lastly, how much is the subsidy received during the quarter, and how much is pending?
- Management:** In Q2 we have received subsidy of around 2,235 crores. And H1 we have received around 3,172 crores. So that's the subsidy received.
- Prashant Biyani:** Outstanding is 3,172?
- Management:** That is for the subsidy received in H1, and for the Q2 we have received 2,234 crores, subsidy received.
- Prashant Biyani:** How much is the subsidy pending or outstanding?
- Management:** Subsidy pending is 1,700 crore as of 30th September.
- Moderator:** Thank you. Next question is from the line of Varun Pinto an Individual Investor. Please go ahead.
- Varun Pinto:** Sir one question that I had was the 250 crore CAPEX that we are going to do. When is that expected to commence, the production and would that increase our margins from here?
- Suresh Krishnan:** Yes, production is expected in the year 2026 and which will be partially during the last quarter of the next financial year, and fully from the first quarter, in the first half of the next financial year, which is 26-27 and obviously the margins will increase, because phosphoric acid production on an average, we have seen about Rs.10,000 increase per ton here. And so, a 200,000 facility would mean that we will have a higher contribution of 200 crores.

- Varun Pinto:** Okay, understood sir. And sir, I just wanted to know, were there any one offs in this quarter that are not expected in the further quarters?
- Suresh Krishnan:** Not really. It's been a normal quarter and there are no one-off either from any side, neither from the government nor from us.
- Varun Pinto:** So, sir we expect these similar margins to continue even in Q3?
- Suresh Krishnan:** Margins will depend upon the raw material prices that we will have, and the kind of production volumes that we will get, we are quite confident that we will be able to produce the kind of numbers that we have been producing now on a consistent basis, quarter-on-quarter, the margin will depend upon the raw material prices here.
- Varun Pinto:** Understood. So, we have visibility on the volume side, but not on the margins?
- Suresh Krishnan:** Yes.
- Varun Pinto:** Understood sir. And sir last question from me was, what is the status on the merger. I believe there were some observations from the exchange. So, could you give me a rough timeline on when you expect the merger to close, Q4 of FY25?
- Suresh Krishnan:** No, primarily we had some references coming in from BSE which are being resolved. I primarily think that in the month of November, December, we will have a full clarity in terms of what the timelines will be.
- Moderator:** Thank you. Next question is from the line of Vishal Darjee from Robo Capital. Please go ahead.
- Vishal Darjee:** I just wanted to ask that, what is the current level of EBITDA per ton and how do you see the trend going forward?
- Suresh Krishnan:** We have always maintained that a blended EBITDA for us is about, will be in the range of Rs.4500 to Rs.5000 per metric ton. We have achieved a Rs.5000 per metric ton levels during the first half year that we are looking at.
- Vishal Darjee:** Okay. And can you share some light on the current capacity utilization?
- Suresh Krishnan:** We have basically two locations where we manufacture, at Paradeep we have a 1.8 million ton capacity based on the product mix that we will have, and at Goa we have a 0.7 million ton capacity for phosphatic and a 0.4 million ton capacity for urea. So totally, if you look at it, we are based on a product mix that we can look at, we can go up to 3 million tons of fertilizer production.
- Moderator:** Thank you. Next question is from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

Vignesh Iyer: My question is I want to have more of a micro understanding of what has panned out in this quarter. So basically, I understand that all the linkages that we had, the backward integration, all these things were in place for the longest of time, and even for the backward integration of phosphoric acid, or linkages from our co-promoter, for the raw material. But what has changed in this quarter? Is it because of the newly launched product, with our mix of our core product, or any some strategic change that has occurred, that has resulted in striking that EBITDA per tonne of Rs.5000 per ton, which we have been targeting for the longest of time?

Suresh Krishnan: It's important for you to realize that there were two major initiatives that we are driving. The first initiative was to get our phosphoric acid capacity up from 300,000 tons to 500,000 tons. This capacity fully matured, and we have been able to get the full benefit of manufacturing this over the last three, four months. So that benefit is something that is flowing into a system. So, we today have the entire requirement of phosphoric acid as far as our site in Paradeep is concerned, that's the first one. Second one is, we have been stating this all the time, that we have been a DAP heavy company, and we continue to be focused on DAP because that's one of our key products. But we have been diversifying our manufacturing to get more NPKs and NP products coming in outside of DAP, and also placing that in the market, right across India. And we have been able to get that strategy going well for us today. That is the second important thing that we need to realize. And third is that we have been trying to get a unique product mix for our granulation trains, which are located in West Coast in Goa. And here again, we have been able to get our strategy right. And one thing you must realize is that DAP margins improved because of an additional even though we did not have a price high, it was an additional subsidy was provided by government of R.3000 per metric ton which kind of helped us very clearly. And the other thing is, we have very clearly a good amount of storage facility which is available, which also helps us to manage the rising prices of raw material by procuring in the right manner, both in terms of what we get from North Africa and also the ammonia that we buy from other places here. And trading, which we have introduced in terms of working with MOP as a category, getting into nanos. These have started contributing now.

Vignesh Iyer: Okay. And what would this proportion be for DAP to NPK for a year back, and what is it now, just to understand how this product mix has resulted in a higher EBITDA, because there are multiple factors, but a more constant factor would be a change in product mix. Because if I take Rs.3000 EBITDA, Rs.3000 per ton. That subsidy has come from government that might get extended, or not get extended, but the product mix is here to stay. So just to get more better understanding of that.

Suresh Krishnan: So, just to give you a feel in FY24 Q2 our product base had 31% of DAP, whereas when we came to Q2 of FY25 our DAP percentage came down to 25%. So, we have been decreasing the DAP intensity of our product mix. And then the deduction in intensity is going more towards N20, which has become our main flagship product and that's been increasing over a period of time, which we have been manufacturing both at the East coast and West coast of India.

- Moderator:** Thank you. Next question is from the line of Darshita from Antique Stock Broking. Please go ahead.
- Darshita:** I wanted to understand if we have incurred any benefit during the second quarter from the NPK price hikes that we probably would have taken in the last one to two quarters?
- Suresh Krishnan:** When it comes to price hike, we have made some marginal changes in our pricing in N20 and otherwise rest of the products have been priced the same way. So N20 yes, we have taken some advantage.
- Darshita:** Okay. And what would your expectation be for the phos acid prices for third quarter?
- Suresh Krishnan:** Ma'am I think it will be known in a week's time, I don't want to speculate on this at this point of time.
- Darshita:** Okay, got it. My next question is regarding if we, given that we have announced the CAPEX to expand our phos acid capacity, can we expect an announcement to come in in the next five to six months to expand the granulating capacity as well at the Paradeep facility?
- Suresh Krishnan:** Currently we are only looking at ensuring that the expansion that we are looking at the acid capacity will make sure that we have enough acid available for our West Coast facility. So as a company we become fully integrated. We are not looking at increasing our capacity right now.
- Darshita:** Okay. But with the incremental two lakhs ton, wouldn't we be having more than enough capacity for our Paradeep unit?
- Suresh Krishnan:** We will certainly have surplus in Paradeep which will go to Goa.
- Darshita:** Okay. And in your press release, there was a statement with respect to sulfuric plant commercialization happening in early FY26, I think we were expecting that to happen in the second half of FY25 right?
- Suresh Krishnan:** No, this is, we have always mentioned that this will be happening in FY26 and we are well on course for that.
- Darshita:** Okay, got it. What would our debt expectation be by FY25 end?
- Suresh Krishnan:** So, if you look at it today, the way we have progressed there has been substantial reduction in our debt. And the reduction that we have reached as of September our net debt to equity is 0.82. We have been expecting that these levels should be maintained as we close the year.
- Management:** Debt would be around 3000 crore.
- Darshita:** Right. And do we expect to close the year close with 3000 crore or can we expect some increase?

- Suresh Krishnan:** The expectation would be that we kind of maintain these levels or improve these levels. But given that the markets are quite volatile, thanks to all the geopolitical situation that we are seeing, we will have to wait and watch, just take it quarter-to-quarter, we had substantial amount of cash generation during the quarter two, where we generated more than 1200 crores of cash, and we got surplus in terms of money available. And we expect that this surplus money should take us through for quite some time. But, I would wait both for the formal conclusion of the raw material prices and the way the rest of the season progresses.
- Darshita:** Okay. My next question is regarding our volume that we were looking to sell in the UP market or probably enter the North market. Done that in the second quarter, and if you could just give us some number as to how much we have sold in the UP market?
- Suresh Krishnan:** I have Harshdeep Singh here he will respond. He is our Chief Commercial Officer.
- Harshdeep Singh:** Ma'am, just to share with you, the focus has been to basically serve from the Goa N20 product into the UP market. And we have consistently supplied volumes in the Q2 also, and Q3 also, which is a big quarter for the UP market. The supplies are being made from Goa. Even Punjab is being served from the Goa plant, apart from the Paradeep plant. And the interesting thing is, the category is growing, the 20:20:0:13 category is growing in the Northern market. That's what we are trying.
- Darshita:** But, do we think it is structural in nature, or is it because of the DAP and availability issue currently?
- Harshdeep Singh:** See both things are important, DAP there has been a constraint of availability. But if you look at the overall focus for PPL as an organization, we have been driving the category growth for NPKs. And just to give you a perspective, while industry growth for the NPK has been in the range of 18% I am talking about the farmer sales, so Paradeep Phosphates, the farmer sales have grown by almost 35% that's double the growth rate for industry. So that's a conscious thing that we are driving, by communicating the benefits of the NPKs, or balance nutrition to the farmers, so that's what we are trying to do as a strategy.
- Darshita:** Okay, got it. And I just had one last question regarding the sales volume. If you could give us a breakup of Paradeep unit sales and the Goa unit sales, the manufacture sales.
- Suresh Krishnan:** Ma'am, we will give you the total number of whatever manufactured sales that we have had.
- Management:** So, I will give you the YTD primary sales what we have done for H1 is 14.2 lakh metric ton out of the Goa has contributed to 6.6 lakh metric ton, and Paradeep is 7.6 lakh metric ton that includes also the part of a traded volume for both.
- Moderator:** Thank you. Next question is from the line of Shubro an Individual Investor. Please go ahead.

- Shubro:** Sir, so just one question regarding the subsidy additional 3,500 which the Government had announced, had it been revised down to 3,000 later on?
- Suresh Krishnan:** No, they haven't revised anything. We have been paid Rs.3,000, currently the balance will be paid at the end of December 2024.
- Shubro:** Okay. And regarding the part of subsidies for the Q1, so that has been factored in for Q2 financials right?
- Suresh Krishnan:** Which part, I didn't get your question?
- Shubro:** The DAP which has been sold in Q1.
- Suresh Krishnan:** This 3,000 is available for DAP which we had sold to the farmer from 1st of April 2024, so bulk of the sale happened in the second quarter.
- Shubro:** Okay. And of which a lot of your peers have been announcing additional capacity as well as backward integration. So, is it to do with reasonable profitability margins of the government, or is there any other discussion as well which you are having with the government?
- Suresh Krishnan:** See, if we look at the phosphoric industry, we haven't seen too much of CAPEX in India in general. And at this point of time, out of a total basket of 21 million, which is the market size, close to about 7 million gets imported into India. And we have a substantial amount of import of even phosphoric acid as a raw material which gets into India. And so, the idea would be that we become self-sufficient in terms of raw material and also the final product. So, the whole strategy is to ensure that we do all the intermediate products right. And availability of rock is much easier than availability of phosphoric acid. So given that scenario, we believe that a backward integration to produce phosphoric acid will always be beneficial.
- Moderator:** Thank you. Next follow up question is from the line of Prashant Biyani from Elara Securities. Please go ahead.
- Prashant Biyani:** Sir just question continuing with that of Darshita's, regarding the incremental two lakh ton of acid from which you will ship some of the acids to Goa based on your production plans, how much of the incremental acid can be shift to Goa plant?
- Suresh Krishnan:** We can shift the entire quantity. We are good with five lakh tons as far as Paradeep is concerned.
- Prashant Biyani:** And these will go through ships?
- Suresh Krishnan:** Yes.
- Prashant Biyani:** Sir how much would be the freight cost for this?

Suresh Krishnan: Well, we are seeing the freight cost, freight cost as you know is varying from time-to-time, but if we see a number which is under \$20 per metric ton.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference to the Management for the closing comments.

Suresh Krishnan: Thank you all for joining today, and if you have any further questions, please do connect with our Investor Relations team, and we will be happy to assist you. Thank you.

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