Paradeep Phosphates Limited Q1FY27 Earning's Conference Call

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MODERATOR:	**MR. MANISH MAHAWAR**

Moderator: Ladies and Gentlemen, Good Day and Welcome to Paradeep Phosphates Limited Q1 FY27 Earnings Conference Call hosted by Antique Stock Broking Ltd.

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 "*" then "0" 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.

Manish Mahawar: Thank you. I am pleased to host today's earnings call of Paradeep Phosphates. We have a leadership team represented by Mr. Rajeev Nambiar, Joint M.D. & CEO, Mr. Harshdeep Singh, President & Chief Commercial Officer, Mr. Bijoy Biswal, CFO, and Mr. Alok Saxena, Head, Corporate Finance & IR on the call.

Without further ado, I would like to hand over the call to Mr. Nambiar for Opening Comment. post which, we will open the floor for Q&A. Thank you and over to you, Rajeev sir.

Rajeev Nambiar: Thank you, Manish. And good morning to everyone who has participated in this call, and we welcome you to Paradeep Limited's Earnings Call for the Q1 FY27. I appreciate your time and interest in your company.

I trust you have seen our Earnings Presentation and Press Release, which have been circulated and are available on our website and stock exchanges.

Let me take an Overview. I am happy to report that PPL has once again delivered a very strong financial and operational performance and the best-in-class EBITDA per ton. Many congratulations to all of you.

Despite the prevailing global uncertainties led by the Middle East crisis, which resulted in sharp escalation in volatility in raw material prices as well as 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 marketplace selling and distribution capabilities. With this performance, the company has been able to further strengthen its leadership position in the phosphatic fertiliser sector.

In Q1 FY27, revenue from operations increased 36% YoY to Rs.6,124 crores, EBITDA rose 21% to Rs.742 crores, PBT increased by 24% to Rs.526 crores, and PAT stood at Rs.393 crores. Sales volume grew by 4% to 9.85 lakh tons, just close to a million ton sale.

During the quarter, full benefit of expanded capabilities of sulphuric acid was available to us, due to which the sulphuric acid production was higher by 32% on a YoY basis.

Phosphoric acid production was higher by 7% on a YoY basis, reflecting the strength of our backward integration benefits in phosphoric acid and sulphuric acid and helped us to improve our quality of earnings.

Our key expansion project of phosphoric acid expansion, that is phase-I from 5 lakh ton to 7 lakh ton is on track.

I am happy to report that the board of PPL in its Q1 FY27 meeting approved an investment proposal of Rs.250 crores for setting up aluminium fluoride plant at our Paradeep facility. The proposed investment aligns with company's strategic objective to enter and diversify into related industrial chemical space and will build and strengthen company's non-subsidy portfolio in due course. The proposed investment is a reinforcement of our manufacturing excellence capability by having a by-product converted into value-added products. These investments in speciality or industrial chemical will further augment our endeavour to create long-term value for our shareholders.

Looking ahead, we remain in the challenging time amidst the Middle East situation and we have seen high volatility and availability challenge for key raw materials and particularly sulphur. As you are aware, 70% to 75% of global trade of sulphur and ammonia across the Strait of Hormuz. The supply disruptions for these commodities are expected to continue in short term.

Despite these uncertainties, industry is making concerted efforts and empowered committees comprising of government and senior industrial officials working in close coordination to ensure fertiliser security for the nation and the farmers. PPL remains committed to drive growth in its challenging time through focused operational discipline.

Thanking you once again. I now open the floor for questions.

Moderator: We will now begin the question-and-answer session. We have the first question from the line of Prashant Biyani from Elara Securities. Please go ahead.

Prashant Biyani: Yes, thank you for the opportunity and congratulations on great numbers. Rajeev Sir, for Q2 FY27, how are we placed on sourcing of raw materials and whether at these prices of sulphur, are we willing to continue to buy and manufacture acid or is it worthwhile now to buy acid and use it for manufacturing of fertiliser?

Rajeev Nambiar: Thank you, Prashant. As you are aware, the prices have definitely gone up in the current situation and we are constantly looking the various opportunities where we are able to bring efficiency into a supply chain. With the phosphoric acid and sulphur going up, there is a strain in our overall working philosophy, but we are also scouting from various sources, and some support extra coming out of the ammonia price reduction. We are hopeful that with the production keeping today, to a large extent we are able to operate around 70% of phosphoric capacity, but moving ahead I am sure actually there will be some sort of added support which we expect from the government.

Management: Prashant, just to share with you, we are also augmenting through imported DAP and NPKs. So, we have a robust pipeline as far as the rabi season is concerned where we are augmenting our products through imported product lines.

Prashant Biyani: Sure, sir.On the aluminium fluoride side, if you can share some details regarding when the plant can be operational, how much would be the per ton realisation and also EBITDA per ton?

Rajeev Nambiar: Prashant, the plant capacity is going to be around 15,000 tons per annum and we expect at least a top line of Rs.180 crores to Rs.200 crores coming out of this facility. We are currently looking quite optimistic about getting this plant commissioned within 22 to 24 months. The basic engineering work is currently in progress and we are also getting what is the right sourcing strategy for aluminium fluoride. As on today, looking at the market, we do not see major challenge in terms of B2B sale and expecting at least Rs.50 crores of EBITDA which is coming out of this.

Moderator: We have our next question from the line of Aman Kothari from Aequitas Investments. Please go ahead.

Aman Kothari: 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 a 55% growth in DAP volumes and NPK volume degrowth of 9%. So, why was NPK degrowth for the first quarter? And is it a mix that is going to be maintained going ahead for the full part of the year?

Management: Good morning. I think two, three important things. The way you look at, yes, there is a significant growth of DAP. And that is more like a technical shift from a policy perspective, the profitability of DAP appears significantly better compared to the NPK. But as far as the market strategy is concerned, the focus of NPK continues. As far as farmer sales are concerned, we grew our NPK portfolio by 6%. So, NPK farmer sales are up, but as a primary strategy in line with the kind of optimizing profitability, we have focused more on the DAP in the Q1.

Aman Kothari: So, my question was, sir, NPK we saw a volume degrowth of 9%, but still you said the portfolio grew by 6%. So, is it because of some price hike that we took?

Management: No. That is because, the phosphoric sales grew by 6%. So, that is one thing. So, that growth as a farmer is maintained. Of course, we have taken a significant price increase in the NPK portfolio in order to maintain our profitability. So, just to give you an example, a bag of DAP today sells at Rs.1,350 a bag, whereas the complexes range from Rs.2,100 to Rs.2,500 a bag. There is a significant difference for a farmer because of the way the current policy is. So, we have ensured that we pass on the increase partially to the customer and we expect government also to address partially the cost increase which has happened.

Aman Kothari: Got it. Just last question before joining back in the queue is, in terms of building our non-subsidized portfolio, aluminium fluoride is something that we are going up ahead with, but, do you see that this aluminium fluoride would be catering to which industry, like, there is a clear demarcation between a lower grade and higher grade, so, what is it that we are targeting?

Rajeev Nambiar: Mainly, it is going to target the Odisha area where aluminium industry is there. And we have done our study properly and we feel, actually, being a strategic player in Odisha, we should be in a position actually and without much greater difficulties should be able to sell and market it.

Aman Kothari: Got it. Thank you, sir. I will just join back in the queue.

Moderator: We have our next question from the line of Sucrit Patil from Eyesight Fintrade. Please go ahead.

Sucrit Patil: Good afternoon to the team. First of all, congratulations on a good set of the quarter. My first question to Mr. Nambiar is, beyond the regular outlook, just want to understand what are the top two to three execution priorities you are focusing on in the next few quarters? And, alongside that, what do you see as the biggest risk in demand shifts or competitive pressure? And, how are you preparing to manage them while sustaining Paradeep's position in fertilizer industry?

Management: If you look at it, one clear signal we have given in the Q1 FY27 is there is a tactical shift towards profitable product is coming. We have got a long-term view in terms of NPKs, which is very strong, and all the capacity augmentation, which is also going to happen, has got a huge thrust coming out of NPK. But, we know this is an unprecedented time in our business, which is coming out of the conflict in both Ukraine side as well as in Hormuz side. So, we cannot be just sticking to what exactly we have done. So, this is a small-term tactical shift which is going to come. We are still exploring, whichever the products which we can manufacture, and happy to report that actually we are one of the companies who has got maximum product portfolio capability to manufacture in our facilities. So, that definitely we will be leveraging it. And, wherever the price advantage comes, because our supply chain logistics is quite strong in terms of the sourcing facility, we will be exploring various areas where we can optimize the supply chain. Coupled with our coming capacity expansion, both phosphoric acid as well as the big expansion which is expected in FY29-30, these are the three to four areas we will be concentrating in the coming two to three quarters.

Sucrit Patil: 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? And, what risks do you see in the distribution or regulatory framework? And, how are you preparing to mitigate them? Thank you.

Management: Good morning. So, there are two to three priorities. One is from a future looking, our priority is market development. We are building up a portfolio of high-nutrient use action products in the portfolio, which is our nano category. And, we are growing significantly into that category. As far as the market is concerned, apart from the current supply chain risk, there is also a challenge as far as the monsoon was concerned. But, however, July has been a good month for the rainfall. So, how we are trying to address the market requirement is the balancing between our NPK and DAP portfolio. DAP, the demand remains quite robust because of the price point, which the government has kept per bag of DAP. If you see our growth, in both the farmer sales and the primary sales, we had a significant growth. And, if you look at the farmer sales, I think the industry growth of Phosphatic, DAP, and NPK has been around 1%, and, we have grown around 15%-16%. So, we maintain our leadership position as far as market is concerned. We also maintain our leadership position as far as product pricing is concerned. So, we are very conscious that we are going to drive growth, which is profitable. So, that is how our market strategy is today to come in.

Sucrit Patil: Thank you and best wishes.

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

Riju: So, my question is regarding the sales volume that you have reported. So, in the PPT slide 4, we have seen that the total fertilizer volume is 9.85 lakh tons. But, if we calculate the product price detail, that is DAP, NPK, Urea, TSP, and MOP, the count is coming at roughly around 10.03 lakh tons. So, I just want to understand the math here.

Management: I think you would have counted the Zypmite sales probably into it. So, if you consider the DAP, NPK, MOP, that is around 9.85 lakh MT. But, if you also consider the Zypmite, which is a soil conditioner, then you are right, it is a million ton cost. So, that is around 15,000 tons of Zypmite sales. If you add both of them, it will be a million.

Riju: Understood, sir. And, in terms of the sulphuric acid excess capacity that we have right now, so, how are we selling that? I think we might be selling it to outside. So, how much additional EBITDA that we can make from that sulphuric acid by selling to the outside as of now?

Management: Right now, we have completely utilized the sulphuric acid capacity. We are not selling outside right now. So, the entire thing is consumed by our fertilizer facilities.

Riju: No, sir. My question is regarding like at the Paradeep facility, we have expanded the sulphuric acid capacity from 1.4 to 2 mmt and the phosphate capacity that will come in the Q2 FY27. So, the excess sulphuric acid capacity, how you are utilizing that?

Rajeev Nambiar: I will explain you. Basically, we do not have any excess capacity of sulphuric acid in Paradeep. Even if it happens, it could be some fluctuations on a short-term duration it might be happening. But if you look at it, sulphuric acid, we are using not only for the phosphoric acid production, also N20 being a sulphur-dominated product, a lot of sulphur goes there also. So, as in today, if you ask me, we do not have an excess kind of a capacity on a sustainable basis in Paradeep. But obviously, there is some smaller quantity here and there we might be trading, but it is not a significant thing at all.

Riju: Understood, sir. And in terms of the co-powered generation from sulphur to sulphuric acid, are we selling any excess power to the grid as of now in this quarter or maybe in last quarter?

Rajeev Nambiar: Last quarter, we have sold at the beginning. But then, because of the fluctuations in terms of sulphur, sulphuric acid availability, we have not done much. But the facility is available with us.

Riju: Understood. And one last thing in terms of the urea. So, the Goa urea facility, I think the G-Cal improvement happened in the last quarter. So, how much EBITDA per ton that we have been able to achieve this quarter? And also in terms of MCFL urea plant, so the benefit that we are getting as per the old policy that might have expired in the last year. So, how we should look at in terms of EBITDA per ton for the MCFL plant as well for urea?

Management: I think the new urea policy has been notified yesterday. So, we are evaluating that policy. But if you look at the policy vis-à-vis the energy benchmark what we have right now, in Goa, the impact will be around Rs.1,500 per MT ton positive. And there will be a reduction in Mangalore of around Rs.700 to 800 per MT, based on the new urea energy policy. And this energy improvement what we are talking, we have invested and this has been completed and it has been capitalized, it has started getting the benefit from this this quarter. So, energy has been reduced by 0.2 G-Cal on a urea production basis for this year.

Riju: So, sir, accrued benefit in terms of EBITDA for that?

Management: Therefore, 0.2 means, due to this energy impact, it will be Rs.1,000 per MT.

Riju: So, on a normalized basis, can you expect that it might have improved by roughly around Rs.700 to 800 per ton at EBITDA level for Goa urea?

Management: At the Q1 FY27, yes, you can assume.

Riju: Understood, sir. And thanks for clarifying all my questions.

Moderator: We have our next question from the line of Parth Sodha from Trinetra Asset Managers. Please go ahead.

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

Management: See, we continue to focus on fertilizer, as we said earlier, and the sustainable EBITDA guidance that we give is Rs.5,000 at the moment, which when we complete our backward integration, everything should be improved by 30% to 35%. As far as the non-subsidy portion is concerned, I think that will take some time to evolve. And over a period of time, the long-term vision is that at least 20% of the EBITDA should be supported through non-subsidy, but that is a long term target that we have kept for ourselves.

Parth Sodha: Got it. Thank you so much.

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

Madhur Rathi: Thank you so much for the opportunity. Sir, I wanted to understand currently how much of raw material for this aluminum fluoride, the FSA is currently produced in-house. And what are we doing to that, are we selling it outside or are we incurring some effluent treatment charges for it, if you could help us understand on that?

Rajeev Nambiar: Currently, we are producing around 9,000 to 10,000 tons per annum and all these quantities are sold to the outside parties. The whole context of our investment is actually how do we make sure that we get much higher value from what we have been selling as a raw material to the other parties.

Madhur Rathi: Got it. And sir, if you could help us understand because it seems that this product is very critical to aluminum smelters. So, how is the criticality of this product? And sir, have the validation started for this product or will there be a gestation period post the 24-months commissioning of this plant?

Rajeev Nambiar: That is good. The board has given a go-ahead and we just started the engineering. So, engineering, construction and commissioning should be 22 to 24-months. And we do not see any challenge in terms of the marketability or saleability of this product.

Management: I thought it is getting sold. Just to add to Mr. Nambiar, a lot of work has gone in 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 rolling.

Madhur Rathi: And also to your understanding, there is a lot of import happening in this particular product. So, with this, we should be able to make sure that the Indian manufacturing setup is able to complement and reduce the import of aluminum fluoride.

Madhur Rathi: Yes, sir. My question was on similar lines because all these imports are of different specifications versus what it would be that Paradeep Phosphates would manufacture. So, will it require some gestation period with the smelting customers for testing out our product and then verifying?

Management: No, it would not require any gestation period.

Rajeev Nambiar: This is generally marketable.

Madhur Rathi: Got it. And sir, how much capacity of 15,000 MT can we increase because we are manufacturing 10,000 MT of FSA?

Rajeev Nambiar: We are currently designing in 15,000 MT. 15,000 MT is the expanded capacity we are expecting within two years. We should be in a position actually to utilize entire hydrofluorosilicic through aluminum fluoride.

Madhur Rathi: Okay. Got it. Sir, that was from me. Thank you so much and all the best.

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

Dhruv Muchhal: Yes, sir. Thank you. Sir, a few questions. Firstly, can you share the traded volumes this quarter ex of urea?

Rajeev Nambiar: Yes, the traded volumes will be done in total 1.25 lakh MT including MOP, TSP, DAP. The major imports which are coming, the arrivals are happening in July, August and September. We have almost secured around half a million tons of imports for the rabi season.

Dhruv Muchhal: Sir, now what we are seeing right now, for example, the shift in higher sales of DAP and relatively lower sales of NPK. I am just trying to understand how does this work in the market? As a structural strategy, the market wants to shift towards NPK. I mean, it seems that is the push given the better profitability and also better farm economics probably better for the farmer. But this raw material supply chain issues, the government policy actions and all those creates this disruption. So, I am just trying to understand, say for example, the farmer shifting to DAP today was an NPK buyer earlier, how soon does he come back to NPK if the price is normalized, I mean, what kind of resistance does that happen, because you have these disruptions and the movement towards NPK then probably becomes slow, so, I am just trying to understand how does this move and how do you see this?

Rajeev Nambiar: So, two, three things I think. First is fundamentally the entire market development effort and our farmer engagement effort is to create awareness of the balanced fertilization, which is basically phosphate, potash, micro-nutrients and even organic carbon, which is very essential from the agriculture context. As far as the short-term context is concerned, see farmer, we have done most of our awareness campaigns, shifting him from conventional straight, let us say, DAP fertilizer to a

NPK mix. Currently, the difference is quite stark between NPK prices and the DAP prices. And hence the farmer shift, which is there. But, a lot of farmers, especially in South India, where the awareness levels are much higher, they still continue using the NPK portfolio. And we see still NPK as a dominant category. But, yes, as far as the current season is concerned and maybe rabi, as long as the urea and DAP prices are held at a special price for the farmers, you will see a shift happening. But I do not see that as a fundamental concern from an overall strategy perspective, because farmers are aware about the use of the balanced fertilization. And if you look at even a fertilizer like potash, where the government support is very minimal, and the prices are almost as high as Rs.2,200 a bag, so aware farmers for cash crops are still using potash.

Dhruv Muchhal: I was just wondering from the pace of shift towards NPK. Does it slow it down or the movement can be back again quickly?

Rajeev Nambiar: It will be back again quickly if the price equation is addressed. See, as long as the DAP and NPK are within the price range of Rs.200 a bag, I think the shift can happen very quickly. Currently, it is quite stark, almost Rs.1,000 a bag difference.

Dhruv Muchhal: The other question was on the phosphoric acid and probably the NPK granulation expansion. Any change in plans given what is happening or that remains on track, because I believe last time when we spoke in the call, you mentioned the equipment ordering is pending, so I am just trying to understand where are we there?

Rajeev Nambiar: If you see, none of the plans are getting changed because of the short-term turbulence what we are experiencing. That is a good news for all of us. And second thing is the phosphoric acid expansion, what earlier we said is about Rs.5 lakh to 6 lakh will become a reality by this December, and the Rs.6 to 7 lakh is also going to happen mostly by August, September next year. So related to the bigger expansion of the 3 lakh tons of phosphoric acid as well as sulphuric acid, that is also going on as per what we have planned. So almost the final commercial discussion is going on. So, all those expansion projects are going in a normal way with respect to what is happening around us.

Dhruv Muchhal: Great sir. Thank you so much and all the best. Thank you.

Moderator: We have our next question from the line of Saumil Shah from Paras Investments. Please go ahead.

Saumil Shah: Hi, thanks for the opportunity. Sir, I wanted to ask, last quarter EBITDA per ton was somewhere around Rs.5,300. So, what is the EBITDA per ton in this quarter? And have we started seeing benefits of the backward integration?

Rajeev Nambiar: This quarter EBITDA is around Rs.7,000 per MT, and last year in the same quarter it was around Rs.6,500 per MT. This increase is mainly on account of the stock, what we have got at the beginning of this year. So, that has really played out and has given this increase in the EBITDA margin.

Management: Also if you look at it, our backward integration of sulphuric acid, which is happening in both Mangalore as well as Paradeep, both are actually running the full stream. So, the inventory which we were able to harness within our system, in terms of raw material inventory, coupled with the backward integration started coming up.

Saumil Shah: Okay. So can this Rs.7,000 per MT range sustain for the current quarter as well?

Rajeev Nambiar: No, we feel actually realistic EBITDA for a year would be around Rs.5,000 per MT. Once we complete our expansion projects, what we have explained earlier, we should be in a position to have a sustainable Rs.7,000 plus per MT.

Saumil Shah: Okay. That will be by when?

Rajeev Nambiar: It could come in phases actually. You can take it as two to two and a half years.

Saumil Shah: And just one follow-up. You alluded to the previous participant that our phosphoric acid plant's incremental capacity from 5 lakhs to 6 lakhs tons will be by when?

Rajeev Nambiar: By this December.

Saumil Shah: Okay. What is the current capacity utilization for this plant?

Rajeev Nambiar: This is almost 100%.

Saumil Shah: Okay. So, we are confident of 1 lakh additional by Q4 of this year?

Rajeev Nambiar: Yes, the execution is already going on. Equipments are also ordered and started getting it.

Saumil Shah: Okay. That is it from my side. Thank you and all the best.

Moderator: We have our next question from the line of Dev Gulwani from Care PMS. Please go ahead.

Dev Gulwani: Thank you for the opportunity, sir. Despite industry phosphatic fertilizer volume being flat this quarter, company is able to grow 13% volume YoY. What is company doing different than peers that we are able to gain this market share?

Management: So, if you look at the overall market strategy, we focus in North, East, West and South in a very balanced way. So, we are very strong in West and South, but the overall strategy is to have a kind of balance across the key markets of India. That gives us an advantage especially when there is a demand effect because of agri scenario. That is one strength. Second is the lot of market development efforts as far as the brand is concerned. So, Jai Kisaan Navratna and Jai Kisaan Mangala are strong brands and enjoy a lot of trust to the farmers. So, that gives us an advantage as far as the offtake and the cost is concerned. So, these are two fundamental things that we do. And our portfolio also, we have kept the flexibility between organizing the range of portfolios. So, it is Urea, DAP, NPKs. So, the complete mix is available in terms of solutions to the farmer. So, that gives the edge to the company.

Dev Gulwani: And how OCP is helping in securing raw material during this current tough situation?

Rajeev Nambiar: That is one of the key strengths compared to many other players. So, we do not face any serious issue or any issue at all in terms of our rock availability. The rock availability also is in much superior quality and acid also. So, rock and acid to large extent actually, we do not have any major issue other than some smaller supply chain issue which might come up. But, I think overall, because of very good planning of raw materials, we have been able to create that uncertainty to our strength.

Dev Gulwani: Okay. And with long-term view of non-subsidy business contributing 20%, so after FY29, we can see capital allocation shift towards other industrial chemicals, right?

Rajeev Nambiar: Yes, of course. Obviously, backward integration is the current thrust for us and entering into speciality chemicals those area. But I am sure the current ALF3 project is only beginning and we are seriously thinking in what else we should be able to do it. This is the shift actually which is really coming.

Dev Gulwani: Do we produce enough hydrofluorosilicic acid to cater to 15,000 MTPA aluminum chloride plant?

Rajeev Nambiar: Yes, we have actually.

Dev Gulwani: Okay. Thank you.

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

Prashant Biyani: Yes, Harshdeep sir, you are alluding to higher trading volume that we plan to do in rabi initially. Can you elaborate on that? What are your plans?

Management: So, what we are trying, Prashant, is to augment partly imported AB. That is more something which the government also wanted to ensure so that the country's supply chain is maintained. So, we will be doing some complex fertilizer also, which we are importing like NPK, DAP and TSP, because TSP has also been a product from a long-term perspective. We are trying to build a portfolio of a high phosphate fertilizer with lower nitrogen. So, between DAP, TSP and NPK, and of course, we have also this year put a lot of thirst on ammonium sulphate, which is a good source of nitrogen and sulphur, and the government wanted us to encourage that as an alternate source of nitrogen and sulphur. So, that is the portfolio of traded products that we are doing.

Prashant Biyani: Sir, last year rabi season, our traded volume was around 2,70,000 if I am not wrong. How much could this year be at?

Management: I think we are not giving a forward guidance on the exact numbers as of now, Prashant, but it will be significantly higher. That is what I can tell you. And like I told you, we almost secured half a million tons of imports as far as the traded products are concerned, which will help us from both Q2 and Q3, right up to December.

Prashant Biyani: Sir, how much is DAP trading volume in Q1 and last year Q1?

Management: So, this year in the Q1, the DAP traded volumes have been less. So, that has just been around some 1,000 odd tons. TSP we did around 24,000 tons and ammonium sulphate 22,000 tons. DAP was just 1,000 tons in the first quarter, because we did a lot of manufactured DAP.

Prashant Biyani: Okay. How much is the outstanding subsidy and how much have we received in Q1?

Rajeev Nambiar: This subsidy right now, as of 30th June, the outstanding is around Rs.4,600 crores, and during this year, we have received a subsidy of around Rs.2,650 crores.

Prashant Biyani: And sir, how much is the gross debt currently?

Rajeev Nambiar: Rs.6,500 crores.

Prashant Biyani: Okay. Sure, sir.

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

Manish Mahawar: In terms of capex timeline, you said phos acid 2 lakh tons, which is 5 to 7 lakh tons. Out of that, 1 lakh ton is coming by December and 1 lakh ton is the next August, right, you are saying in FY27?

Rajeev Nambiar: Yes, Manish.

Manish Mahawar: Okay, earlier the timeline I believe was H2 of this year, right, I think by Q3 or so or it has got delayed. Am I missing something in terms of timeline?

Rajeev Nambiar: Same timeline.

Manish Mahawar: Okay. Second thing is the bigger capex what we announced earlier, right, Rs.3,500 crores or Rs.3,600 crores. What is the timeline of that and whether it will come in stages or it will come in one shot?

Rajeev Nambiar: It will come in one shot, actually. We have set a FY29-30.

Manish Mahawar: Okay. What is the timeline for that start?

Rajeev Nambiar: Yes, it will be around FY29-30 beginning.

Manish Mahawar: FY29 we should assume or March '29?

Rajeev Nambiar: I think mid of the FY29-30, no? These are the larger projects, so generally there may be some here and there, around second quarter of FY29.

Manish Mahawar: Okay, understand. when you said that traded, just for this year particularly, when you said DAP, we are doing a lot of imports and we wanted to have a DAP, does it mean basically the manufactured volume will be lower in this year itself and total volume will grow and definitely manufactured will come down and your traded will offset that, that is the right understanding?

Management: See, what we are trying to do is, we are trying to optimize the market requirements and this is a year where there are disruptions and it would not be appropriate to put volume to volume comparison just for the sake of volume. What we are trying to do is stakeholder value. So, we are trying to augment between the manufactured and the imported volume so that market share will be maintained in the market. And we will be producing in the plant, but we will not like to produce if the raw material prices are too steep and if there are supply chain disruptions because of the war.

Rajeev Nambiar: Any shortage in the production will be made good by this trading. So, overall there will be no decrease in the sales and other things.

Manish Mahawar: Understood. In terms of EBITDA per ton, because we did a very good in terms of first quarter and that has some benefit of a low cost inventory. Considering current RM cost in terms of all the three, four RM what we have and currency rates, what could be the EBITDA per ton we are able to make or there is shortfall of Rs.5,000, how do you mitigate or any thinking towards the government additional subsidy we expect?

Management: Manish, I think it is an evolving situation with both the government and industry. But with the kind of interaction we are having, we continue to say that we should have a sustainable EBITDA of Rs.5,000 per ton. I think that is the number we are looking at the end of this year. And hopefully, with all the coordination that we are having, we should be able to cross that number.

Manish Mahawar: Okay. Understood. Sure.

Moderator: We have our next question from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

Vignesh Iyer: Thank you for the opportunity. Just wanted to understand what was our average landed cost of sulphur in Q1 FY27 and what is the price now, if you could share the comparison for the sulphur prices?

Management: So, Sulphur has moved quite a bit in Q1, and the prices now, as we speak today, is $1,000-plus. As far as our sourcing is concerned, I think it will not be prudent for us to give that number because it is commercially sensitive, but it has been competitive vis-à-vis global benchmarks.

Vignesh Iyer: And the current price is what you are saying for sulphur is $1,000, right?

Management: $1,000 plus.

Vignesh Iyer: And what would this price be like in Q1 on an average, if you could say?

Management: Q1 average was around $850.

Vignesh Iyer: Okay, perfect. And can you share the same for sulphuric acid?

Rajeev Nambiar: Sulphuric Acid right now, the price is around $350.

Vignesh Iyer: Okay. And for Q1?

Rajeev Nambiar: In Q1, we have not purchased much of sulphuric acid because we have this sulphuric acid capacity 100% utilized. But as you asked what is the price, I am saying that right now the sulphuric acid price is around $350 to $370.

Vignesh Iyer: Okay. What percentage of our procurement is in Q1 FY27 specifically? What percentage of our procurement was due to the long-term contract or long-term arrangement that we have entered in with the sulphur suppliers? And what percentage was on spot basis?

Rajeev Nambiar: Currently, we do not have any specific long-term arrangement for sulphur because of fluctuations. On both sides, it is happening on the spot basis only now.

Vignesh Iyer: Okay. Got it, sir. That is all from my side. Thank you.

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

Sandeep Mukherjee: Sir, thanks for taking my question. Sir, what was the production volumes of DAP, NPK and urea for this quarter, sir?

Rajeev Nambiar: Sandeep, we will come back to it. Overall, if you look at the production, Q1 was 7.66 lakhs and urea is around 2 lakh tons, remaining, we can take it, 1.4 lakh tons of DAP.

Sandeep Mukherjee: Thank you.

Moderator: We have our next question from the line of Archit Agarwal from Steptrade Capital. Please go ahead.

Archit Agarwal: So, my question is, so, last quarter, management guided the working capital build-up of both inventory and subsidy receivable, but largely unveiled in Q1 FY27 leading to normalization of operating cash flow and lower borrowing. So, could you share the actual progress how much inventory has been liquidated and how much subsidy has been received? And is operating cash flow positive?

Rajeev Nambiar: What we have told that in the last quarter, we have additional inventory which has been liquidated this quarter, and that has augured well for us. And during this evolving situation, and if you look at the last quarter's inventory vis-à-vis this quarter's inventory, there is an increase in the inventory mainly on account of the trading volume what we are talking. But otherwise, in this raw material and finished goods, there is a reduction. And even the debt, we have reduced from around Rs.700 crores on an overall basis, and the cash flow from operations is also positive.

Management: Just to kind of also augment, see, the cash flow has been both robust as far as the market is concerned; we had a 43% growth in cash flow from the market, and even the subsidy collections were 22% higher than last year for the same period. So, we had a robust cash flow, which has helped the overall situation.

Archit Agarwal: Okay. And you have mentioned like Rs.2,600 crores subsidies received in this quarter?

Rajeev Nambiar: Yes.

Archit Agarwal: Okay. Yes, that is all. Thank you.

Moderator: We have our next question from the line of Aman Kothari from Aequitas Investments. Please go ahead.

Aman Kothari: So, this year, we were in the phase of expanding our granulation capacity. So, when can we see us reaching from 3.7 to 4 this year?

Rajeev Nambiar: Debottlenecking is actually expected by again December. The contract is already awarded. It is going in full swing.

Aman Kothari For the rest of the year going forward, as you touched upon that the traded volumes would be significantly higher as compared to the last year. So, we would see a margin impact this year going forward considering trading volumes would be higher?

Management: No, overall, I think we continue to maintain that EBITDA per ton at a company level, because there are a lot of supply chain efficiencies that have been brought into the system. So, overall, we do not think that there is a pressure on EBITDA per ton below the guidance that we have talked about.

Aman Kothari: Got it. I think you touched upon the product mix going forward, but my question there is just still remains, sir, that in terms of NPK market, what do you see apart from the price difference could be a value unlocker for us considering we are the industry leader, both in terms of volumes also and pricing going forward?

Management: So, could you just please clarify what exactly is the concern that you have?

Aman Kothari: The idea is to understand what could drive the NPK adoption going forward just apart from the price difference that is currently there.

Management: So, there are two, three fundamental drivers. One is kind of really awareness coming with respect to a farmer in terms of understanding his soil health. And where he is able to understand that there is a need for him to have a sustainable agriculture, both in terms of applying organic carbon and balanced nutrients, both in terms of nitrogen, phosphorus and potash. We have a challenge of overuse of nitrogen in the country. So, a significant subsidy and the application of the farmer happens is nitrogen and urea. But we see a robust play for both in NPK fertilizers going forward, because a lot of awareness has happened and farmers today feel they are getting better results as far as productivity is concerned when they use a balanced portfolio. So, if you look at it, last year, the market was approximately 24 million tons of phosphate, out of which DAP is around 10 million tons and the NPK is around 14 million tons. And out of 14 million tons, the robust NPK grade where your company is like a leader is in 2013, which happens to be around 6 to 7 million tons. So, we still feel that is a very promising grade because there is sulphur deficiency in the soil and that is a very good fertilizer for the farmer. But today the price difference is there, which I think is a short term thing. I do not see that sustaining. The moment I think the government removes the cap on MRP for DAP, I think the portfolio will get balanced.

Aman Kothari: My question was, is there any possibility to remove the pricing cap on DAP?

Rajeev Nambiar: That I think you should ask maybe the political people, but currently it does not seem in the short term, but I think somewhere going forward, it should get at least removed. That is how we look at it.

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

Rajeev Nambiar: Thank you, dear investors, for taking 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.

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