



PPL/SE/2022

November 14, 2022

National Stock Exchange of  
India Limited  
Exchange Plaza, C-1, Block G,  
Bandra Kurla Complex,  
Bandra (E)  
MUMBAI - 400 051

BSE Limited,  
Floor 25, Phiroze Jeejeebhoy Towers,  
Dalal Street  
MUMBAI - 400 001

Dear Sir/Madam,

Company's Scrip Code in BSE : 543530  
Company's Symbol in NSE : PARADEEP  
ISIN : INE088F01024

**Sub: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015: Transcript of Conference call with analysts and investors**

Further to our letters dated November 03, 2022 and November 07, 2022 with regard to the Conference call held with analysts and investors on November 07, 2022, we wish to inform you that transcript of the conference call held with analysts and investors has been uploaded on the Company's website at <https://www.paradeepphosphates.com/analyst-meet.php> pursuant to Regulation 30 of the SEBI (LODR) Regulations, 2015.

This is for your information and records.

Yours faithfully,  
**For Paradeep Phosphates Limited**

Sachin Patil  
Company Secretary

**PARADEEP PHOSPHATES LIMITED**

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# “Paradeep Phosphates Limited Q2 FY-23 Earnings Conference Call”

**November 07, 2022**

**MANAGEMENT: MR. SURESH KRISHNAN – MANAGING DIRECTOR -  
PARADEEP PHOSPHATES LIMITED.  
MR. SABALEEL NANDY – PRESIDENT AND CHIEF  
OPERATING OFFICER – PARADEEP PHOSPHATES  
LIMITED.  
MR. ALOK SAXENA - GENERAL MANAGER AND HEAD  
OF CORPORATE FINANCE - PARADEEP PHOSPHATES  
LIMITED.**

**MODERATOR: MR. ANIRUDDHA JOSHI – ICICI SECURITIES**

**Moderator:** Ladies and gentlemen, good day and welcome to Paradeep Phosphates Limited Q2 FY23 Earnings Conference Call hosted by ICICI Securities. 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 an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference has been recorded. I now hand the conference over to Mr. Aniruddha Joshi from ICICI Securities. Thank you and over to you sir.

**Aniruddha Joshi:** On behalf of ICICI Securities, we welcome you all to Q2 FY23 Results Conference Call of Paradeep Phosphates Limited. We have with us senior management represented by Mr. Suresh Krishnan, Managing Director; Mr. Sabaleel Nandy – President, COO and Mr. Alok Saxena, General Manager and Head of Corporate Finance.

Now, I hand over the call to the management for initial comments, and then we will open the floor for question-and-answer session. Thanks and over to you sir.

**Suresh Krishnan:** Thank you Aniruddha, good afternoon everyone and welcome once again to our earnings call Q2 FY23.

Our Earnings Presentation is available on our website, as well as stock exchange websites, and a copy of which was circulated to you all. Hope you all had the opportunity to go through the same. We’ll be happy to take any questions at the end of this presentation. This is our second interaction on the quarterly earnings call and there might be few participants who have joined us for the first time.

Coming to the company overview:

Paradeep Phosphates is one of the leading private phosphate fertilizer producers in the country and is engaged in manufacturing, trading, distribution and sales of primary complex fertilizers. We have a capacity of 3 million metric tonnes of fertilizer through two plants located at Paradeep and Goa respectively. We cater to a large number of farmers while across all 16 states in India through our flagship brands Jai Kisaan and Navratna. Overall, on an industry level the H1 FY23 was a challenging period. The geopolitical instability arising out of the conflict between Russia and Ukraine has significantly affected supply chain of key commodities of our sector. The supply chain distortions have led to the deficit in the supply of essential commodities, and this has resulted in a sharp increase in raw material prices.

Coming to the market size:

India is the second largest consumer market for fertilizers in the world, next only to China, rising population, limited land availability and screed input usage are key growth drivers for the growth of Indian fertilizer market. Good monsoons, various government initiatives, the subsidy schemes, easy credit availability, investment improvement, creating better market facilities, promoting infrastructure development, et cetera help to increase the sector’s productivity, As

you're all aware that in the sector, Indian government initiatives along with the various steps taken by the manufacturing companies and trading companies have ensured that Indian farmers have not been affected by the global uncertainties and also the volatility in prices and the inflation for the farmer over the last 12 months have been reasonably, there all prices have been reasonably the same levels.

Just to give you the financial highlights for the half year ended September 2022:

As you're all already aware, PPL is one of the largest private sector companies in India having an integrated phosphating manufacturing setup. During the quarter, PPL registered a revenue of 28,637 million growing 48% on year-on-year and 18% on sequential basis. The revenue growth is primarily driven by the higher volumes of fertilizer production and wider distribution network of channel partners. For the quarter PPL saw an adjusted EBITDA of Rs.2300 million and a profit of Rs.511 million. For one time expense the delay in commissioning of the NPK trains at the Goa plant resulted in higher fixed cost and a consequential impact on our EBITDA. The overall profitability in margins were affected due to an increase in raw material prices. Working capital for the industry has remained stretched owing to higher cost of inventory and longer receivable cycle compared to last year, our efficient manufacturing process has ensured cost competitiveness, resulting in EBITDA per tonne for Rs.5179 for Q2, FY2023. We hope to see better financial performance in the coming quarters owing to seamless integration and improved capacity utilization of Goa plant and stability in our raw material prices.

I'm delighted to share that as of 1st June 2022 as you're all aware, we acquired the Goa facility. The plant has an annual capacity of 0.8 million tonnes of phosphate and 0.4 million tonnes of urea respectively. Post the acquisition, our annual capacity has now risen to 3 million tonnes per annum, we are being able to start its operation in full swing and all the three trains at Goa are fully operational as of now. We will be able to capitalize on the sales and distribution, network of Goa plant. The addition of brands of DAP and NPK, urea and ammonia to product portfolio will help us further solidify our market position. We recorded a total fertilizer production of 506194 metric tonne during the quarter, which is an increase of 37% on year-on-year basis. During the quarter, we manufactured a higher amount of N20 over other NPKs and DAP to cater to the growing market demand. We have launched new grades of NPKs like 14280, 1420013 and NPK 242400 as part of our initiative to expand the product portfolio, largely aimed at improving farmers choice for the soil specific and crop specific applications. We believe the fertilizer demand will remain firm for the commencing Rabi season, given the low stock and high reservoir levels. With these opening thoughts we can now open the floor to Q&A. Thank you.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Deepak, as an Individual Investor. Please go ahead.

**Deepak:**

Sir, I have two questions. One, is there any legal hurdles in the acquisition of Goa plant, the land acquisition?

- Suresh Krishnan:** We do not have any legal hurdles as far as the Goa acquisition is concerned. Even if the land is concerned, we have already executed the agreement and we are there for registering this soon.
- Deepak:** Because some newspapers are reporting that PMO has been involved in this, is it true sir, some Goa newspapers are saying this?
- Suresh Krishnan:** We have seen newspaper, I don't know we've seen a newspaper item but as per your concern the land acquisition over 262 acres is not under any such hassle.
- Deepak:** Okay, sir. And the second part is, you said the raw material cost has impacted the profitability. So, looking forward, how does it look sir?
- Suresh Krishnan:** Well, the raw material prices have been going up over the last I will say over nine months now. And we are now seeing stability in the market. As you know, one of the key raw material for us is rock phosphate and phosphoric acid. And both have kind of peaked during the last six months and we are getting to see a correction in the global front and which will also benefit us as far as the local market is concerned. And the high prices of nitrogen, which is ammonia then input for us continues to be the case, however the Indian markets have been having a much better pricing as compared to what we get to see in Europe or North America. But we're not seeing a major downward revision out there. They are getting stabilized at a particular level. We have seen steep corrections in sulfur, which is again a key raw material for us. But currently it is consolidating at a particular level, but it's nowhere near the highs that we have seen six months back. So, we believe this is positive for the sector.
- Deepak:** Sir do we get more subsidy, sir, because it's any formula from the government for the subsidies for increasing raw material, increased subsidy will be coming in?
- Suresh Krishnan:** Government that corrected the subsidy because of the increase in global raw material as of 1st of April 2023. And they have recently, a few days back, come out with a new circular for the subsidy for the rest of the year and the kind of support the government has offered it's positive for the farmer for sure. And it sticks into the consideration that industry needs to continue to have a robust performance. So, we are now in a very fair wicket in terms of the government initiative as subsidy is concerned.
- Moderator:** Thank you. Next question is from the line of Nitin Awasthi from Incred Equities. Please go ahead.
- Nitin Awasthi:** This was a question on the industry per se. There is a lot of talk about nano urea going around and a lot of difficulty in getting the right data on it, so if you could shed some light on it. What I have understood till now is that the key thing is with the company FICO has it and they are passing it on to the public sector fertilizer unit, but does that mean the private will have to pay for that taking or will the private sector also get this and also is the same less energy intensive production process for nano urea, so, will we be able to consume lesser resources to make the same amount of impact on nano urea?

**Suresh Krishnan:** Just for your understanding the Indian urea industry is close to about 35 million tonnes, it kind of swings between 30 to 35 million tonnes annually. Out of this seven to eight million tonnes is the imported content of urea as far as the local market is concerned, what we see as nano urea is primarily in liquid urea, which is not subsidized by government of India, and it is believed that this particular urea can be part substitute for the urea which is being consumed in India and just for the information this is a non-subsidized product, there is no pressure on any private sector company to purchase this and retail the same. This is available in the market and these kinds of specialized products do not make a very major swing as far as the overall consumption of urea is concerned. Yes, it will, they will be a part of the urea market, which could finally become a nano urea market, which could be beginning from I would say a 5% to a best of 10%. And these are early days, so will be difficult to kind of put a number to it. But it's not a major swing. It's a trend that we're getting to see, which we believe is not going to exceed more than 10% in the long run.

**Nitin Awasthi:** Got it sir, but when you say that you kind of differ from many of the government officials' view which states that this is going to become a major product?

**Suresh Krishnan:** This is a product which is being developed as a as a good substitute for urea, which will be kind of in the long term basis. And as far as we as a company is concerned, we are not a major urea player, we are primarily a phosphate player. And urea becomes a bit of a raw material for us when it comes to NPKs and a small quantity we sell to our network based on our manufacturing facility. So, it's not immediate impact for our company.

**Moderator:** Thank you. Next question is on the line of Resham Jain from DSP Investment Managers. Please go ahead.

**Resham Jain:** So, a few bookkeeping question and then few more. So, first is, what was the EBITDA of Paradeep in this quarter?

**Suresh Krishnan:** Just give us all your questions, and we'll respond.

**Resham Jain:** So, that was the first one, second is did we take any inventory provisioning in this quarter given that the prices of raw material has corrected a lot so, is there an element of any inventory provisioning in this quarter and lastly, sir if we look at some of the other your peer players what we have seen is that in first half the Q1, Q2 both we have seen margins being better versus first half of last year, while in our case, the margins are on a lower side. So, how should one, what was the difference in our case is the third question. Thank you.

**Suresh Krishnan:** Resham coming to the inventory provisioning, I would like to respond to that first. Well, there has been some changes in the fertilizer subsidy for the coming six months, which is effective from the first of October, which has an impact on your finished goods and that entire provisioning has been taken by us. So, the input price, the changes in subsidy rates which have been announced have been fully provided for and as far as the imported raw material is concerned, as you're all well aware that we have about normally about one stock available with

us as the raw material is concerned. And from the second month in the quarter we start getting the benefit of the lower prices of raw material. So, in effect if you're seeing about a 20% drop in the raw material prices, the impact of that in the books will be roughly about 15%. So, we would see that from last quarter to this quarter, the raw material prices coming down to 15% is something is what we expect to see as a benefit for the company. As far as the individual EBITDA numbers are concerned I will let probably Alok response there.

**Alok Saxena:** And also to add to the first point, inventory provisioning or the hit that we have taken is of the order of 11 crores, the reported EBITDA for the quarter is 188 crores, but there has been some one off expenses of the order of around 42 crores. So, the adjusted EBITDA is 230 crores for this quarter.

**Resham Jain:** Sir, I was asking about Paradeep ex-Goa what is the EBITDA because that is more comparable on a like-to-like basis because Goa was not there last year. So, last year, it was 68 crores.

**Suresh Krishnan:** It is better that you start looking at EBITDA at a company level, because this is what would be the right picture of the company, pre listing it was a different one. This is what is going to be the norm going forward, which is at a company level EBITDA.

**Resham Jain:** Okay. So, you will not be able to share the EBITDA of Paradeep this quarter?

**Suresh Krishnan:** Not right now, I'll tell you the reason not that we do not want to share, it is because Goa has run for one month 20 days, it is not fair to compare a one month 20 days performance of Goa and also the fact that the fixed cost of Goa has EBITDA for the entire quarter, because we acquired the asset on 1st of June. So, to report an earning against a fixed cost earning of only one month, 20 days and having a fixed cost loaded for the entire quarter is not fair. So, right now, please our request is to look at the company level at a time and once we have stabilized Goa and right now we are happy to report that we are running Goa full blast, at a suitable time we will hopefully be in a position to share Goa's numbers as well. Goa has been dragged down, people standalone one won't deny that. But it is not without reason and it's not that Goa is unnecessarily dragging down, Goa is performing to the expected levels already.

**Resham Jain:** Okay. And the last one sir, the profitability of Paradeep versus the peer company, which has actually reported much better numbers than us. So?

**Suresh Krishnan:** No, you'll have to look at the profitability here, we are very clear that we're doing perfectly fine as per the EBITDA line is concern.

**Alok Saxena:** No, again, I would like you to relook at the numbers that you're referring to and whichever competition you're referring to. Our numbers give a different picture, we have done much better than our own guidance in terms of EBITDA per tonne and better than many of the competition, I don't know who specifically you're referring to but again, most of the peers we have done better this quarter actually.

- Resham Jain:** Okay. Because we don't have anything to compare with because EBITA itself is not there with us to evaluate itself will be a difficult task for us in a way. So, anyways, it's fine. Thank you.
- Alok Saxena:** So, which EBITDA do you not have sorry?
- Resham Jain:** Paradeep EBITDA because EBITDA per tonne has to be compared on a like-to-like basis, which is not possible for us to do.
- Alok Saxena:** No, we are not comparing Paradeep EBITDA we are comparing CPLs EBITDA with that of the other companies EBITDA.
- Resham Jain:** Yes. So, that is what I was asking actually, Paradeep, I was actually asking for PPLs EBITDA only.
- Suresh Krishnan:** It's already there in the press release that was released and also on the investor presentation that we shared.
- Management:** PPL EBITDA for Q2 FY23 is at Rs.5179 a tonne. And as far as H1 is concerned is at Rs.4560 a tonne.
- Moderator:** Thank you. The next question is from the line of Prashant Biyani from Elara Capital. Please go ahead.
- Prashant Biyani:** Sir, how do you see the production levels for H2 for PPL and Goa plant. The production and sales volume from now normalized for both complex and urea?
- Management:** Hi, Prashant. So, in terms as we have said that we have been going through and plant by plant Paradeep and then Goa, so in Paradeep of the four production trains, we have had one train down for revamp all through the year. But as we speak now, that fourth and the last train is coming back. So, we have been running all through this fiscal year what three trains running in Paradeep. But now sometime in the next two, three days we are going to have the fourth train running so, the production standalone at Paradeep will go up. As far as Goa is concerned, Goa had already achieved its steady state of production all three trains urea and the two NPK trains are running at 100% capacity utilization. We are close to our run rate of that 3 million per annum number.
- Prashant Biyani:** Sure. And sir for Phos acid inventory that you would have had of procurement price of \$1,700 for CCI standalone as well as for the Goa plant how many days of inventory would we have. I don't want the exact number but a ballpark indication just to assess the profitability.
- Suresh Krishnan:** Just to let you know that as far as the higher level, the 17, 15 level of phosphoric acid is concerned we are pretty much fully utilize as we speak.
- Management:** Yes, PPL did not take any cargo 17, 15 correct.
- Prashant Biyani:** And sir for Goa plant was October, for the entire month of October have we had the \$1,700?



- Suresh Krishnan:** Yes. In the month of October was at 17, 15 inventory, going forward from now onwards we will now be moving to the new price.
- Prashant Biyani:** Then sir is it that the Goa plant profitability could be better than your expectation if the raw material prices continue to decline?
- Suresh Krishnan:** Yes, of course it will go up what the rest of the industry will have. And one must also realize that even for this is at an industrial level, even for a plant like Paradeep the rock prices are linked to the Phos acid prices, so there will be a, whatever happens, so no P great commodity whether it is a rock phos or Phos acid is isolated from each other they are all linked. So, an improvement in Phos acid prices which is more publicized, is also going to have a corresponding improvement in rock phosphate prices as well.
- Prashant Biyani:** Actually, that was my next question after this downward division Phos acid price, where should the or could the rock phosphate prices settle at?
- Management:** Similar percentage reduction.
- Prashant Biyani:** Around 30% reduction from \$320?
- Suresh Krishnan:** Correct.
- Prashant Biyani:** Okay. And what EBITDA per tonne would be the targeting for next year at the entity level?
- Suresh Krishnan:** No change in our guidance. We maintain that, as I said we would, we as a management team are committed to making sure that if Goa runs well that's where our full attention is going. We are maintaining what we said before our IPO, which is 4000 to Rs.4500 per tonne.
- Prashant Biyani:** For 24?
- Suresh Krishnan:** Yes, these numbers are achievable and we are seeing that now. So, we expect that the average of 4500 that we talked about is something that we would hold on to.
- Prashant Biyani:** Sir on the distribution side, I am just looking at the presentation, we are not there in Tamil Nadu, Gujarat, Rajasthan, is that distance wise it's not possible to enter that or do we have plans to enter that within the freight subsidy range?
- Management:** No, it's not that we don't want to enter. Our initial and primary commitment is to the farmers who are closest to us and then we add as we progressively go farther away from the plants. It depends on what those farmers need and our ability to supply. So, I'm sure when we are running full blast, and today it also has a seasonality and non-seasonality element to it. For example, the Rabi consumption has already started and it is coming out very well, as you would have heard from other companies as well. So, we are now trying to kind of make sure that we supply to our immediate markets first, because that's where our final commitment lies. In an year when there will be glut and less demand we certainly will look at the states which are sort of far away from

us. So, we don't have a bias against any of the far-flung states, but it is just that we believe our primary commitment are to the states where we fundamentally serve and where we have been serving for the last 40, 50 years which is Maharashtra, Karnataka, AP, Telangana, Bengal, Bihar, Orissa, Eastern UP, et cetera, Chhattisgarh.

- Prashant Biyani:** As of now, we don't have plans to enter these states?
- Management:** I don't know we don't have products to enter the states.
- Management:** Certainly not Gujarat and Rajasthan.
- Prashant Biyani:** Sir which products are prevalent mostly in these market?
- Management:** Gujarat and Rajasthan are two states, especially Gujarat as you know has got all the ports in India and it's also got manufacturing facility. So, every importer gets in there and residual quantities go in there. So, we're not really looking at Gujarat as a state to expand with our traditional products. And neither when we come with the newer ideas and more innovative products one will always explore these markets.
- Management:** No and Tamil Nadu sales, the products that we make which is N20 it's a big market for N20. So, we can get into those markets, it's not an issue, we need to have enough products to serve those markets.
- Prashant Biyani:** Sure. And sir our presentation was not having the sales volume data, can you share that?
- Management:** Yes, the Q2 sales number is 443447, H1 sale number is 776029.
- Prashant Biyani:** Bifurcation in urea and complex?
- Management:** We produced about 1,24,000 of urea left, everything is complex
- Prashant Biyani:** Is everything sold whatever we have produced?
- Management:** Yes, the sales number is indicating that we have sales of 789818 and we typically have a one month inventory at the end of the quarter or end of any month for that matter.
- Prashant Biyani:** So, that is why can we get the exact figure please?
- Management:** No, we gave exact figure of sales.
- Management:** Exact sales is 126,000 tonnes for the quarter.
- Prashant Biyani:** And Goa complex?
- Management:** Goa complex sales for the quarter is 43,000 tonnes.

- Suresh Krishnan:** So, we produced at Goa about 2,09015 out of which 124375 is urea rest everything is complex.
- Prashant Biyani:** Okay. Sir in Q2 how much subsidy have we received?
- Management:** Close to about 1800 crores is what we got in Q2.
- Prashant Biyani:** And have you received anything in October?
- Management:** We got substantial amount of money in October, yes.
- Prashant Biyani:** How much?
- Management:** October was close to about 800 crores
- Prashant Biyani:** Okay. And lastly sir this 42 crore one time impact cost, does it include 11 crore of inventory provision?
- Management:** That's over and above that.
- Prashant Biyani:** Okay, so net-net it could be around 52 crores?
- Management:** Yes.
- Moderator:** Thank you. The next question is from the line of Darshita from Antique. Please go ahead.
- Darshita:** So, my first question was in lines with, so one of our competitors had faced some issue in terms of the subsidy that they received on the opening inventory that they had, so I wanted some idea on that did we have anything else, did we say something similar to that of our competitor?
- Management:** We have taken care of the provisioning of whatever is required in terms of opening stock of DAP is concerned.
- Darshita:** Okay. So, we do not face any such issue right in terms of.
- Management:** So, whatever was required under the government policy we have made those provisions and as far as the opening stock is concerned.
- Management:** We have also taken the hit these numbers are after that.
- Darshita:** So, could you quantify the amount of that hit?
- Management:** If you look at it, the debt net number for us is something that, I don't have it right away, there is something that we can take it up later, but as far as we are concerned the opening stock that we had, we have had necessary provisioning available for that. And the 11.5 crores that we have done even this quarter is largely towards that only, it is reduction that has been there.

- Darshita:** All right, and could you provide the opening inventory number is that possible?
- Management:** As far as we are concerned, if you look at the November 1st opening numbers, we largely have an N20 stock and some amount of DAP stock is available with us.
- Darshita:** Sir are you talking about the one when we put the reversal for that?
- Management:** No, that reversal we did not take a reversal on that we actually took a reversal on the reduction and subsidy which happened effective end of this quarter, which is on September 30th.
- Darshita:** Right. So, are you talking about the opening inventory of that so on what inventory did we take the reversal?
- Management:** Totally we have close to about 1 lakh tonnes of DAP and the N20 was put together. So, we had to take a reversal on both sort of extreme. And that was about, and the last largest sum was for N20 which was there and the lesser quantities were for DAP, the total put together was about 100,000 tonnes of fertilizer that we had as an opening balance.
- Darshita:** Okay. And the second question is on, so the government has recently corrected like, reduce the subsidy of DAP by almost 1500 per tonne. But when we see the reduction in raw material prices, they are not in the tune of how much, the reduction in raw material prices is larger than that of how much subsidy has been reduced for DAP. So, do we see any kind of correction happening in the product prices, or something like that during the quarter?
- Management:** Government, if you look at it it's not if you look at the DAP correction we have done, we have actually taken the actual prices after the regular policy, we have looked at the factor which affects you in terms of nitrogen, they look at what happens to phosphate and then accordingly. As far as a product mix is concerned, it's not unduly going to change based on this kind of current circular which is where, we change our product is based on market needs. So, today we are getting into a Rabi season where certain amount of higher quantities of DAP will certainly be manufactured by us to take care of the needs of the Northern and Eastern markets. So, our product mix is largely to do with what the farmer needs don't necessarily only with the government's pricing policy.
- Darshita:** Right, I was just trying to understand if we see any kind of reduction happening in the prices at the end level, so we should take that as reference, we increase the prices from 1200 to 1350, did we see any reversal happening from 1350 to 1200 because as I mentioned that the reduction in subsidy is not in tune with the raw material prices deduction?
- Management:** We do not see any reduction, any change in the MRP of DAP and certainly not going down.
- Moderator:** Thank you. The next question is from the line of Kaushik Bakshi from Prabhudas Lilladher. Please go ahead.

**Himanshu Binani:** Thank you for taking my question, this is a Himanshu this side from Prabhudas Lilladher. So, sir my question was pertaining to the phosphoric acid site. So, just wanted to have a sense is, how much of backward integration do we have, currently have into the phosphoric acid?

**Management:** So, the phosphoric acid backward integration, as we have mentioned we are undergoing an expansion in the part of the plant, post completion of the expansion we should be close to 90% to 93%, backward integrated.

**Himanshu Binani:** And currently how much you are?

**Management:** With an increase volume of 1.8, which we have already achieved. So, today we are less than that, but the project is underway. So, before we increase our granulation, we were around 70% backward integrated. Now with the 50% increase in the granulation capacity going up from 1.2 million to 1.8 million our phosphoric acid in-house capacity is going up from 0.3 million to 0.5 million, at 0.5 million tonnes of Phos acid and 1.8 million tonnes of granulation we would be 90% to 93% backward integrated.

**Himanshu Binani:** Right sir. So, my first question was pertaining to this only so, having a 90% sort of phosphoric acid backward integration, but still we are guiding for a Rs.4000 to Rs.4500 sort of EBITDA per tonne, and assuming that the phosphoric acid are likely to stay at this level or maybe slight moderation from the current level. So, just wanted to have a sense on the margin side. So, are we trying to guide on the conservative side or what is actually stopping us from making money basically.

**Management:** It's very important for you to realize that we are through a very volatile situation and as we have always maintained when it comes to our performance we would certainly be one of the better ones as far as the industry is concerned. And as far as the guidance of Rs.4500 that we talked about is something which we have seen in the industry and it's something which has been the kind of average that we're looking at today. And once the volatility subsides, and everything happens, and the markets are in a different rate, one could always revisit this. But given the complexity that we're seeing today we believe this is the right way to go.

**Management:** And, I'm sure you've noticed this, but I'd like to point out in light of your question, so the 90% to 93% backward integration refers to the Paradeep plant not as PPL as a company. Goa plant is not backward integrated in depends 100% on imported assets, the Rs.4000 to Rs.4500 per metric tonne EBITDA guidance is for PPL as a company and not for any site.

**Himanshu Binani:** Got it sir. So, sir can you give us sense any sense on what is the standalone Paradeep EBITDA per tonne for the first half?

**Management:** No, that as I said it will not be fair for us to give this guidance with only one month and 20 days of Goa plant having run, give us some more time let us stabilize the operations of Goa, we hopefully in future we'll be able to give that as of now because we want to give you the, we would like to only share the company level EBITDA per tonne.

**Himanshu Binani:** Right sir, because the reason behind asking this question was when we look at the competition, so having a much lower in terms of backward integration, but still they have been like able to make a very high EBITDA per tonne. So, just wanted to have a sense that despite we are having almost from 70% to 75% currently, backward integration on the phosphoric acid, but still we are not able to make an EBITDA per tonne which is equivalent or higher basically to the competition?

**Management:** Himanshu, you need to realize two facts out here. First is the 70% that we talked about while assuming that we had a full capacity of granulation available as far as Paradeep was concerned, in Paradeep we were running with one granulation less. That's the first point and that is because of the revamped. So, Paradeep itself will get into its full capacity utilization pretty soon, which will be during the next seven to 10 days. Once that happens, the 70% will actually come down because we will not have the asset plan fully commissioned. Once the asset plan also gets commissioned during the Q4 of this financial year, then we would have an entire setup where we will have a backward integration which goes toward 90%. When it comes to Goa, our backward integration is only limited to the extent of ammonia that we get. We do not have any phosphoric acid at all out there. But the key point that we're trying to highlight out here is, once we stabilize our Goa operation, the Goa quantities of phosphoric acid will be crystallized and our commercial efficiencies will kick in along with that. And then you will be in a position to see how well we do vis-à-vis the competition that we're talking about.

**Management:** No, I would also like to mention that based on whatever data we have, we are still reporting the best in class EBITDA per tonne in spite of being not having all the backward integration capabilities having kicked in, that point is one. Second point is, even with the full Phos acid plant coming in and the full granulation coming in for FY23-24 we are still maintaining a guidance of Rs.4000 to Rs.4500 per metric tonne EBITDA.

**Himanshu Binani:** Right sir. And sir one last question from my end. So, if it is possible for you to share the capacity utilization at the Paradeep level and company level, both for the granulation or the complex fertilizer plant as well as the phosphoric acid plant?

**Management:** We are running pretty much the Phos acid plant is running full blast. We've had an annual shutdown in Q1, but Q2 has been pretty steady. When it comes to the granulation facility as I said, of the four trains we are running three trains, so it's around 75% utilization in Paradeep.

**Himanshu Binani:** And at the company level?

**Management:** You mean Goa. Goa there is a routine for one month, 20 days out of the three month of the quarter.

**Management:** Just to put it in perspective for you annually we should be doing about 14 lakh tonnes as against that today we are reporting about 7.5 lakh tonnes so that's the number that we have. But as you go forward this matrix will change with capacity kicking in, in both locations fully.

- Moderator:** Thank you. The next question is from the line of Jayesh Gandhi from Baroda BNP Paribas Asset Management. Please go ahead.
- Jayesh Gandhi:** Most of my questions are answered but I have few more. First of all, just to reiterate and confirm the 4,500 EBITDA per tonne guidance is for this year, right FY23?
- Management:** And next year as well.
- Jayesh Gandhi:** Okay, fair enough. You don't think next year can be better or you want to revise it at the beginning of next year?
- Management:** No, as Mr. Krishnan said, it is very volatile and we also need to experience the high volume of a run rate of 3 million and stabilize our operations, there are a lot of improvement projects underway right now in Paradeep there is an energy improvement project underway the Goa, let all those projects get, we are like we don't want to get into a situation where we are over promising. So, we would like to maintain 4500 as of now for next year as well.
- Jayesh Gandhi:** Fair enough. That is why, some of these projects get implemented you would then look for a revision later on.
- Management:** Fair enough yes, you're right.
- Jayesh Gandhi:** So, that is first question. The other question I had is that, earlier this year there was this talk or at least indication to the government about marketing and win some on the ground single branding from government's point of view, because they are the ones who give me subsidy, what is the impact of that could you quantify that or could you indicate how have fertilizer companies like yourself dealt with this change?
- Management:** Well, from effective January 1st, 2023, it is widely expected that the government will be introducing the Bharat across urea, NPK and DAP. So, that that clarity is emerging as we speak right now, and also we are concerned our brand is all about our connect with the farmer. So, that our brand and connect with the farmer continues in terms of what we end up doing in terms of all the extension activities and the visibility which is there, and which also gets promoted through the retail points that we have. So, those efforts will continue and I will so, that's where it is whether it will finally have an impact in terms of the brand awareness or any uptake it's something is too early to say, but we continue to focus with the farmer, with our brand and activities.
- Jayesh Gandhi:** Right. So, the question I have is that how will you differentiate the branding for all the players in similar how will you differentiate?
- Management:** No, so there is a 1/3 space that is given to the manufacturers to keep the brand message on. So, I will just extend what Mr. Krishnan said, it's early days for anybody to comment on what will happen. But, in all likelihood it will be a combination of the following one is yes, there would be the branding message that will be communicated will be done in a different way from what

it was done so far. So, far we have the full bag, full our own color, et cetera. So, if it gets implemented that will change, but at the same time, because of this uniform or standardization it would also lead to some cost savings at the individual producer end and those things we are working out, those things we will need to work more round but we can already see some of those opportunities coming in front of us.

**Jayesh Gandhi:** Okay. Another question related to the same matter, would it be different for NPK or DAP for example, if you want to do only DAP, then the branding or the above standardization would be different varieties of NPK, you could be able to do more branding yourself?

**Management:** So, as we speak, the branding is going to be common right across all the nutrients NP and K. So, you will have a Bharat DAP Bharat NPK and Bharat urea. But the only good thing that happens for NPK is based on your grade of fertilizer and the acceptability of that with a farmer you obviously get a preference when it comes to the sales of the retail end.

**Jayesh Gandhi:** Exactly so if you had a combination of NPK which is different, then you can do a more higher branding there or at least have higher.

**Management:** Your PAT will look the same but obviously your farmer connect will ensure that the farmer comes and ask for your product.

**Jayesh Gandhi:** Okay, great. And my final question is, what would be the volume for the second half of this year in terms of your production target would it be 1.5 million or would it be low end number?

**Management:** As you know we are at the month of November and the last train of Goa Paradeep is coming back on stream. So, we should look for guidance on those as we go to the Q3 call, and I'm expecting that the Q3 we will have a clear visibility in terms of how the run rate has picked up and it is looking good.

**Management:** It will be around 12 lakhs or so.

**Moderator:** Thank you. The next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

**Ankur Periwal:** First question on the overall volume front for this quarter, if you would probably break it up into traded and manufacturing?

**Management:** Ankur no trading everything is manufactured.

**Ankur Periwal:** So, the only volume traded is the MOP which is there in the presentation is that right?

**Management:** Yes, only MOP trade, its almost negligible.

**Ankur Periwal:** And same will be the case for Q1 on year-on-year basis?



- Management:** Q1 we did about 49, 50 only cargo that we imported our DAP was roughly about 49,000 tonnes which came in the month of April and which has been sold in the market.
- Management:** So, difference between Q1 and H1 is that, in Q1 it is only 29,000 tonnes of MOP, if you take H1 you can add another 50,000 tonnes of DAP to it that's it.
- Ankur Periwal:** Okay, fair enough. Second, on the liquid nano which you clarified earlier as well, just trying to understand from a cost economics perspective, if you could put some light there because what we generally see or hear is that obviously application of urea in a solid form is not as efficient probably you are using more urea in quantum versus what is required while liquid will be more efficient at the same time liquid urea will be non-subsidized and the government subsidy will be absent there. So, from a farmer's perspective any thoughts will nano urea will be value accretive or how does the economic work there?
- Management:** Well, as an industry veteran, I can tell you these are early days, and nano urea is something which has just been introduced, and we'll have to wait and see the acceptance of the farmer and the impact it has for various crops and at various stages of application. So, it's truly an early days for us to really comment in terms of farmer economics, as far as the nano is concerned.
- Ankur Periwal:** Sure, but any thought directionally whether it will be too inefficient, maybe what percentage of also will be helpful from a direction perspective?
- Management:** No, the way we are looking at it today it is not really giving us any clear direction, in terms of where it is going. Yes, there is a lot of policy support which is coming in, because it's a non-subsidized product.
- Ankur Periwal:** Okay, fair enough. Another question on the margin front, will be fair to say that on a Q-o-Q basis there will be a margin improvement, let's say this quarter versus the last quarter Q1?
- Management:** We all work for the same. We all expect that and we work for that.
- Ankur Periwal:** No, so I'm talking more historical so this quarter for example.
- Management:** Q3 has always been an important quarter, because in the Eastern and Central part of India, Northern part of India, Rabi is strong, and we also get to see that in Western part. So, this is a strong consumption time and so this always you will see for the industry, you do see products being sold both at the primary level and at the farmer level both.
- Ankur Periwal:** Sure. Where I was coming from was, given Goa plant is not backward integrated at least on the NPK side. And while Paradeep obviously did with incremental new capacity coming in for Phos, we will be officially almost (+90%) integrated. On a blended basis, while the numbers are what you guided 4500 odd EBITDA per tonne, on an individual basis will Paradeep be something like 6000, and maybe Goa will be probably 2.5, 3000. Will that be a fair differential between the two or how should one look at it?

- Management:** No, at the cost of being very boring and repetitive we would like to maintain the Rs.4500 per metric tonne EBITDA, let's see where this quarter as I said, we've just taken Goa one month, 20 days of running allow us to run and see if the consumption window, good demand that we have we have lined up all our raw materials, Goa is running well. So, we can only say from and there are no market issues. So, let's see where our bottom-line fits, I don't want to put the cart before the horse. Let us see the quarter and maybe from next time when we have the discussion we'll be able to give you better guidance. We're just keeping our fingers crossed it's working well right now.
- Ankur Periwal:** Sure sir no worries. Just last thing on the capacity expansion. We do mention that 2300 odd acres that we have and almost 1/3 is getting used right now. From a medium to long term perspective, our thoughts in terms of expansion, whether in fertilizers or in agri input site any thoughts there?
- Management:** As far as fertilizer is concerned post the phosphoric acid expansion we're certainly doing, we are expanding our capacity in sulfuric acid. We currently make 1.3 million tonnes of sulfuric acid annually and we believe that we would need other close to about 0.4 million tonnes annually. And that prediction is something that we're going to argue. As per the rest of the strategy is concerned. Yes, we are working on it and we are quite open as we said in terms of taking a whether this other agri inputs including agro chemical, or specialties and other products are concerned, and most of it is something that we will come back to you all as we enter 23-24 with our fully rated and operational capacity of 3 million coming in.
- Management:** Yes, I just want to add to what Mr. Krishnan said, so good part is that again, whatever we have promised will be done in calendar year 22 is actually getting completed, we are almost in the very urge, the end of some of these activities, including ramping up Goa fully. So, we remain very optimistic about, so in terms of strategy and thinking our minds are virtually empty now. So, obviously we will not keep our minds empty for very long, we're going to get into some interesting new projects hopefully very soon.
- Moderator:** Thank you. Our next question is from the line of Dhruv Muchhal from HDFC Mutual Fund. Please go ahead.
- Dhruv Muchhal:** Apologies if this is a bit repetitive, but I just wanted to reconfirm the sales numbers for 2Q it is 4,43,000 tonnes and no trading. For 1Q it was like 3,32,000 with 49,000 tonnes of trading, that's right sir?
- Management:** Yes, 4,43,447 is the right number and we have a small trading of MOP which 29,613.
- Dhruv Muchhal:** And 1Q, it was like 3,32,000 of which 49,000 was the DAP trading, plus the MOP some trading?
- Management:** Yes, we had a DAP trading which was there that is rightly said.
- Dhruv Muchhal:** And sir if you can give the same numbers for the last year quarters?

- Management:** In fact if you look at H1, FY22, I have H1 number, the MOP trading was about 25,584 and the DAP trade was about 53,000. Just for the understanding we normally plan only for two cargoes DAP as a trade one in each season so that's what we kind of continue to do.
- Management:** Last year we had done a total sale of Q2 FY22 was 368 and H1 FY22 was 599.
- Dhruv Muchhal:** And this is all complex, there'll be no urea, because urea we have....
- Management:** Yes, it is not like to like that's why we are not highlighting that because that was only Paradeep at that time.
- Dhruv Muchhal:** And sir the broad way you calculate EBITDA per tonne is just this overall volume divided by the EBITDA?
- Management:** Yes.
- Management:** EBITDA dividend by volumes.
- Dhruv Muchhal:** Got it. Sir if I just look at the numbers, just assuming that Goa would not have contributed significantly, or the EBITDA level also probably some negative contribution to EBITDA level given we understand they're starting, EBITDA per tonne just on the Paradeep volumes would have improved significantly, on a Q-o-Q basis is that fair understanding?
- Management:** Yes. As I've been saying, we continue to be best in class on EBITDA as we have maintained even in our run up to the IPO there's no reason why Paradeep will not deliver best in class on a EBITDA as an organization.
- Dhruv Muchhal:** And sir that same would hold true even in a Y-o-Y basis because if I just look at the volumes?
- Management:** Absolutely, you can do whatever calculations you want. I don't want to be comparing ourselves with anybody. But, I don't think anybody has any doubt about our quality of EBITDA per tonne it is the best in class.
- Dhruv Muchhal:** Sure. No, the numbers a bit lower on the reported basis as you mentioned because of Goa.
- Management:** No, that is because as I've said we will have fixed cost of the entire quarter of work.
- Dhruv Muchhal:** Yes. Sir the second question was, if you look at the NBS rates and how the RM prices have fallen, it seems the opportunity in the retail market have improved significantly versus what it was in the last few months or last few quarters, would it be fair to then say that the opportunity for traders also improves and the import volumes and hence can improve significantly in India, the tightness that we were seeing in the market for the last one, one and a half year can also ease and that could change the market dynamics in some sense?

- Management:** Yes, look in terms of imports there is a limitation of imports, DAP gets imported, but NPK is not to that extent, because there are not too many players who can deliver the kind of NPK that the Indian market needs. So, traditionally or typically if you see the total NPK consumption of in the country say 11 million tonnes, 10 million is usually domestically made and only 1 million sort of is imported. So, that won't change overnight, you are right in saying that as far as we are entering into Rabi the subsidy is okay. Raw material prices at least for tea there has been a downward revision. And most importantly for us, farmers are hungry for fertilizer, there's a good demand, good sowing, and a very healthy level of stocks that are there which is not too low, not too high. So, we are looking at a good Rabi going forward.
- Dhruv Muchhal:** Sure, sir. Sir no significant change in the market dynamics versus what has been prevailing in the last one, one and a half year?
- Management:** No, it's better than that.
- Moderator:** Thank you. The next question is from the line of Aman Madrecha from Augmenta Research Private Limited. Please go ahead.
- Aman Madrecha:** Sir I just highlighting that the phosphoric acid and the potash prices have come down. So, sir can you please quantify.
- Management:** Sorry, to correct you not potash only Phos acid go ahead now.
- Aman Madrecha:** And sir on the phosphoric acid didn't we quantify like what was the price in Q2 FY23 versus Q1 and what is the price currently?
- Management:** 1750 and 1175.
- Aman Madrecha:** And what about the prices currently?
- Management:** 1175 Q1, Q2 was an average price of 1715 the same price right through and Q3 is 1175.
- Moderator:** Thank you. The next question is from the line of Vineet Agrawal from SKP Securities Limited. Please go ahead.
- Vineet Agrawal:** Sir, I have just one question I have missed out on manufactured DAP sales volume can you please provide it to us?
- Management:** The DAP manufactured volume sale is 38,000 for the quarter and 215 for the H1.
- Vineet Agrawal:** Sir this is you are talking blended for both the plants?
- Management:** No. So, this is actually not sorry, this includes the trading as well. So, you have to remove 49,000 from there. So, 250 minus 49 is the manufacture sales.

- Moderator:** Thank you. The next question is from the line of S Ramesh from Nirmal Bang Equities. Please go ahead.
- S Ramesh:** So, just to take you through some of the operational aspects and long term strategy, can you explain what will be the difference in terms of your business between Kharif and Rabi in terms of the volume you can place?
- Management:** It's actually in India is very interesting, it's almost equal volume consumption between Kharif and Rabi. So, if we sell it around 10 million tonnes of DAP and 10 million tonnes of NPK. It's even keel between them. Only thing that we can add is that recently, for the last few recent years we have been finding that there is a higher degree of NPK consumption during Kharif. And slightly higher DAP consumption in Rabi. But it is also a factor of prevailing prices of DAP and NPKs that determines the farmers choice.
- S Ramesh:** So, in your company's operations you don't see much of a difference between first half and second half?
- Management:** No, it's okay for us.
- S Ramesh:** Okay. The second thought is in terms of your capital allocation and the impact of the Goa acquisition on balance sheet, what is the overall aggregate cost of the Goa acquisition is there any accumulated loss which you still have to provide for, for the Goa acquisition?
- Management:** No, the total asset cost was 1680 crores, and that's about all and rest of it is what you're getting to see in the P&L on a regular basis, we don't have to provide anything more.
- S Ramesh:** Okay, sir. And in terms of the planning for working capital, can we expect the working capital to decline and thereby what is the kind of reduction in gross and net debt you can expect say in the second half and for the next year?
- Management:** If you look at the way things have been operating last year, we did not have much of a draws as far as the fund base working cap limits are concerned. And so we were kind of having an average number of 1200 crores is debt, but this year in the first six months we have seen that the fund base utilization is high primarily because of the subsidy element. And this is two reasons for this, the first reason being the subsidy component per tonne is more as compared to the previous years that's the first one and the second is, there was some delay initially from getting money from the government of India seems to have stabilized now and we believe that things will only improve and government is well financed and funded for the same.
- S Ramesh:** Okay. So, what is that CAPEX you have incurred in the first half and what is the full year CAPEX including all the expansions you're talking about?
- Management:** As far the CAPEX is concerned, the major CAPEX is only on the phosphoric acid plant that we need to incur this year, which will be about 150 odd crores, and that is what is currently under implementation, as per the granulation team is concerned about 70 crores is what we spent.

- Management:** Sir most of the CAPEX has already been committed and it is, because we're almost ending in the last stage of the CAPEX, so it will be wrong for us to say that these are all the quarters spending on CAPEX but Mr. Krishnan said on DAP revamp which was a 220 crore we've already incurred +209 the deposit expansion we have incurred over 160 crores. So, most of the work, the major projects, the CAPEX has already been committed in advance stages of getting committed.
- S Ramesh:** That's about 320 crores for two?
- Management:** That the total CAPEX that was pending for us to finally incur and which has been done and as far as the current financial year is concerned, no further CAPEX to be either committed or spent beyond this year.
- S Ramesh:** So, what will be the normal maintenance CAPEX you have to do say over the next two years 524 and 25?
- Management:** So, that will be equal to our depreciation you can approximately take that, it will be close to the depreciation number that we will which is around slightly less than 200 crores.
- S Ramesh:** So, based on all that you have said in terms of operational. So, in terms of the improved capacity utilization possible and the expansion, when do you see the full benefits of the phosphoric acid project, as well as the granulation project all kicking in, in terms of the impact on volume, will it be all done in FY24 or will it be?
- Management:** Yes, absolutely. You will start seeing the benefits flowing in the second half of FY23 but the real benefit of the overall volume and the phosphoric acid backward integration will be something that we'll see in FY24.
- Management:** Yes, so granulation benefit will come in H2 of FY23, the increased granulation capacity, but the fourth asset benefit, the real benefit to stabilize the plant will be in Q1 of next fiscal.
- S Ramesh:** So, if you were to put these in the context of say volume growth, what is the kind of average volume growth you can expect say FY24 and then beyond that in FY25 based on these?
- Management:** We will be at a run rate of 3 million tonnes per annum volume growth.
- Management:** You look at it today we could just end the year with about 20 lakh tonnes of fertilizer, and we could well be at a rate which is at least 35% more than that.
- S Ramesh:** Okay, that's very useful. So, one last thought in terms of the global ammonia and phosphoric acid capacity additions, if you can share some numbers in terms of what is the increase in capacity and how that would stabilize the supply chain it will be useful.
- Management:** As per the global ammonia capacities are concern, we're not really seeing any incremental ammonia capacity coming in globally which is going to make a major difference to the current

demand supply position. So, we should be very clear that the available quantity is what it is and if there has been a disruption of ammonia coming in from Russia which might come in maybe sometime next year. But as far as the price are concerned, as I said in the beginning, it has been holding at a particular rate. We are getting to see a \$950 to \$1000 per metric tonne of the ammonia range that we are seeing in India right now.

**S Ramesh:** And what about phosphoric acid because what I hear is, there are concerns in terms of increasing new capacity they talk about some capacity in Canada, and one project in Russia I believe is delayed, so any thoughts in terms of.

**Management:** Well as far as phosphoric acid capacity are concerned, these are all long term projects and which needs a lot of tie up both in terms of rock sulfur and disposal of the byproducts which come in, we don't see any major phosphoric acid capacity kicking in anywhere in the world today, we do.

**Management:** Just to add to what Mr. Krishnan said, this is something that we have repeated a number of times so as far as people is concerned, we have long term tie up for most of our raw materials. And we are in our view quite comfortably placed to handle the increased requirements on a consistent and sustainable basis for the company. So, the most important requirement for us is P which is both rock phosphate and phosphoric acid, which we get from our promoter organization OCP through announcement basis, they do give us benefits for the volume that we take and for the fact that we are exclusive with OCP. The only company in the country which is exclusive with OCP is PPL. So, we have that and as far as OCP is owned, reserved and ability to supply P is concern, they are quite okay to give 100% of our requirements for the next 500 years. So, we don't see any issue as far as PPL is concerned when it comes to both phosphoric acid and rock phosphate. When it comes to ammonia, we've got a long term tie up with several companies including say the Qatar Energy which is a very large supplier we have an aggregator like Trans Ammonia Trammo, we also have one another company with which we have tie ups. So, our requirements of ammonia also will be split amongst these three companies and we don't foresee any issues in them being able to supply us our requirement on a long-term basis. When it comes to K, which is potash, we deal with the Canadians, we deal with the Jordanians, to some extent the Russians as well. So, we have these Israelis so there are four players from whom we take the potash and with them as well even today, earlier today, there was one of the teams who came and they signed an MOU with them to give us next year quantities. Potash also we don't see any issue. Sulfur also we have got similar long term tie ups with the three companies from whom we take. So, we do not foresee a challenge in terms of securing our raw materials on a consistent basis going forward for the increased requirement of PPL as an organization which is at 3 million metric tonnes per annum.

**Moderator:** Thank you. Ladies and gentlemen, that would be our last question for today. I now hand the conference over to the management for the closing comments. Thank you and over to you.

**Suresh Krishnan:** Thank you everyone for joining our H1 FY2023 earnings call. We look forward to having more such interactions going forward. For any further questions, please feel free to connect with our Investor Relations team. Thank you.

**Moderator:** Thank you very much. Ladies and gentleman on behalf of ICICI Securities that concludes today's call. Thank you all for joining us and you may now disconnect your lines.