Paradeep Phosphates Limited

Q3 & 9MFY26 Earnings Conference Call

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

Moderator: Ladies and gentlemen, good day, and welcome to Q3 and 9M FY26 Earnings Con Call of Paradeep Phosphates Limited, hosted by Antique Stock Broking Limited. 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 the operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manish Mahawar from Antique Stock Broking Limited. Thank you, and over to you, sir.

Manish Mahawar: Thank you. Good morning, everyone. I am pleased to host today's earnings call of Paradeep Phosphates. We have leadership team represented by Mr. Rajeev Nambiar, COO; Mr. Harshdeep Singh, Chief Commercial Officer; Mr. Bijoy Biswal, CFO; and Mr. Alok Saxena, Head, Corporate Finance and IR on the call.

Without further ado, I would like to hand over the call to Mr. Nambiar for opening comments. Post which, we'll open the floor for Q&A. Thank you, and over to you, Rajeev sir.

Rajeev Nambiar: Thank you, Manish, and good morning, everyone, and a warm welcome to Paradeep Phosphates earnings call for the quarter ended December and the nine months of 2026. I appreciate your time and interest in our company. I trust you have seen our earnings presentation and press release, which have been circulated and are available on our website and stock exchanges. Let me give you an overview of Q3 and the 9M completed FY2025-26.

We have been quite consistent and robust for PPL, reflecting the strength of our operations and our resilience to navigate the global volatility. Happy to report that the production rose 13% Y-o-Y in Q3 to one million tons. And this is a successively the second quarter we are doing one million tons production. Growth was led by the value-added NPK grade and NPK category, which has grown by 30% on YTD.

For the last nine months, production and sales reached 2.86 million and 3.37 million tons, up by 15% and 17%, respectively. For the year-to-date, revenue grew by 34%, EBITDA by 45% and PAT by 71% Y-o-Y, a true reflection of both volume growth and the quality of earnings.

Let me also update you on some of the strategic progress. We have completed our fifth evaporator at Paradeep facility and which is in operation now. This is after the completion of the 1,500 tons of sulphuric acid plant, which is stable and reached the rated production capacity. And this evaporator is also going to help us in terms of strong phosphoric acid, which was actually a little bottleneck for us.

Now we have come back to the original state. And urea capacity, MCFL has also been expanded by around 30,000 tons per year on an annualized basis in Q3 after the shutdown. Sulphuric acid plant at Mangalore, which is on 300 tons capacity will be commissioned in the end of the Q4 FY2025-26.

And energy improvement project at Goa is also likely to be completed by the last quarter of this year. The phosphoric acid expansion from 0.5 million to 0.7 million is underway and the increase in phosphoric acid will enable the company to meet substantial requirement of phosphoric acid at both Goa as well as Mangalore through the excess phosphoric acid at Paradeep.

Thus, directionally, we endeavor to make all our sites 100% backward integrated phosphoric acid units. This will significantly improve the quality of earnings per ton at company level. Also, we are looking debottleneck opportunity at Paradeep to increase the granulation capacity from 1.8 million to 2 million tons. The benefits of these projects, as enumerated earlier, will likely to give us incremental EBITDA for 2027.

Our long-term and short-term credit rating has been upgraded to A- and A1+, respectively, reflecting our strong fundamentals and improved credit rating, which will help us to optimize our cost of capital for the capex. We continue with our endeavor of offering farmers with innovative products and helping to achieve balanced fertilization and optimizing the last mile delivery through digital interventions.

Through our expanded distribution and digital outreach, we now engage with over 12 million farmers across 18 states, supported by more than one lakh retailers and 6,800 dealers and a strong on-ground advisory network.

Looking ahead, we remain optimistic about the fertilizer demand, continued government thrust on soil health and the rising shift towards balanced and specialized nutrient applications. However, we believe that the global uncertainty will remain and the volatility in key raw material prices and the currency volatility will put pricing pressure in the short term.

We continue to invest in our expansion plan as per the schedule and we believe the expansion will enable us to increase our economies of scale and deepen our market presence. We continue to invest in achieving manufacturing excellence and AI-led manufacturing intervention for agility and sustainability being one of the core ethos of our operations.

In summary, PPL remains focused to deliver consistent and operational resilience and continued endeavor for strategic growth and expansion. Thanking all of you, I now open the floor for questions.

Moderator: The first question is from the line of Sucrit D Patil from Eyesight Fintrade Private Limited.

Sucrit D. Patil: I have two questions. Thank you for the detailed commentary. I just wanted to take a step beyond what was covered in the opening remarks. Given the dependency on imported raw materials and the variability in demand across crop cycles, how does management think about balancing volume growth, product mix and margin stability as conditions evolve?

Looking ahead, what changes in farmer demand, input availability or pricing dynamics would most influence a shift in this priority? That's my first question. I'll ask my second question after this.

Rajeev Nambiar: It's an important question, actually. Even though the current condition is actually we are under a little pricing pressure. But a lot of optimization is going back in terms of the product profitability and the portfolio, along with the manufacturing excellence, actually, we are driving that. If you look at actually our basic volumes have been shifting from low profitability product to the higher profitable product, which has been very consistently followed for this year.

We can see the flagship product, N20 has been actually moved quite faster and little pressure in terms of DAP profitability. So this is an ongoing thing actually to make sure that availability to the farmer is ensured.

At the same time, our guided number, like we strongly believe actually the EBITDA guidance of minimum INR 4,500 crores to INR 5,000 crores is actually an achievable target for us. Even though off late we are little in pressure in terms of the international volatility, but we are gauged up in terms of optimizing our product mix as well as the pricing of the raw materials.

Sucrit D. Patil: My second question to Mr. Bijoy is, I have forward-looking, from a monitoring point of view. As raw material prices subsidiary flows and working capital cycles move through the year, what are the key internal indicators you track mostly closely to anticipate pressure or improvement in margins and cash flow before we show up on the balance sheet? I want to understand your point of view on this?

Bijoy Biswal: Good. In fact, this 31st December closing, we had a little bit due to high raw material prices, which has moved northward in terms of sulphur and ammonia. So the working capital, the borrowing has increased a little bit due to higher investment in inventory and debtors. But what we understand that this is a position what we have taken consciously where this will get liquidated and we will have this getting back into that type of converted to cash.

So I don't foresee that it will be going largely to impact our profitability. And this is well within the control and we'll be able to sell through whatever stock we are having and the debtors we are having. I don't foresee any sort of challenge in meeting this requirement. And the company limits and all things is well managed and we have got enough limit to also see that we don't have any liquidity issue.

Moderator: The next question is from the line of Prashant Biyani from Elara Securities.

Prashant Biyani: Mr. Nambiar, what is your view on the next NBS subsidy revision? What should the trajectory be?

Rajeev Nambiar: Prashant, if you see the NBS formulation as well as the current pricing, which has happened for the past six months, we expect actually NBS support to be crucial, and it is going to happen for coming. It will be difficult to tell a number, but I think it will be very positive. That's what our industry feel.

Alok Saxena: And Prashant, just to add, the government has put in a very robust process on the way they define NBS for the next season. And everything is being discussed with the industry as a stakeholder team.

And finally, we have seen that the last four or eight quarters, the subsidy has been quite positive and supportive to the government. So we are sure that government will continue in the same spirit and that will not be a challenge for the next fiscal year.

Bijoy Biswal: Yes. Prashant, to add to that, the budget allocation of subsidy is quite good in this last budget. So what you see that there is a increase of around 5% to 7% in the budget allocation for the subsidy. And we would take care of this entire subsidy requirement for this FY26, FY27. And generally, government support in case there is a need. So we are quite positive about that.

Prashant Biyani: Sure. And sir, of the total capex of INR 3,600 crores that we are doing, if I have to bifurcate product-wise, how much would be the capex for one million tons granulation and for 0.25 phosphoric acid and 0.75 million tons sulphuric acid at Paradeep site?

Alok Saxena: Granulation will cost you around INR 800 crores. And the standalone phosphate of 300,000 will cost you another INR 800 crores to INR 900 crores.

Prashant Biyani: Including sulphuric acid?

Bijoy Biswal: Phosphoric and sulphuric acid, what we are planning at Paradeep that 0.3 million of phosphoric acid and one million of sulphuric acid will cost around INR 1,500 crores.

Prashant Biyani: Okay. Out of INR 1,500 crores, INR 800 crores could be for phosphoric and remaining for sulphuric acid?

Bijoy Biswal: Yes. Yes.

Prashant Biyani: Right. And sir, at MCFL site, what is the quantum of sulphuric acid capacity expansion?

Rajeev Nambiar: It is 300 tons per day, which is almost nearing completion now.

Bijoy Biswal: Currently, we have about 100 metric tons per day, which is going to 400 metric tons per day.

Prashant Biyani: Right. And sir, regarding the energy efficiency project for the Goa site, sir, we, I think last year only initiated or completed energy-efficient program. In this round of energy efficiency, how much is the quantum of benefit in terms of Gcal per metric ton we are anticipating? And how much is the investment that we are planning?

Rajeev Nambiar: Goa actually, we are going to complete this energy efficiency program by end of this quarter and which will reduce it by 0.3 Gcal actually. And that will release substantial amount. And we are expecting a supportive energy norms, new energy norms coming up, which is expected to get announced anytime during this quarter.

Prashant Biyani: And this will take down the energy consumption to what level?

Rajeev Nambiar: Currently, we are at 6.4. It will come down to 6.1.

Prashant Biyani: And what is the investment?

Rajeev Nambiar: It's around INR 220 crores.

Prashant Biyani: Payback period? Could be around?

Rajeev Nambiar: 3 years to 4 years.

Moderator: The next question is from the line of Shubro Tripathy from Krish Capital.

Shubro Tripathy: Firstly, resilient performance considering the sulphur prices, which have moved up so sharply. What could be the Y-o-Y change of sulphur for PPL compared to last year?

Bijoy Biswal: Can you repeat the question?

Shubro Tripathy: What was the year-over-year change of sulphur price for PPL compared to last year?

Rajeev Nambiar: Typically, sulphur used to hover around INR 150 to INR 200. Now it has reached INR 540 to INR 550 now.

Shubro Tripathy: Yes, yes. And all our sourcing is imported? Or is there some sourcing from IOC Paradeep as well?

Rajeev Nambiar: We do have actually sourcing of molten sulphur from IOC for Paradeep as well as sourcing from MRPL for Mangalore Chemicals, Mangalore site.

Shubro Tripathy: And my second question is regarding there was a recent news announcement regarding some agreement with SECI, Solar Energy for offtake of green ammonia at Paradeep site and Goa site. So there is no announcement or any detail shared in the presentation. Could you share some more light on how you plan to go about this?

Bijoy Biswal: This is a a preliminary stage and as and when it will unfold, we'll share the details.

Rajeev Nambiar: Basically, this is an offtake agreement we have to get that with SECI. And we expect actually whenever SECI is ready, we will sign it. But as far as the manufacturing and supply is concerned, it is for a third party.

Shubro Tripathy: Any tentative time line for this, which financial year.

Rajeev Nambiar: Agreement could be happening anytime soon. But in fact, the production and supply could be taking time.

Shubro Tripathy: So maybe in next two to three years only?

Rajeev Nambiar: Yes, yes.

Moderator: The next question is from the line of Saumil Shah from Paras Investments.

Saumil Shah: I would like to know what is our net debt as on 31st December?

Bijoy Biswal: So net debt is around INR 5,450 crores as of 31st December.

Saumil Shah: Okay. And what would be our subsidy receivable as on 31st December?

Bijoy Biswal: No, this net debt is both working capital as a long-term debt and subsidy receivable is around INR 3,780 crores.

Saumil Shah: Okay. So normally, in how much period we receive the subsidy? So I mean, can you quantify approx how much is due in the current quarter and how much is it in the next year?

Bijoy Biswal: No, this is out of that, generally, the subsidy based on the phosphoric sales, the sales made to the farmer. So out of this INR 3,780 crores, whatever we are talking, this all based on this farmer sale, it will be receivable. Out of that, around INR 1,000 crores is what already sales has happened, which is going to come and balance quantity on whenever this farmer sale happen, that will be received.

Saumil Shah: Okay. So only INR 1,000 crores subsidy is already about, I mean, sold. So that INR 1,000 crores is receivable. Other balance is not yet sold?

Harshdeep Singh: Yes. So typically, we'll have two to three weeks of subsidy outstanding at any given point of time.

Saumil Shah: Okay. Understood. And can we know what was the EBITDA burden for this quarter?

Bijoy Biswal: INR 4,700 per metric ton this quarter.

Saumil Shah: Okay. And I think we were targeting about INR 5,000 per metric ton for this year?

Bijoy Biswal: If you look at it on a YTD basis, we are already INR 5,400 sort of. So yes, the INR 5,000 is quite achievable on a yearly basis.

Saumil Shah: And how much of our prices is depending on natural gas prices?

Bijoy Biswal: No, it is not much because natural gas price determine the urea price, which is a pass-through.

Saumil Shah: Okay. So we are not much affected with the natural gas prices, right?

Bijoy Biswal: Yes. Yes.

Moderator: The next question is from the line of Varun Arora from Emkay Global.

Varun Arora: Just to check one clarification I need on the EBITDA. So your guidance on EBITDA is what? Basically I missed that number. So can you just say it again?

Bijoy Biswal: EBITDA number for this quarter is INR 4,700 and our guided number for the whole year basis is around INR 5,000 per metric ton.

Bijoy Biswal: Yeah, YTD number is INR 5,300 till December. And as a year, we said that it will be INR 5,000.

Varun Arora: Okay. And what's your further guidance for FY'27, if you can say, sir?

Bijoy Biswal: I think FY27, you see our endeavor is that we should have around INR 4,500 to INR 5,000. And it all depends on this NBS policy and this raw material prices and how much we are able to pass on to the consumers, this price. So we are in the process, but our endeavor is that we should get around INR 5,000.

Varun Arora: Okay, sir. And sir, on the debt side, so that's approximately INR 5,400 crores debt right now you're holding. So, any plan to reduce it or this is going to stagnant for some time? What's your plan for doing this?

Rajeev Nambiar: It's an important thing for us to make sure that the debt is not crossed over. We are taking a lot of operational measures to see that the tighter control on the inventory management. At the same time, availability is also ensured. So this should actually in the coming quarters and subsequent quarters, it should actually soften down.

Moderator: The next question is from the line of Sandeep Mukherjee from SKP Securities Limited.

Sandeep Mukherjee: Sir, my question is like what was the gas cost and EBITDA per ton for urea?

Sandeep Mukherjee: Yes. So what was the gas cost and EBITDA per ton for the urea?

Bijoy Biswal: The gas cost is around $12 but the EBITDA is around INR 3,000.

Sandeep Mukherjee: And what is the short-term debt on the books, sir, for the nine months?

Bijoy Biswal: Short-term, if you talk of working capital, we have got around INR 4,200 crores. Long term is INR 1,235 crores.

Sandeep Mukherjee: Okay. Okay, sir. And sir, my last question is like what was the capex spend for the nine months?

Bijoy Biswal: We have spent almost INR 450 crores in this nine months period.

Sandeep Mukherjee: Okay. Sir, one more question, like, currently, we are operating more or less at the same MRP levels which were in Q2?

Harshdeep Singh: So just to share with you, the MRPs have been improved for the NPK this year. Only product with the MRPs remain the same is urea and DAP, where there is a kind of guidance. Otherwise, for NPK, we have been taking price changes from time to time.

Moderator: Yes. So we have next question from the line of Prit Nagarsheth from Wealth Finvisor.

Prit Nagarsheth: Sure. So I wanted to understand, sir, the product mix that you employ. The reason I ask is that the government is trying to improve the access of SSP and other products more and more. So what happens to the DAP that you make? And how do you see the product mix evolving for the next financial year?

Harshdeep Singh: See, how the product mix is evolving is directionally, our focus is on balanced nutrition. And we've been gradually going into a company which is more dominantly to a NPK portfolio. So if you look at the portfolio of products, some of the products that we are doing, the flagship product that we have is 20:20:0:13, which is what we call the Captain and that's what we run the current positioning.

Then we have got 10:26:26, 12:32:16 and 19:19:19. So that's a complete range of NPK. And in the portfolio of volume, if you look at it, almost more than 45% to 50% is NPK mix. So that's the direction. And the other key direction that we're taking is promoting basically high nutrient use efficient products like Nano. So that's the other portfolio change that we're doing.

Prit Nagarsheth: Okay. But how do you see this panning out for DAP versus SSP? What is your view on that on the ground?

Harshdeep Singh: So my view is, see, overall, I mean, the government also is trying to encourage balanced nutrition and there is a shift happening towards the NPK. So this year, if you look at the farmer consumption sales, there has been a kind of a reduction in the DAP sales. But the farmer still keeps demanding DAP. So there is a need for a greater awareness.

So as a category leader, that's what we're trying to do that communicate to the farmers the benefits of the balanced use of nutrition and the shift happening towards the NPK category. If you look at the market also today, the NPK segment is today bigger than the DAP segment. But yes, there is a segment almost 40%, 45% of the market, which is still on DAP.

And the other pioneering leadership step that we have done at PPL is that we are also encouraging the use of alternate to DAP, which is CSP, which has got 46% phosphorus, but you don't at least overuse nitrogen there. So that's the shift that we are trying to also lead in the market.

Prit Nagarsheth: Sir, for this when the availability of rock phosphate becomes important. So how are you ensuring security for that?

Harshdeep Singh: So how we are ensuring security is if you look at the value chain partnership that we have, we have partnership with OCP in terms of securing our rock value chain, which is the most important source as far as P2O5 is concerned.

And for fresh products also for TSP and DAP, we have a strategic partnership with OCP Nutricrops. So that's how we're trying to ensure. And as far as our own manufacturing is concerned, which is very robust and we are one of the few companies which has a very, very robust portfolio of NPK products in the country.

So that's what we are trying to do to ensure there is availability. And as you've seen our footprint, we operate in 18 states today in the country and with a wide reach, almost covering one lakh retailers.

Prit Nagarsheth: Understood. So if you add all this up, what kind of volume or top line guidance do you think can come into play for FY27?

Harshdeep Singh: Yes. So volume, see, if you look at it last year, we achieved three million tons. And this year, the guidance is four million tons plus. So that's what we are basically gearing up for it. We have already done 3.38 million tons.

Prit Nagarsheth: Okay. You mean for FY26, right? I was suggesting FY27, if you have any sense on that.

Harshdeep Singh: Yes. So we normally don't give a guidance for the next year, but we would be planning a robust growth for the next year. However, the overall objective would be to optimize and strengthen our NPK portfolio mix. So that's what we are gearing up. And we will have a robust growth in the next year also.

Moderator: The next question is from the line of Dhruv Muchhal from HDFC AMC.

Dhruv Muchhal: Sir, can you give the sulphuric acid and phosphoric acid production for the quarter? You typically give that in the presentation. I think this time it was missing?

Rajeev Nambiar: Sulphuric acid, we have produced 4.5 lakh metric tons for this quarter and phosphoric acid around 1.45 lakh metric ton.

Dhruv Muchhal: Got it. Sir, the other question was on the inventory. Now typically, what we see is I'm looking at the change in inventory that you report in the P&L. Typically, we see a buildup in 1Q as the seasonal norms and then a drawdown in the next two quarters. This time, the drawdown seems to have not happened as much. So I mean, just trying to understand what's leading to this?

Rajeev Nambiar: No. See, out of this increase in the inventory, mainly the increase in raw material. So that's a conscious decision that we have a price volatility as well as the rupee depreciation.

Keeping all this in mind, there is a increase in the raw material stock, which is definitely going to be utilized in this quarter, upcoming quarter. And finished goods and traded goods, yes, that is well within control. Generally, this December, a little bit inventory buildup happens, which get liquidated in starting from April onwards.

Dhruv Muchhal: Got it. Sir, if it is possible, if you can suggest how much in quantity terms, how much is the fertilizer inventory at the company level, finished goods inventory at the company level this year and I mean, December end of last year.

Rajeev Nambiar: We'll share with you that data separately.

Dhruv Muchhal: Sure. Okay. And sir, the other question was on the expansion, the Phosphoric acid and the sulphuric acid expansion that we are ongoing. Sir, I think you announced last quarter. So now what stage are we?

Have we done the equipment ordering? I think EC clearances already we have. Any progress that you can highlight in terms of equipment ordering, other stuff that you might have prepared?

Rajeev Nambiar: Dhruv, both the acid plants actually the EC is available for Paradeep. And for Mangalore actually, we applied for the EC. And for the granulation unit actually, the EC application is already on and we are expected to go for the public hearing coming one or two months. And by August, September, we will get the EC clearance for the granulation expansion Paradeep also.

As far as the status is concerned, actually, all the key equipment manufacturers already roped in and the technical discussions are in the final stage. And once the parameters is frozen actually by end of March, April, we should be able to get the commercials finalized and get ordered.

Moderator: The next question is from the line of Gagan Thareja from Groww Mutual Fund.

Gagan Thareja: Yes. The first question is on the phosphoric acid capacity addition of 0.2 MMTPA, which is stipulated for FY27. When exactly in FY27 will this be commissioned?

Rajeev Nambiar: Q2 of FY27.

Gagan Thareja: Q2. And the 0.1 MMTPA sulphuric acid addition in the Mangalore site for FY27 will be again commissioned by when?

Rajeev Nambiar: That is this quarter, Q4 of this year, we'll commission that.

Gagan Thareja: So Q4, see, if I go by your Q2 presentation, there is a 0.03 MMTPA sulphuric acid, which is addition, which is budgeted for FY26, which I think you mentioned, will get commissioned in Q4 of this year. But then there is another 0.1 MMTPA, which is budgeted for FY27. I was talking about that.

Rajeev Nambiar: Yes. That is actually the brownfield expansion of the existing capacity. That technical negotiations are going on actually. Once we are clear about the equipment ordering, we should be able to finish that.

Gagan Thareja: Right. And sir, in FY26, the sulphuric acid capacity at Paradeep as per this presentation is indicated at 1.9 MMTPA. Just want to understand, I think there was an addition done in FY26 in Paradeep sulphuric acid. Can you tell me how much was this and when was it commissioned?

Rajeev Nambiar: It is commissioned in the month of September end. And now stabilized, this is 1,500 tons per day plant. It has already reached the rated capacity and working pretty well.

Gagan Thareja: Okay. On an annual basis, how much would it be? You said 1,500 TPD. In MMTPA terms, that would be how much?

Rajeev Nambiar: Almost like 5 lakh tons.

Gagan Thareja: Five. So 0.5 million out of the 1.9 million happened very recently?

Rajeev Nambiar: Yes. Yes.

Gagan Thareja: And in phosphoric acid, the 0.5 million got commissioned fully by FY25 itself and would be fully utilized?

Rajeev Nambiar: Yes, it's also completed the rated outputs, and that's the thing we now we're going for expansion in two phases.

Gagan Thareja: Okay. So, these sulphuric acid backward integrations that you have recently sort of commissioned and 0.2 million that you'll be commissioning next year in phosphoric acid, what sort of benefits in EBITDA per ton terms.

Alok Saxena: Typically, when we expand the phos acid, the spread is $150 per ton between a captive and imported phosphoric acid. So to that extent, the benefit will flow to the earning of the company for the next year. For the sulphuric acid, the main advantage is power and also the netback, and that spread is typically $50.

Moderator: The next question is from the line of Preeti Jain, an Individual Investor.

Preeti Jain: Sir, wanted to check in terms of the tax expense in the quarter, our current effective tax rate in the quarter has been 20%, 21%, while the same has been 28%, 27% in the last previous quarter. What is that big change that has resulted into a tax differential?

Rajeev Nambiar: Yes. Well, this tax impact is mainly on account of regular tax as well as deferred tax. So when we took over this Mangalore plant, there is a valuation impact. There is a timing difference, permanent difference. So on account of that, you see this impact to the taxes. Generally, it should be around 25%, but you are saying.

Preeti Jain: We are saying that just because of certain expenses wherein we are beneficially the effective tax has become 20% and this is sustainable ahead?

Rajeev Nambiar: Yes. See, the timing difference and permanent difference on account of the deferred tax we get actualized, we'll see that in and around 22% to 23% tax expenses.

Preeti Jain: But the deferred tax has not changed. The deferred tax amount was INR 7 crores last year and INR 4 crores current year. There is a negligible impact because of a deferred tax?

Alok Saxena: Why don't you send your query separately to the ID, we will respond to that.

Preeti Jain: Okay.

Moderator: The next question is from the line of Jignesh Kamani from Nippon Mutual Fund.

Jignesh Kamani: So in in Mangalore urea plant, we did energy efficiency measure capex, I think, for five years ago. So we are enjoying the EBITDA benefit of that, I can say, which is expiring this March, right?

Rajeev Nambiar: Yes.

Jignesh Kamani: So profitability at the urea plant will be reduced from this March onwards. So just want to know what will be the impact on that?

Bijoy Biswal: No. Right now, the impact will be around INR 3,000 to INR 4,000 per metric ton due to this energy impact changes.

Jignesh Kamani: In Mangalore?

Rajeev Nambiar: Yes, because the new sulphuric acid, which is going to come by end of this March, actually, the additional energy will be pumped back to the urea plant, where we'll have a significant saving. So this could be not fully nullified, to a large extent will be nullified.

Jignesh Kamani: Understood. Second thing on the capex and the current ordering of the equipment and the visibility. Can you provide the separate commissioning date for both Paradeep and the Mangalore side separately for both granular and the backward integration?

Rajeev Nambiar: Paradeep is typically after ordering around 22 months, we are targeting a stretched one. And Mangalore will take a little more mainly because some configurations and special requirement in Mangalore is different than Paradeep. That we can update you actually once the ordering is completed.

Jignesh Kamani: So tentatively, Paradeep will be around March FY28 and Mangalore would be around December FY28?

Rajeev Nambiar: That could be, yes.

Moderator: The next question is from the line of Dev Gulwani from Care PMS.

Dev Gulwani: So, company will be doing debottlenecking for backward integration and expansion in sulphuric and phosphoric acid for FY28 also. So how much incremental EBITDA per ton we can expect for FY27 and FY28?

Alok Saxena: So as we said earlier, the incremental EBITDA will come from the increased processing capacity. As we said, we will expand from 5 lakh to 7 lakh by Q2 of next year. So to that extent, the incremental EBITDA flow will happen for the next year. Also the energy efficiency projects, the evaporator that we enumerated in the opening call, so all these projects will get us good incremental EBITDA for FY27.

Dev Gulwani: And for FY28 after the 100% backward integration?

Alok Saxena: Yes. So directionally the sustainable EBITDA per ton that we give at INR 5,000 now with one site being 100% backward integrated. When all the sites get 100% backward integrated and assuming that all other things remain same, the sustainable EBITDA per ton is likely to improve by 30% to 35%.

Dev Gulwani: And also in your speech, you mentioned that earning quality should improve going forward. Can you please elaborate?

Alok Saxena: That's what I said, 30% to 35% will improve when we have all the sites backward integrated.

Moderator: The next question is from the line of Shubro Tripathy from Krish Capital.

Shubro Tripathy: Sir, with regard to the upcoming NBS rate revision, so considering that sulphur prices have gone up by 3.5x to 4x, but phosphoric acid has not really gone up that sharply, so will it have an adverse impact?

Bijoy Biswal: No, we can't be specific about the phos rate. But what we can say that if you compare the last year budget allocation vis-a-vis this year, there is a increase of around 5% to 7%.

So keeping that in line, we expect that there will be some incremental increase in this per ton NBS rate. But we have to wait for this fine print or the government notification. But there is a strong feeling that there will be increase in this NBS rate.

Shubro Tripathy: Sir, my question was mostly with regard to what has happened historically. The phosphor content, the phosphor rate has been increased in the past 1 year. But sulphur, they have not really increased that sharply.

Harshdeep Singh: To clarify, see, this year, the value chain for sulfur has got impacted because of the Ukraine-Russia situation, okay? So there's a temporary effect which happened on a part of the supply chain for sulphur.

We expect that also to get normalized maybe another two months' time. That's the expectation. And phosphoric acid value chain is a demand supply primarily for the NPKs and MAP. And that's the reason why typically you've not seen the similar kind of impact. But sulphur has kind of behaved abnormally. It's not the normal behavior for sulphur and we expect that to get normalized.

Moderator: The next question is from the line of Anik Mitra from Finnomics Solutions Private Limited.

Anik Mitra: Sir, as like we have found that NPK is contributing more in your total portfolio at this point in time. And I believe that that is the trend of the country that we are getting more inclined towards NPK than DAP?

So you are backward integrating your DAP facilities. So from that aspect, I understand that your facilities are fungible as well. Now considering from that context, how significant it is backward integrating your DAP facilities? Maybe you will be producing more that will be quite normal like NPK will contribute more in your portfolio going forward as well?

Harshdeep Singh: No, so just to clarify, the expansion that we are doing is in the production of granulation and that is totally fungible, okay. So the product mix is totally determined by the market requirement and the kind of drivers of profit and growth.

So when we are saying we're expanding the granulation train in Paradeep by one million tons, it's the product mix is going to be a combination of NPKs and DAP, but we can completely move on to complete NPKs in that portfolio.

Anik Mitra: Sir, I was referring to phosphoric acid, means you are backward integrating phos acid that I was referring to.

Harshdeep Singh: Yes. So you're backward integrating phosphoric acid to kind of power all your granulation train with a dominant NPK portfolio.

Anik Mitra: Okay. So like whatever the entire capacity you are planning to utilize in that, the similar kind of utilization will be there like if you start producing more NPK as well. Is my understanding correct?

Harshdeep Singh: Yes, that is how we planned it out. That's what the capacity expansion plan for phosphoric acid to power the complete granulation. If you look at it, we are dominantly Goa and Mangalore is already totally NPKs. So Paradeep, we do a little bit of DAPs.

Anik Mitra: Okay. And sir, in terms of this phosphoric acid backward integration, you said US$250, if I'm not wrong, you said US$250 per metric ton will be the benefit. Am I correct?

Harshdeep Singh: You can take it as $150.

Moderator: The next question is from the line of Nitin Kaushik from Afin Capital Private Limited.

Nitin Kaushik: My question is after the merger with MCFL and with all the synergies coming up and also the capacity expansion happening, can you please guide us on long-term EBITDA margin coming up? So can we maintain above 10% mark going forward? Or by how much quantum would it increase?

Bijoy Biswal: Already, we have this EBITDA margin right now is 11%. So we'll be maintaining that sort of margin.

Nitin Kaushik: Okay, sir. Sir, the second question was, can you please specify the amount of total capex which would be incurred in FY26?

Bijoy Biswal: FY26, already we have spent around INR 450 crores, FY25 and FY26. So another INR 50 crores will be spent. So for the year, we'll be closing at INR 500 crores. And next year, the budget is that our regular maintenance capex around INR 350 crores.

Moderator: The next question is from the line of Prashant Biyani from Elara Securities.

Prashant Biyani: Sir, how much was the subsidy received in Q3? And how much is the gross debt?

Bijoy Biswal: No, we have received subsidy of around INR 2,500 crores in Q3.

Bijoy Biswal: Gross debt is around INR 5,400 crores after netting of this investment.

Prashant Biyani: Okay. Sir, any price hike have we taken in fertilizer specifically in Q3?

Harshdeep Singh: Q3, we had taken, Prashant, a price increase for the NPKs primarily N10 and N12.

Prashant Biyani: And how much?

Rajeev Nambiar: So we had increased our MRP from around INR 1,900 level to almost INR 2,025, INR 2,000 level.

Prashant Biyani: Okay. And sir, lastly, how much is the current stock of DAP, NPK lying in the channel at the end of Q3?

Harshdeep Singh: Okay. So currently, we have got DAP stocks, which is approximately around 1,06,000 as far as channel is concerned and NPK stock of 5 lakh tons.

Prashant Biyani: TSP?

Harshdeep Singh: TSP, we got approximately 65,000 tons of TSP stock.

Moderator: The next question is from the line of Gagan Thareja from Groww Mutual Fund.

Gagan Thareja: So my question is on the EBITDA. I think last quarter, you indicated that with all these backward integration measures, next year, you could incrementally add another INR 350 crores, INR 360 crores to your EBITDA, if I remember it correctly from your transcript. And I mean, in the interim, some input prices have moved up sharply. So do we maintain that we can next year add that sort of a number to the EBITDA on this year's closing number?

Harshdeep Singh: I think we continue to say that all the incremental EBITDA from the backward integration that we have planned and the projects that we have completed will be in the line that we discussed last time. But obviously, it is subject to the global price movements and we'll see how the price movements pans out in next year.

Gagan Thareja: Right. And given your capacity expansion plans, how should we think of your gross debt movement from the current levels? How will it move going ahead?

Harshdeep Singh: Gross debt will be around 0.75

Bijoy Biswal: Of the equity. Now we will be maintaining that at that level. We don't want to leverage it further. So, it will be hovering around the same around

Harshdeep Singh: 0.3x.

Bijoy Biswal: Yes.

Moderator: Ladies and gentlemen, we'll take that as the last question for today. I now hand the conference over to the management for closing remarks.

Rajeev Nambiar: Thank you for taking the time to join our earnings call by all the investing community. Should you have any further questions, please reach out to our Investor Relations team. Thank you once again, and have a good day. Thank you.

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