



Paradeep Phosphates Limited

“Paradeep Phosphates Limited Q1 FY24 Earnings Conference Call”

August 4, 2023



Paradeep Phosphates Limited



MANAGEMENT: **MR. SURESH KRISHNAN – MANAGING DIRECTOR**
MR. ALOK SAXENA – GENERAL MANAGER & HEAD
(CORPORATE FINANCE)
MR. SUSNATO LAHIRI – DGM (STRATEGY, INVESTOR
RELATIONS & ESG)

MODERATOR: **MR. NILESH PATIL – ICICI SECURITIES.**



Moderator: Ladies and gentlemen, good day and welcome to Paradeep Phosphates Limited Q1 FY24 Earnings Conference Call hosted by ICICI Securities.

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 this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nilesh Patil from ICICI Securities. Thank you and over to you sir.

Nilesh Patil: Thanks Neerav. On behalf of ICICI Securities, we welcome you all to Q1 FY24 Results Conference Call of Paradeep Phosphates Limited.

We have with us Mr. Suresh Krishnan – Managing Director; Mr. Alok Saxena – General Manager and Head (Corporate Finance); and Mr. Susnato Lahiri – DGM (Strategy, IR and ESG).

Now, I hand over the call to the Management Team for their initial comments on quarterly performance and then we will open the floor for a question-and-answer session. Thanks, and over to you sir.

Suresh Krishnan: Thank you. Good afternoon everyone. Thank you for joining us for the Q1 FY24 Results Conference Call.

We have already circulated our “Earnings Presentation” and I hope you’ve had the chance to go through the presentation. We will begin this call with a brief discussion on “Performance and Financial Results” for the Q1 FY24 and we would be happy to take any questions afterward.

Q1 FY24 had a few challenges for the fertilizer industry. The uneven rainfall had delayed sowing in different parts of the country. Moreover, the industry had seen a demand-supply imbalance with a higher channel inventory coupled with falling raw material prices. Notwithstanding our Company’s production volumes grew 126% year-on-year and our sales volume grew 81% year-on-year on the back of robust operational performance and a sharp increase in our farmer and channel connect.

During the quarter, the Company had delivered a quarterly income of Rs. 30,735 million registering a year-on-year growth of 25.7%. The EBITDA for the quarter stood at Rs. (-194) million and the profit after tax for the quarter was INR (-1,199) million.

The profitability and margins during the quarter were impacted by the retrospective subsidy adjustment and partly by a carry forward of high-cost raw material. The net one-time adjustment taken in is Rs. 305 crores, Sans the adjustment, the EBITDA would be Rs. 285 crores. Total fertilizer production during the quarter was 6,40,784 metric ton registering a strong year-on-year

growth of 126%. The volume growth was driven by higher capacity utilization and operational efficiencies resulting from strong backward integration and capacity expansion. Both our Goa and Paradeep sites are now operating at their optimal capacity.

The Goa site operated at close to full utilization levels in Q1 and produced 2,87,764 metric ton of finished fertilizer including unique grades like N-19 and N-24 in addition to our core products. Paradeep site has produced 3,53,020 tonnes of finished fertilizers showing an increase of 32% compared to the same quarter in the previous year. Total sales volume during the quarter was 6,21,824 metric ton registering an 81% year-on-year growth. The sales volume growth was driven on the back of our strong distribution capabilities. During the quarter, we greatly improved our farmer and distribution connections, reaching 61.5% more farmers in Q1 FY24 vis-a-vis Q1 of last year. We will continue to leverage our brand equity and build more meaningful relationships with our farmers and channel partners in the near future. We also confirm that the stated expansion of our captive Phosphoric acid capacity to 5,00,000 metric ton at Paradeep plant is now complete and is under commissioning in the month of August.

We expect this backward integration will aid to our bottom line in the quarters to come. The industry outlook appears positive bought by the recent revival of the monsoon, robust reservoir levels, favorable crop prices compared to minimum support prices and the stabilization of global commodity prices. These factors together indicate a positive growth opportunity for our sector. As we move ahead into FY24, we remain cautiously optimistic about the macroeconomic challenges and we'll continue to adopt proactive measures to ensure sustainable and stable growth. With a capacity that is now fully stable and fungible, additional backward integration going live in August and improving farmer reach and several other strong advantages across the value chain, we remain focused on maximizing the value to all our stakeholders. Thank you very much and now I would like to open the floor for a Q&A. Over to you.

Moderator: Thank you very much. We'll now begin the question-and-answer session. The first question is from the line of Deepak Gupta from RM Shares. Please go ahead.

Deepak Gupta: Is there any other one-time adjustments going forward?

Suresh Krishnan: Well, Deepak as far as all the government circulars which are there, we have clearly provided for everything, we do not have any one-time adjustments to be done.

Deepak Gupta: Okay, because last time also, last quarter also we had an adjustment towards the Goa plant. This time it is towards the inventory.

Suresh Krishnan: Deepak, just to clarify for the benefit of everyone here. As far as last time is concerned, the Goa plant-related adjustments have been clearly documented by us and communicated to all the shareholders. As far as the year-end adjustments were concerned, they were only to do with the stock adjustments for which the NBS rates were awaited and we had made a management estimate which we believe was quite adequate. The only adjustment which has happened this



time more than the stock is the retrospective fertilizer subsidy, which has been withdrawn by the government or recouped by the government for the period January 1st to 31st of March. That's the only major adjustment that we have done during this quarter. This is pertaining to fertilizer which we had manufactured and sold to the farmers.

- Deepak Gupta:** Okay fine, but going forward all adjustments are done. Can I take it on that sense?
- Suresh Krishnan:** Yes. All the circulars which the government has issued for NBS in the last quarter have been fully accounted for.
- Moderator:** Thank you. Next question is from the line of S Ramesh from Nirmal Bang. Please go ahead.
- Ramesh:** Good evening and thank you very much. So, just to understand this retrospective subsidy adjustment, in the fourth quarter, you mentioned that you had taken some steps to adjust for the reduction in the January-March quarter anticipating that in April. So, what was the difference you have to adjust this quarter if you can share it with us?
- Suresh Krishnan:** Ramesh, this is like this that whenever we have a quarter that ends and we have a stock which is there at the end of the period, the NBS rates are applicable to those stocks as on what is published by the Government of India. And the POS stocks are normally paid by the Government of India based on the time in which it is sold. So, we had anticipated in terms of what POS stock reduction will take place during the fourth quarter, which we had fully provided for. However, the government had come out with two circulars during the last quarter. One was for the POS stock adjustment of 31st of March, which pertains to material sold to the channel but not sold to the farmer, which was fully provided for. They also did one more adjustment of material which was sold not only to the channel but further by the channel to the farmer for which they had paid us the money which they recovered. That is the adjustment which has largely been done this quarter.
- Ramesh:** Can you quantify that amount?
- Suresh Krishnan:** Which is a very unusual situation for us to face and the total adjustment that we've done was about Rs. 305 crores, the majority of which has gone towards this adjustment.
- Ramesh:** Okey, and what would be the loss on inventory carried over from last quarter?
- Suresh Krishnan:** In terms of loss of inventory that we're looking at for the higher-cost of finished goods or raw materials that we are carrying in the number is around Rs. 70 crores.
- Ramesh:** So, going forward, based on your increase in granulation capacity for backward integration, Phosphoric acid and sulfuric acid, assuming that you're able to maintain the growth, what is the incremental benefit you will get in terms of the cost savings and how do you see the EBITDA per ton moving say for this quarter and the rest of the year?



Suresh Krishnan: Well, Ramesh, I mean, I'm sure this is for the benefit of all the other participants also here. We have always over the last number of quarters that we've been having the discussion, we have guided the market to say that the ideal EBITDA for the kind of combination that we have is about Rs. 5,000 per metric ton. This is the number that we have always guided and I believe that whatever happened in the sector today this is the number that we still hold on to and the improvements to this number basically come from our backward integration, which could ideally take this number anywhere from an Rs. 5,000 number to up to an Rs. 6,000 number. So, this is the range in which we would finally move.

Ramesh: Okay. So, then the only thought there is now with the international prices of Phosphoric acid having corrected about 50% in terms of your make or buy the captive Phos acid will still give you that same benefit or is it just going to be the security of supplies?

Suresh Krishnan: The Phosphoric acid that we'll make will certainly give us a benefit in terms of the value addition that we'll end up doing here and you must understand one thing that Phosphoric acid for India is something which is fixed on a quarterly basis. So, we have seen a decline in Phosphoric acid prices from \$1,070 per metric ton to a level which was close to \$970 per metric ton during the last quarter and this quarter also there is a further reduction which is expected, but as the Phosphoric acid prices go down, you also get a correction to other raw materials and hence your value addition that you get to see in the making of Phosphoric acid in India continues to be strong.

Ramesh: Okay. So, then last two thoughts. One is in terms of your debt as at the end of the quarter, what would be that level be and how do you see the ROCE moving from now based on the backward integration and the volume growth and the kind of EBITDA per ton you are talking about?

Suresh Krishnan: Well, when you look at debt, we look at debt from three perspectives. The first perspective of debt for us is the long-term debt that we have taken for various projects that we have executed over the last 18 months now. This number is something that I have always guided that the number of maximum going to be Rs. 1,000 crores and if you look at it today, this number is just a shade less than Rs. 1,000 crores as we have pretty much completed all our projects. The precise number is Rs. 968 crores. On top of it, we get into what is called the working capital term loan that we take for the mismatch in terms of receivables and inventories that we carry. This number at the end of June 30, 2023, is Rs. 1,674 crores, and this is our number which has been fluctuating anything between Rs. 1,000 crore number to up to about Rs. 2,000 crore number. As we speak today, there has been further improvement in this number because of goods sales and collections which have happened subsequent to the quarter. We have been quite a marked reduction in this number as you see, and the third number is primarily what we call buyer's credit, which is there for us to finance the raw material procurement that we do. This number is at Rs. 2,743 crores for us. This is primarily because our volumes have increased now and the volumes having been increased obviously we are procuring a lot more in terms of raw material that we need to keep. In my view, this number is something which is going to also get moderated because the raw material prices are coming down. To that extent, even though the volume goes up, you'll get



partially offset by the fact that the prices are coming down. So, a mix of all these three, which is really adding up to around Rs. 5,000 crores is the number that we get to see. However, during the quarter, our overall cash flow has increased from Rs. 43 crores that we had earlier, we are into INR 234 crores of cash that we have in the system.

Ramesh: So, what about the prospects for ROCE?

Suresh Krishnan: Well, if you look at it, we have been a strong Company when it comes to a ROCE and an ROE. We've always been trying to hit a ROCE, which is well above the 15% and 15 to 20% is a range in which we have been swinging as per the ROCE is concerned and we would be expecting to continue to be in similar levels and if you look at the last year ROCE, it was 20.9% and that's the kind of a number that we are working towards.

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

Resham Jain: So, few data points sir. In terms of subsidy receivable, what is an outstanding number as of quarter end?

Suresh Krishnan: Okay. Subsidy receivable is Rs. 3,203 crores.

Resham Jain: Okay, understood, and sir, just on the CAPEX side, you mentioned the Phosphoric acid plant is almost commissioned. So, now the only plants which is left is sulfuric acid plant and maybe some efficiency improvement projects in Goa. So, let's say in the next two years now, what will be the remaining CAPEX which is left?

Suresh Krishnan: The Goa CAPEX is to the tune of Rs 82 crores, which will get capitalized by the end of the year, and as far as the sulfuric acid plant is concerned, we have a payment of over Rs. 325 crores to be spent on this project over the next two years. So, these are the main projects that we are looking at here. So, if you look at the outstanding amount for the larger CAPEX that we're looking at, we are looking more like Rs. 370 crores of outstanding projects for various CAPEX that we're looking at besides the regular maintenance CAPEX that we will have.

Resham Jain: Okay. So, sir, now given that the Phosphoric acid plant benefit will also start flowing through and the inventory is also coming down in terms of the inventory prices because of that and subsidy receivable also government is clearing quite a bit compared to what we have seen last year.

Suresh Krishnan: Yes.

Resham Jain: So, in terms of the debt situation, how do you see overall debt and interest cost moving in the remaining nine months?



- Suresh Krishnan:** If you look at it today, our overall position is at Rs. 5,385 crores, that is the current position of working capital debt, the long-term borrowings all put together. I believe that this number should be coming down and if you're looking at guidance on this, the long-term borrowing that we have at Rs. 968 crores at the end of the year should ideally be around a similar number. It will not be too much higher than this, whereas we will see a good recovery in the working capital by about Rs. 700 crores to Rs. 800 crores. So, we are expecting that end of the year if the payment cycle from the government continues the way it is today and the markets are looking quite strong, we should come down to about Rs. 4,500 crores as overall borrowings.
- Resham Jain:** Okay, understood and you mentioned about Phos acid benefit and Goa benefit also next year. So, this Rs. 5,500 should probably then to Rs. 5,500 – 5,700?
- Suresh Krishnan:** I personally think that since we will be repaying long-term loans, we believe that the long-term loan of current Rs. 968 crores is not likely to really go up.
- Resham Jain:** No sir. I was trying to understand on the EBITDA per ton, that number Rs. 5000 which you have mentioned that can go to maybe Rs. 5,700 – 5,800 once
- Suresh Krishnan:** Yes, that's what I said. Yes, what I had guided also this while is there a Rs. 5,000 is a good number for the mix that we have and the mix could now be moving between Rs 5,000 crores and Rs. 6,000 crores as we stabilize all these operations here.
- Resham Jain:** Okay The last one sir, given that if I just do this calculations, what will be the next course of action from the capital perspective? Will you keep reducing debt for the next two years consolidate the balance sheet or you go for further expansion in CAPEX at the Paradeep site?
- Suresh Krishnan:** Well, look at it this way. I think the ideal situation for us is to get to a situation where our debt equity is less than one-to-one and currently, the capital in the book is about Rs. 3,400 crores. We would want to get to see that the capital also goes up and the debt gets moderated accordingly and we come down to that level. Technically, I think in the next couple of years we will have to really get down to a stable steady state running and steady state EBITDA that we could get to see, which will be commensurate with the industry norms. So, that is what our objective will be. So, as I always said FY23-FY24, this financial is where we're going to get our volumes right and the market positioning for the same volumes right and FY24-FY25 should be a stable year for us to operate with urea efficiencies and everything being completed. That's when the next phase of growth that we would want to see is something which can be discussed here.
- Moderator:** Thank you. Next follow up question is from the line of Deepak Gupta from RM Shares. Please go ahead.
- Deepak Gupta:** Sir, you were telling that some subsidy have been recovered by the government, am I right?
- Suresh Krishnan:** Yes.



- Deepak Gupta:** Okay. How is the pricing power of this Phosphoric chemicals?
- Suresh Krishnan:** Can you repeat your question?
- Deepak Gupta:** The pricing power as this debt, this recovery by the government, are they able to pass it on to the this in future you are able to pass it on to the farmers or whatever is it?
- Suresh Krishnan:** No, the current levels of Phosphoric acid price that we have, the raw material prices that we have, we are in a position to pass this on to the farmer because there are two elements to the revenue stream that we have. One is the MRP, the other is the government subsidy. So, if you look at the combination of these two, we are at a situation where the total cost is being fully recovered.
- Moderator:** Thank you. Next question is from the line of Harsha from HSBC Mutual Fund. Please go ahead.
- Harsha:** Yes, thank you. So, the first question is there was a recent news article of Zuari selling Mangalore Chemicals stake to you. So, can you just help us understand what could be the logic for that stake considering your current capital position, your capital deployment strategy, and even your current debt level?
- Suresh Krishnan:** Harsha, let me confirm to you. As management, we are currently fully focused on our current operations and completing our projects and taking things forward. We have not as management evaluated any other opportunity.
- Harsha:** Great sir, that is actually reassuring. So, the second question is, I'm a little bit new to the Company, so pardon my limited knowledge. Is a JV between Zuari and OCP over the years and Zuari as a standalone entity also in Goa was operating since many years. So, Zuari also had a tie-up with raw material sourcing from OCP, or was it only Paradeep?
- Suresh Krishnan:** Paradeep always had long-term arrangement with OCP as far as rock Phosphate was concerned and to the extent that they required Phosphoric acid. Zuari Agro Chemicals independently had an agreement for buying Phosphoric acid from OCP, independently. These are two independent contracts that were there. One more thing Harsha, those contracts to Zuari Agro Chemicals with OCP had already lapsed in the year 2018.
- Harsha:** Understood. So, what I was trying to understand is Zuari over the years, why did Zuari had exactly the same business running out of two different names. One was Zuari Agro in Goa and one is a Paradeep based out of Odisha, that actually I wanted to understand that.
- Suresh Krishnan:** Harsha, just to clarify this position, Zuari Agro Chemicals has been an existing Company since 1971, which is also the promoter of various other fertilizer entities. When it came to Paradeep Phosphate, Paradeep Phosphate was an acquisition at the time when the government divested its stake in the year 2001 – 2002. So, it was an acquisition which was done during the government



stake. However, with the acquisition, the government had a residual stake in the Company, which was initially about 26% but came down to about 19.5%. So, as long as there was a government stake in that Company and till the government made an exit and there was no question of our ability to consolidate these assets.

Harsha: Okay but was it safe to assume in terms of day-to-day running and taking the key decisions, it was Zuari who was taking the decisions for Paradeep as well?

Suresh Krishnan: No. They both were independent companies. Paradeep was a 50-50 JV, which was there along with the government investment and Zuari was an independently listed entity. There was no common management loop there.

Moderator: Thank you. Participants you may press star and one to ask a question. Next question is from the line of Prashant Biyani from Elara Securities. Please go ahead.

Prashant Biyani: Yes. Thanks for the opportunity. Sir on the rock cost side, for us how much has the blended rock cost fallen on a quarter-on-quarter basis?

Suresh Krishnan: Well, if you look at the rock cost the way they have been moving, I think it's been quite a significant from earlier days of \$370, it's already come down to about \$223, the best quality rock. So, when you look at September 22 to June 23, there has been a significant reduction.

Prashant Biyani: \$370 price was prevailing in September 22.

Suresh Krishnan: In September in that quarter, yes.

Prashant Biyani: But sir, just on a Q-on-Q basis between Q4 and Q1 how much will that be?

Suresh Krishnan: If you look at it from a recent thing, we will always get a rock correction directly proportioned to the acid price correction that you have. So, the \$1070 acid correction, which was there and from there if you look at it, \$1050 has gone down to \$970 in terms of the acid pricing. So, if you look at it a similar proportional reduction would happen in the rock Phosphate contracts also.

Prashant Biyani: Okay. Sir, when we are ordering material, in how many days does it reaches us and that is accounted for at the cost prevailing at the time of ordering or at the time of receiving?

Suresh Krishnan: Any purchase that we do internationally the pricing is based on the date of shipment, the bill of lading date. So, whenever the bill of lading date is made that is the date on which the pricing is finalized and typically from Western Africa, it would take about 35 to 40 days for cargo to reach the Indian port.

Prashant Biyani: Bill of lading date would be meaning the date of -.

Suresh Krishnan: The date in which the ship leaves from there. The loading happens and it leaves from there, yes.



- Prashant Biyani:** Okay, and sir, how many days of raw material inventory do we generally keep?
- Suresh Krishnan:** We'll typically look at it for us when it comes to rock. I mean, we are a very large consumer of rock. We need about 100,000 tons of rock every month, so we normally keep about 30 days to 40 days is our ideal situation to have a rock inventory with us. Rock and ammonia both we keep to about 40 days there.
- Prashant Biyani:** Okay. last two questions. How many days of subsidy have we received in this quarter? What is the amount of subsidy that we have received?
- Suresh Krishnan:** If you ask me today, based on the actual spaces which have happened, we had substantial recovery of subsidy which has taken place during the month of up to the month of July and up to the third week of July government has already paid based on Phosphates.
- Prashant Biyani:** In Q1, how much is the amount that we have received?
- Suresh Krishnan:** Q1, the receipt of subsidy for us totally was, I'll just give you the number. It was quite substantial for all these periods. Give me a minute. I'm just giving you the number.
- Prashant Biyani:** Yes.
- Suresh Krishnan:** Over Rs. 1,543 crores is what we got here during Q1.
- Prashant Biyani:** Sir, once we place the material with the dealer, are we eligible to claim subsidy or we can claim subsidy only when the -.
- Suresh Krishnan:** We are eligible to get a subsidy only when the retailer sells it to the farmer and the quantity is properly endorsed through the point of sale machine.
- Prashant Biyani:** So, we are eligible to get subsidy that is fine. I understand that but even claiming part also we can do only after we do the -.
- Suresh Krishnan:** Absolutely. We will get the subsidy based on POS sales only. That's how the system works.
- Prashant Biyani:** Okay. Lastly sir, have we been able to establish as to how much the average stock we need to keep in the channel at any point of time?
- Suresh Krishnan:** Well, if you look at the Indian market we are roughly about six to seven consuming months and we have 12 months of production that really takes place here. For us, to effectively manage the entire thing up to about two months of channel inventory, something that we need to keep, that's the kind of optimal level that you will have and typically, when you look at year end it's also an off-season. Given that it's an off-season, you actually go down to two months of inventory, which is there in the channel unless and until you don't produce during the last quarter.



Moderator: Thank you. Next question is from the line of Darshita from Antique Stock Broking. Please go ahead.

Darshita: Thank you for the opportunity. My first question is regarding the Goa urea efficiency that you mentioned. I think this year we're spending around 80 odd crores. What about the next two years? Do we have any plans of further improving the energy efficiency over debt? What is the current efficiency and what do we plan on bringing it down to? If you could provide some light on that.

Suresh Krishnan: No, the equation is very straightforward here. As per the government norm, we are supposed to achieve 6.5 Gcal ton of per metric ton of urea and our current operating norm is close to about 6.65 for which we are getting compensated by the government. And we expect that by the time we complete our CAPEX program in the month of December, we will come down to a level which will be about 6.4 or below that. That is the efficiency that we will get. As far as any further improvement in efficiencies are concerned, it will be important for me to give clarity here. See March 2025 is the year in which the government is likely to revise the norms of energy efficiency that is applicable for the entire urea industry, which will be applicable from the 1st of April 2025. So, till such time we don't have clarity on that. There is no real further CAPEX which is being planned as of now but I can tell you that we have an ability to improve our efficiency to levels which are far superior. We could even come down to about 5.7 Gcal with investments being made but else investments will be subject to clarity on future government policy.

Darshita: Okay, that was helpful. Second was on the channel inventory build. What we understand is currently the imported material, the end product that is DAP so to say is very high in the channel. So, does DAP anyhow impact the volume of take for the second quarter despite the season being good?

Suresh Krishnan: Well, I mean you will get the volumes that normally the market consumes and we believe that the kind of expansion that we're looking at in terms of our overall growth, I think we are in line to kind of achieve that and the higher channel inventory will have an impact but we are a Pan India player, so we will ensure that we are in a position to place our material in the right markets here.

Darshita: Alright, and just lastly on the MRP for the end product going forward, how do we see the trend moving on? Currently, I suppose DAP is priced at Rs. 27,000 per ton. How do we see that moving forward considering the PA prices have come down even further after the subsidy cut that the government took off? So, some light on that and some idea if you could prove us with.

Suresh Krishnan: No, I think this is again for the benefit of all the listeners out here. The best situation that one could get to see here is that the MRP and the fertilizer subsidy put together. As long as the fertilizer subsidy is at the level of about 30% of the total sales, that's an ideal situation for the industry to operate on. At this point of time, we have a situation where the mix of MRP and the subsidy roughly about 55% is coming as subsidy and balance 45% is coming as MRP. So, our



take on this is that there will be a correction in terms of subsidy which will take place over the period of time and based on the global markets for the prices in the global markets. Today, all prices are going up, so suddenly that we are seeing this reversal in terms of finished goods prices in the global market and we'll have to wait and watch to see whether this trend is going to sustain and this will be in a similar format or not. We are seeing a recovery in various markets. So, I don't believe that there will be a change to the MRP of any of the end product at this point of time. If at all any there will be moderation that will take place in the subsidy scheme of the government.

Darshita: Okay. Thank you so much. Just one last question on the raw material price movement going forward, what we understand is, the prices for a few raw materials have started to revise back say for ammonia. So, they have started to increase on a week-on-week basis. So, how do we see the trend going forward in the second half of the year specifically?

Suresh Krishnan: No. You're right that ammonia had come down to some interesting levels of \$300 per metric ton. We are suddenly seeing which is where the spot market is anywhere between \$380 to \$405 today. This is a new trend and this we are seeing on both sides in the East and Western side of the world and also there is a shortage of ammonia today. It's not just the prices alone, there is a supply constraint also being seen but however, we have long-term contracts with end players, which are based on and effectively some good formulas and I believe that we would get a good attractive price as well as the ammonia is concerned. When it comes to acid, it's an Indian price which is pretty reasonably common to all the Indian players. So, this stands at \$970 for the last quarter and the expectation for this quarter is about \$850 per metric ton.

Darshita: Right. I was actually trying to largely understand from the subsidy as the NBS rates going forward given that -.

Suresh Krishnan: No Ma'am just please understand. NBS rates do not work on individual raw material prices. NBS rates are computed based on finished goods prices and the rest of it is derived out there. So, the global prices of DAP, the global price of urea is what will determine what is the price for NNP and similarly the global price of MOP will determine what is the price for per K. So, it is basically from the finished goods is all derived.

Moderator: Thank you. Next question is from the line of Deepak Gupta from RM Shares. Please go ahead.

Deepak Gupta: Sir, I just wanted to get clarity sir. The Goa plant and the Paradeep plant both are in full production if I'm right for this quarter.

Suresh Krishnan: Yes.

Deepak Gupta: Yes. So, I can safely for my calculations on this one on the total tonnage I can take approximately 5,500 of EBITDA?



Suresh Krishnan: Well, as said I was guiding that saying that this could be a range of 5,000 to 6,000 and depending upon where the raw materials finally end up today. So, that's a number that's the pick that we'll have to make there.

Deepak Gupta: Okay, because for my calculation, so I'm just taking the full tonnage for this quarter. We are taking around approximately the lower end being the 5,000 and without any other exceptional items coming in, so I can forecast the revenue. There is revenue and also the net profitability, that's the reason I was asking this for the larger benefit.

Suresh Krishnan: Okay. No, that's what I said. I think the guiding principle that you're following is that we should have a minimum of 5,000 as per as this quarter is concerned. And depending upon the prices over the next two months, you will get to know the final numbers and there are some spikes which are taking place but I'm sure that the numbers should not be very different from where we are today.

Moderator: Thank you. Next question is from the line of Akhilesh M, Individual Investor. Please go ahead.

Akhilesh: So, thank you for the opportunity. I just wanted to ask a few things. So, there was recent news that in Mormugao Port, which is the Goa port, there was direct selling of fertilizers. Any reason for that? Was it due to distribution issues or anything?

Suresh Krishnan: No. I think we felt that Goa port is where we import MOP and ammonia and we thought that it's a good location for us to start selling quantities somewhere directly for the local markets and there are micro markets, which I would define. So, this is an initiative which we took to enhance our reach to various micro markets here.

Akhilesh: So, is it helping?

Suresh Krishnan: This has been positive, yes.

Akhilesh: Okay. The next thing that I wanted to ask is there was also another thing where there was an MoU signed with Goa government with respect to green hydrogen and also with BITS, Goa. So, can you shed some light on that?

Suresh Krishnan: No. This was not something I think Goa government as per our understanding is trying to do a project of green hydrogen and green ammonia as a pilot project for that and that's the only news that we have. It has nothing to do with us right now, yes.

Akhilesh: Okay and another thing is, as we see the advent of nano DAP, so in nano DAP, the price setting is on an individual capacity and it is not government guided as of now. So, there is a high chance of profitability in that. So, is Paradeep extending it to nano DAP? Is there any plans in place because in the last presentation as well, you told us that we would see those details in the site but still there has been no such news. So, if you can shed some light on nano DAP and other?



- Suresh Krishnan:** We are expecting that in the second half of this year we will have a nano urea and nano DAP in our portfolio.
- Akhilesh:** Okay. Another thing, which is to clarify as before, Paradeep as a Company has no interest or in the Mangalore Fertilizer stake sale that is happening, right, that is not in scope?
- Suresh Krishnan:** As I said the management is currently focused on the current operations of the Company. We're not looking at any other opportunity at this point of time.
- Moderator:** Thank you. Next question is from the line of Tanmay from Mirae Asset. Please go ahead.
- Tanmay:** Sir, just one bookkeeping question. If I look at the purchase of Stock in Trade line item, which has gone up substantially if I look at the past quarters also. So, if you could just help understand what is that pertaining to? And on the changes of inventories of finished goods and Stock in Trade that is also one. So, does that pertain to the above line item right or how will?
- Suresh Krishnan:** Basically, changes of inventories of finished goods and Stock in Trade is in line with the business model that we have. We have also sold our inventories during the quarter. So, it's primarily reflecting on that and purchase of Stock in Trade is also the additional material that we have bought during this quarter here.
- Tanmay:** I mean, what I'm trying to understand is, are you doing more towards trading or sort of -?
- Suresh Krishnan:** We're not into trading. Let me be very clear. We've been buying largely finished goods and we bought some quantities of DAP for trade. So, this includes about 42,648 metric tons of trading here. DAP plus MOP is the combination.
- Tanmay:** Okay. Got it. Thanks.
- Moderator:** Thank you. As there are no further questions, I will now hand the conference over to the management for closing comments.
- Suresh Krishnan:** Thank you everyone for participating in the Earnings Conference Call. We have tried to address all your questions. Should you have any further queries, please connect with our Investor Relations team and we will be happy to address the same. Thank you.
- Moderator:** Thank you very much. On behalf of ICICI Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.