

"Paradeep Phosphates Limited Q1 FY2023 Earnings Conference Call"

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LIMITED

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LIMITED



Moderator:

Good day ladies and gentlemen, and a very warm welcome to the Paradeep Phosphates Limited Q1 FY2023 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 the 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. Aniruddha Joshi from ICICI Securities. Thank you and over to you Aniruddha!

Aniruddha Joshi:

Thanks Ali. On behalf of ICICI Securities, we welcome you all to Q1 FY2023 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, Corporate Finance. Now, I handover the call to the management for their initial comments 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 warm welcome once again. Well as you are all aware the agriculture sector and the global agri input sector over the last three to four months has been quite volatile, volatile largely due to the global geopolitical situation which emerged in the last week of February. What we have noticed during the last three months has clearly been that no major corrections in terms of prices in the fertilizer in agri input space has really taken place and in terms of supply side we have seen some surprises in terms of availability; however, the way the sector has panned out I think the entire fertilizer consumption is dictated by availability and which is what we have seen globally. I think it is also important for us to understand that the linkage of fertilizer and other agri inputs to food security has further got underscored very seriously and we all believe that the current situation the way it is continuing right now will certainly have an impact in terms of overall agriculture produce in right across global markets.

The short-term outlook the way we look at it today is that some of the major crops which include wheat, rice and maize globally will see a decline in production over a period of time largely because of not being in a position to get enough macronutrients which are required. But getting back to India I think there are a few positives that we need to very clearly notice. The first positive is the agriculture sector in India the farmers in general have been reasonably isolated from any major volatility of price hikes as far as the fertilizer input is concerned which has been a quite a positive thing number one. Number two even the availability as far as the fertilizer input is concerned have been well managed by the Government of India ensuring that the serious demand pockets are well met. And the third important thing that we need to realize here is that the monsoon even though they were initially delayed have really picked up well in the month of June and the kind of coverage that we are seeing and the amount of water levels that we are seeing across various dam

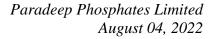


levels both with respect to last year and the last 10 years average are all very encouraging as far as our sector is concerned and the last but not the least I think the acreage that we are seeing for kharif has been very similar to what we saw last year and the agricultural produce that we are getting to see as per the latest government estimate is also quite encouraging there has been an marginal improvement that we get to see here and the other important point is the realization which has come into the farmers has been in general better than the MSP which has been provided by the government. So on the whole we get to see that our consumer base continues to be well protected, issuing strong earnings and in terms of their ability to continue their activities well and in a profitable way seems to be very evident from various parameters that we have seen.

Coming to specific to the company. I think the last quarter for us has been quite exciting not only that during the month of May we completed our IPO and got listed it is also very heartening for us to report that we have completed the acquisition of the Goa asset which have been effective June 1, 2022 as we have been mentioning right across that the Goa asset we will take about a few months to really to get to restart and to achieve the capacity utilization that we have set out to.

In terms of pure numbers if you look at our performance I think our production levels the way we see it is as compared to the previous year same quarter I think our total production was 283624 metric ton as against 227785 metric tons. This has been a quarterly good positive change a positive uptake of about 25%. One of the main reasons for this is the production that we achieved from Goa unit. As far as the previous year of FY2022 we did not have the Goa production available here we have both phosphatic and the urea production available, phosphatic under the cooling arrangement and the urea against the regular production that we started in the month of June. When it comes to sales the growth has been robust 343000 as compared to 231000 in the previous year same quarter so this has been an healthy growth that we get to see which has got reflected in the revenues our average revenue being 2434 Crores as against 1320 Crores in the previous year and it will also be important to note that the revenue change is also a reflection not only of the volumes of also the price changes which have taken place between the two quarters.

In terms of EBITDA as you all know we have a 56% improvement in the reported EBITDA which is 167 Crores as against 107 Crores that we have previously this will be an healthy quarter in that sense and this EBITDA is post some of the one-off acquisition related expenses that we had and also the startup expenses that we had to incur. So I think we believe that we have continued to maintain a robust trend in terms of our performance at the operating level and that in terms of our future outlook that we get to see as you all know we have been clearly stating that this is a year where our expansion takes place in terms of capacities and the very fact that the inorganic growth that we were having through the Goa acquisition is completed we are quite confident that the production level from that will





finally adds to the overall revenue and the returns for the company in the coming quarters and the second important thing is now we have three clear fully revamped manufacturing lines which are operational right now. The fourth manufacturing line at Paradeep is we have taken a shutdown for the revamp and we believe that we should be able to complete that and the facility will be available to us in Q3 of this financial year. So these are important terms that we need to keep in mind and one of the other important points that we have that we will like to highlight here is that as we speak our combined capacity of 2.85 million tons per annum but I think the more important thing is that our fungibility in terms of products is significantly improved and even in the first quarter we managed to produce a lot more of NPKs as against DAP based on market requirement. So we are feeling quite confident that we will be in a position to readjust our product mix based on the demand in the market. So these are our opening remarks and we will be happy to take any specific questions from the participants. Thank you.

Moderator:

Thank you very much. Ladies and gentlemen, we will now begin with the question-andanswer session. The first question is from the line of Amanjit Singh from Oculus Capital Growth Fund. Please go ahead.

Amanjit Singh:

Sir congratulations on a good set of numbers and congratulations on the acquisition of the Goa plant. I just had one question, so I believe the enterprise value of the Goa plant was about 2000 odd Crores so could you please help us get what was the debt that was assumed and what was the equity value?

Suresh Krishnan:

As far as Goa acquisition is concerned the entire thing was 100% cash payout no debt from Goa unit was taken over by us.

Amanjit Singh:

So whatever debt would have been paid off by the parent company that they would have paid themselves right?

Suresh Krishnan:

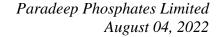
Absolutely.

Amanjit Singh:

Second question as a followup what was the basis of the valuation in the plant given the plant was loss making earlier on?

Suresh Krishnan:

Well I think this is a subject that we have addressed quite adequately. The particular unit that we have acquired in Goa has an overall capacity of 1.2 million tons consisting of 0.4 million tons of urea and 0.8 billion tons of phosphatic, in addition to that we also have an incremental surplus ammonia production which is there. This plant is in the past generally generated close to about between 350 to 400 Crores of operating EBITDA from this company and it has a very, very good robust product mix so the entire valuation was done on that basis.





Company Speaker: The valuation of the Goa plant was to answer your question theoretically all the three

methodologies of valuation were adopted mainly the EBITDA multiple, the discounted cash flow and the replacement cost basis and the lowest of the three was adopted to arrive at the enterprise value of 280 million and finally the company would be closing this acquisition at

a cost between 1600 and 1700 Crores.

Amanjit Singh: Thank you so much. That is it from my side.

Moderator: Thank you. The next question is from the line of Prashant Biyani from Elara Capital. Please

go ahead.

Prashant Biyani: Thanks for the opportunity. Sir on the capex program apart from this granulation facility for

the backward integration also we are on track to start it by October onwards.

Suresh Krishnan: Yes, we are on track to complete the granulation of all the four trains just for your

information we have completed the granulation exercise of the third train so we did C train and D train last year when we were in the buildup to the IPO as many of you would have known and we had clarified at that time the debottlenecking of train A was going on which we completed around June 20, 2022, from July 1, 2022 we have taken down train D for revamp which is expected to be completed sometime between end of September and October 10, 2022 that is the program which will then complete all the four trains revamp activity and the Paradeep sites would then have had a capacity of 1.8 million metric tons up

from 1.2 million metric tons per annum that we had as of March 2021.

Prashant Biyani: How much was the gross and net debt at the end of Q1?

Alok Saxena: The gross debt at the end of Q1 is 3627 Crores which includes the long-term loan of 758

Crores and short-term borrowings of 2869 Crores, the increase in short-term borrowing is

primarily on account of subsidiary shareholders.

Prashant Biyani: So I would believe net debt would be somewhere around this only?

Alok Saxena: If you drop off net debt it will be 200 Crores less so it will be 3427 Crores.

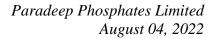
Prashant Biyani: How much would be subsidy for this year and last year Q1?

Suresh Krishnan: Subsidy amount has gone up by almost 1700 Crores, which was all outstanding at the end

of June but as we speak now close to 50% of that has been released by the government.

Prashant Biyani: How much was the subsidy last year?

Suresh Krishnan: Last year this time it was very low a much lower, let me give you the exact number.





Alok Saxena: Last year Q1 the subsidy was around 800 Crores this year it is 2300 Crores.

Prashant Biyani: What would be the breakup of manufactured and sales volume from PPL?

Suresh Krishnan: It is essentially manufactured volumes for us with one shipment which came up in trading

which is close to about 50000 tons.

Prashant Biyani: Just to clarify the complex volume was around 325000 in total?

Suresh Krishnan: Just to clarify it for you the total production was 283000 tons for us which included DAP of

103000, 16000 of urea and balance were complex fertilizers.

Prashant Biyani: Lastly EBITDA per ton for the Paradeep plant would be how much?

Suresh Krishnan: As you see in this quarter essentially the production was out of Paradeep and not very much

at Goa and so we have been maintaining the same levels of closer to Rs.5000 a metric ton in

terms of EBITDA per ton.

Prashant Biyani: This was also last year as well.

Suresh Krishnan: Yes, last year was about Rs.4600.

Company Speaker: In fact, it is 4853 as against 4611 last year.

Prashant Biyani: Okay Sir. I will come back in the queue. Thanks.

Moderator: Thank you. The next question is from the line of Manish Ostwal from Nirmal Bang

Securities. Please go ahead.

Manish Ostwal: Thank you for the opportunity. First question is on during the quarter because of cost

pressure how much impact on the margin and secondly what is your overall outlook on

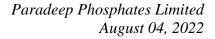
operating margin for rest of the financial year?

Suresh Krishnan: The way and we have again explained this a few times in the past as well we do not view

the business in terms of margins we view the business in terms of EBITDA per ton because ours is a business which is heavily dependent on imports and that imported raw materials constitute a large proportion of the total turnover. For this the way we usually evaluate the business is on EBITDA per ton basis and it would be our request that you also evaluate us

now and going forward on EBITDA per ton.

Manish Ostwal: So, on EBITDA per ton basis what is your outlook?





Suresh Krishnan: Rs.4850 odd per ton of EBITDA as against 4600 that was last year same quarter.

Manish Ostwal: Secondly after this Goa acquisition our peak debt would be 5600 Crores right Sir?

Suresh Krishnan: No, as was explained earlier the Goa acquisition has been done on a slump sale basis which

is a cash free, debt free basis so there we have not inherited any of the debt from Goa's

earlier owner which is Zuari Agro Chemicals.

Manish Ostwal: Thank you Sir.

Moderator: Thank you. The next question is from the line of Pratik Tholiya from Systematix. Please go

ahead.

Pratik Tholiya: Hi, thank you so much for the opportunity and congratulations on good set of numbers.

Firstly can you just help with the sales we have done during the quarter and especially split

between DAP and non-DAP?

Suresh Krishnan: Yes, the total sales that we did was 343000 metric tons of which the DAP was around

100000 rest of it were the other products.

Pratik Tholiya: You did mention that the production that you did of 283 that was largely on account of

higher volume coming from the new Goa plant so ex of Goa what was the correction

basically at Paradeep?

Suresh Krishnan: Goa plant is miniscule around 47000 tons is all that we took from Goa rest of it is all

Paradeep because as you know the Goa plant acquisition was completed on June 1, 2022 just a month of which during which also the urea plant 15 days was under annual turnaround but in April we had some bit of tolling manufacturing that had happened which is 43000 tons to be précised 43000 tons was NPKs volumes manufactured in Goa and

16000 was the urea that was manufactured in Goa.

Pratik Tholiya: Secondly on subsidy you mentioned that possibly right now it is around 2300 odd Crores

and did I hear correctly that 50% of this number has been already paid off in the month of

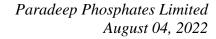
July?

Suresh Krishnan: In the month of July we have received around slightly less than 1000 Crores.

Pratik Tholiya: 1000 Crores we have already been received and what is the view on subsidy going forward

because now government is talking about I mean the industry is talking about around 2.5 lakh Crores of subsidy is likely possible so do you think that there could be some delay or the payments are going to be smooth even in the coming months and quarters of this

financial year?





Suresh Krishnan: I would like to answer this question in two parts the first part is government is provided for

2.5 lakh Crores as subsidy for the fertilizer industry today which includes urea and phosphatic we believe based on the current price trends that we have this subsidy amount is adequate to meet the entire subsidy requirement for the industry during the financial year. Given that we believe that the subsidy payout will be smooth from the government end we do not expect them requiring any substantial amount of additional money towards subsidy.

Pratik Tholiya: That is it from my side. Thank you and wish you all the best.

Moderator: Thank you. The next question is from the line of Bhavin Chheda from Enam holdings.

Please go ahead.

Bhavin Chheda: Good afternoon Sir. Congrats on successful IPO listing and good set of results to start with.

Your gross debt number now 3627 now this includes since the Goa unit acquisition is done

so any pending payment for the Goa unit, any liability spending or something?

Suresh Krishnan: Not really the total loan that we are getting to see includes the completion of the Goa

acquisition and the loans there is nothing more which is pending that we need to take care

of.

Bhavin Chheda: What was the phos acid volume in the quarter captive volumes for the company?

Suresh Krishnan: Phos acid plant was on shutdown in the period we have therefore not been producing, we

made 52000 tons of phos acid in this quarter as against 46000 tons same quarter last year.

This is the time when we usually take the shutdown.

Bhavin Chheda: The balance would have been imported and if you can help with the contract prices that was

there in the quarter?

Suresh Krishnan: Let me put it this way we have not had to import phos acid during the April, June quarter

we had certain benefits of opening stocks and arrivals so strictly speaking we as a company did not have to import and I was saying this especially in light of as far as the other players are concerned there has been a little bit of confusion related to the phos acid prices I would

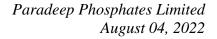
like to clarify that as far as we are concerned all our prices up to June has been at the earlier

price of 1530.

Bhavin Chheda: So now the plant has restarted now?

Suresh Krishnan: Yes full plant.

Bhavin Chheda: That would be how much percentage captive for the company?





Suresh Krishnan: As we have been talking and as you are aware when we have our phos acid plant running

fully and this is the pre-retrofit stage which is the annual capacity of 300000 we can meet close to 90% to 95% of three train requirement today the fourth train is under revamp so the Paradeep side virtually is fully self sufficient as far as P205 is concerned Goa will import

and manufacture. The Paradeep site is close to be in full self sufficient.

Bhavin Chheda: The margin you gave 4853 that was blended or that was for the NPK?

Suresh Krishnan: That is blended you will get it if you divide the EBITDA by the total volume sold.

Bhavin Chheda: So then give urea separately urea was around that number only?

Suresh Krishnan: Urea was 10000 tons that we sold 16000 tons we made.

Bhavin Chheda: Alright it was very small number.

Suresh Krishnan: Yes.

Bhavin Chheda: What would be the capex number for FY2023 that you are planning?

Suresh Krishnan: No change from what we have said nothing has been added nothing has been deducted.

Bhavin Chheda: So during the IPO time whatever you mentioned is the same.

Suresh Krishnan: Yes, it remains the same.

Bhavin Chheda: Okay thanks a lot and best of luck.

Moderator: Thank you. The next question is from the line of Rohan Gupta from Edelweiss. Please go

ahead.

Rohan Gupta: Good evening SureshJi. Sir first question is on our Goa facility so you mentioned that apart

from urea and of the 3.5 lakh ton and of a DAP we also have some surplus ammonia can

you quantify that how much surplus ammonia we have there at that plant?

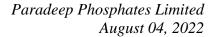
Suresh Krishnan: 70 to 80 metric tons per day is sufficient to run one of the two NPK trains without having to

import any ammonia for that one of the two NPK trains.

Rohan Gupta: This plant is completely dependent on imported phos acid right?

Suresh Krishnan: Yes and that is an area where we are looking for huge advantages to come to PPL being

having the kind of commercial relationship that we have with OCP.





Rohan Gupta: For the June contract you have mentioned that it has been on an earlier price of phos acid of

\$1530 and current quarter when we need not to import anything in terms of phos acid then

our margins are at close to Rs.4800 EBITDA per ton right?

Suresh Krishnan: Yes.

Rohan Gupta: Sir would not be that with the captive phos acid completely and Goa plant is still not

running our margins per ton so there have been a much higher than the current level given

the current phos acid?

Suresh Krishnan: Our reported EBITDA per ton is what we are getting to see 4800; we have some one-off

acquisition related expenditure which we had to write-off which has not been capitalized because of which this is at this level. That amount is 49 Crores is what we have to do a

onetime payment of stamp duty and some RM related expenditure.

Rohan Gupta: Okay so that is also loaded on the Rs.4800 EBITDA per ton?

Suresh Krishnan: Absolutely yes.

Rohan Gupta: With the current phos acid spread and with the captive phos acid right now though the rock

phosphate availability we have but how the ammonia and how the pricing of that and

ammonia and sulfur, how it is right now?

Suresh Krishnan: No, so the worst is behind us and there is no problem as far as ammonia availability or

sulfur availability and if you are following the international market you would have also noted that sulfur prices have virtually crashed from something like \$460 per metric ton to something like in Qatar ammonia had become 77 so to India it would be like 125, 130 so

there the ammonia prices are holding on but as far as availability there is no challenge on

either front.

Rohan Gupta: My second question is on subsidy front you mentioned that with the current pricing scenario

in an international market the subsidy from the government should be close to 2.5 lakh Crores but you mentioned that they have adequately provided but I understand that in a budget they provided close to 1.6 lakh Crores only for the current year so has there been

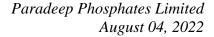
any reason and has there any off balance sheet provision has been made by the government

if you can give some sense?

Company Speaker: Government had initially made a budgetary provision of 1.6 lakh Crores that we have and

post the price hike that has happened in the global market and with a view to keep the prices

at a more affordable level government had increased the subsidy allocation by over 1 lakh





Crores this they have themselves confirmed so in effect they have about 2.5 lakh Crores of subsidy available for the industry.

Rohan Gupta:

So you mean that when there is adequate provisioning any particular reason for the delays in subsidies disbursement from the government in this quarter when earlier there was just almost getting every subsidy within a month?

Suresh Krishnan:

Let us go with the track record of government of India I think over the last two years they have not only cleared the backlog and they have been very robust in terms of clearing the dues before the end of the financial year and we have hardly been carrying more than 15 days of subsidy. When it comes to this quarter I think it is important to realize that government's notification on the MDA has happened late in the month of April and which was announced and the formal notification happened in the month of May and by the time the DBT bills and others were generated it became well into the month of June and that is one of the reasons why we did not get any major payouts but now the process was regularized and people have been able to generate the bills and we have started releasing the subsidy I personally believe that this will now be a normal process that is our expectation.

Company Speaker:

Well even on the subsidy I think the worst is behind us going forward it will be smooth.

Rohan Gupta:

So right now our 3800 Crores around debt position so if we adjust for that working capital and the payment will come on time then it will be going to reduce significantly going forward right?

Suresh Krishnan:

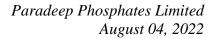
Absolutely if you look at it we should be having 758 Crores of long-term loan which is related to the capex program that we have had that will be the main loan that you will have and also the short-term loans will be highly mitigated and we do not believe that it is going to be any major number.

Rohan Gupta:

You also mentioned that for running your Goa plant complex fertilizer which does not have a backward integration of phos acid you will see it to utilize your existing relationship with the OCP I understand that the phos acid pricing is still will be on arms length basis probably so will we have any additional advantage I am not sure at this Goa facility until and unless we have any further future plan for increasing our phos acid capacity so can you just clarify a little bit more on that?

Suresh Krishnan:

I think we will have to wait for the next quarter results to come to see in terms of how you are performing in Goa but I must tell you that phos acid price is one and given the fact that we are an exclusive OCP buyer and the fact that we are a large volume buyer I am sure we will have those commercial advantages, but more importantly it is not so much about phosphoric acid price the entire industry gets down to a particular price is what is more





important with the kind of product mix that you can deliver and I think that is where we believe that we should be in a position to really get a product mix we should start add in far more to the EBITDA levels than a normal product mix of a DAP plus the usual generic our NPKs that you will get to see.

Rohan Gupta: So you want to say that we will be seeing continuous improvement towards NPK?

Suresh Krishnan: Absolutely.

Rohan Gupta: Okay thanks Sir that is it from my side. Thank you.

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

go ahead.

Ankur Periwal: Hi! Sir, thanks for the opportunity. First question on the Goa bit. Now you did mention

there was a slower or lower production in the last quarter because of the maintenance shutdown has it started fully now with effect from July or even Q2 will have some bit of hat

impact?

Suresh Krishnan: Well as far as the Q2 is concerned from July we have been having our urea plant running at

pretty much between 90% and 93% and as far as the phosphatic is concerned we are concluded the phos acid commercial transactions and now we have started receiving phos acid in the side, so from the month of August we expect that our NPK production will also

commence here.

Ankur Periwal: Sure and from a product mix perspective this will be largely NPK and some bit of DAP

within phos acid?

Suresh Krishnan: At Goa we do not have any plans to make that at this stage.

Ankur Periwal: Great, so this will be largely NPK and from a distribution network perspective any thought

there any rejig required there?

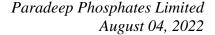
Suresh Krishnan: I think we are one of the few companies which has a very robust I can say that a pretty

much a pan India presence as far as fertilizer distribution is concerned and we are also very heavily present in markets which consume NPKs in a big way which includes markets from Maharashtra, Karnataka, Madhya Pradesh and Telangana and Andhra Pradesh. I do not think from a distribution point of view or the brand point of view we have any concerns

there.

Company Speaker: Just to add as you know during all our discussions in the past we have highlighted that one

of the key reasons behind acquiring the Goa plants was to get the distribution strength that





Zuari had so today I think people having completed the acquisition has actually inherited it so to answer your question we are now looking forward to reaping the benefits of this strength and distribution network there is no question of rethinking or realigning any of that.

Ankur Periwal:

On the capex side you did mention Goa acquisition is behind us and because the debottlenecking part is already done so any thoughts on capex and the peak debt how should one think about it?

Suresh Krishnan:

As far as the long-term debt is concerned we believe that our number is going to be under 1000 Crores is a number that we will end up which will be the peak long-term debt that we could hit and we are pretty certain that is where we are headed today and as you know the revamp costs are well established and the phosphoric acid backward integration should also get done by Q3 and we are pretty much procured the equipment required for that so we do not see any surprises on these.

Ankur Periwal:

Just one last clarification you mentioned on the backward integration especially for the Paradeep plant on the enhanced capacity we are fully backward integrated did I hear that right?

Suresh Krishnan:

Yes, I do not know again this is let me just to clarify once again once we have completed the revamp retrofit program for the phos acid plant our capacity is going to move from 300000 metric tons per annum to 500000 metric ton per annum while the actual requirement of phos acid depends on the product mix at a generic level and on an average forecasted volumes of phosphatic fertilizer that we will make Paradeep site will be around 90% to 93% backward integrated only a small quantity of phos acid we will have to import depending on the actual mix of product that we make there.

Ankur Periwal:

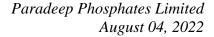
That is really helpful thank you Sir. That is it from my side thank you.

Moderator:

Thank you. The next question is from the line of Amar Maurya from AlfAccurate Advisors. Please go ahead.

Amar Maurya:

Thanks a lot for the opportunity and majority of my questions had been answered. Only one clarification like as you said that the Goa plant urea capacity has already started and NPK capacity you are planning to start in August so let us say at a broad utilization level will we making the similar kind of EBITDA per ton what we are making here in existing Paradeep facility or what is the target there because there the phos acid is basically the backward integrated?





Suresh Krishnan:

No as far as Goa is concerned our EBITDA margin will be dictated by the kind of NPKs that we finally end up making I think that is the key out here and obviously you certainly have an advantage when you have your own phosphoric acid plant so between acid and your own phosphoric acid plant I am not having a phosphoric acid plant on a general level you have a close to about Rs.1000 margin difference which comes at EBITDA level. So those kind of margin difference could be there and it would also be bridged by having certain specialized products which cannot come your end so I think we are restarting the plant now and we will be working on various products to really make and I think about a few months from now we will be in a position to very clearly state in terms of what it is that we are going to finally offer because the fungibility and ability of Goa to make (inaudible) 36:41 is huge and so that is where we are looking at deciding in terms of what are the best options and we also plan to as we have already said we have introduced a new product N14 and which is something Goa will also start manufacturing.

Amar Maurya:

On the current mix whatever the NPK mix we are having currently so are you saying that at the current mix you will have something around 3800 a metric ton and have you changed the mix, it will broadly be moving towards 4800 level kind of it?

Suresh Krishnan:

If you look at a long-term average that has been the difference that you get between phosphoric acid's backward integrated plan versus a non-backward integrated plan that is the long-term average so as we stand right now here the blended number that we are looking at which is going to be closer to about Rs.5000 a metric ton for phosphoric fertilizer is what we are targeting and we will decide the mix between the two sides as we go forward and we will ensure that we will work towards delivering that number.

Amar Maurya:

Secondly did I heard right that you are going to start your commercial production in August right?

Company Speaker:

Yes it is from August just to clarify the vessel has both today and so this week we should start the NPK run in Goa.

Amar Maurya:

Fair enough Sir. Thank you.

Moderator:

Thank you. The next question is from the line of Resham Jain from DSP Investment Managers. Please go ahead.

Resham Jain:

Hi! Good evening Sir, so few questions. First is we have seen this 40 Crores of one-off in Q1 with the Goa plant now going to get ramped up gradually during this quarter are there any more one-offs which are expected in Q2?

Suresh Krishnan:

Not likely.





Resham Jain:

My second question is (audio cut) 38:45 given that by the end of the year most of your capex will be over how are you looking at expanding your market or further expanding your capacities if you can just help with your thought process that would be helpful?

Suresh Krishnan:

We have clearly maintained that FY2022-2023 the current financial year is all about ensuring that our capacities are in place both in terms of granulation and backward integration so 2023-2024 which is our next financial year is where we are targeting to hit off the capacities here and that is when you will get to see that we not only get the volumes that we are looking at and we also get the returns in terms of both EBITDA's and free cash flows and anything that we will end up doing is post that. I think if you are asking us in terms of what our thought process is from what we clearly understand today the opportunity around agri input space is quite large in India and it is not only about bulk fertilizers it is also about specialty fertilizer, it is also about other agri inputs like agrochemicals and other related products our retail reach is truly very strong today and it is quite robust today so we will certainly look at opportunities around that as far as the coming years are concerned that is the first one. Second important thing for us will also be getting some more specialized products from our own side which will also be equally important for us to take this and the third important thing for us is industrial sales that we plan to do whether it is surplus ammonia, whether it is going to be the gypsum which we have substantial quantities available with us and also the capacity that we have in terms of sulphur, sulfuric acid and related products. So we have a mix of things that we can very efficiently do and there are loss there are quite a good number of markets that we service today where we have identified demand for various products and we will start certainly ensuring that the stakeholders in this company get the benefit of the same.

Resham Jain:

Any possibility of further expanding capacity in Paradeep is there a possibility there or the site is full?

Suresh Krishnan:

Paradeep as far as the infrastructure is concerned we have a very good option to double our capacity. We have always maintained that we are at 2200 acres site with our own private birth we are in a position to do that quite well and we will own the right to do that post FY2023-2024 when we have the full capacity being utilized.

Resham Jain:

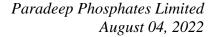
Understood Sir. Thank you all the best.

Moderator:

Thank you. The next question is from the line of Ajit Darda from Nirzar Securities. Please go ahead.

Ajit Darda:

Hello Sir first of all congratulations for your completion of Goa plant acquisition. I have just two questions with a more of clarification the first one is as SSPs before affordable to customers and also the government is supporting its production by giving high amount of





subsidy so is SSP substituting the use of complex fertilizers and is the increased demand of SSP sustainable what is your thought on that?

Suresh Krishnan:

My view is very simple that SSP cannot replace complex fertilizer because complex fertilizers have got NPK in them, SSP is a pure simple phosphate nutrient and by the same time SSP is a very important I would say an agri input or a fertilizer input and it has a capability to blended with so many other mainstream fertilizers, so from that perspective I think SSP has a role to play and we are clearly seeing that SSPs playing a role in India far more in the last couple of years.

Ajit Darda:

Do you see the increased demand of SSP is sustainable?

Suresh Krishnan:

Well SSP is a product which is localized because you cannot really transfer it into very long distances because of the freight cost. So the current structure which is there in SSP I do not believe that one will be able to move it for a very long distance but obviously if there is a policy which comes in the garment which ensures SSP kind of moves around and I am sure you will find more pockets where consumption of SSP will come.

Ajit Darda:

The second one is recently Mangalore Chemicals & Fertilizers has announced the shutdown of phosphatic fertilizer plant due to nonavailability of some raw materials so is there any kind of issues that we are facing with respect to raw material supplies?

Suresh Krishnan:

I can just confirm to you as far as Paradeep Phosphates is concerned we do have phosphoric acid and phosphoric raw material primarily for the Goa facility and we have tied up the same and we do not see that as a challenge for us in the coming quarters or coming years.

Company Speaker:

Just to add not only this we believe the ability to have raw material without any interruption in our production is an area of competence that we would like to demonstrate going forward as well.

Ajit Darda:

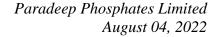
Okay Sir thank you so much and all the best.

Moderator:

Thank you. The next question is from the line of Rakesh Vyas from HDFC Asset Management. Please go ahead.

Rakesh Vyas:

Hi! Good afternoon. Few questions from my side, first of all on the production trend itself if I annualized the current numbers that we did we are closer to a million ton in Paradeep despite us having a higher revamped capacity available in the quarter so any color that you can throw on this as to whether we have suboptimally utilized the capacity or where there larger shutdowns than what was expected?





Suresh Krishnan: Not really I think what we have done in the first quarter is being to ensure that we had

shutdowns taken for our phosphoric acid plant and to some extent also some of the units of sulfuric acid plant so the plant production is pretty much in line with what we had planned so there is nothing like an under utilization if you get to see we have actually done better production than what we did last year in the same quarter so that is the first point that I would like to state here and the second thing I would like to state here is that we have also ensured that the product mix is such that we are able to get a good EBITDA margin for ourselves I think what is important for us is not only the volumes that we do also to ensure that we have the return that is required and that is something that we have ensured that the

product mix that we did. We did less of DAP which could have ramped up the capacity little bit more and we did more of other phosphates and we also experimented this from new

product manufacturing which has come out quite successful.

Rakesh Vyas: Second is just a clarification these 49 Crores one-off is it part of the other expenses?

Suresh Krishnan: Yes.

Rakesh Vyas: So we should normalize that going forward and last question is around subsidy so of course

subsidy payments are due but are there large due from the markets as well?

Suresh Krishnan: Market we are on a cash and carry mode and typically it is about seven to ten days is what

the market outstanding is going today.

Rakesh Vyas: So if I understood it right if at all as and when we are expanding the production both from

Goa and Paradeep going forward into second half the incremental working capital

requirement if at all will be to fund the subsidy receivables if there are delays?

Suresh Krishnan: Absolutely yes.

Rakesh Vyas: Got it Sir. Thank you so much and best of luck congrats once again.

Moderator: Thank you. The next question is from the line of Falguni Dutta from Jet Age Securities.

Please go ahead.

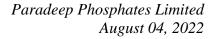
Falguni Dutta: Good afternoon Sir. I just have one question on the Goa acquisition so out of this 1600,

1700 Crores which will be the final acquisition cost how much would have been funded

through internal accruals and how much debt funded?

Suresh Krishnan: There is a total debt funding through this acquisition has been 450 Crores.

Falguni Dutta: Any entire interest and depreciation on this plant has come in, in Q1?





Suresh Krishnan: Yes there is an incremental amount has come in Q1 yes.

Falguni Dutta: The entire amount has come in, in Q1 the incremental for both the interest and depreciation.

Company Speaker: Yes, that amount was paid before the IPO proceeds because IPO amount was the last

amount that we have to pay to close the acquisition.

Falguni Dutta: So in fact we do not see any incremental interest or depreciation on this account from Q2?

Suresh Krishnan: Yes.

Falguni Dutta: Thank you Sir that is all from my side.

Moderator: Thank you. The next question is from the line of Chintan Shah from JM Financial. Please

go ahead.

Chintan Shah: Thanks for the opportunity. Couple of questions the first is I am not very clear on the input

cost so one is on the phosphoric acid so while you have mentioned that will be approximately 90% backward integrated so just wanted to clear this still has import phosphatic rock and how is the pricing for that so that is one and secondly considering the current gas prices scenario just wanted to see what is the impact that we could see from the

increase in gas prices?

Suresh Krishnan: On the backward integration obviously we import rock phosphate as well but as it is the

case globally so also for a plant like Paradeep the inherent sustainable margins for a backward integrated player who starts producing from rock it is similar to a steel plant if someone who starts from an iron ore has greater margin than someone who buy the (inaudible) 49:12 so that is the competitive advantage that we are talking of for the Paradeep side nothing unusual or nothing out of the ordinary. What was the second

question?

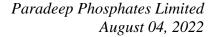
Chintan Shah: Impact of DAP prices.

Suresh Krishnan: DAP prices.

Chintan Shah: Basically ammonia prices basically.

Suresh Krishnan: Ammonia prices we have long-term contracts from the major global ammonia players of the

world and we are on a formula pricing which obviously gets impacted by the global prevailing prices generally (**inaudible**) **49:49** and the ammonia prices are still holding on and as far as the Q1 is concerned they have been high and in fact very high because it was just at the aftermath of the Russia Ukraine war breaking off but as we have been





maintaining we believe that the worst is behind us and the first trend of softening is already visible in the form of much easier and much smoother availability situation not only for us we always had enough ammonia we never had a shortage but other players smaller players are also today getting ammonia ready easily so when there is a softening that happens it usually starts with an availability situation easing out followed by a certain degree of fall of prices.

Chintan Shah:

So just to be very clear of two fronts, so if we compare on YoY basis so the input cost increase that we would have that would be largely offset by the increase in subsidy and that is why we will see a higher EBITDA per ton is that the correct understanding?

Suresh Krishnan:

That is correct yes.

Chintan Shah:

Secondly going ahead also in over the next at least couple of quarters what we are saying is sufficiently covered in terms of operating profitability again on back of this subsidy is that the right understanding?

Suresh Krishnan:

Yes, what we are trying to say about the future is that the spike that we witnessed during March, April was obviously a fall out of the Russia Ukraine war because these two countries control a lot of these global raw materials including things like urea, ammonia, phosphates, etc. The worst is behind us so we expect the prices to gradually soften it has started the trend of softening has started with sulfur it will follow with other products as well so in a softening scenario again this is a phenomena of the industry globally and India is no exception generally margins for all players remain protected the question of margin becomes more relevant in a scenario when raw material prices are going up, for the last two years we have seen scenario where the prices have gradually gone up we think that we are now over the hill the prices from here on are only going to go down.

Chintan Shah:

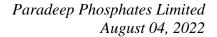
Just to be sure to be keep inventories of around three to five months so what is the leeway for this?

Company Speaker:

No, we do not keep inventories for that long. Today India is going through a shortage scenario and whatever we are making is we are on hand to mart as Mr. Krishnan mentioned earlier today we are not able to feed the market properly Indian inventory and we have said it in other forums as well the country's total fertilizer stock is down by close to 10 million metric tons compared to a like-to-like scenario last year same time so we are actually having a problem of not able to feed the markets adequately so inventory is virtually handsome.

Chintan Shah:

No, I am not talking about the fertilizer industry what I am talking about is inventory for phosphoric acid and ammonia basically.





Company Speaker: No that is also one month. Our long-term suppliers are in a manner they arrange in such a

way and that is the reason for having long-term contracts that we run it virtually in a way that we are just enough to ensure continued operations. We have storage to keep more but at

this time we will not do that.

Chintan Shah: Last question would be on capacity utilization so just wanted to get a sense once it is

ramped up what would be utilization level that you can reach considering the shutdowns

and fungibility of products?

Company Speaker: PPL as far as apart from the shutdown days which are all planned because every year this

time we have shutdown it has been more than what our internal target has been as you can witness last year we had done 227000 this year we have done 283000 give and take a little

bit here and there to go up if I ignore that these are the headline numbers.

Chintan Shah: Great thanks for answering my questions.

Moderator: Thank you. The next question is from the line of Akshat Mehta from Sameeksha Capital.

Please go ahead. As there is no response we move to the next question from Utkarsh

Somaiya an individual investor. Please go ahead.

Utkarsh Somaiya: Thank you for the opportunity. Of your total debt I just wanted to confirm 750 Crores is

long-term debt right?

Suresh Krishnan: Yes.

Utkarsh Somaiya: Once you received the subsidy from the government do we expect all the short-term debt to

come down to zero?

Suresh Krishnan: Normally what we have seen is government outstanding is about roughly about 15 days to a

month is what the outstanding will be there and we expect that the short-term debt hovers around 1000 to 1200 Crores at the end of the year so that is the kind of a number that we get

to see.

Utkarsh Somaiya: That will remain constant over time right?

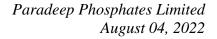
Suresh Krishnan: Yes, that is what we are seeing and only if government decides that the subsidy per ton is

going to be much lower than obviously we could see a lower number but given what it is

today and we will expect this number to be there.

Company Speaker: Why we have the working capital limits so they are funded very differently as you may be

aware.





Utkarsh Somaiya: So as a company the long-term plus short-term we should at all times have approximately

2000 Crores of debt is that a fair understanding?

Suresh Krishnan: For the medium-term in a couple of years from now given that our capex program is already

completed the overall debt position should keep coming down and you will see that even in 2024-2025 financial year we will have a debt level which is significantly different and lower than what it is today that is our expectation based on the kind of capacity utilization

that we are targeting.

Utkarsh Somaiya: After the next capacity expansion that we will have in the second half our capacity will

increase from 2.85 million tons to how much?

Suresh Krishnan: Now it is going to be 3 million tons as far as fertilizer is concerned but the key increase that

will happen in the next six months is the increase in a backward integration capability the phosphoric acid plant which is currently 300000 tons will be moving up to 500000 tons by

end of December.

Utkarsh Somaiya: 5000 EBITDA per ton guidance is considering the backward integration?

Suresh Krishnan: That is where the EBITDA per ton kicker comes in quite seriously.

Utkarsh Somaiya: So that will exceed 5000?

Suresh Krishnan: Yes, and we believe that the trend that we have seen in the industry is on a long-term basis

has been in this range.

Utkarsh Somaiya: But in FY2024 we expect to hit peak utilization right?

Suresh Krishnan: Yes, absolutely.

Utkarsh Somaiya: What peak revenues do we expect at peak utilization?

Suresh Krishnan: As far as revenues are concerned it is the way the global prices are it has got 3 million tons

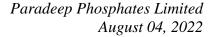
you could be 15000 Crores or you could be even at 18000 Crores that is the kind of

numbers we get to see.

Company Speaker: The answer to your revenue question is similar to why we do not look at EBITDA margin

because it is a function of the raw material prices so revenue is a little consequence to us for us it is all about the tons that we make and the EBITDA per ton that we earned neither do we look at revenue nor do we look at margins of EBITDA both are equally irrelevant and

our request would be to also view us in the same light as we view ourselves.





Utkarsh Somaiya:

Just one more question I am trying to understand the business I know it maybe a simple question but can you please explain to me what raw material did you require for your manufacturing the composition of the raw materials?

Company Speaker:

Yes we need four key raw materials basic raw materials it is the phosphate, it is NPK and S N is nitrogen C, P is phosphorus, K is phos acid sulfur now these are the four raw materials that we need, the source of N is generally there are two kinds of sources of N one is ammonia which we call ammoniacal nitrogen and the other is urea which is ureacal nitrogen. The Paradeep plant runs fully on ammoniacal nitrogen whereas the Goa plant has duel feed mechanism it can take urea nitrogen it can also take ammoniacal nitrogen that is about N. When it comes to P there are two sources of P one is the rock phosphate which is like one step backward or phosphoric acid is H3PO4 from a chemical formula point of view. MOP is K which is a mind product actually so that is what we readily take and sulfur is there we either use directly sulfur as the raw material or we buy sulfuric acid basically 98% concentration of sulfuric acid.

Utkarsh Somaiya:

We are 90% backward integrated in all these four raw materials?

Company Speaker:

No, this is phosphatic business so why we call it phosphatic is because the lever around P the P in raw material is the first amongst equals because in a way its scarcity, the prices, etc., etc. So when we say that the Paradeep site is 93% backward integrated around the P raw material the Goa plant and ammonia is actually 50% backward integrated Paradeep site is not backward integrated as far as ammonia is concerned and none of our sites are backward integrated as far as the other two raw material which is K which is Potash and S which is sulfuric acid that is true for the entire industry when we say phosphatic industry backward integration this is it so when we talk of an iron steel they talk of iron as the backward integration element not about the other materials or even fuel like coal, etc. So it is about the main raw material that we are talking of.

Utkarsh Somaiya:

Okay thank you so much Sir that is very helpful.

Moderator:

Thank you. That was the last question in queue. I now hand the conference over to the management for their closing comments.

Suresh Krishnan:

Just to close it. Thank you all very much for showing interest and asking us the questions which we find very relevant. We are in the company quite excited with the fact that we have been able to complete two very important projects in our corporate history which is about the acquisition of the Goa plant and completion of the IPO. As you know the 1500 Crores IPO mark also the exit of Government of India from the company so we are now fully private sector listed company with a strong parentage of Zuari and OCP group which is the world leader in phosphates. We find a lot of prospects for the phosphatic industry going



Paradeep Phosphates Limited August 04, 2022

forward the way it is shaping up globally and in India and we believe we have exciting times going forward in the coming quarters. Thank you.

Moderator:

Thank you very much. Ladies and gentlemen, on behalf of ICICI Securities, that concludes this conference call for today. Thank you for joining us. You may now disconnect your lines.