Management Discussion

Sunil Kothari - Chief Financial Officer, Krishana Phoschem Limited
Thank you, Yashasri. Good afternoon everyone and welcome to the earnings call for Krishana Phoschem Limited. Before we begin the earnings call, I would like to mention that some of the statements made during today's call might be forward-looking in nature and hence it may involve risk and uncertainties, including those related to the future financial and operating performance. Please bear with us if there is a call drop during the course of the conference call. We would ensure the call to reconnect the soonest.

I would like to hand over the conference to Mr. Praveen Ostwal, Managing Director. Over to Praveen, sir.

Praveen Ostwal - Managing Director, Krishana Phoschem Limited
Good afternoon everyone and a warm welcome to Krishana Phoschem Ltd.'s Q2 and H1 FY '27 earnings conference call. Thank you for joining us today. We are happy to report our strong performance in Q2 and H1 FY '27, with the company recording its highest ever half-yearly financial performance. This reflects our relentless focus on operational efficiency, cost optimization, and disciplined execution, which enabled us to navigate the challenging operating environment and deliver this milestone. I will walk you through the broader industry landscape, global raw material trends, and key policy developments before diving into our financial highlights and strategic outlook.

Industry overview. The domestic fertilizer industry navigated a mixed operating environment during Q2 FY '27, with uneven monsoon distribution, cautious dealer restocking, and changing crop nutrition preferences influencing NPK demand. Uneven rainfall in the agricultural regions affected Kharif sowing and moderated fertilizer consumption. Particularly in the phosphatic and potash segments. Consequently, SSP production and sales saw a moderate decline across the industry, while NPK complex fertilizers experienced a sharper contraction during the Kharif season.

Price gaps led farmers to heavily favor DAP and urea, resulting in imbalance soil nutrient profiles. However, looking beyond these near-term headwinds, the structural demand drivers for our sector remain firmly intact, particularly for the upcoming Rabi season. Improving affordability backed by strong government subsidy support is now promising farmers to shift towards balanced NPKS grades during Rabi sowing to restore soil health. Simultaneously, the higher subsidy outlay restores healthy unit economics for manufacturers, encouraging the industry to ramp up production and ensure steady supply.

Coming to global raw material environment, on the global front, fertilizer markets continue to grapple with input cost pressures and supply chain uncertainties. Regarding international raw material prices, phosphoric acid and sulphur remained elevated while ammonia prices softened slightly and rock phosphate stayed broadly stable. At the same time, geopolitical tensions in West Asia and transit uncertainties around the Strait of Hormuz disrupted international trade flows, driving up freight and insurance costs.

In navigation- navigating this volatility, Our backward-integrated manufacturing setup, diversified product portfolio, and proactive procurement strategies proved to be vital differentiators, helping us protect margins and maintain supply chain resilience. Policy and regulatory developments: the government continued to support the fertilizer sector through measures aimed at ensuring availability, improving affordability, and promoting balanced nutrient application. Nutrient-based subsidy. The Union Cabinet approved approximately INR62,370 crore under the NBS scheme for

Rabi 26-27, compared with INR37,952 crore in the previous Rabi season.

Special support for sulphur and sulphuric acid costs. The government introduced special support equivalent to 20% of actual procurement cost for domestic sulphur and sulphuric acid manufacturers subject to floor prices. SSP freight subsidy- continued freight subsidy support for SSP during the Rabi season is expected to facilitate affordability and distribution across agricultural markets. Minimum support prices- high MSPs were announced for key Rabi crops for 27-28 marketing season. Particularly mustard, sunflower, lentils, supporting farmers' incomes and crop diversification.

Another initiative of PM PRANAM- the initiative continues to promote balanced nutrient application, improve fertilizer use efficiency, and encourage sustainable agricultural practices. Now coming to financial and operational highlights. Turning to our performance, our focus on operational efficiency and cost optimization supported strong financial and operational results. Revenue from operations rose 16% year-on-year to INR703 crore. EBITDA surged 74% year-to-year, INR127 crore, with EBITDA margin improving 18% from 12% in Q2 FY '26.

Profit after tax increased 135% year-on-year to INR78 crores crore EPS stood INR2.52 for the quarter all-time high H1 FY '27 performance revenue from operations increased 23% year-on-year to INR1,235 crore EBITDA rose 56% year-on-year to INR216 crores crore with EBITDA margin 18% from 14% in H1 FY '26. Profit after tax surged 96% year-on-year to an all-time high of INR125 crore. EPS stood at INR4.04 for the half-year period. Volumes- fertilizer production stood at 1,81,906 metric tons with sales of 1,70,783 metric tons.

Business outlook and strategy- strategic priorities. Moving to Rabi season, agricultural productivity is expected to benefit from higher MSPs for key crops, particularly mustard and lentil, along with continued government support. The enhanced NBS outlay for Rabi 26-27 improves unit economics across the value chain and makes balanced NPK rates more affordable for farmers looking to replenish soil nutrients. Paired with any potential softening in global raw material prices, these tailwinds should strongly support NPK consumption and overall industry volumes.

While we remain watchful of global raw material trends and geopolitical developments, our internal roadmap is clear. Our key priorities for the Coming quarters are capacity utilization and production growth, ramping up newly commissioned capacities, improving utilization, and increasing production volumes. NPK business expansion, scaling up manufactured NPK production while leveraging trading opportunities to cater to evolving demand and enhance product offerings. Market expansion, deepening distribution penetration, widening product availability, and strengthening dealer and channel partnerships.

To sum up, with our expanded manufacturing capabilities, strong operational leverage, and multiple growth avenues, Krishana Phoschem is well positioned to capitalize on the upcoming demand and revival and emerging market opportunities to further strengthen our market position. Simultaneously, we are actively evaluating expansion opportunities across industrial chemicals and new geographies to diversify our growth engines. I would like to thank you, all our stakeholders, our farmers, dealers, employees, and shareholders for their continued trust and support.

With that, I request the moderator to please open the floor for questions. Thank you all.

Questions & Answers

Operator
Thank you very much. We will now begin the question and answer session. who wishes to ask a question may [Operator Instructions] If you wish to withdraw yourself from the question queue, you may [Operator Instructions] Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We'll take our first question from the line of Mithansh Modi [Phonetic], an Individual Investor. Please go ahead.

Mithansh Modi - Analyst, Individual Investor
Am I audible?

Operator
Yes.

Mithansh Modi - Analyst, Individual Investor
Good afternoon, sir, and congratulations for such amazing EBITDA margins and PAT growth. I have a few questions. Firstly, I want to know about the price of NPK DAP fertilizer which we offer to the final consumer. Is there any increase in prices of finished goods because of expensive raw materials?

Praveen Ostwal - Managing Director, Krishana Phoschem Limited
Like, if you are talking about first half, yes, there has been a slight increase in the price to the final consumer. Because the offset by Government of India through NBS subsidy has not been adequate. But the position is going to be streamlined during the second half when we propose to reduce the cost to the farmers. Okay, sir. So the inflated

Mithansh Modi - Analyst, Individual Investor
Price- are consumers hesitant to buy the NPK DAP fertilizers? during the first of Q1 and Q2

Sunil Kothari - Chief Financial Officer, Krishana Phoschem Limited
as our MD has already explained you that when DAP the MRP has been fixed and urea availabilities was also good so there has been pressure on NPK and with the increased MRP there has been little pressure on us to push the product

Mithansh Modi - Analyst, Individual Investor
This demand shifted because of anivarya monsoon and because the inventory levels are very high 977 crore so I am just asking are we expecting a robust demand in Rabi season and it's just demand shifted during Q2 to Q3

Sunil Kothari - Chief Financial Officer, Krishana Phoschem Limited
Demand for second part

Praveen Ostwal - Managing Director, Krishana Phoschem Limited
demand as such We are expecting in Rabi season to continue on same lines, like, because still there are inventories, but still we will be able to achieve, achieve the targeted quantities. As I told you, and second half is always, and the last quarter is a lean season period where take-up by farmers is very less, but our wholesaler and retailer they keep on buying. So we expect that we will be able to meet this demand from wholesalers. So our we should be able to achieve the target.

Mithansh Modi - Analyst, Individual Investor
Okay, sir. And second, and this quarter the revenue was INR703 crores crores. I want to ask the this is whole manufacturing. Revenue, or we are also trading?

Praveen Ostwal - Managing Director, Krishana Phoschem Limited
No, as, we have been telling to our stakeholder that to- there is a demand for various type of variants of NPK in the market, and to meet the demand of our popular brand of 20-20-0-13, we are manufacturing that particular product, and there is a demand for other product also. So other product we are importing And seeding operation is taking place so that our now increased capacity has come into force. So as and when we produce the other variant, we should have the ready market. As such, in the first half, we have imported ready goods of NPK variant.

Therefore, the contribution in 1,703 is from imported trading also.

Mithansh Modi - Analyst, Individual Investor
Okay sir okay bottled and sir in Q1 management has given a guidance of 30% to 35% of turnover growth for the entire year so that counts to around 300 and INR3,150 crore to INR3,200 crore are we able to meet this kind of topline by the end of this financial year

Praveen Ostwal - Managing Director, Krishana Phoschem Limited
Look And despite the pressure from the market and availability of DAP and the leaning of the farmers towards DAP when it is available, increased price of NPK, of course there are a lot of challenges. But keeping in view our track records, our marketing capabilities, our marketing executives, our wholesaler traders, we hope it should not be very difficult to touch that target.

Mithansh Modi - Analyst, Individual Investor
Okay sir, quoted and lastly short term borrowings has also been almost doubled in last six months, any remark on that?

Praveen Ostwal - Managing Director, Krishana Phoschem Limited
Look on the last this we have imported materials and then turnover has also gone up almost INR1,200 crores crore rupees of turnover and to meet this turnover level of So the borrowings have gone up, but they are matching. Look, borrowing, if it is matched by the assets, there should not be any cause of concern.

Mithansh Modi - Analyst, Individual Investor
Yes, sir, because our reserves are adequate, so I don't think that should be a problem. But

Praveen Ostwal - Managing Director, Krishana Phoschem Limited
gentlemen, Not only reserve, our current assets level is also INR1,700 crore, all-time high.

Mithansh Modi - Analyst, Individual Investor
Sir, I raised concern about the inventory I am just concerned about the inventory levels and trade receivables, these are very high.

Praveen Ostwal - Managing Director, Krishana Phoschem Limited
Look, inventory levels higher and lower, in the country like India, the demand for fertilizer is novel going to die, and there has never be So if short term you are looking at, there seems to be some issue, but as far as long term is concerned, the company is well placed to market its product.

Mithansh Modi - Analyst, Individual Investor
Okay, sir, got it. Thank you so much and best of luck for the rugby season. Thank you.

Praveen Ostwal - Managing Director, Krishana Phoschem Limited
Thank you.

Operator
Thank you. Ladies and gentlemen, [Operator Instructions] Next question is from the line of Akshay from Aquis [Phonetic]. Please go ahead.

Akshay - Analyst, Aquis
Yeah, good afternoon, sir. So my first question is that the H1 EBITDA has increased to 55% to INR216 crores crore, so significantly higher than the revenue growth of 23%. So what has driven this improvement in operating profitability?

Praveen Ostwal - Managing Director, Krishana Phoschem Limited
It is purely because of this announcement of nutrient-based subsidy which is made applicable. So the benefit of the valuation has gone up, and that is why EBITDA- it is You can say it is one-time aberration. Otherwise, our normal EBITDA will be in the range of 12-13% only.

Akshay - Analyst, Aquis
Okay, sir. And my second question is that with the expanded NPK DAP capacity and recent investments in sulfuric acid, so what kind of ROCE can the company achieve once these facilities reach optimal utilization?

Praveen Ostwal - Managing Director, Krishana Phoschem Limited
Look, this NPK production capacity, yes, of course we will be taking full advantage of it. As far as sulfuric acid is concerned, we are taking a very balanced approach, keeping in view this steep hike in sulfur prices. We just look for the sulfuric acid available as a byproduct by many manufacturers in India. So in case the byproduct is available at a better rate We reduce our own production, and if it is not available, we increase our production. So on a dynamic scale, we keep on taking a balanced view and we maintain the cost.

That is, that has been our forte as far as Ostwal Group is concerned, and we have been doing it. So we hope we should able to maintain that average EBITDA of 12% to 13%.

Akshay - Analyst, Aquis
Okay, sir.

Operator
Thank you. Participants who wish to ask a question are requested to [Operator Instructions] Next question is from the line of Nitin Kaushik from Afin Capital Private Limited. Please go ahead.

Nitin Kaushik - Analyst, Afin Capital Private Limited
good afternoon, sir. Thanks for the opportunity. Sir my question was what kind of capacity utilization are we expecting in FY '27 for both DAP and NPK segments and sir also the high levels of SSP utilization over the last few quarters so are we thinking of any capacity

Praveen Ostwal - Managing Director, Krishana Phoschem Limited
Expansion in SSP segment no we are And, NPK/DAP capacity expansion has already been

implemented. And as regards capacity utilization concerned, SSP, we are operating at 100% or more than 100%. And NPK/DAP, depending upon the market conditions, demand, prices of sulfuric acid and everything, we will try to maintain a reasonable capacity utilization which will maybe in the range of 70-80%.

Nitin Kaushik - Analyst, Afin Capital Private Limited
So sir, this like hundred percent capitalization for SSP segment for the whole year.

Praveen Ostwal - Managing Director, Krishana Phoschem Limited
Yes yes, we will maintain it.

Nitin Kaushik - Analyst, Afin Capital Private Limited
Okay sir, that's it from my side. Thanks for the opportunity.

Operator
Thank you. Next question is from the line of Srinath from Spark Asia Impact Managers. Please

Srinath Saravanan - Analyst, Spark Asia Impact Managers
I said thanks for the opportunity. So I just wanted to understand what is the demand you have seen in the last five years to do aggressive capex in NPK segment and DAP segment, sir?

Praveen Ostwal - Managing Director, Krishana Phoschem Limited
Hey, look, with expansion, whatever expansion we have taken, still we are the mini school as far as demand is concerned in India. This mixed fertilizer, we are still dependent on imported almost Total, like total demand is, 20 million tons and we are hardly, 1.5 million tons. Yes, hardly 1.5 million tons. So, whatever we produce, the domestic manufacturers still, they do not rule the 40, 35% to 40% market is still by overseas suppliers. So there is still scope for expansion of NPK facility in India.

Srinath Saravanan - Analyst, Spark Asia Impact Managers
The next question is regarding promoter, sir. Why does Ostwal Group has two listed fertilizers company? What is the strategy doing that? Is there any merger plans in the future, or is it for the smooth succession planning to keep it as two different companies?

Praveen Ostwal - Managing Director, Krishana Phoschem Limited
Look, I, think you, are- you have two questions in one question. first question, murder plan. We are very keen that these two companies, or for that reason the group has four companies, we should merge. But there are regulatory issues involved. It requires, which we understand, stoppage of production, which we don't want to undertake. Therefore, as and when government comes out with any good scheme where the merger can be smooth We will definitely examine this aspect. But for the purpose of stakeholders, I will explain that both companies are independently working, both have independent management as far as down the line is concerned, both have separate area of market, both are not contradicting.

And third thing, we are in a segment where demand is more than supply. So merger or no merger, stakeholders are unaffected. This is, this is part one. Part two, succession planning. You can see the group is working for the last more than 22 years. We have well-planned succession plan in place. Mr. Mahendra Kumar Ostwal, chairman who started this group, is still working 24/7. He is supported by his two chartered accountant sons. Both have separate leadership, both have separate responsibility, and they all three put together are steering the group to new heights.

Our past track record, performance, profitability, and benefit to the stakeholder is an example of best promoter's involvement in the affairs of the company. At the same time, We have full professional team working at the plant level, working at the department or division level, where they have been given free hand and professionals are working as per the guidelines prescribed by the respective institute.

Srinath Saravanan - Analyst, Spark Asia Impact Managers
Okay, got it, sir. That's it from me.

Operator
Thank you. Participants who wish to ask a question are requested to [Operator Instructions] Next question is from the line of Ayush Jain, an Individual Investor. Please go ahead.

Ayush Jain - Analyst, Individual Investor
Hello, good afternoon. just wanted to ask, we have an increase in more than 100% of the profit if I see the results from September 2025 to September 2026. What do you think are the key reasons that in a year where the sulfur prices and ammonia prices are rising, we have doubled up the profit? What do you think is the contribution of the subsidy increase, and what are the other reasons that contributed to such huge profits? How is company hedging the price increase in ammonia? Major contribution is from this NBS policy announced recently.

Obviously, the increase in price of sulphur, increase in price in ammonia and all the inputs, they have taken care of it. So obviously, that has been one of the major reasons for reporting exceptionally high profits. And look, in the long term, when you look at any fertilizer company, if you look at only quarter to quarter, it may be difficult to understand the trend in profits. But if you look at a long-term range, if you compare in the bracket of three years, three years, three years, you will find that by and large all the- we people have been able to report about 12 to 13% EBITDA.

Ayush Jain - Analyst, Individual Investor
Okay, if I were to understand, how much of this contribution is from ramping Up the production vis-à-vis the increase in the subsidies?

Praveen Ostwal - Managing Director, Krishana Phoschem Limited
I think it will be very difficult to answer or to segregate how much is the subsidy contribution, how much is the production, how much is the increase in production, how much is the increase in our capability to curtail the expenses. I think it requires a detailed analysis. If you still wish, you can mail us and we will try to respond.

Ayush Jain - Analyst, Individual Investor
All right, thank You. That's all.

Operator
Thank you. We'll take our next question from the line of Lalit Kumar Sharma, an Individual Investor. Please go ahead.

Lalit Kumar Sharma - Analyst, Individual Investor
first of all, congratulate to management of Krishana Phoschem Limited for the tremendous results and the growth to company and investor as well as. My question, related to again, like About the growth, the company indicates SSP capacity utilization of 103% in the Q2 and 112% during H1. Can

management explain the sustainability of the operation about the installed capacities?

Praveen Ostwal - Managing Director, Krishana Phoschem Limited
Look, in SSP, in the last year we introduced not only SSP but three more products also, and that is the reason that we have been able to maintain the capacity utilization of more hundred percent in SSP, SSP [Foreign Speech] so this new products are getting good response from the market. [Foreign Speech] we hope we will be able to maintain this tempo in the next half year.

Lalit Kumar Sharma - Analyst, Individual Investor
Achieved more than INR500 crore quarterly turnover from its combined NPK, DAP, SSP operation, having achieved INR700 crore turnover in Q2. How should the investor look at the next stage of the growth?

Praveen Ostwal - Managing Director, Krishana Phoschem Limited
As I told you, this includes a part of turnover relating to imported fertilizer also, and other variants of NPK.

Lalit Kumar Sharma - Analyst, Individual Investor
Yes, so it will be

Praveen Ostwal - Managing Director, Krishana Phoschem Limited
second half, second half turnover will be Better.

Lalit Kumar Sharma - Analyst, Individual Investor
Okay, okay, sir. And third question related to backward indication, like how has the backward indication- has the company managed to evaluate the sulfur and phosphoric raw material price during the current half? Of this year.

Praveen Ostwal - Managing Director, Krishana Phoschem Limited
As I told you, the price of sulfur going up, which in turn increased the price of phosphoric acid, has been taken care by the new subsidy regime announced by Government of India, which includes the compensation for increased sulfur price also.

Lalit Kumar Sharma - Analyst, Individual Investor
Yes, sir, but my question regarding to second half, if same type of situation happens again like the uncertainty in the sulfur and phosphoric raw material prices, then how we will cope up with that same situation.

Praveen Ostwal - Managing Director, Krishana Phoschem Limited
this subsidy prices [Foreign Speech] announced is applicable up to March '27.

Lalit Kumar Sharma - Analyst, Individual Investor
Okay, okay.

Praveen Ostwal - Managing Director, Krishana Phoschem Limited
And as we have told you that this EBITA

Lalit Kumar Sharma - Analyst, Individual Investor
Okay, okay, okay, okay. Thank you, thank you, sir. Again, I wish you good luck and best of luck. Thank you.

Operator
Thank you. Ladies and gentlemen, [Operator Instructions] Next question is from the line of Anil Jhaver, an Individual Investor. Please go ahead.

Anil Jhavar - Analyst, Individual Investor
good afternoon, sir.

Sunil Kothari - Chief Financial Officer, Krishana Phoschem Limited
Good afternoon. Earlier

Anil Jhavar - Analyst, Individual Investor
In earlier call, it was mentioned that, it was mentioned by management that you will further evaluate the capacity expansion opportunities. So are you planning to go into SSP, DAP, NPK, or into urea also? Look, we keep on evaluating many options. Within existing product diversifications, new area, and as and when we firm up the plan, definitely we'll disclose to you and to NSE. Okay, okay, okay, sir. Thank you very much. Congratulations for the great results.

Operator
Thank you. Next question is from the line of Nitin Kaushik from Afin Capital. Private Limited. Please go ahead.

Nitin Kaushik - Analyst, Afin Capital Private Limited
thanks again. so my question is, since the capacity utilization of SSP is about 100% and DAP 70-80%, and, going ahead, and going ahead, let's say after FY '27, DAP utilization, is around 90% or, more. So currently, if we see, if we If you don't see any expansion opportunity, so how would the growth would be dependent? So would the growth be dependent on raw material price fluctuations or subsidy rates? And if we use mainly trading to increase the revenue going ahead, wouldn't margin be affected too?

So, sir, I want to understand how will the next leg of growth would be? Where would it come from? Like after FY '27, when the utilization would run at full capacity?

Praveen Ostwal - Managing Director, Krishana Phoschem Limited
The company has always relied the growth factor from its manufacturing activities. The imported or trading activities has already been- always been a catalyst to feed the market so that we can have a wider market. So whatever growth we achieve in future, our dependency is purely on manufacturing Important, it's a part, or as and when demand arises, we keep on importing, we keep on supplying. So the primary object of the company to rely on manufacturing process has never been diluted.

Nitin Kaushik - Analyst, Afin Capital Private Limited
but sir, the manufacturing capacities are already running at full capacity. Even let's say after FY '27, I think DAP and NPK would also be running at full capacity if we are not doing any expansion.

Praveen Ostwal - Managing Director, Krishana Phoschem Limited
Okay, that is, that is a fact. So as an opportunity there, we will compensate through trading. Yes, the group is evaluating some projects, so at right time we will come up with the firm proposals. That is the current study. We have undertaken various expansions in the past 20 years. As and when we complete one We always examine, we evaluate second expansion. You, rest assured the management is not sitting silently. We are working on various options, but of course we will let once

we- these plans are found.

Nitin Kaushik - Analyst, Afin Capital Private Limited
That's it, sir. Thanks a lot and congratulations for the results.

Operator
Thank you. Ladies and gentlemen, [Operator Instructions] Participants who wish to ask a question are requested to [Operator Instructions] As there are no further questions from the participants, I hand over the call to management for closing comments. Over to you.

Praveen Ostwal - Managing Director, Krishana Phoschem Limited
Thank you once again for joining us. If you have any further questions, please don't hesitate to reach out to our Investor Relations team. Thank you and have a great day.

Operator
Thank you, sir. Ladies and gentlemen, on behalf of Krishana Phoschem Limited., [Operator Closing Remarks] Thank you for your participation. [Operator Closing Remarks]