Management Discussion

Manish Mahawar - Analyst, Antique Stock Broking
Thank you, Mahab [Phonetic]. I am pleased to host today's Earning Call of Paradeep Phosphates. We have leadership team represented by Mr. Rajiv Nambiar, Joint MD and COO, Mr. Harshdeep Singh, President and Chief Commercial Officer, Mr. Bijoy Biswal, CFO, and Mr. Alok Saxena , Head, Corporate Finance and IR on the call. Without further ado, I would like to hand over the call to Mr. Nambiar for opening comments, post which we will open the floor for Q&A. Thank you, and over to you, Rajiv sir.

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
Thank you, Manish, and good morning to everyone who has participated in this call. And we welcome to Paradeep Phosphates Ltd's earnings call for the Q1. I appreciate your time and interest in our company. I trust you have seen our earnings presentation and press release which have been circulated and are available on our website and stock exchange. Let me take an overview. I am happy to report that PPL has once again delivered a very strong financial and operational performance and best-in-class EBITDA per tonne. Many congratulations to all of you. Despite the prevailing global uncertainties led by the Middle East crisis, which resulted in sharp escalation and volatility in raw material prices as well as availability, PPL delivered a very strong performance on the strength of its existing supply chain efficiency, sourcing diversification strategy for key raw materials, and pan-India marketplace selling and distribution capabilities. With this performance, the company has been able to further strengthen its leadership position in the phosphatic fertilizer sector.In Q1, revenue from operations increased 36% YoY to INR6,124 crores. EBITDA rose 21% to INR742 crores. PBT increased by 24% to INR526 crore, and PAT stood at INR393 crore. Sales volume grew by 4% to 9.85 lakh tonnes, just close to a million tonnes. During the quarter, full benefit of expanded capabilities of sulfuric acid was available to us, due to which the sulfuric acid production was higher by 32% on a year-over-year basis. Phosphoric acid production was higher by 7% on a YoY, reflecting the strength of our backward integrations benefit in Phos Acid and sulfuric acid and helped us to improve our quality of earnings.Our key expansion project of Phos Acid expansion, that is Phase 1 from 5 lakh tonnes to 7 lakh tonnes is on track. I am happy to report that the board of PPL in its Q1 meeting approved the investment proposal of INR250 crores for setting up Aluminum Fluoride Plant at our Paradeep facility. The proposed investment aligns with company's strategic objective to enter and diversify into related industrial chemical space and will build and strengthen company's non-subsidy portfolioin in due course.The proposed investment is reinforcement of our manufacturing excellence capability by having a by-product converted into value-added products.These investments in Specialty/Industrial Chemicals will further augment our endeavor to create long term value for our shareholders. Looking ahead, we remain in the challenging time in the Middle East situation, and we have seen high volatility and availability challenge for key raw materials, and particularly sulfur. As you are aware, 70% to 75% of global trade of sulfur and ammonia cross the Strait of Hormuz. The supply disruptions for these commodities are expected to continue in short term. Despite these uncertainties, industry is making concerted efforts and empowered committees comprising of government and senior industrial officials working in close coordination to ensure fertilizer security for the nation and the farmers. PPL remains committed to drive growth in this challenging time through proper operational discipline. Thanking you once again, I now open the floor for questions.

Questions & Answers

Operator
Thank you very much, sir. We will now begin the question and answer session. [Operator Instructions] Ladies and gentlemen, we'll wait for a moment while the question queue assembles. We have our first question from the line of Prashant Biyani from Elara Securities. Please go ahead.

Prashant Biyani - Analyst, Elara Securities.
Yes, thank you for the opportunity and congratulations on great numbers. Rajeev, for Q2, how are we placed on sourcing of raw materials and whether these prices of sulfur are we willing to continue to buy and manufacture acid, or is it worthwhile now to buy acid and use it for manufacturing of fertilizers?

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
Thank you, Prashant. As you're aware, the prices have definitely gone up in the current situation, and we are constantly looking the various opportunities where we are able to bring efficiency into the supply chain. With the Phos Acid and sulfer going up, there is a strain in our overall working philosophy, but we are also scouting from various sources and some support extra coming out of the ammonia price reduction. We are hopeful that actually with the production within today, to large extent we are able to operate around 70% of our capacity. But moving ahead, I am sure actually there will be some sort of added support which we expect from the government.

Unidentified Speaker
Prashant, just to share with you, we are also augmenting through imported DAP and NPK. So we have a robust pipeline as far as the Rabi season is concerned, where we are augmenting our products through imported product line.

Prashant Biyani - Analyst, Elara Securities.
Sure. Sir, on the AIF or aluminium fluoride side, if you can share some details regarding when the plant can be operational, how much would be the per ton realization, and also EBITDA per ton?

Unidentified Speaker
Prashant, what is -- the plant capacity is going to be around 15,000 tons per annum?

Prashant Biyani - Analyst, Elara Securities.
Yes.

Unidentified Speaker
Okay. And we expect at least a top line of INR180 to INR200 crores coming out of this facility. We are currently looking quite optimistic about getting this plant commissioned within 22 to 24 months. The basic engineering work is currently in progress, and we are also getting ready for the sourcing strategy, what is the right sourcing strategy for aluminum fluoride. As of today, looking at the market, we don't see major challenge in terms of the B2B sale. I'm expecting at least INR50 crores of EBITDA business coming out of this.

Prashant Biyani - Analyst, Elara Securities.
Right. And so lastly, before I jump back to the queue, sir, on the trading volume side, what was the traded DAP and NPK for this quarter?

Unidentified Speaker
Prashant, we will tell you the numbers.

Unidentified Speaker
We just get back to you that, okay.

Prashant Biyani - Analyst, Elara Securities.
Sure. I'll jump back to the queue.

Operator
Thank you. We have our next question from the line of Riju from Antique Stock Broking. Please go ahead.

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
Sorry to interrupt you, Riju. Your voice is breaking. Can you please move to better reception area. Hello?

Operator
We have our next question from the line of Aman Kothari from Aequitas Investments. Please go ahead.

Aman Kothari - Analyst, Aequitas Investments
Thank you so much. Firstly, congratulations on this wonderful set of results. So my first question would be around the mix that we saw this quarter. We saw a 55% growth in DAP volumes and NPK volume degrowth of 9%. So why was NPK degrowth for the first quarter, and is it a mix that's going to be maintained going ahead for the full part of the year?

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
Good morning. I think two important things. The way you look at yes, there is a significant growth of DAP, and that is more like a tactical shift because from a policy perspective, the profitability of DAP appears significantly better compared to the NPK. But as far as the market strategy is concerned, the focus on NPK continues, as far as farmer pays are concerned,we grew our NPK portfolio by 6%. So NPK farmer sales was up, but as a primary strategy in line with the kind of optimizing profitability, we focus more on the DAP in the Q1.

Operator
Sorry to interrupt you, Aman. we are unable to hear you properly.

Aman Kothari - Analyst, Aequitas Investments
Hello, am I audible now?

Operator
Yeah.

Aman Kothari - Analyst, Aequitas Investments
So, my question was for NPK, we saw volume degrowth of 9%, but still you said the portfolio grew by 6%. So is it because of some price hike that we took?

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
No, that is because of the pharma, the trade stocks, the sales grew by 6%. So that is one thing, s o

that growth as far as farmer is maintained. Of course we had taken a significant price increase in the NPK portfolio in order to maintain our profitability. So just to give you an example, a bag of DAP today sells at 1,350 a bag, whereas the complexes range from 2,100 to 2,500 a bag.

There is significant difference for a farmer because of the way the current policy is. So we have ensured that we pass on the increase partially to the customer and we expect government also to address partially the cost increase which is happening.

Aman Kothari - Analyst, Aequitas Investments
Got it. And so the last question before joining back in the queue is in terms of building our non-subsidized portfolio, aluminum fluoride is something that we are going up ahead with. But do you see that this aluminum fluoride would be catering to which industry? Like, there's a clear demarcation between a lower grade and higher grade. So what is it that we are targeting?

Unidentified Speaker
Mainly this is going to target the Orissa area where aluminum industry is there, okay. And we have done our study properly and we feel actually being a strategic player in Orissa. We should be in a position actually to, without much greater difficulties, should be able to market it and sell in market.

Aman Kothari - Analyst, Aequitas Investments
Got it. Thank you, sir. I'll just join back in the queue.

Operator
Thank you. We have our next question from the line of Sucrit Patil from Eyesight Fintrade . Please go ahead.

Sucrit Patil - Analyst, Eyesight Fintrade
Good afternoon to the team. First of all, congratulations on a good set of quarter. M y first question for Mr. Nambiar , is beyond regular outlook, just want to understand what are the top 2 to 3 acqusition priorities you are focusing on in the next few quarters? And alongside that, what do you see as the biggest risk in demand shifts or competitive pressure, and how are you preparing to manage them while sustaining Paradeep's position in fertilizer and in the fertilizer stream? That's the first question. I'll ask my second question after this. Thank you.

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
If you look at it, one clear signal we have given in the quarter one is there's a tactical shift towards profitable product is coming. We have got a long-term view in terms of NPK which is very strong. And all the capacity augmentation which is also going to happen has got a huge thrust coming out of NPK. But we know this is unprecedented time in our business which is coming out of the conflict in both Ukraine side as well as in the Hormuz side.

So we can't be just sticking to what exactly we're going to do. This is a small-term tactical shift which is going to come. We are still exploring actually whichever the product which we can manufacture and happy to report that actually we are one of the companies who has got maximum product portfolio capability to manufacture in our facilities. So that definitely we will be leveraging it. And wherever the price advantage comes, because of our supply chain logistics is quite strong in terms of the sourcing facility, we will be exploring various areas where we can optimize the supply chain, coupled with our coming capacity expansion from both phosphoric acid, as well as the big expansion which is expected in 29-30. These are the 3 to 4 areas we'll be concentrating in the

coming 2 to 3 quarters.

Sucrit Patil - Analyst, Eyesight Fintrade
Thank you. My second question to Mr. Singh is on the commercial side, what are the key priorities you are driving in terms of market expansion, pricing, and customer engagement? And what risks do you see in the distribution or regulatory framework, and how are you preparing to mitigate this? Thank you.

Harshdeep Singh - President & Chief Commercial Officer, Paradeep Phosphates Limited
Good morning. S o there are two, three priorities. One is from a future-looking priority as the market developments. See, we are building up a portfolio of high nutrient use action products in the portfolio, so which is our nano category, and we're growing significantly into that category. As far as the market is concerned, apart from the, like the current supply chain mix, there is also a challenge as far as the monsoon was concerned but, however, July has been a good month for the rainfall. So how we're trying to address the market requirement is the balancing between our NPK and DAP portfolio. DAP, you know, the demand remains quite robust because of the price point which the government has kept per bag of DAP.

And we are -- if you see our growth, both the pharma sales and the primary sale, we had a significant growth. And if you look at the pharma sales, I think the industry growth of phosphate DAP and NPK has been around 1%, and we as a company, we have grown around 15%,16%. So we maintain our leadership position as far as market is concerned. We also maintain our leadership position as far as product pricing is concerned. So we are very conscious that we are going to drive growth which is profitable. So that's how our market strategy is today.

Sucrit Patil - Analyst, Eyesight Fintrade
Thank you and best wishes. Yes, thank you for the guidance and wish you the best of luck.

Operator
Thank you. We have our next question from the line of Riju from Antique Stock Broking. Please go ahead.

Riju Dalui - Analyst, Antique Stock Broking
Yeah, hi sir, hope I'm audible now. S o my question is regarding the sales volume that you have reported. So the -- in the ppt slide 4, we have seen that the total fertilizer volume is 9.85 lakh tonnes, right? But, if I calculate the product details, that is DAP, NPK, urea, PSP, and MOP, the count is coming at roughly around, 10.03 lakh tonnes. So just want to understand the, you know, math here.

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
I think you would have counted the Zypmite sales probably into it. So if you consider the DEP, NPK, MOP, that is around 9.85 lakh metric tons. But if you also consider the Zypmite which is a soil conditioner, then you write it, it's a million tonne plus. So that's around 15,000 tons of Zypmite sales. If you add both of them, it will be a million.

Riju Dalui - Analyst, Antique Stock Broking
Understood, understood, understood. And sir, in terms of, you know, the sulfur, like sulfur deposit capacity that we have, right now, the excess capacity, so, how are we selling that? I think we might be selling it to outside. So, how, like, how much additional EBITDA that, uh, that we can make from

that sulfuric acid by selling to the outside as of now?

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
Bejoy, can you take it.

Bijoy Kumar Biswal - Chief Financial Officer, Paradeep Phosphates Limited
Right now, you know, we have completely utilized, you know, this sulfuric acid capacity. No, we are not selling outside right now. The entire thing is, you know, consumed by our fertilizer facilities.

Riju Dalui - Analyst, Antique Stock Broking
No, sir. M y question is regarding like, at the Paradeep [Indecipherable] , we have, you know, expanded the sulfuric acid capacity from 1.42 [Phonetic], roughly around 2 million metric tons, right? And the part of its capacity that will come in the 2Q of FY27. So the excess sulfuric acid capacity, how you are utilizing that?

Bijoy Kumar Biswal - Chief Financial Officer, Paradeep Phosphates Limited
I will explain you. Basically, we don't have any excess capacity of sulfuric acid in Paradeep. Even if it happens, it could be some fluctuations on a short-term duration, it might be happening. But if you look at it, sulfuric acid we are using not only for the phosphoric acid production. Also, N20 being sulfur-dominated product, so a lot of amount of sulfur goes there also.

So as of today, if you ask me, actually we don't have an excess kind of a capacity on a sustainable basis in from Paradeep . But, obviously, there's some smaller quantity here and there we might be trading, but it's not a significant thing at all.

Riju Dalui - Analyst, Antique Stock Broking
Understood, sir. And, in terms of the power generation, the co-power generation from sulfur to sulfuric acid, are we selling any excess power to the grid as of now in this quarter, may be in last quarter?

Bijoy Kumar Biswal - Chief Financial Officer, Paradeep Phosphates Limited
The last quarter we have sold at beginning, but then because of the fluctuations in terms of sulfuric acid availability, we have not done much, but the facility is available.

Riju Dalui - Analyst, Antique Stock Broking
Understood. And sir, one, one last thing in terms of the urea. So the Goa urea facility, I think the [Indecipherable] improvement happened in the last quarter. So also, how much EBITDA per ton that we have been able to achieve this quarter? And also in terms of MCFL Urea plant, so the EBITDA, the benefit that we are getting as per the old policy, that might have expired in last year. So how we should look at in terms of EBITDA per ton for the MCFL plant as well for urea?

Bijoy Kumar Biswal - Chief Financial Officer, Paradeep Phosphates Limited
Yeah. Regarding the urea policy, I think it has been notified. The new era policy has been notified yesterday. So we are evaluating that policy. But you know, if you look at the policy and you know, these are the energy benchmarks what we have right now. In Goa, the impact will be around INR1,500 per metric ton, positive. And you know, there will be , you know, reduction in Manglore of around INR700 to INR800 per metric tonne based on the new Urea Energy Policy. And this energy improvement, what we are talking, we have invested and we have -- this has been completed and it has been capitalized and it has started, you know, this getting the benefit from this year, this

quarter. So energy has been reduced by 0.2 Gcal, you know, on ur ea production basis for this year.

Riju Dalui - Analyst, Antique Stock Broking
So, sir, accrued benefit in terms of EBITDA for that?

Bijoy Kumar Biswal - Chief Financial Officer, Paradeep Phosphates Limited
No, definitely not. The 0.2 means, you know, right now, this -- due to this energy impact will be INR1,000 per metric ton.

Riju Dalui - Analyst, Antique Stock Broking
Okay. so, over a normalized basis, can we expect that , it might have improved by roughly around INR700 to INR800 per tonne at the level from Goa u rea?

Bijoy Kumar Biswal - Chief Financial Officer, Paradeep Phosphates Limited
At the Q1, yes, you can assume.

Riju Dalui - Analyst, Antique Stock Broking
Understood, sir. And thanks, thanks for clarifying all my questions.

Operator
Thank you. We have our next question from the line of Parth Sodha from Trinetra Asset Managers. Please go ahead. Yes, sir, we can hear you.

Parth Sodha - Analyst, Trinetra Asset Managers
Thank you. And first of all, thank you for the opportunity. My question is like, over the medium or long- term, what percentage of EBITDA do you believe will come from non-textile business such as industrial chemicals?

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
Can you repeat the question. We continue to focus on fertilizer, as we said earlier, and the sustainable EBITDA guidance that we give is INR5,000 at the moment, which when we complete our backward integration, everything will should be improved by 30% to 35%. As far as the non-subsidy portion is concerned, I think that's -- that will take some time to evolve. And over a period of time, the long-term vision is that at least 20% of the EBITDA should be supported through non-subsidies [Phonetic]. But that's a long-term target that we have kept for ourselves.

Parth Sodha - Analyst, Trinetra Asset Managers
Got it. Thank you so much.

Operator
Thank you. We have our next question from the line of Madhur Rathi from Counter Cyclical Investments . Please go ahead.

Madhur Rathi - Analyst, Counter Cyclical Investments
So thank you so much for the opportunity. S ir, I wanted to understand currently how much of raw material for this aluminum fluoride, the FSA is currently produced in-house and what are we doing to that? Are we selling it outside or are incurring some effluent treatment charges for because, if you could help us understand on that?

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
Currently we are producing around 9,000 to 10,000 tons per annum and all these quantities are sold to outside parties. The whole text of our investment is actually how do we make sure that we get the value, much higher value, from what we've been selling as a raw material to other parties.

Madhur Rathi - Analyst, Counter Cyclical Investments
Got it. And so, if you could help us understand, because it seems that this product is very critical to aluminum smelters, so how is the criticality of this product? And sir, have the validation started for this product or will there be a gestation period for the 24-month commissioning of this plant?

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
We are just starting actually. The board has given a go-ahead and we just started the engineering. So engineering, construction, and commissioning should be 22 to 24 months, and we don't see any challenge in terms of the marketability or sellability of this product.

Unidentified Participant
Just to add to Mr. Nambiar, a lot of work has gone in background before we took it to the board, so everything is established. We just need to complete the project in next 24 months and get it rolling.

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
And also, to your understanding, there's a lot of import happening in this particular product. So with this, we should be able to make sure that the Indian manufacturing setup is able to complement and reduce the import of aluminum fluoride.

Madhur Rathi - Analyst, Counter Cyclical Investments
Yes, sir. So my question was similar, on similar lines, because of all these imports are of all different specifications versus what it would be that Paradeep Phosphates would manufacture. So will it require some gestation period with the smelting customers for testing out our product and then very good.

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
No, it won't be.

Unidentified Speaker
It won't require any gestation period.

Unidentified Speaker
You'll generally market it.

Madhur Rathi - Analyst, Counter Cyclical Investments
Got it. And sir how much capacity can we increase because we are manufacturing 10,000 metric tons of FSA. So how much can we extend this 15,000 metric ton of capacity to?

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
15,000.

Unidentified Speaker
We are currently designing in 15. Why 15 is because the extended capacity we are expecting within 2 years. We should be in a position actually to utilize entire sorry, hydrofluorosilicic acid to aluminum

fluoride.

Madhur Rathi - Analyst, Counter Cyclical Investments
Okay, got it. So that was from mine. Thank you so much and all the best.

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
Thank you, thank you.

Operator
Thank you. We have our next question from the line of Dhruv Muchhal from HDFC AMC. Please go ahead.

Dhruv Muchhal - Analyst, HDFC AMC
Yes, thank you. Sir, few questions. Firstly, on the traded can you share the traded volumes this quarter except for u rea?

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
Yeah, the traded volumes, total 1.25 lakh metric tons, including the MOP, DSP, DAT. The major imports which are coming, the arrivals are happening in July, August, and September.

Dhruv Muchhal - Analyst, HDFC AMC
Okay.

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
We have almost secured around half a million tons of imports for the Rabi season.

Dhruv Muchhal - Analyst, HDFC AMC
Okay. And sir, what we are seeing right now, for example, the shift in higher sales of DAP and relatively lower sales of NPK. I'm just trying to understand how does this work in the market. As a structural strategy, it is the market wants to shift towards NPK. I mean, it seems that's the push given the better profitability and also better farm economics, probably better for the farmer. But this, you know, raw material supply chain issues, the government policy actions and all those creates this disruption.

So I'm just trying to understand, say for example, the farmer shifting to DAP today was an NPK buyer earlier. How soon does he come back to NPK if the price is normalized? I mean, what kind of resistance does that happen? Because these kind of policy when otherwise you have these disruptions and the movement towards NPK then probably becomes slow. So I'm just trying to understand how does this, you know, move and how do you see this?

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
So two, thee things, I think. First is fundamentally the entire market development effort and our farmer engagement effort is to create awareness of the balanced fertilization, which is basically phosphates, potassium, micronutrients, and even organic carbon, which is very essential from the agriculture context. As far as the short-term context is concerned, see, farmer, we've done most of our awareness campaigns shifting him from conventional state, let's say, DP supplier to an NPK mix. Currently, you know, the difference is quite [Indeciphereble] between NPK prices and the DAP prices, and hence the farmer shift which is there.

But a lot of farmers, especially in South India where the awareness levels are much higher, they still

continue using the NPK portfolio, and we see still NPK as a dominant category. But yes, as for the current season is concerned, and maybe Rabi, as long as the urea and DAP prices are held at a special price for the farmers, you will see a shift happening, as far as uptake of DAP is concerned. But I don't see that as a fundamental concern from an overall strategy perspective because farmers are aware about the use of the balanced fertilization.

And if you look at even a fertilizer like potash, where the government support is very minimal, and prices are almost as high as INR2,200 a bag. So very, very aware farmers for cash crop is still using potash, though the price is quite high.

Dhruv Muchhal - Analyst, HDFC AMC
I was just wondering, from the pace of, you know, shift towards NPK, does it slow it down or the movement can be back again quickly?

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
It will be back again quickly if the price equation is addressed. Hey, as long as the DAP, NPK are within the price range of INR200 a bag, I think the shift can happen very quickly. Currently it's quite tough, almost INR1,000 a bag difference.

Dhruv Muchhal - Analyst, HDFC AMC
So the other question was on the expansion plan, the Phos Ac and probably NPK granulation expansion. Any change in plans given what is happening or that remains on track? Because I believe last time when we spoke in the call, you mentioned the equipment ordering is pending. So I'm just trying to understand where are we there?

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
Okay, Dhruv, if you see, none of the plants are getting changed because of the short-term turbulence what we are experiencing. That's a good news for all of us. And second thing is the Phos Acid expansion what earlier we said is about 5 lakh to 6 lakh will become a reality by this December and the 6 to 7 is also going to happen mostly by August-September next year. So current related to the bigger expansion of the 3 lakh ton of Phos acid as well as sulfuric acid that's also going on as per what we have planned. So almost we are in the final commercial discussion is going on. So all this expansion projects are going in a normal way irrespective of what's happening around us.

Dhruv Muchhal - Analyst, HDFC AMC
G reat. So thank you so much and all the best. Thank you.

Operator
Thank you. We have our next question from the line of Saumil Shah from Paras Investments . Please go ahead.

Saumil Shah - Analyst, Paras Investments
Hi, thanks for the opportunity. So I want to ask, last quarter EBITDA per ton was somewhere around 5,300. So what is the EBITDA per ton in this quarter, and have we started seeing benefits of the backward integration?

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
This quarter EBITDA is around INR7,000 per metric ton. And in the last quarter, you know, last year, in the same quarter, it was around INR6,500 . This increase is mainly on account of the stock, you

know, what we have bought at the beginning of this year. So that has really played out, and you know, this has given this increase in the EBITDA margin. Also, if you look at it, our backward integration of sulfuric acid, which is happening both Mangalore as well as Paradeep both are actually running the full stream. So coupled with the inventory which we had able to harness within our system, the inventory coupled with the backward integration started coming up.

Saumil Shah - Analyst, Paras Investments
Okay, okay. And so can this 7,000 range sustain for the current quarter as well?

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
No. We feel actually a realistic EBITDA for a year would be around 5,000. Once we complete our expansion projects, what we explained earlier, we should be in a position to have a sustainable 7,000 plus.

Saumil Shah - Analyst, Paras Investments
Okay, and that would be by

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
It could come in phases actually. You can take it as 2 to 2.5 years.

Saumil Shah - Analyst, Paras Investments
And just one follow-up, you alliviate to the previous participant that our Phos acid acid plant incremental capacity from 5 lakh to 6 lakh tons will be by then?

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
By this December.

Saumil Shah - Analyst, Paras Investments
Okay, okay. And what is the current capacity utilization for this plant?

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
This plant is gone for 100%.

Saumil Shah - Analyst, Paras Investments
O kay. S o we are confident of 1 lakh by Q4 of this year?

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
Yeah, yeah, yeah. The execution is already going on. Equipments are also ordered and started getting equipments.

Saumil Shah - Analyst, Paras Investments
Okay, that's it from my side. Thank you and all the best.

Operator
Thank you. We have our next question from the line of Dev Gulwani from Care PMS. Please go ahead.

Dev Gulwani - Analyst, Care PMS
Thank you for the opportunity, sir. So despite industry phosphate [Phonetic] fertilizer volume being flat this quarter, company is able to grow 13% volume YoY. What is company doing different than

peers that we are able to gain this market share?

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
So, if you look at the overall market strategy, we focused in North, East, West, and South in a very balanced way. So we're not very, so we are very strong in Western South, but the overall strategy is to have a kind of balance across the key markets of India. That gives us an advantage especially when there is a demand effect because of every scenario. So that's one strength. Second is the lot of market development efforts as far as the brand is concerned. So Jai kisaan Navratna and Mangla are strong brands with very, enjoy a lot of trust to the farmers. So that gives us advantage as far as the uptake and the cost is concerned. So these are two fundamental things that we do. And our portfolio also, we accepted flexibility between organizing the range of portfolios. So it's Urea, DAP, NPK. So the complete mix is available in terms of solutions to the farmer. So that gives the edge to the company.

Dev Gulwani - Analyst, Care PMS
And how OCP is helping in securing raw material during this current tough situation?

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
That has been one of our key strengths compared to many other players. So we don't face any serious issue or any issue at all in terms of our rock availability. That also in much superior quality rock availability and acid also. The rock and acid to large extent actually, we don't have any major issue other than some smaller supply chain issues that come up. But I think overall, because of very good planning of raw material, we have been able to create that uncertainty to our strength.

Dev Gulwani - Analyst, Care PMS
Okay. And with long-term view of non-subsidy business contributing 20%, so after FY29 we can see capital allocation towards shift towards other industrial chemicals, right?

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
Yes, of course, yeah. Obviously, backward integration is the current thrust for us and entering the specialty chemical dose area, but I'm sure the current ALF business is only is the beginning, and we are seriously thinking in what else we should be able to do it because the shift actually which is really coming.

Dev Gulwani - Analyst, Care PMS
And last question, do we produce enough hydrofluorosilicic acid to cater to 15,000 metric tons per annum aluminum fluoride plant?

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
Yeah, we have actually, we have.

Dev Gulwani - Analyst, Care PMS
Okay, thank you.

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
Thank you.

Prashant Biyani - Analyst, Elara Securities.
Thank you. We have our next question from the line of Prashant Biyani from Elara Securities . Please

go ahead.

Prashant Biyani - Analyst, Elara Securities.
Yeah. Harshdeep sir, you were alluding to a higher trading volume that we plan to do in Rabi initially. Can you elaborate on that? W hat are your plans?

Harshdeep Singh - President & Chief Commercial Officer, Paradeep Phosphates Limited
So what we're trying, Prashant is to augment partly imported DAP and that's more companies and government also wanted to ensure so that the country's supply chain is maintained. So we will be doing some complex fertilizer also which we are importing, like NPK and DAP and TSP b ecause TSP has also been a product from a long-term perspective, we're trying to build a portfolio of a high phosphate fertilizer with lower nitrogen.

So between DAP, TSP, NPK and of course, we have also this year put a lot of first-time ammonium sulfate, which is a good source of nitrogen and sulfur. And the government wanted us to encourage that as an alternate source of nitrogen and sulfur. So that's the portfolio of traded products that we're doing.

Prashant Biyani - Analyst, Elara Securities.
So last year, Rabi season, our traded volume was around 2, 70,000, if I'm not wrong. H ow much could this year be at?

Harshdeep Singh - President & Chief Commercial Officer, Paradeep Phosphates Limited
Well, I think we're not giving a forward guidance on the exact numbers as of now Prashant, but it will be significantly higher. That's what I can tell you. And like I told you, we almost secured a kind of half a million tons of imports as far as the trade products are concerned, which will help us from both Q3 and -- Q2 and Q3 till December.

Prashant Biyani - Analyst, Elara Securities.
So how much is DAP trading volume in Q1 and last year Q1?

Harshdeep Singh - President & Chief Commercial Officer, Paradeep Phosphates Limited
So, this year, in the Q1, the DAP traded volumes have been less. So that's just been around some 1,000 odd tons. TSP, we did around 24,000 tons, and ammonium sulfate 22,000. Last year we had not done any -- DAP was just 1,000 tons in the first quarter. [Indecipherable] DAP.

Prashant Biyani - Analyst, Elara Securities.
Okay. On the subsidy side, how much is the outstanding subsidy and how much have we received in Q1?

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
This subsidy right now, as on 30th June, the outstanding is around INR4 600 crore. And during this year, we have received a subsidy of this quarter from around INR2,650 crores.

Operator
Okay. And sir, how much is the gross debt currently?

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
Sorry, gross debt?

Prashant Biyani - Analyst, Elara Securities.
Gross debt.

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
6000 adjusted it right now.

Unidentified Speaker
6,500.

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
INR6500 crores.

Operator
Thank you. We have our next question from the line of Manish Mahawar from Antique Stock Broking. Please go ahead.

Manish Mahawar - Analyst, Antique Stock Broking
Yeah, hi sir. Just in terms of a capex timeline, right, you said a FOIS asset 2 lakh tons, right, which is 5 to 7. Out of that, 1 lakh is coming by December and one is the next August, right? You are saying 27.

Manish Mahawar - Analyst, Antique Stock Broking
Yes, Manish.

Manish Mahawar - Analyst, Antique Stock Broking
Okay. Earlier it was a timeline, was I believe it's for H2 [Phonetic] of this year, right? I think by Q3 or so, or it has got delayed. A m I missing something in terms of timeline?

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
It is the same timeline.

Manish Mahawar - Analyst, Antique Stock Broking
Okay. And second thing is the capex, which is a bigger capex what we announced earlier, right, INR3,500-INR3,600 crores of capex. What is the timeline of that and whether it will come in stages or it will come in a one shot?

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
It will come in one shot. I believe we said 2029-2030.

Manish Mahawar - Analyst, Antique Stock Broking
Okay, what is the -- when the -- what is the timeline for that to start?

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
Yeah, [Indecipherable] 2030 we believe.

Manish Mahawar - Analyst, Antique Stock Broking
29, should we 2029,2030 in the sense we should -- 29 we should assume or March 29th?

Unidentified Speaker
We [Indecipherable] We have the larger project, so generally there may be some, you know, here and there. So it will be like, you know, second quarter of 2029 -2030.

Manish Mahawar - Analyst, Antique Stock Broking
Okay, understood. And in terms of when you said that traded, just for this year particularly, when you said that DAP, we have done doing a lot of imports and we wanted to have a DAP, so does it mean, basically the manufacturer volume will be lower in this year itself and total volume will grow and definitely manufactured will come down and your ticket will offset that. That's a right understanding.

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
See, what we are trying to do is we try to optimize the market requirements. And you know, this is year there are disruptions and it will not be appropriate to put volume- to- volume comparison just for the sake of volumes. What you're trying to do is stakeholder value. So you're trying to augment between the manufactured and the imported volume so that market share will maintain in the market. But, and we will be producing in the plant, but we will not like to produce if the raw material prices are too steep and if there's supply chain disruption because of the war.

Unidentified Speaker
So any, any shortage in the production will be made good by this, you know, trading.

Manish Mahawar - Analyst, Antique Stock Broking
Trading.

Unidentified Speaker
So overall, you know, there will be no decrease in the sales and [Indecipherable] .

Manish Mahawar - Analyst, Antique Stock Broking
Understood. And last one, sir, in terms of EBITDA per ton, right,b ecause we did a very good in terms of first quarter, and that has some benefit of a low-cost inventory what we have earlier, right? Considering current RM cost in terms of all the 3-4 RM what we have and currency rates, what could be the EBITDA per ton we are able to make with e very shortfall of INR5,000, how do you mitigate, or any thinking towards the government additional subsidy we expect?

Unidentified Speaker
So Manish, I think it's an evolving situation with both the central government and industry. But with the kind of interaction we are having, we continue to say that, you know, we should have a sustainable EBITDA of INR5,000 per ton. I think that's the number we are looking at the end of this year. And hopefully, you know, with all the coordination that is happening, we should be able to cross that number.

Manish Mahawar - Analyst, Antique Stock Broking
Okay, understood. Sure. Okay, thanks.

Operator
Thank you. We have our next question from the line of Aman Kothari from Increditors Investments. Please go ahead. Aman, are you there?

Operator
Thank you. We have our next question from the line of Aman Kothari from Aequitas Investments. Please go ahead. Aman, are you there? No, Aman, your voice is breaking. No, Aman, we still can't hear you. We'll move on to the next participant. We have our next question from the line of Vignesh

Iyer from Sequent Investments. Please go ahead.

Vignesh Iyer - Analyst, Sequent Investments.
Thank you for the opportunity. I just wanted to understand what is -- what was our average landed cost of sulfur in Q1 FY27, and what is the price like now? I mean, can you just -- if you could share the comparison for the sulfur prices?

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
So sulfur has moved quite a bit in Q1, and the prices now as we speak today, $1,000 plus. As far as the sourcing is concerned, I think it will not be prudent for us to give that number because it's commercially sensitive, but it has been competitive with global benchmarks.

Vignesh Iyer - Analyst, Sequent Investments.
And the current price is what you're seeing, it is around sulfur is $1,000, right?

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
$1,000 plus, yeah, $1,000 plus.

Vignesh Iyer - Analyst, Sequent Investments.
And, what would this price be like in Quarter 1, I mean, on an average, if you could say?

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
Quarter 1 average was around $800, $850.

Vignesh Iyer - Analyst, Sequent Investments.
Okay, perfect. And can you share the same with sulfuric acid?

Unidentified Speaker
Sulfuric acid, right now the price is around $350.

Vignesh Iyer - Analyst, Sequent Investments.
Okay, and the quarter 1?

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
Quarter 1, we have not purchased much of sulfuric acid because of we have this, you know, sulfuric acid capacity 100% utilized. So, but, you know, as you ask that what is the price, you know, I'm saying that, you know, right now the sulfuric acid price is around $350 to $370.

Vignesh Iyer - Analyst, Sequent Investments.
Okay. So, and what percentage of our procurement is, in Quarter 1 FY27 specifically, what percentage of our procurement was, due to the long-term contract that, or long-term arrangement that we have, you know, entered in with sulfur suppliers? And what was -- what percentage was on spot basis?

Unidentified Speaker
Currently we don't have any specific long-term arrangement for sulfur because of fluctuations on both sides. It's happening on the spot basis only now.

Vignesh Iyer - Analyst, Sequent Investments.
Okay, got it, sir. That's all from my side. Thank you.

Operator
Thank you. We have our next question from the line of Kush from Care PMS . Please go ahead.

Kush Gangar - Analyst, Care PMS
Hello, my question has been answered. Thank you.

Operator
Thank you. We have our next question from the line of Sandeep Mukherjee from SKP Securities. Please go ahead.

Sandeep Mukherjee - Analyst, SKP Securities
So thanks for taking my question. Sir, what was the production volumes of DAP, NPK, and urea for this quarter?

Unidentified Speaker
We will come back to it. The overall, if you look at the production, it is the Q1 was 7.66 lakhs.

Sandeep Mukherjee - Analyst, SKP Securities
Okay, thank you.

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
And urea is around 2 lakh tonne. Remaining we can take it out. [Indecipherable] .

Operator
Thank you.

Sandeep Mukherjee - Analyst, SKP Securities
Thank you.

Operator
We have our next question from the line of Archit Agarwal from Steptrade Capital, Please go ahead.

Archit Agarwal - Analyst, Steptrade Capital
Hello, hello, am I audible?

Manish Mahawar - Analyst, Antique Stock Broking
Yeah,

Operator
Archit, you need to speak a bit louder.

Unidentified Speaker
Yes, please go ahead with the questions.

Archit Agarwal - Analyst, Steptrade Capital
Yeah, so my question is, so last quarter management guided that working capital buildup cost inventory and subsidy receivable slightly undone in Q1 FY27. So leading to normalization of operating cash flow and lower borrowing. So could you share the actual progress, how much inventory has been liquidated and how much subsidy has been received, and is operating cash flow positive?

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
So last, you know, we what -- we have told that last quarter, we have additional inventory which has been liquidated this quarter and that has augured well for us. And during this evolving situation and this if you look at the last year, you know, last quarter's inventory with this quarter inventory there is a growth, there is an increase in the inventory mainly on account of the trading volume what we are talking. But otherwise, this raw material and finished goods, there is a reduction. And even the debt we have reduced from around INR700 crore on an overall basis and the cash flow is also positive from operations.

Unidentified Speaker
Just to kind of also augment, see, the cash flow has been both robust as far as the market is concerned. We had a 43% growth in cash flow from the market, and even the subsidy collections were 22% higher than last year for the same period. So we had a robust cash flow which has helped the overall position.

Archit Agarwal - Analyst, Steptrade Capital
Okay, okay. And you have mentioned like INR2,600 crore subsidies received in this quarter.

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
Yes.

Archit Agarwal - Analyst, Steptrade Capital
Okay, yeah, that's good. Thank you.

Operator
Thank you. We have our next question from the line of Aman Kothari from Aequitas Investments . Please go ahead.

Aman Kothari - Analyst, Aequitas Investments
Hello. Sir, this year we were in the phase of developing again and expanding our granulation capacity. S o when can we see us reaching to the point 7 to 4 this year?

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
The debottleneck is actually expected by again December. C ontract is already awarded, it is going in full swing.

Aman Kothari - Analyst, Aequitas Investments
And for the rest of the year going forward, as you talked upon tha, the traded volumes, would be significantly higher as compared to the last year. So we would see a margin impact this year going forward considering trading volumes would be higher?

Unidentified Participant
Overall, I think we, we continue to maintain that EBITDA per ton at a company level. And because, you know, we are -- there are a lot of supply chain efficiencies that have been brought into the system. So overall, we don't think that, that there is a pressure on EBITDA per ton below the guidance that we have talked about.

Aman Kothari - Analyst, Aequitas Investments
And I think in terms of I think you touched upon the product mix going forward, but my question

there just still remains, sir, that in terms of NPK market, what do you see apart from the price difference could be a value unlocker for us c onsidering we are the industry leader both in terms of volumes also and pricing going forward.

Unidentified Speaker
Yes, so could you just please clarify, what exactly is the concern that you have?

Aman Kothari - Analyst, Aequitas Investments
The idea is to understand could drive the NPK adoption going forward, just apart from the price difference that's currently there.

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
So there are two, three fundamental drivers. One is kind of really awareness coming with respect to farmer in terms of understanding his soil health. And he's able to understand that there is a need for him to have a sustainable agriculture both in terms of applying organic carbon and balanced nutrients, both in terms of nitrogen, phosphorus, and potash. You know, we have a challenge of overuse of nitrogen in the country. So a significant subsidy and the application of the farmer happened as nitrogenous urea . But we see a robust play for both NPK fertilizers going forward because a lot of awareness has happened and farmers today feel they are getting better results as far as productivity is concerned when they use a balanced portfolio. So if you look at it, last year the market was around, approximately 24 million tons of phosphate, out of which DAP is around 10, and the NPK is around 14 million tons. And out of 14 million tons, the robust NPK grade where your company is, like a leader is 20-20-0-13, which happens to be around 6 to 7 million tons.

So we still feel that's a very promising grade because there is sulfur deficiency in the soil, and that's a very, very, good fertilizer for the farmer. But today the price difference is there, so which I think is a short-term thing. I don't see that sustaining. T he moment I think the government removed the cap on MRP for DAP, I think the portfolio will get balanced.

Operator
Sorry to interrupt, Aman. We are unable to hear you. Your voice is cracking.

Aman Kothari - Analyst, Aequitas Investments
My question was, is there any possibility for the pricing to be moved? The pricing has to [Indecipherable].

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
That you also ask maybe the political people, but I mean, currently it doesn't seem in the short term. But I think somewhere going forward, it should get removed. That's how we look at it, but not in the short term.

Aman Kothari - Analyst, Aequitas Investments
I mean, I'm sure you touched upon this. [Indecipherable].

Operator
Sorry to interrupt, Aman. W e are unable to hear you. Hello, Aman. Yes, now we can hear you. We can't get you, Aman. Aman, are you there? Ladies and gentlemen, that was the last question of the day. I now hand the conference over to management for closing comments. Over to you, sir.

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
Thank you, dear investors in taking time to join our earnings call. In case you have any further questions, we'll be very pleased to address them through our relations --Investor Relations team. And thank you once again and have a good afternoon. Thank you.

Rajeev Nambiar - President & Chief Operating Officer, Paradeep Phosphates Limited
Thank you.

Operator
Thank you. On behalf of Antique Stock Broking Ltd, Operator Closing Remarks]