

Krishana Phoschem Limited
Q4 and FY25 Earnings Conference Call
May 13, 2025

Moderator: Good afternoon, ladies and gentlemen. A very warm welcome to the Q4 and FY25 earnings call of Krishana Phoschem Limited.

From the senior management, we have with us today,

- Mr. Praveen Ostwal, Promoter and Director
- Mr. Sunil Kothari, Whole Time Director and Chief Financial Officer
- Mr. Mcenro Samdani, Consultant- Strategy and Investments.

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 touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mcenro Samdani. Thank you and over to you, Sir.

Mcenro Samdani: Thank you, Avirath. Good afternoon, everyone, and welcome to the first ever earnings Call of Krishana Phoschem Limited.

Before we begin the earnings call, I would like to mention that some of the statements made during the today's call might be forward-looking in nature and hence it may involve risks and uncertainties, including those related to the future financials and operating performances. Please bear with us if there is a call drop during the course of the conference call, we would ensure the call is reconnected the soonest.

I would like to hand over the conference to Mr. Praveen Ostwal - Managing Director, over to you Praveen Ji.

Praveen Ostwal: Good afternoon, everyone. It's a pleasure to welcome you all to Krishana Phoschem Limited's first ever earning call. Thank you for joining us today and for your interest in the company.

Since this is the first time, we are holding an earnings call for results and some of you might be hearing us for the first time, I will give a quick snapshot of the group and history of the company. Following which with Industry scenario; company performance for the quarter and year, outlook and Q&A at the end.

About the Group and the Company:

Ostwal group is one of India's leading phosphatic fertilizer manufacturer, with an integrated production capacity of 2 million metric tons including BRP, sulfuric acid, phosphoric acid, finished fertilizer. Headquartered in Bhilwara, Rajasthan, our manufacturing facilities are based in the Madhya Pradesh state, while we are serving agricultural markets across India through 6 manufacturing fertilizer capacities.

Krishana Phoschem was acquired in 2007 as a loss-making unit and has since become a strong pillar for the group led by Mr. MK Ostwal, a pioneer in SSP manufacturing from BRP, the company manufactures and markets fertilizers under the 'Annadata' and 'Bharat' (NPK/ DAP) brand. Our product capacity stands at 1,20,000 MT for SSP and 3,30,000 MT for NPK/DAP, enabling us to efficiently meet growing market demand. We operate with a strong retail presence in 9 states supported by our 2,500 dealers and 30,000 retailers.

We have also ensured robust backward integration and secured a reliable supply of rock phosphate through long-term agreements with suppliers in Egypt, Jordan and domestically, which is a crucial strength in our subsidy driven business model.

On the industry:

In FY25, Phosphatic Fertiliser industry volumes, excluding MOP, grew by 7.5% on YoY basis. Overall, the growth was driven by NPK grades. At the same time Krishana first time recorded much higher volume growth of 50% for FY25 and consistently outgrown the industry demand.

On raw material scenario, at the input side, while we witnessed, sharp price increases in sulfur, ammonia prices were relatively softer. Sulphur prices have doubled over previous year, mainly attributable to volatile global demand. The governments increase in Kharif 2025 subsidy has largely offset the raw material price inflation, which helps maintaining price competitiveness and margin stability.

Since we mainly sell SSP and NPK, I would like to give some color on price concessions increased for these products. The increase was around 42% for SSP and 18% in NPK over the previous cycle.

On Financial, Operational and Business Highlights:

FY25 has been a landmark year for Krishana Phoschem. We have delivered highest ever volumes, improved plant utilization and deepened our market presence, particularly in Madhya Pradesh and Chhattisgarh where we now command 6% and 16% market share in SSP respectively.

Financial and operating performance for the quarter ending 31st March 2025:

Starting with quarterly financials:

- Revenue for the quarter reached ₹472.9 crore, reflecting a strong 79.5% YoY growth and a 55.6% sequential increase.
- EBITDA rose to ₹56.3 crore, up 119.2% YoY and 27.7% QoQ, with an EBITDA margin of 11.9%.
- Profit After Tax (PAT) surged to ₹32.6 crore, marking a remarkable 492.7% YoY increase and a 59.0% QoQ rise, with a PAT margin of 6.9%.
- EBITDA per ton stood at ₹5,550, showcasing our operational efficiency

Now, moving to quarterly operational performance:

- 32,835 ton in SSP sales, a 153.8% increase YoY and a 57.1% increase QoQ.
- 68606 tons in NPK/DAP sales of 40.8% YoY growth, and 19% QoQ increase.
- SSP was produced at high levels of operational performance and NPK/DAP continued its upward trajectory with 81% utilization.

Financial and operating performance for the full year ending 31st March 2025.:

- Full-year revenue reached ₹1,358.2 crore, a 47.0% increase from ₹923.9 crore in FY24.
- EBITDA stood at ₹183.9 crore, up 43.4% YoY, with a healthy margin of 13.5%.
- PAT more than doubled to ₹86.3 crore, a 114.1% increase YoY, with a PAT margin of 6.4%.
- EBITDA per ton for the year was ₹5,251.
- Our debt-to-equity ratio improved, with net debt decreasing by 19%, reflecting our commitment to prudent financial management.
- Outstanding subsidy receivables as of March 31, 2025, were ₹189.1 crore, compared to ₹93.5 crore on December 31, 2024, and ₹133.2 crore on March 31, 2024.

Now moving to full year operational performance:

- SSP sales stood at 1,17,536 tons, a 21.4% increase YoY from 96,833 tons in FY24.
- NPK/DAP sales surged to 2,32,715 tons, a 70.4% increase from 1,36,567 tons in FY24.
- For the full year, SSP operated at 95% utilization, while while NPK/DAP utilization improved significantly, rising from 45% to 70%, reflecting our successful ramp-up and strong market demand.

New product launches and updates.

- We are excited to announce the launch and relaunch of key products in our portfolio: Annadata Urea SSP, a combination of Urea and SSP for holistic crop nutrition; Annadata Super 6, enriched with Zinc, Boron, and Magnesium for enhanced soil health; and Annadata Zibo, fortified with Zinc and Boron to address nutrient deficiencies
- These new offerings reflect our commitment to meeting the evolving needs of farmers and reinforcing our leadership in fertilizer markets since value added nutrient has good demand, we expect good response and expect handsome addition in profit.

Growth and outlook.

FY25 has been a transformational year of Krishana Phoschem, marked with record volumes, excellent operational efficiency and solid financial growth.

As we move into FY26, we remain confident in our ability to maintain momentum across all fronts. The increase in government subsidy for Kharif as provided positions us favorably against industry headwinds like inflated costs. With SSP and NPK continuing to be cornerstone of balanced soil nutrition and farmer adoption, we believe long term demand drivers' payment firmly intact.

We believe that NPK and SSP will remain key to the growth of phosphatic fertilizers. Also, farmers thus need fertilizer based on basis of soil health. With such macro tail wind, we believe NPK grades to have long term growth potential. From an operational perspective, our plants are running at high utilization for SSP and NPK/DAP, reflecting healthy market full and production agility. We continuously work on optimizing process and improving yields through technology to improve our efficiencies and increase production. In FY26, we aim to further debottleneck these facilities and implement efficiency improvement to stretch capacity even within the existing footprint.

Traditionally, we have been bringing various market strategies to gain momentum in our market share. As stated earlier, we are increasing our footprint by widening our product range to increase our profitability. Strategically, we are at inflection point for our next phase of growth.

We are in advanced stages of planning for capacity expansion in fertilizer as well as backward production facilities with options being explored both organically through brownfield expansion and backward integration and inorganically through acquisitions that could offer market product or logistics synergies. We continuously work on optimizing our manufacturing process and improving technology to enhance our efficiencies and production. Our years of experience, along with technology prowess, yields us with one of the best cost metrics for manufacturing. To push new capacities, we already strengthen our marketing team and have invested good amount in R&D to bring perceptible improvement in efficiencies including better improved products.

We have broad based our funding partners including SBI who has shown appreciable interest in our expansion. Our rating agencies continues to have faith in our capabilities. With all these favorable support, strong demand outlook, product innovation and disciplined financial management, we are well positioned to deliver sustained revenue and profitability growth.

With this, I would like to end my opening remarks and open to take up the questions from the participants.

- Moderator:** Thank you very much. The first question is from the line of Dhwanil from I-wealth fund. Please go ahead.
- Dhwanil:** Sir, just wanted to check on the industry side, Sir NPK this year, the overall growth for the industry has been very good. And then DAP has been flattish or 10% de-growth. So, wanted to check on that, Sir, what has led to this growth? And then how do you see this are going ahead with the season upon us?
- Praveen Ostwal:** See, the government is already working on the nutrient based policy, which aims to ensure that hat only the exact nutrients required are provided to the soil. DAP, for instance, comes with a fixed composition of 18-46-0 — that's 18% nitrogen and 46% phosphorus. On the other hand, there are various types of NPK grades available in the country. The idea is to provide only what the soil specifically needs. One part of this is about matching soil nutrition, and the other is linked to manufacturing dynamics, Globally, DAP production is declining, which is leading to higher prices. At the same time, the government wants to avoid excessive subsidy outflows on DAP. So, it's both, a soil nutrient issue and a subsidy concern. And in coming times, definitely NPK's will continue to be the future of the country.
- Dhwanil:** Got it, Sir. And Sir in our overall mix, what's the proportion of DAP and NPK on yearly basis? I think we sold ~2,31,000 tons in phosphatic fertilizers.
- Praveen Ostwal:** DAP is ~14,000 tons.
- Dhwanil:** So, this is the trading side or the manufacturing?
- Praveen Ostwal:** Completely manufacturing.
- Dhwanil:** And then we don't do any of the trading in fertilizers.
- Praveen Ostwal:** Not in this company. We do trading, but not in this company.

Dhwanil: Got it. And since our utilization has been high this year, we are close to kind of reaching to our full capacity, so what is the next CapEx plan which we are having now?

Praveen Ostwal: See, in SSP, we are almost at 90% plus, but in NPK/DAP, definitely we still have some unutilized capacity because our installed capacity is 3,30,000 tons and this year, we could produce only less than 2,40,000 tons. So, we're focused on fully utilizing that 3,30,000 tons capacity. And above all, we are planning to enhance our capacities of phosphoric acid and NPK/DAP. We are working on it, and at the right time we will come out with the project reports and information.

Dhwanil: Got it, Sir. And Sir, on overall EBITDA per ton — what we achieved in the last two quarters has been quite high, right? So, going ahead, with the subsidy rates having increased, do we expect EBITDA per ton to further go up? Or should it remain around ₹5,500–₹6,000 per ton?

Praveen Ostwal: It will be stable, because the raw material prices have gone up and that is why the subsidies have been increased. So, EBITDA levels will be almost similar.

Dhwanil: On the gross side, should there be any difference with them because of the raw material?

Praveen Ostwal: No. Because raw material prices are already up.

Dhwanil: Got it, got it. And Sir, just on the upcoming season, what kind of growth are we expecting in this going ahead?

Praveen Ostwal: The fertilizer business has been growing in the country every season. Definitely, when we have a good monsoon ahead, fertilizer requirements will increase. We are looking forward to have a good fertilizer business in coming season. We have the capacity, and we will be trying to operate at its fullest.

Dhwanil: Got it, Sir. Great. Great. Thank you, Sir. And all the best.

Praveen Ostwal: Thank you very much.

Moderator: Thank you. The next question is from the line of Deekshant B from DB Wealth. Please go ahead.

Deekshant B: Hello sir, congratulations on those numbers. My question to you is that in the past, we have seen margins cross the 20% mark, even reach around 20 to 23%. At what point of time of our operational capacity do we think that this can happen because, as you said that the raw material price has already shown its effect and we are getting a better subsidy right now, so when do you expect this business to become more capacity-utilization driven?

Sunil Kothari: The 22-23% profitability was an aberration and exception happened only in FY22-23. What we are showing now is a reasonable, normal level, and we expect to continue at this level. When raw material prices rise, the government increases subsidies accordingly, so we don't expect a significant jump in profitability anytime soon.

Deekshant B: Right. So, I think the idea of asking this question is 6 quarters down the line, do you think that with our operations running the way they are, do you think that our margins will improve or should we anticipate similar seasonal growth or degrowth?

Sunil Kothari: As we have explained, our capacity utilization has been around 70%. The future growth lies in improving that from 70% to 80-85%. On a few occasions, we have

achieved 100% capacity utilization, so we are confident. With some bottlenecks addressed, we can increase capacity utilization, and every additional ton of NPK will add over Rs. 5,500 to the profit. So, if next year we increase capacity utilization by 5 to 10%, we expect profits to increase. Profitability may not expand much, but overall profits will grow.

Deekshant B: Okay sir. So, the margins will not expand as much, but our net profit would increase because of volumes. Is that what you mean?

Sunil Kothari Yes. Correct.

Deekshant B: Okay. But there will be some improvement in margins and can we consider 12% as our base margins right now?

Sunil Kothari Absolutely, you can consider that comfortably.

Deekshant B: Okay, Sir. Another thing on the trading side, regarding the Madhya Bharat Agro Product business that we have, do we do trading in that part of the business? Or is this a holding company and the business is run through a different entity?

Sunil Kothari: Trading is part of the Ostwal Group's operations. We have a phosphatic fertilizer production capacity of 1.1 million tons. We have long-term agreements with Jordan and Egypt for the supply of rock phosphate. To maintain economies of scale, we usually import a full shipload of rock phosphate on a high-seas basis. One company imports it, and then it is distributed among our other three companies. So, that's mainly the trading part, it operates on an arm's length basis and is just an enabling factor.

Deekshant B: Sir, I would request you to help us understand our overall cash and debtor cycle. If you can just give us a brief understanding because we see that the overall working capital and cash conversion cycle is improving, so if you can just help us understand in a little brief that how this is happening and what kind of growth we can expect going forward?

Sunil Kothari: Earlier, a higher percentage of our sales came from SSP. Now, NPK is contributing more. In the case of NPK, payments from marketing federations and wholesalers come in faster. That's why our debtor cycle is improving slightly. However, the subsidy portion still takes the same long period to realize. So overall, the improvement is modest, but with the rising demand for NPK, especially as the government is de-emphasizing DAP, the credit extended to wholesalers is also reducing. All these factors, combined with the active efforts of our marketing team, are helping improve the debtor cycle. But then there is a limitation and I don't think we can improve substantially.

Deekshant B: The reason I ask is that the current working capital days are around 107 to 110—please correct me if I'm wrong. Can we expect this to come down significantly, maybe by 10, 15, or 20 percent or are we already close to the best level, and we can't be expecting too much of working capital improvement?

Sunil Kothari: No, we're not at the best level yet. We are aware of some loopholes and are working on them. I'm confident that in FY26, you'll see an improvement of at least 10 to 15 days.

Deekshant B: Got it. Sir, the last thing that I want to ask you here is this is very heartening to know that our parent company Ostwal Phoschem is improving their holding and Praveen Ostwal ji has also improved the shareholding in the company. So, could you just highlight maybe some of the reasoning or the capital infusion that we are doing, like

what is the thought process behind this? It would help out all the investors and analysts here.

Sunil Kothari: Yeah, I think it's mainly about opportunities that come our way. Our holding company currently owns around 65%. So, whenever an opportunity arises, OPIL increases its stake. Later, when we do a public offering, like a follow-on offer or QIP, having a higher stake helps minimize dilution. That's why whenever the chance comes, we increase OPIL's stake. It's not a detailed strategy; it's more about taking opportunities as they come. Since OPIL's business is mainly SSP and it has good cash accruals, the company invests when it sees fit. For example, last year, we didn't invest substantially, around ₹8-9 crore in absolute terms, including market rates.

Deekshant B: Yeah, the trend is positive. Just wanted to understand, are you considering a QIP in the next few quarters?

Sunil Kothari: I can't comment at the moment. But if the opportunity arises and we get encouragement from investors, we will definitely consider it. There is huge potential in phosphatic fertilizers in India, so we can think about expansion, adding capacity, and doing many things.

Deekshant B: Sir, just a follow up and like in the opening remarks, we have mentioned that we are looking for a capital partnership with the SBI. They have shown their interest. Could you just highlight?

Sunil Kothari: It's not a capital partnership, but a funding partnership.

Deekshant B: So, this is related to debt funding?

Sunil Kothari: Yeah, funding.

Deekshant B: Okay Sir, thank you so much. Wish you and the team the best.

Sunil Kothari: Thank you.

Moderator: Thank you. The next question is from the line of Soham from RV investments. Please go ahead.

Soham: Thank you, sir. What volumes can we expect in FY26 for NPK and SSP? Considering our capacity utilization in SSP has been around 100% for the last two quarters, and about 80% for DAP, can you provide some guidance?

Sunil Kothari: We hope to sell about 280,000 metric ton of NPK, which will be up from last year. Because as we have already worked on de-bottlenecking some problems and the capacity utilization which was hovering in the range of 70%, we hope to touch 80% this year.

Soham: Okay, Sir. Thank you.

Moderator: Thank you. As there are no further questions from the participants, so I'll now hand the conference over to the management for closing comments.

Mcenro Samdani: Thank you once again for everyone 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.

Moderator: On behalf of Krishana Phoschem Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

Disclaimer: *This transcript has been edited for clarity and readability. Due to network disruptions during the financial section of the call, certain figures have been aligned with the numbers disclosed in the Investor Presentation and official stock exchange filings to ensure accuracy.*