

Date: 18.01.2025

To,

National Stock Exchange of India Ltd.

Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E)
Mumbai - 400 051

Dear Sir / Madam,

Subject: Transcript of Q3 FY25 Earnings Conference Call

Pursuant to Regulation 30 and 46 read with clause 15 of Para A of Part A of Schedule III of the SEBI (Listing obligations and Disclosure Requirements) Regulations, 2015, we enclose herewith the transcript of Q3 FY25 Earnings Conference Call organized by the Company on January 16, 2025 at 4.30 P.M. (IST).

The Transcript of the same is available on Company's website at following link
<https://www.mbapl.com/newsnoticeanddisclosers/#1737028209926-936d9ae1-db13>

Kindly take the above-information on records.

Yours faithfully,

For Madhya Bharat Agro Products Ltd

(Pallavi Sukhwal)
Company Secretary

Madhya Bharat Agro Products Limited
Q3 FY25
January 16, 2025

Moderator: Ladies and gentlemen, good day, and welcome to Q3 FY25 Earnings Conference Call of Madhya Bharat Agro Products Limited.

From the senior management, we have with us today:

- Mr. Pankaj Ostwal, Promoter & Director,
- Mr. Sourabh Gupta, Whole Time Director & Chief Financial Officer, and
- Mr. Mcenro Samdani, Consultant - Strategy & Investments.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then '0' on your touchtone phone. Please note 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, Ranju. Good evening, everyone. And welcome to the first ever earnings call of Madhya Bharat Agro Products 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 risks 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 will ensure the call is re-connected the soonest.

Now, I would like to hand over the call to Mr. Pankaj Ostwal, Managing Director. Over to you, Mr. Pankaj ji.

Pankaj Kumar Ostwal: Good evening, everyone, and welcome to the first ever earnings call from Madhya Bharat Agro Products Limited. Since this is the first time we are holding an earnings call and some of you might be hearing us for the first time, I will give a quick snapshot of the group and the history of the company.

Firstly, about the Ostwal Group. We are based in Bhilwara, Rajasthan, and are into phosphatic fertilizer manufacturing. We have 4 fertilizer companies in the group- a holding company

'Ostwal Phoschem India Limited' and 3 subsidiary companies 'Madhya Bharat Agro Products; Krishana Phoschem; Shri Ganpati Fertiliser'. All the 4 companies are in phosphatic fertilisers with a total fertiliser manufacturing capacity close to 1.2 mn tons. All the companies operate at different geographical location thereby creating a synergy at a group level.

Coming to Madhya Bharat Agro Products Limited, based in Madhya Pradesh, it was acquired by Ostwal family in 2004 as a SSP manufacturing unit located in Sagar, Madhya Pradesh. We turned it profitable in the first year of full operation. It followed a series of backward and forward expansions, along with product diversification by manufacturing DAP/NPK fertilizer in 2022. We entered this product by acquiring a closed down phosphoric acid unit, a key raw material feed for DAP/NPK. In the past 3 years, we have done expansions across the value chain of DAP/NPK, which is now giving excellent results.

Currently, Madhya Bharat Agro Products Limited has 2 plants located in Sagar, Madhya Pradesh, with a total manufacturing capacity of SSP 2,40,000 tons and DAP/NPK 2,40,000 tons respectively, backed by raw material feed of capacities of phosphoric acid, sulfuric acid, and beneficiated rock phosphates. As a strategy, we have grown by acquiring six of closed down fertilizer units. This asset-light strategy has kept our CapEx low, thereby enhancing our returns. We foresee ourselves to grow in similar manner.

CapEx plans.

Taking experience of successfully running DAP/NPK plants, we entered into a definitive agreement to acquire a closed unit of DAP/NPK based in Dahej, Gujarat. This plant is being dismantled from Dahej and relocated to a new location in Nardana, Maharashtra, where we have acquired 5,87,000 square meter area on lease from MIDC. The strategy is to diversify the marketing coverage geographically to Maharashtra and below. We estimate this plant to be operational in September '26 end. This upcoming manufacturing unit at Nardana, Maharashtra, will have additional 3,30,000 tons of DAP/NPK at a CapEx of Rs. 535 crore.

Further, in Sagar, MP, at our existing manufacturing location, we plan to increase our phosphoric acid capacity in stages by 33,000 tons with a minor CapEx of Rs. 70 crore. This brownfield expansion is targeted to be captively consumed. With this, our phosphoric acid capacity at Sagar will increase from 49,500 tons to 82,500 tons in Q2 FY26. We already have done the financial closure of Rs. 248 crore for Dhule project during the quarter with SBI, Axis Bank and Federal Bank. The closure showcases the confidence of banks on us with the project.

On the current business environment, we have witnessed a very robust market for NPK for the beginning of the rabi season. The industry demand for the quarter is estimated to have grown 50% YoY. Our DAP/NPK plant ran at 85% utilization, which is optimum. We could clock thereby recording quarterly sales of 45,676 tons, which was up from 43.8% YoY due to the increased NPK sales.

Our product mix has improved and we have been able to record EBITDA per ton of ~ Rs. 5,000 per ton for the quarter, which is highest for the year. We foresee that EBITDA per ton from the upcoming Maharashtra plant will be much higher as it will only be manufacturing DAP/NPK, which is a high-margin product as compared to SSP.

On the subsidy scenario, we have observed largely stable raw material prices, except for sulphur, which increased recently during the quarter. We foresee minor upward investment in the subsidy during the next subsidy cycle to offset that subsidy rise.

On the financial performance for the quarter. For the quarter, our revenues were up by 16.4% YoY at Rs. 283.7 crore. EBITDA was up 119.4% YoY at Rs. 39.5 crore. PAT was up 1,276.9% YoY at Rs. 17.9 crore. And EBITDA per ton was up 113% YoY at Rs. 4,647. Our total outstanding loans as of 31 December, 2024, is Rs. 211 crore, including long-term debt of Rs. 32 crore. The subsidy outstanding as of 31 December, 2024, was Rs. 77 crore. NPK sales were 45,676 tons, up 43.8% YoY, and SSP sales were 39,331 tons, up 5.4% YoY.

With this, I would like to open the floor for questions-and-answers.

Moderator: Thank you. We will now begin the question-and-answer session. The first question comes from the line of Praharsh Rai with Arjav Partners. Please go ahead.

Praharsh Rai: Congratulations on a great set of numbers. Can you hear me?

Pankaj Kumar Ostwal: Thank you. Thank you very much. Yes, we can hear you.

Praharsh Rai: Yes. Sir, I just wanted to confirm that the new Maharashtra plant which will come up, it will come up in Q3 FY27, right?

Pankaj Kumar Ostwal: It will be operational by FY26.

Mcenro Samdani: Yes, by the end of 2026.

Praharsh Rai: So, 24 months from now?

Mcenro Samdani: Yes, yes.

Praharsh Rai: And sir, the phosphoric acid expansion will be completed by Q2 FY26, that is September of this year?

Mcenro Samdani: Yes.

Pankaj Kumar Ostwal: Yes, it's Q2 FY26.

Praharsh Rai: Sir, would you like to give a guidance for the financial year for FY26 and FY27 in terms of top-line and margins?

Mcenro Samdani: So, I will take this question, Pankaj ji. Praharsh, see, probably we would not be giving guidance. But what we can give is just a flavor about how our EBITDA should turn up. See, currently, if you see our EBITDA per ton has clocked ~Rs. 4,800 for this quarter, and we expect this to be in a similar range for the full year in FY26. Regarding Maharashtra project, we expect the EBITDA per ton from the Maharashtra project will be much higher, likely exceeding ~Rs. 6,000 per ton. So, I think that will be a broad guideline on the numbers which we can give right now. In terms of top-line, we will see minor jump next year.

Praharsh Rai: The exit run rate of FY27, the exit run rate of the margins will be quite high, if I am not wrong?

Mcenro Samdani: Yes, yes, for Maharashtra margins will be quite high.

Praharsh Rai: Because post-Maharashtra, the plant kicks in the next financial year that is FY27, the exit EBITDA margins will be quite high, right sir?

Mcenro Samdani: Yes, yes.

Praharsh Rai: And what will be the ramp-up time for that new plant, sir, any guidance on that? Because if the plant gets started in Q3 FY27, I think it will take at least 2-3 months to stabilize and ramp-up the capacity?

Mcenro Samdani: Yes, yes. So, in our projections, we have estimated ~40% utilization in the first year, and then followed by full utilization in the coming year that is FY 28.

Praharsh Rai: So, FY 28 we will see a jump in the top-line and bottom-line both, margins and top-line?

Mcenro Samdani: Yes, full impact will be seen in FY28.

Praharsh Rai: And sir, what kind of working capital are we looking at for the current financial year and the next financial year?

Mcenro Samdani: Are you referring to working capital loans?

Praharsh Rai: Yes, sir, working capital requirement and the loan.

Mcenro Samdani: It will remain similar to what we had in the last quarter, as of September '24, following the same cycle this year. Because, see, in the full year you will see a cycle of full season and low season. So, September and March, both are low season for us, which is when the working capital increases.

Praharsh Rai: Roughly 90 days cycle?

Mcenro Samdani: I think average is 90 days, but as of 31 March it is around 100 days or more.

Pankaj Kumar Ostwal: Our current working capital has been tied up and the company has the requisite funds to continue operations. As Mcenro mentioned, our working capital cycle is ~4-5 months, and there are no issues with running the present operations. We have adequate funds.

Praharsh Rai: And the expansion is from internal accruals, right?

Pankaj Kumar Ostwal: It's a combination of debt as well. As I mentioned in my speech, loans have already been sanctioned by SBI, Federal Bank, and Axis Bank.

Praharsh Rai: So, what will be the peak debt level?

Mcenro Samdani: Peak debt level will be Rs. 350 crore for the next three years, that's the estimate.

Praharsh Rai: Yes, yes, for next three years, sir. And this does not include the working capital loan, right?

Mcenro Samdani: No. We foresee that 350 crore is the term loan for the project, not the working capital loan.

Pankaj Kumar Ostwal: Let me clarify the exact figures. For the new project, we will receive a loan of ~Rs. 248 crore. Currently, we have ~ Rs. 30 crore outstanding for our existing operations. So, the peak term loan level will be Rs. 248 crore. Additionally, with fertilizer production ramping up, the peak debt level will reach around Rs. 350 crore by FY26.

Praharsh Rai: Okay. And sir, will you be comfortable giving guidance on the pricing pressure of the products?

Pankaj Kumar Ostwal: As I mentioned earlier, there has been an increase in raw material prices, and manufacturers have already started raising prices. We have also increased prices in the market. As the cost of raw materials rises, we will adjust fertilizer prices accordingly, and if the prices drop, we will reduce the prices. Ultimately, our target is to offer fertilizers to farmers at a reasonable price.

Praharsh Rai: Right. And sir, for this current financial year we will be maintaining our EBITDA margins, right?

Pankaj Kumar Ostwal: Definitely.

Praharsh Rai: That's it for my side, sir. Congratulations and best of luck for your future endeavors. Thank you.

Moderator: Thank you. Our next question comes from the line of Riju Dalui with Antique Stock Broking. Please go ahead.

Riju Dalui: A few questions. For DAP and NPK, we have a capacity of 2,40,000 tons, right? How much of that is backward integrated? Can you provide the percentage of DAP and NPK that is backward integrated?

Pankaj Kumar Ostwal: For phosphoric acid, it is fully integrated. For ammonia, we are sourcing from external suppliers, including Indian urea manufacturers and imports.

Riju Dalui: So, for phosphoric we are fully backward integrated, right?

Pankaj Kumar Ostwal: Yes.

Riju Dalui: From where we are procuring rock phosphate for that?

Pankaj Kumar Ostwal: We are buying rock phosphate from Jordan, from Egypt, and some of the rocks which we benefitted from buying from low grade and medium grade from the local mines.

Riju Dalui: And sir, in December there was a sharp depreciation in rupees against dollars. How will this impact your future procurement? How much inventory of rock phosphate do you have?

Pankaj Kumar Ostwal: We hedge our currency exposure as we enter contracts, so there is no immediate concern for our current business. The company's policy is to continue hedging as we contract.

Riju Dalui: So, sir, would you say that we are fully hedged in terms of currency?

Pankaj Kumar Ostwal: Yes, we are fully hedged.

Riju Dalui: But depreciating rupee can impact your margins going forward. So like can we take price hike in future if government does not provide any additional subsidy for that?

Pankaj Kumar Ostwal: In India, the government's priority is to ensure the availability of fertilizers at reasonable prices for farmers. This includes consistent, regular, and adequate supply. The government may adjust subsidies or allow the MRP to fluctuate. There's no risk either way—if the government increases the subsidy or we raise the MRP.

Riju Dalui: And in Q3 FY25 you said that the EBITDA per ton is Rs. 5,000 in, so how much that was in Q3 FY24?

Mcenro Samdani: Last year, in Q3 FY24. it was Rs. 2,225.

Riju Dalui: So, there was a sharp jump of more than 100% in EBITDA per ton. How much of that is due to the increase in subsidy, and how much is attributed to raw material benefits? How can we analyze this increase in EBITDA per ton?

Mcenro Samdani: I will tell you broadly, the volume of NPK has increased substantially compared to Q3 of FY24. In Q3 last year, we manufactured 31,561 tons, whereas this year, it's 45,676 tons. The shift in the product mix towards NPK is one of the key reasons for the increase. Additionally, there was an increase in subsidy on a YoY basis, which further contributed to the rise in EBITDA per ton.

Riju Dalui: And sir, was there any inventory gain for this quarter that has actually pushed your EBITDA per ton?

Mcenro Samdani: I don't think there were any inventory gains. Is there in the Pankaj ji or Sourabh ji?

Pankaj Kumar Ostwal: No, the subsidy figures don't change in December. They are adjusted in September and March.

Riju Dalui: So, the increase in EBITDA per ton this quarter is mainly due to the shift in product mix towards NPK. Would you say that shortages of DAP in Q3 helped increase NPK sales volume?

Pankaj Kumar Ostwal: DAP has been a traditional product used by farmers for the past 30-50 years across the country and across the world. However, in last 3-4 years, both farmers and the government have realized that the need is shifting more towards NPK rather than DAP. DAP has a standard composition of 18:46, whereas NPKs come in various combinations. So, both farmers and the government are increasingly focusing on NPK, and we expect its demand to grow significantly in the future.

Riju Dalui: Sir, I understood that. But like this year there was DAP shortages in the domestic market.

Pankaj Kumar Ostwal: Yes.

Riju Dalui: So like, how that helped to increase the NPK volumes?

Pankaj Kumar Ostwal: India's total demand for phosphatic fertilizers is ~ 250 lakh tons, and in previous years, DAP made up most of that demand, with NPKs being less prevalent. However, the demand mix is gradually shifting towards a 50:50 split between DAP and NPK. This shift is driven by both a change in farmer requirements and the shortage of DAP. So, it's a combination of both factors—demand and DAP shortages.

Riju Dalui: So, you're saying it's a mix of both?

Pankaj Kumar Ostwal: Yes, it's both—the changing soil requirements and the shortage of DAP. But definitely, in the coming years, NPK demand will rise as farmers have started understanding the benefits of the product.

Riju Dalui: Got it. Regarding the new capacity expansion, you mentioned earlier—3.3 lakh metric tons for DAP and NPK—will that be fully backward integrated?

Pankaj Kumar Ostwal: In terms of phosphoric acid, it is fully integrated. And in terms of ammonia, again, we will be purchasing from local urea manufacturers, as well as importers.

Riju Dalui: For phosphoric acid backward integration, there are by-products like gypsum. How are you managing those?

Pankaj Kumar Ostwal: Gypsum is the only by-product from phosphoric acid. As you know, most phosphoric acid plants are located along the coast, but we're based in the central part of the country. We have experience running this plant in Madhya Pradesh and are setting up another in Maharashtra. Around these plants, there are large cement manufacturers, and gypsum is in demand from them. So, disposal of gypsum is not an issue.

Moderator: Thank you. Next question comes from the line of Heet from Ashika Institutional Research. Please go ahead.

Heet: Congratulations on the great set of numbers. Sir, my first question is on the structure. Sir, the Ostwal Group has three subsidiaries. Could you help us understand how these subsidiaries are related, and the scope of related-party transactions among them?

Pankaj Kumar Ostwal: Let me explain the history of Ostwal Group. We took over Ostwal Phoschem India Limited in 2000-2001, then Madhya Bharat Agro Products Limited, Krishana Phoschem Limited, and finally, Shri Ganapati Fertilizer Unit. These companies are located in different geographical areas and each has the potential to operate independently. For example, Madhya Bharat Agro Products started as an SSP plant and expanded with additional capacities for sulfuric acid, phosphoric acid, and DAP/NPK. The fertilizer is sold within its region, ensuring there's no overlap. We've continued to operate these units under the same structure, and plan to maintain this approach.

Heet: So, there are no related-party transactions among these three subsidiaries?

Pankaj Kumar Ostwal: Ostwal Phoschem is the holding company, and Madhya Bharat, Krishana Phoschem, and Ganpati are its subsidiaries. Ostwal Phoschem holds more than 50% of the shareholding in all three companies.

Heet: And sir, just to confirm, the management teams of the three subsidiaries are separate, right? You mentioned they sell to different regions, but do the management structures differ as well?

Pankaj Kumar Ostwal: No, the management team across Ostwal Phoschem, Madhya Bharat, and Krishana Phoschem, in fact, all four companies, includes myself, Praveen Ostwal, and my father. We are all Directors.

Heet: And sir, next question is on the Rs. 200 crore QIP approval, what are the plans for utilizing these funds?

Pankaj Kumar Ostwal: See, we are coming up with a project whereby we would be in requirement of the funds. The funds have already been tied up with banks, but we are also reaching out to investors. A consultant has been appointed to handle the process, and we hope to complete it soon.

Heet: Will these funds be used for the greenfield project?

Pankaj Kumar Ostwal: Yes, the funds will be used for the greenfield project in Nardana, Maharashtra.

Heet: Maharashtra project, okay sir. Perfect. And sir, last question is on the maintenance CapEx for the two factories in Madhya Bharat? What is the yearly maintenance expenditure?

Sourabh Gupta: The annual maintenance expenditure across existing facilities is Rs. 20 crore.

Moderator: Thank you. Next question comes from the line of Vaibhav Badjatya with Honesty & Integrity Investment. Please go ahead.

Vaibhav Badjatya: Given the government's extension of the ad hoc subsidy on DAP until December, what's your assessment on the viability of importing and selling DAP domestically?

Pankaj Kumar Ostwal: See, if you talk particularly about DAP, in terms of manufacturing or imports, still it is unviable. So, our company is already manufacturing 20:20:0:13 particular product of NPKs, one of the products of NPKs. Let's see what happens in April. Because after this extension of Rs. 3,500 and it's working at MRP at Rs. 1,350, still with Rs. 1,350 per pack, it is still difficult, not a profit making product right now.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mcentro Samdani for closing comments.

Mcentro Samdani: Yes. Thanks. Thank you, everybody for attending the call. And we hope to continue this call again next quarter, and see you again during the next call. Thank you.

Moderator: Thank you. On behalf of Madhya Bharat Agro Products Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.