MP Bharat Agro Prod.

Operator: Good afternoon ladies and gentlemen, a very warm welcome to the Q1 FY27 earnings call of Madhya Bharat Agro Products Limited. From the senior management, we have with us today Mr. Pankaj Oswal, Managing Director, Mr. Pukhraj Canther, Group Financial Advisor, and Mr. Gaurav Ranka, Accounts General Manager. 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 star then zero on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Gaurav Ranka. Thank you and over to you, sir.

Management: Thank you. Good afternoon everyone and welcome to the earnings call for 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 they may involve risks and uncertainties, including those related to 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 reconnected as soon as possible. I would like to hand over the conference to Mr. Pankaj Oswal, Managing Director. Over to you, Pankaj sir.

Management: Good afternoon everyone, and thank you for joining us for the Madhya Bharat Agro Products Limited Q1 FY27 earnings conference call. The first quarter of FY27 was marked by a challenging operating environment for the fertilizer industry, with elevated raw material prices, supply chain disruptions, and the delayed onset of the Southwest monsoon creating temporary headwinds. The fertilizer industry has successfully navigated similar cycles in the past, and we believe the current challenges are temporary in nature. With improving monsoon conditions and continued policy support, the operating environment remains supportive, while the geopolitical situation in West Asia continues to be closely monitored. With that backdrop, let me first discuss the key industry developments before taking you through our quarterly performance and outlook.

Regarding the agricultural environment, agriculture remains the backbone of India's fertilizer industry, with fertilizer consumption closely linked to the progress of the Southwest monsoon and Kharif sowing. During the first quarter, the delayed onset of the Southwest monsoon temporarily impacted land preparation and sowing across several key agricultural regions. By the end of June, cumulative rainfall was somewhat below the long-period average, and Kharif sowing stood at approximately 183 lakh hectares compared with 236.5 lakh hectares during the corresponding period last year. As phosphatic fertilizers such as DAP, NPK, and SSP are primarily applied during land preparation and the early stage of crop establishment, the delay in sowing naturally shifted fertilizer application to a later part of the season. With monsoon conditions improving and sowing activity gaining momentum, the operating environment has become increasingly favorable for the industry.

On the global supply chain and raw material environment, the fertilizer industry also faced significant supply-side challenges during the quarter, driven by geopolitical developments in West Asia. The conflict in West Asia, particularly around the Strait of Hormuz, created uncertainty across global fertilizer supply chains. Given India's dependence on imported rock phosphate, phosphoric acid, sulfur, and ammonia, these disruptions resulted in higher freight costs, delays in vessel movements, and elevated procurement costs. At the same time, prices of key raw materials, including ammonia and sulfur, increased significantly, while phosphoric acid and sulfuric acid continued to remain at elevated levels, resulting in higher input costs across the phosphatic fertilizer industry. While the geopolitical situation in West Asia continues to evolve, it remains a key area of focus for the industry. Continued government support through the nutrient-based subsidy framework has also helped support industry stability.

Regarding the demand and production environment, the quarter witnessed a temporary supply-side constraint due to geopolitical developments in West Asia, which impacted raw material availability and production schedules across the fertilizer industry. As per FAI data, SSP production declined by 7% year-over-year and NPK production declined by 28% year-over-year during April and May 2026. Despite this, market demand remained resilient, with SSP sales growing 28% year-over-year and NPK sales increasing 32% year-over-year during the same period. This clearly demonstrates that the underlying fertilizer demand remains strong, with the moderation in production driven by supply-side factors rather than any weakness in consumption.

On government supply support, the policy environment remained supportive throughout the quarter, reinforcing the long-term growth outlook for the fertilizer industry. During the quarter, the government announced higher MSPs for all 14 Kharif crops for the FY27 marketing season. Higher MSPs for key crops such as soybean, groundnut, cotton, and pulses are expected to improve farm profitability, strengthen farmers' purchasing power, and encourage balanced nutrient application. Another significant development was the government's approval of the nutrient-based subsidy rates for the Kharif 2026 season. The enhanced subsidy allocation provides pricing visibility for the phosphatic fertilizer industry. In addition, the government continued to focus on ensuring adequate fertilizer availability. Comfortable fertilizer inventories, higher natural gas allocation to fertilizer manufacturers, and continued policy support are expected to strengthen supply stability across the industry.

Regarding the industry outlook, looking ahead, the outlook for the Indian phosphatic fertilizer industry remains encouraging, supported by improving agricultural conditions and expected continued government policy support. The Southwest monsoon has gained momentum during July, resulting in improved rainfall and accelerated Kharif sowing across key agricultural states. This is expected to drive fertilizer consumption during the peak application period. While the geopolitical situation in West Asia remains uncertain, continued government support through higher MSPs and the nutrient-based subsidy framework provides stability to the industry. Overall, improving monsoon conditions, accelerating agricultural activity, and continued government support provide a favorable backdrop for the remainder of the Kharif season.

Against this improving industry backdrop, we remain mindful of the evolving geopolitical situation in West Asia and continue to closely monitor developments. Through disciplined procurement, diversified sourcing, prudent inventory management, and appropriate MRP revisions, supported by our integrated manufacturing facilities, we successfully managed the operating environment, maintaining uninterrupted operations throughout the quarter. These initiatives enabled us to deliver a resilient financial and operational performance.

Coming to our financial performance for Q1 FY27, I am pleased to share that Madhya Bharat Agro Products Limited delivered a resilient performance during the quarter despite a challenging operating environment. Quarterly revenue from operations stood at 416 crores, supported by healthy demand and a favorable product mix. Quarterly EBITDA stood at 66 crores, growing 16% year-over-year; this was driven by disciplined cost management despite raw material price volatility. Quarterly profit after tax stood at 33 crores, an increase of 17% year-over-year, driven by higher operating profitability and improved margins. Quarterly earnings per share stood at 0.75 compared with 0.64 in the corresponding quarter of the previous year.

Regarding operational highlights, our operational performance remained equally strong during the quarter. Fertilizer production stood at 99,224 metric tons, while sales reached 1,01,583 metric tons, with sales exceeding production, reflecting healthy market demand and effective execution across the distribution network.

On our growth roadmap, our state-of-the-art integrated fertilizer complex in Dhule, Maharashtra remains the cornerstone of our long-term growth strategy and will play a pivotal role in expanding our manufacturing capabilities and strengthening our integrated business model. As shared in the previous quarter, we successfully commissioned and stabilized the single super phosphate fertilizer plant along with the integrated sulfuric acid plant. These facilities have established a strong manufacturing foundation for the next phase of expansion. During the quarter, we acquired an additional 52,600 square meters of adjoining land at the Dhule complex, increasing our total land bank to approximately 6.38 lakh square meters. This will support future expansion opportunities as we continue to scale our integrated manufacturing facilities.

The next phase of the project is progressing as planned and is scheduled for commissioning by October 2026, which will add 3,30,000 metric tons per annum of DAP NPK fertilizer capacity and 99,000 metric tons per annum of phosphoric acid capacity. Building on this momentum, the final phase is targeted for commissioning by October 2027, adding 3,30,000 metric tons per annum of DAP NPK fertilizer capacity, 66,000 metric tons per annum of phosphoric acid capacity, and 3,96,000 metric tons per annum of sulfuric acid capacity. Beyond expanding manufacturing capacity, the Dhule fertilizer complex will significantly strengthen our presence in Western and Southern India, which are among the country's largest and fastest-growing fertilizer markets. Its strategic location will enhance market access, optimize logistics, improve supply chain efficiencies, and further expand our distribution network, positioning the company for sustained long-term growth.

Regarding corporate and strategic developments, during the quarter, the company successfully completed a 1:5 stock split, reducing the face value of each equity share from 10 to 2, effective July 3, 2026. This initiative was undertaken to enhance affordability for retail investors and broaden investor participation. While the stock split does not alter the company's underlying fundamentals, it reflects our continued focus on enhancing long-term shareholder value.

We also expanded our product portfolio by introducing additional grades of complex fertilizers, further strengthening our ability to meet the evolving nutrient requirements of Indian agriculture. The introduction of 15-15-15, 9-24-24, and 16-20-0-13 grades complements our existing product portfolio, enhancing our market reach and supporting long-term volume growth through a more diversified product mix.

Looking at the growth outlook, we remain confident in the company's long-term growth trajectory. Improving monsoon conditions, continued government support, and resilient underlying demand provide a favorable backdrop for the remainder of FY27. While the geopolitical situation in West Asia remains uncertain, we remain focused on disciplined procurement, diversified sourcing, and operational execution. Our strategic priorities remain clear: to maximize capacity utilization across our manufacturing facilities; to execute the Dhule expansion project on schedule to significantly enhance our integrated manufacturing capabilities; to strengthen backward integration to improve supply chain resilience and cost competitiveness; to expand our presence in Southern and Western India and other high-growth markets through a stronger distribution network; to drive operational excellence through continuous improvement in manufacturing efficiency, productivity, and cost optimization; and to expand our product portfolio and market presence, particularly across high-growth markets supported by a strong distribution network.

In summary, the first quarter demonstrates the resilience of our integrated business model, our diversified sourcing strategy, and our ability to deliver a healthy performance despite a challenging operating environment. With improving industry conditions, the ongoing Dhule project expansion, and our continued focus on operational excellence, we remain confident in our growth outlook for the remainder of FY27. I would like to thank all our shareholders for their continued trust and confidence in Madhya Bharat Agro Products Limited. With that, we will now be happy to answer your questions.

Operator: Thank you. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to withdraw yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking the question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question comes from the line of Shivam Gupta with Trinetra Asset Managers. Please go ahead.

Shivam Gupta – Trinetra Asset Managers: Hi sir, thank you for the opportunity. I want to understand that SSP utilization was around 79% and NPK DAP was around 66% in Q1, right?

Management: Yes, go ahead.

Management: Yes.

Shivam Gupta – Trinetra Asset Managers: Yes, and what utilization ramp-up are you expecting over the next two quarters as your Dhule next phase comes online in October?

Management: The first quarter was definitely impacted due to raw material availability, which was an issue across the industry. But now, as you are already aware, raw materials are smoothly available in the country for all manufacturing units. So in the coming quarters, we are confident that capacity utilization will definitely improve.

Shivam Gupta – Trinetra Asset Managers: Okay, sir. And for the next phase of expansion beyond Dhule, will the funding be entirely through debt or will it be possible to have equity dilution?

Management: The funding is already tied up with bankers and internal accruals, so right now we are not looking forward to any equity dilution. However, it is always a possibility that in the interest of the company, the shareholders, and the operation of the business, we could move forward with equity dilution. But it will be done through regulatory compliances, and you will be kept updated as and when any equity dilution is performed by the company. Are you talking about our planned next expansion which is expected to come into force from October 2027?

Shivam Gupta – Trinetra Asset Managers: Yes, yes.

Management: That plan is still under discussion. We could have pure equity infusion, debt plus equity infusion, or debt plus internal accruals if permitted, but it is yet to be finalized.

Shivam Gupta – Trinetra Asset Managers: Okay, sir. Thank you.

Operator: Thank you. The next question comes from the line of Harsh, an individual investor. Please go ahead.

Harsh – Individual Investor: Yes sir, my question is that the revenue grew only 1.6% year-on-year, while EBITDA grew 15.8% and profit after tax grew 17%. Why is there such a sharp divergence? Can you explain it?

Management: We procured raw materials in the last quarter of March when prices were in the process of rising. So the benefit of that low-cost raw material procurement was realized in this first quarter. That is the precise reason for the better EBITDA and better PAT.

Harsh – Individual Investor: Okay, sir.

Operator: Thank you. The next question comes from the line of Kavya with Analam Capital. Please go ahead.

Kavya – Analam Capital: Hello, am I audible?

Management: Yes, yes.

Kavya – Analam Capital: Sir, I wanted to ask if you can provide any numbers, such as what you are looking for going forward in FY27 for revenue and EBITDA?

Management: For Q1, it is clear that revenue is 416 crores. In Q2, the utilization and production will be on an increasing trend because the raw material issues have been resolved and are being continuously monitored. So capacity utilization will increase. After that, when the Dhule project comes online with DAP, NPK, and SSP capacity of 3,30,000 tons each, there will be a tremendous change in the numbers in the third quarter. Regarding specific numbers, you can estimate that for the Dhule project, we have estimated capacity utilization of 60%, and for the existing plant, it will be above 90% capacity utilization from now onwards. There will also be imported fertilizer supply in the market depending on demand. So we expect at least more than a 50% increase in turnover in the coming months. We hope the government will also be positive and may take corrective actions for the October to March nutrient-based subsidy fixing. Many factors are involved, and while it may be better than the first quarter, we cannot give an exact forecast at the moment.

Kavya – Analam Capital: Okay, sir. No problem. Thank you, sir.

Operator: Thank you. The next question comes from the line of Aman Goel, an individual investor. Please go ahead.

Aman Goel – Individual Investor: Good evening, sir. Am I audible?

Management: Yes.

Aman Goel – Individual Investor: Okay. Good evening, sir. Given our Q1 FY27 performance where revenue growth is relatively flat at 1% or 2%, but EBITDA margin and PAT margin expanded very well due to our integrated platform, does management maintain its full-year revenue growth and margin guidance for FY27 that was earlier given?

Management: I think we have already responded to this question, but for the sake of clarity, I will repeat my answer. In the first quarter, revenue was flat because there were many challenges in quantity terms. Profit was higher because of the carried-over low-cost raw material, which has since been exhausted. For the coming three quarters, because of all the positive developments that have taken place, revenue and EBITDA should perform well. We expect to maintain EBITDA, and revenue will take a quantum jump.

Aman Goel – Individual Investor: Okay. In continuation to this, regarding the challenges you are stating in this quarter...

Management: Challenges have been there since January. Challenges are still there. Raw material prices are still high, but ammonia prices have started coming down. Rock phosphate prices are being maintained at the same level. We have increased the MRP, and the government has also come forward to increase the nutrient-based subsidy. We still expect the government to provide further support to farmers. Because there has not been any demand constraint as far as domestic players are concerned, we do not foresee any adverse features in the coming three quarters. We have already demonstrated our ability to work in tough conditions. With our integrated facilities, new expansion, and our diversified production excellence model, we are working hard. With all these new products and higher demand for fertilizers in the country, the company is going to perform very well in the coming period.

Aman Goel – Individual Investor: Right, sir. You mean to say that in spite of these challenges, we will reach our revenue guidance given for FY27?

Management: Yes, no issue.

Aman Goel – Individual Investor: Okay, got it sir. Thank you very much.

Operator: Thank you. The next question comes from the line of Keshav Sharma with Keshav Associate. Please go ahead.

Keshav Sharma – Keshav Associate: Yes, sir. My question is that your three-year targets imply 3,500 crores in revenue and 15.6 lakh metric ton capacity by FY28. What is the biggest execution risk? Is it the West Asia challenge, monsoon variability, or something else?

Management: As we have stated in the past, the West Asia crisis does not affect us considerably because our rock phosphate procurement is from Egypt and Jordan, which follows a different route. Regarding gas supply, through government initiatives, gas supply to the urea plant has been restored to 100%. As a result, the ammonia supply is now streamlined. At the same time, we have entered into a green ammonia agreement which will be available from April 1, 2029. Despite challenges regarding price escalation, we hope that will be addressed by the market and the government. Whatever revenue forecast or guidance we have given, I am sure we will be able to perform better than what was indicated.

Keshav Sharma – Keshav Associate: Okay, sir. Understood.

Operator: Thank you. There are no further questions at this time. I would now like to hand the conference over to the management for closing comments.

Management: Thank you. Thank you once again for joining us. If you have any further questions, please do not hesitate to reach out to our investor relations team. Thank you and have a great day.

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