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DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED

28 February 2020

The Secretary
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai – 400 001

Listing Department
National Stock Exchange of India Ltd.
"Exchange Plaza",
Bandra - Kurla Complex, Bandra (E)
Mumbai – 400 051

Subject: Management Transcript for Q3 FY 2020 Earnings Conference Call

Dear Sir / Madam,

We would like to provide the Management Transcript for Q3 F.Y.2020 Earnings Conference Call, which was held on 17 February 2020.

The transcript of the Q3 F.Y.2020 Earnings Conference Call is also available on below mentioned Youtube video link: https://youtu.be/OIya7iPYq6w

We request you to take the same on your record.

Thanking you,
Yours faithfully,

For **Deepak Fertilisers**
And Petrochemicals Corporation Limited

Subharaman

K. Subharaman
Executive Vice President (Legal) & Company Secretary

Encl: as above

Deepak

Earnings Conference Call

Q3 FY2020

February 17, 2020

Management:

Mr. Sailesh Mehta – Chairman & Managing Director

Mr. Amitabh Bhargava – President and Chief Financial Officer

Mr. Deepak Balwani –Associate Vice President, Investor Relations

Hosted by Dolat Capital Markets Private Limited

Moderator: Ladies and gentlemen, good day and welcome to the Deepak Fertilisers and Petrochemicals Corporation Limited Q3 FY2020 Earnings Conference Call of hosted by Dolat Capital. 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 the operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Archit Joshi from Dolat Capital. Thank you and over to you Sir!

Archit Joshi: Thanks, Faizan. On behalf of Dolat Capital, I welcome all the participants on Q3 FY2020 conference call of Deepak Fertilisers and Petrochemicals Corporation. We have with us today, Mr. Sailesh C. Mehta - Chairman and Managing Director, Mr. Amitabh Bhargava – President and Chief Financial Officer and Mr. Deepak Balwani, Associate VP – Investor Relations. Without further ado, I now handover the call to Mr. Sailesh Mehta, Chairman and Managing Director for his opening remarks. Over to you, Sir!

Sailesh Mehta: Thank you. It is indeed my pleasure to welcome all of you to Deepak Fertilisers' Q3 FY2020 conference call. I do hope you all had a chance to go through our results and the earning presentation, which is available on the company's website and also posted in the stock exchange. In my opening comments, let me share the perspectives that I see in the three businesses that comprise of Deepak Fertilisers group. The first is the fertilizer business and that has been one, which has been testing one for us. Let me start with some of the macro aspect, which has positively impacted this business.

As you all are aware that we had very good rain, though late but finally very good rain and as a result couple of things that we feel. One is the water level in the ground has gone up, which is a very good sign, second is the water levels in the reservoirs areas also much better and both of them indicate good extended rabi season. It also indicates additional area under cultivation and going a little forward even it indicates a good kharif. So, from perspective of the rain at least it is a positive I would say supported to the fertilizer business. Second in the macro aspect I might share that in the FM's speech while there was pointer wanting to discourage chemical fertilizer and also some lower allocation in terms of the subsidy, I would look at it from a positive perspective that what we feel is the excessive I would say push in urea, which has caused imbalance in the soil in the NPK balance is now gradually likely to get corrected from what I read.

We see these as the indications, which may lead to urea coming under MBS in a gradual fashion and with that we also see at the market place finally a correction of the imbalance in terms of I would say the much lower prices of urea, which was tilting fertilizer usage excessively towards urea now bring our balance towards NPK and in a short medium long-term I am seeing this as a very positive step that the FM has announced. At the micro level that is at the company level, all the hard work that was put in by the team over the last three seasons with a focus on specialty or a crop based technical selling orientationis now bearing fruits and we are seeing good green shoot emerge, which signaling that we are in the right direction.

In terms of the market share, the premium, the advantage in terms of our product and of course even the liquidation. We have also seen that from earlier, some 35% to 37% of the market product, which was emerging out for NPK basket we have now seen it cross almost 68% to 69% and which is giving us the confident that not only the product efficacy has been accepted, but it is something which is now catching growth. As far as other product goes technical ammonium nitrate (TAN), which as you know is focused on the mining sector, in this quarter we did see some dampness emerging out of excessive rains and extended rainfall in the key mining belt, which had repercussion of slowing down the explosive consumption and the consumption of TAN.

However, we see that as a temporary phenomena and as we go forward with the large infrastructure development, organization and other aspect. In terms of the allocation in the budget, it is going to have a positive medium long-term impact on the TAN business, which is linked with the mining, infrastructure and limestone sectors.

Moving on to the industrial chemical, the acid business has seen additional volume emerging out of our Dahej complex which is gradually coming around to running at capacity level, efficiency levels that we have budgeted and Q3 capacity utilization had reached around 78% and product also showing robust demand in terms of the capacity for the nitroaromatic sector and other. Looking forward in FY2020-FY2021 we are expecting full utilization of Dahej facility.

On the IPA side, we did have lower volume and IPA margins were impacted due to the subdued prices because of the Chinese dumping. However, now the IPA prices have improved and we are seeing some steadiness emerging currently because of the coronavirus the supplies of IPA from China has dwindled. But otherwise also we had applied the safeguard duty and the process initiation has already started. Even there I recollect the FM mentioning in her speech that the government is positively looking at safeguard duties to make sure of the Indian industry and Make In India is supported. During the Q2, conference call, I also shared that there was the abrupt water cut that has hit us, which MIDC had put in on all the Taloja units and despite the fact that we were nonpolluting unit and we continue to be such. They had applied as you know water cut consequence of the NGT stricture on the CETP the common effluent treatment plant.

However, then we had approached them, we have also approached the Supreme Court and now they have put stay on the water cuts, so the water availability is now back to normal. We also saw in this quarter lot of good efforts on containing and optimizing the fixed cost and those also we see that as we carry through in the next year, but we will see a full fledge benefit of all the efficiency measures. From an overall perspective, we also saw prices of some major raw material decline in comparison to Q3 in the previous year and we expect that the raw material prices to continue. From the operation side if I have to summarize in one line that we see clearly green shoots or gradual turnaround as we see the next few quarters emerge and somehow the challenges that we had faced seem to be receding in the background. For the more details in terms of the working, I will now hand over to Amitabh, who will take you through detail.

Amitabh Bhargava: Thank you, Mr. Mehta. Good afternoon ladies and gentlemen and thank you for joining the Deepak Fertilisers and Petrochemicals conference call to discuss the Q3 FY2020 results. More specifically our numbers during the third quarter of FY2020, we reported total revenues of Rs. 1,119 Crores at consolidated level with operating EBITDA of Rs. 109 Crores. Operating margins improved from 7.4% in Q3 FY2019 to about 9.7% in Q3 FY2020. Net profit increased from Rs.12 Crores in Q3 FY2019 to Rs.30 Crores in Q3 FY2020. Depreciation increased by Rs.10.5 Crores compared to Q3 FY2019 mainly due to the commencement of Greenfield facility at Dahej. Other expenses increased by Rs.15 Crores on account of new Dahej facility and other onetime nonrecurring charges such as higher insurance cost due to the increase in burning rate and incidental charges relating to recent sale of land parcel at Dahej.

In chemical segment, manufactured chemical business reported revenues of Rs.544 Crores in Q3 FY2020 as compared to Rs.644 Crores in Q3 FY2019. Segment margins have increased from 9.7% in Q3 FY2019 to 17% in Q3 FY2020. Acids revenue increased by 30% year-on-year to Rs.126 Crores in Q3 FY2020, sales volume has increased by 35% year-on-year primarily supported by additional volumes from new Greenfield plants at Dahej and increase in SNA exports. Capacity utilization at Dahej increased to 78% for the quarter, the sales volume at Dahej increased significantly over Q2. The concentrated nitric acid was up 79% and dilute nitric acid by 46%. Our TAN business as Mr. Mehta was also mentioning reported lower performance during the quarter. TAN revenues decreased by 24% to Rs.262 Crores in Q3 FY2020. TAN sales were impacted mainly on account of 25% reduction in sales volume of LDAN and HDAN due to extended monsoon in the key mining wells, continued slowdown in explosive consumption and higher influx of imported ammonium nitrate.

The volume loss was offset to a certain extent by 15% sales volume gain in TAN solution. IPA revenues decreased by 34% year-on-year to Rs.73 Crores. IPA margins were impacted year-on-year due to almost 16% decline in sales volume and subdued price realization, which was down by 22%. However, the prices have improved sequentially quarter-on-quarter by 12%. In line with our strategy, we are constantly reducing chemicals trading business and it has been reduced from 302 Crores Q3 FY2019 to Rs.99 Crores in Q3 FY2020 and from Rs.105 Crores in Q2 FY2020. The company will continue to consolidate its trading portfolio and focus on high margin products. Our manufactured fertilizer business increased by 31% year-on-year to Rs.404 Crores in Q3 FY2020, sales volume of NPK increased by 37% year-on-year and the ANP nitro phosphate grew by 33% year-on-year.

Revenues of manufactured bulk fertilizer increased by 30% year-on-year to Rs.387 Crores. Revenues of specialty fertilizers increased by 57% year-on-year to Rs.17 Crores. This is pertinent to note that the fertilizer segment margins have turned positive after 5 quarters that by good retrieving range increased confidence in our differentiated fertilizer as explained by Mr. Mehta earlier. Smartek, which is our differentiated fertilizer, the volumes in total sales of NPK fertilizer increased to 69% in 9MFY2020 from 46% in 9MFY2019. Fertilizer trading business was reduced from Rs.191 Crores in Q3 FY2019 to Rs.66 Crores in Q3 FY2020. The reduction in traded revenue and CNB was also in line with the strategic decision to move towards differentiated NPK grade. The company has divested one of its parcel of industrial land in Dahej as part of the strategy to divest noncore assets for a total transaction value of Rs.99.2 Crores. The deal of assignment was executed in December 2019 and transfer orders from Gujarat Industrial Development Corporation was received accordingly.

The company's existing nitric acid plant is situated in Dahej where it continues to have adequate unutilized area in order to take care of any future expansion in our nitric acid production there. During October 2019, IFC successfully subscribed $30 million approximately Rs. 210 Crores by way of CCDs and FCCBs into DFPCL and its wholly owned subsidiary Smartchem respectively. Funding is part of the overall $60 million investment commitment by the way of CCDs and FCCBs and aligning with the capital requirement the second transfer of $30 million is expected to be subscribed in the next 3 months or so. I would also like to inform here that as part of this transaction, non-disposal undertaking has been provided by the promoters of DFPCL to IFC for CCD issued by Smartchem technology. This is in fact usually provided in course of such transaction. It is very standard to see this kind of commitment from promoters in such transaction and I would like to draw your attention that no pledge of the equity shares of the DFPCL shares have been created by promoters as on date, so it has been only non-disposal undertaking so far.

Furthermore, as mentioned earlier the promoter they remain committed to subscribe to warrant to preferential allotment, the balance of Rs.125 Crores, we have time till mid-April and it is expected that it would be infused by the promoters within the stipulated time period. Warrants of Rs. 200 Crores were issued earlier at the price of Rs.308.79 out of which Rs. 75 Crores have already been infused. With this, we will be happy to take your questions. Thank you very much.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Nishit Shah from Aequitas Investment. Please go ahead.

Nishit Shah: Sir, I wanted to understand how is our fertilizer division doing as per our expectation because if you look quarter-on-quarter the revenues are down, but you are expecting because of delayed monsoon it would be better?

Amitabh Bhargava: Fundamentally, if you see while the rains were delayed and to that extent Q2 sales were down compared to what our industry for that matter had anticipated. At industry level there was a huge inventory in Q2. Now with good rains rather than the receding rains of this monsoon what it has helped is overall the kharif season has been good and that you see reflected in our Q3 numbers. Q3 numbers if you see year-on-year, our sales have overall gone up from 95,000 tonnes on the bulk to 128,000 tonnes put together both in NP and NPK, so as such the volumes have gone up and the overall effect of volume as well as to an extent. As Mr. Mehta was also mentioning that in Q3 the raw material prices compared to previous similar quarter last year that is benign so with a combination of that we have overall I would say in last 5 quarters for the first time we have reported positive EBIT in the segment. Given that we have now decided to focus only on the Smartek product to that extent I would say we are also seeing encouraging results that our overall share of Smartek in our bulk fertilizer has also gone up. So we are seeing overall volume improvement, also improvement of our value added fertilizer in the overall sales.

Nishit Shah: Sir, what is the debt level long-term and working capital for this quarter and debt reduction plans going forward?

Amitabh Bhargava: So, as such while we do not declare the number in December quarter, but I would say that our December number have been largely flat as compared to our H2 debt numbers, so we are actually overall marginally in fact down from H2 number.

Rithika Garg: I wanted to know what is plan for monetization of noncore assets in the next 12 months?

Amitabh Bhargava: Right now, we have two large assets, which are material in a sense in terms of the noncore monetization. One is Pune land, we have mentioned earlier as well, we already have intermediaries helping us looking for potential takers for these assets. As you know the overall markets in terms of real estate is not that buoyancy and therefore the timing of it is, it is very difficult to predict right now how long will it take us to find takers, but we are very clear that management has clearly, even earlier we had mentioned in our interaction with investors that we are looking at divesting those assets.

Rithika Garg: How much would the value of those assets be?

Amitabh Bhargava: As such the independent valuation done of these assets have been in the range of Rs. 800 to 900 Crores, but the value of that what we finally it is really, as and when you are able to find a credible buyer that is when you would have a real discovery of the price.

Rithika Garg: How much to we expect our debt to reduce by in the next 12 months?

Amitabh Bhargava: In the next 12 months debt reduction would be largely a function of two things. One is we are going to see promoters infusing about Rs. 125 Crores, so that one reduction immediately because assuming that the capex would happen over the next 24 months. There would be an immediate reduction in debt from the funds that would be infused by promoters.

Rithika Garg: And how much would that be, how much of that Rs.125 Crores?

Amitabh Bhargava: Rs. 125 Crores is the amount. I would say initially I would straight away reduce the debt that the short-term debt. In long-term of course you are aware that we are implementing ammonia project. So ammonia project would take more debt towards the completion of that project, but I am telling you that immediately there is no other capex as such, so to that extent Rs. 125 Crores that promoters will bring in will initially reduce that debt. The second is as part of IFCs balance $30 million, half of that money about Rs.105 Crores odd would come in as compulsorily convertible debentures in our subsidiary that to by and large would go towards reducing the working capital debt. The third thing, which is the timing is right now not clear is on monetization of noncore. Monetization of noncore again would by and large as and when it happens would go towards reducing the debt on our balance sheet.

Moderator: Thank you so much. The next question is from the line of Lokesh Manik from Vallum Capital Advisors. Please go ahead.

Lokesh Manik: Thank you for the opportunity. My first question was on the segmental results, if I see like you mentioned in your opening comments that year-on-year our chemical division margins have gone from 9.7% to 17% and if I see the products in these segment, the realization and volume growth, IPA and assets, I am just trying to understand where is this margin coming from, is it due to the reduction in your trading portfolio?

Amitabh Bhargava: That is right, so that is one. The second I would say is the volumes in acids have gone up to that extent, quite an extent have been compensated on the negative side by the IPA volumes as well as margins. I think by and large is the sales or trading reduction in trade sales that has resulted.

Lokesh Manik: No margin in the trading portfolio you had, which you reduced?

Amitabh Bhargava: Yes, it has been down from Rs. 300 Crores plus odd down to less than Rs. 100 Crores.

Lokesh Manik: Great. My second question is just a follow-up to the previous question, on the noncore assets in the last call you mentioned that we are looking at three of them, one is the Pune land, one is the land in Odisha and one is the Smartek subsidiary, so the valuation for the Odisha land and Smartek subsidiary if you can draw a ballpark approximate?

Amitabh Bhargava: Odisha land perhaps would be in the range of Rs. 20 Crores to 30 Crores that is why I was, when there was a previous question what I was trying to say is that the material numbers are in these two assets that is Pune land and the subsidiary of Smartchem in Australia while we would obviously look at wherever there are even smaller assets we are looking to monetize them. You question on the subsidiary of Smartchem is concerned very difficult to put a number right now, but what I can say here is that the company has been doing well in fact last quarter was the first quarter in nearly 5 years of our investment that company has distributed dividend and we have appointed an intermediary investment bank to look at potential buyers, but given that business is doing well we would obviously wait for the right value to be realized for those assets.

Lokesh Manik: Do we have any other assets or we are dependent on the business of the company I mean for exiting the company?

Amitabh Bhargava: No, we have 65% stake in that company, so the monetization of that would be by the way of selling part or complete stake.

Lokesh Manik: That is a consulting company if I am mistaken?

Amitabh Bhargava: No, it is not a consulting company, it is a company which is into blasting business and it provides blasting services to various mines in Australia.

Moderator: Thank you. The next question is from the line of Renu Bajaj, she is an Individual Investor. Please go ahead.

Renu Bajaj: Thank you. Sir, my first question is during the quarter TAN business performance remained subdued, can you please share the factors affecting the performance should we expect the trend continuing in the coming quarters?

Amitabh Bhargava: One is fundamentally if you could recollect the way the entire rain season panned out in last monsoon, the rains continued till October and mid-November, so what we saw is number of Coal India Mines were still inundated and there was a flood kind of a situation there. As result of it we saw reduction in terms of the overall mining activity, normally the mining activity comes back in October beginning and therefore we generally have a good Q3, but at this time, even mid-November we saw a number of mines, which were in-operational due to flooding, etc., so that impacted the volumes. Number two I think the LDAN segment, which also has some of the demand coming from infrastructure segment. We have seen slow down on the infrastructure side also and that as such impacted, so these were two main reasons. Now, as far as the Coal India or coal mine segment is concerned the activity has come back and we believe that this was an exceptional situation, we do not see structural change in the demand as such. As far the infrastructure is concerned, it could perhaps take a little longer for the demand to come back, but I think that is where it probably could be more like two to three quarters kind of recovery while in coal it is pretty much was a passing phase, which we should not see any more.

Renu Bajaj: Sir, as per the recent shareholding provided to the stock exchanges it appears the promoters have pledged their shares, can you throw some light on this aspect?

Amitabh Bhargava: This is exactly the reason why we also, I do not where this is coming from because we have as part as our disclosure. We have only disclosed the NDU that is non-disposal undertaking and as you would know that typically any investor who comes in this case IRC, they would want the current promoters to continue to run and control the business, so to that extent NDU is a fairly standard ask from such investors, but what I can confirm to you is so far there is no pledge given by promoters in any of our agreements.

Renu Bajaj: My question is other income in Q3 FY2020 was Rs.41 Crores compared to Rs.9 Crores in Q3 FY2019, what is the reason for this, this is due to recent sale of the Dahej land?

Amitabh Bhargava: That is right, so about Rs. 35 Crores odd of capital gain due to sale of Dahej land has come in as part of other income.

Renu Bajaj: On similar lines other expenses increased by Rs.134 Crores in Q3 FY2019 to Rs.150 Crores in Q3 FY2020, what is the background for such an increase?

Amitabh Bhargava: One is that while what you see in the other income where Rs. 35 Crores of cap gain has come, but nearly Rs. 6 Crores odd of that Dahej land has some transfer charges that we had to pay to Government of Gujarat that has come in as additional expense. Also we had certain pollution control related penalty imposed by MIDC, which is what Mr. Mehta was also mentioning that we have challenged that, but as part of the overall strictures from MIDC we had to pay that, so we have taken those expenses, so nearly about Rs. 8 Crores of additional expenses. There is also some increase in forex loss year-on-year, I think that also roughly would account for this increase compared to Q3 last year.

Renu Bajaj: That is all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Bhavya Shah from Girik Capital. Please go ahead.

Bhavya Shah: Sir, broadly two questions, one was by when can we expect quarterly IPA volume coming back to 20,000 tonnes, which it used to be before?

Amitabh Bhargava: As you know, we have had IPA in previous three quarters have gone through some challenges part of it was from the raw material side and also part of it because of the margin reduction, but we also lost volume both in Q2 and Q3 on an account of this MIDC water cut in Taloja across the board to all units. Now I would say to an extent there were also some extraordinary breakdown in IPA plants, what we are hoping that this quarter hopefully our run rate for manufactured IPA should come back. It is not all the way to 20,000 tonnes, it should be somewhere between what we did last quarter and 20,000 tonnes and gradually our plants would stabilize to start producing on an average, I think the maximum volume we have generally done is about 75,000 to 76,000 tonnes, so on an average I would say 18,000 to 19,000 tonnes per quarter. We are hoping that, that situation would come back on track in may be another quarter also.

Bhavya Shah: On the coronavirus should we expect this volume to reach 18,000 to 19,000 tones quarterly from Q4 or will it take time to ramp up?

Amitabh Bhargava: Like I said the issues that, anyway you know that we sell manufactured IPA, we also trade in IPA, whatever chemical trading that we are doing. So overall, we are actually supplying much higher quantity to our customers and within that obviously it makes sense for us to maximize the manufactured volume. The challenge is that we so far on water cut, some bit of raw material shortage at some point in time, also there were some like I said an extraordinary breakdown situation, so as soon as these internal issues are under control there is no reason why we should not be producing at full capacity. Coronavirus would have more of an impact, I would say on we see that impacting the overall imports coming from China, which is what was affecting our margin, so if that happens and which we are seeing initial signs of that in Q4 that is not much almost nil IPA has come from China that should help us or may be that should see better price of IPA of import parity and to that extent that should also help us or get better price domestically.

Bhavya Shah: Sir, my second question is that one of the chemical company was saying that DFPCL is having some plant issues in running its nitric acid facility in both Dahej and Taloja, so is this true if you can throw some light on it?

Amitabh Bhargava: See, Dahej, as you know when we started the plant in April and Q1 and Q2 also if you see our presentations and investor call, you would realize that there were challenges both technical challenges in bringing the capacity utilization at a higher level. Also there were rain related challenges in Gujarat whether in terms of evacuation or even in case of down stream customers, there was also a challenge that we faced in Q2 if I am not wrong, where the Gujarat pollution control board has also stopped supply of water and this was done across many units. So a combination of that we saw in our capacity utilization, now in Q3 as you noticed our capacity utilization has gone up to 78% and in December Q3 our capacity utilization was actually nearly 100%, so some of those technical challenges are hopefully out of the way, therefore we do not expect…

Bhavya Shah: Sorry to interrupt, the company said that the issue has arrived in February 2020, so are the plants are running normally currently or is there any issue?

Amitabh Bhargava: No, plants are running normally as of now.

Bhavya Shah: At both Taloja and Dahej?

Amitabh Bhargava: At both Taloja and Dahej. See Taloja, like I said also had water issue in Q2 and Q3, September to October mid, almost 19 days of production was lost even in case of acids across all products, but including acids. To that extent some of those, today if you see between Dahej and Taloja, we are meeting the requirements of our customer in fact the growth that you have seen in Q3 vis-à-vis last year pretty much demonstrates that we are meeting the demand or if you see the overall acids volume has gone up substantially year-on-year 36% growth in volumes. So you cannot achieve that unless you are able to supply to your customer, so that particular jump even in terms of the demand growth.

Moderator: Thank you. The next question is from the line of Deepak Kolhe from B&K Securities. Please go ahead.

Deepak Kolhe: Thank you for this opportunity. Sir, you have also mentioned that phos acid prices during this quarter has come down, so what is the current prices?. How is the inventory situation in fertilizer and chemical segment?

Amitabh Bhargava: Industry inventory in fertilizer obviously has improved vis-à-vis kharif or post kharif, but it continues to be high. As far as the chemical inventory is concerned, see both in our segment rather all three of our chemical segments whether it is IPA, TAN, TAN we maintained very limited inventory. There was slow down in Q3 in uptake because we lost the volume vis-à-vis Q3 last year. The inventory would have been to that extent as slightly on the higher side, but those inventories are still very insignificant compared to what you see or issue that you see in fertilizer. IPA, again, inventory we see reduction because not much IPA is flowing from China, so overall industry inventory is less and acid by and large, we do not hold any inventory in fact we continue to pretty much other than our own internal storage, which is very minimal we are pretty much supplying to our customers on a real-time basis, so inventory not an issue in chemicals. Fertilizer like I said pick up better than Q2 in Q3, but still continues to be high.

Deepak Kolhe: Sir, if you look at in the fertilizer segment, what will be our EBITDA per tonne?

Amitabh Bhargava: We do not report EBITDA on product wise or segment wise.

Deepak Kolhe: Sir, if you look at the capex, so much we have spent in the 9 months and what is our expected capex for FY2021?

Amitabh Bhargava: I will tell you the 9 months number, the 9 months we have done total capex at consolidated level about Rs. 212 Crores.

Deepak Kolhe: Any guidance for the FY2021?

Amitabh Bhargava: FY2021, by and larger, the large capex at consolidated level would come on an account of ammonia project. It is better if we put it sometime later once we commence the construction, I would be in a position to give you a better guidance of how much capex we do in next year.

Deepak Kolhe: Sir, the question on the Coronavirus, in China how this situation is going to help us in chemical segment?

Amitabh Bhargava: Look chemical we are in the segments, which is acid, IPA and TAN. Acid as such there is not much import happening on acids as such and therefore the question of imports from China does not arrive. TAN again by and large, there is an import of fertilizer grade ammonium nitrate, but China may be a very small part of that we get more fertilizer grade ammonia nitrate from CIS country, so does not alter the equation in TAN. The third one IPA is where as you know we would say most of the dumping that were coming low price was from China and that has by and large we are seeing so far in Q4 there is no cargo that has come from China, so we see that has impact for us while you would see imports coming from other countries, but China was from where the dumping was happening and to that extent we actually expect the prices to improve.

Moderator: Thank you. The next question is from the line of Nitya Pradhan an Individual Investor. Please go ahead.

Nitya Pradhan: Thank you. Sir, my first question is, what is the impact of water cut in Q3 in production of ammonia, TAN and asset business?

Amitabh Bhargava: Can you please repeat your question, I did not get that?

Nitya Pradhan: What is the impact of water cut in Q3 on production of ammonia, TAN and acid business?

Amitabh Bhargava: Let us say roughly ammonia, we would have lost 1,000 tonnes odd of ammonia production that we would have lost, we have would have lost put together acid production anywhere between 6,500 tonnes to 7,000 tonnes and IPA roughly about 5,000 tonnes.

Nitya Pradhan: Sir, my second question is recently you have sold land at Dahej, how much total land you had earlier at Dahej and how much land have you sold and what is the left over land?

Amitabh Bhargava: Total area that was available was about 8.26 lakhs square meters, area that was sold was about 5.11 lakhs square meters.

Moderator: Thank you. The next question is from the line of Nishit Shah from Aequitas Investment. Please go ahead.

Nishit Shah: Sir, I wanted to understand that you said that we are trying to reduce our fixed cost, so what particular measures are we taking and the second part to it is that I have seen employee cost reduced this quarter, so does that relate to our fixed cost reduction plan?

Amitabh Bhargava: No, we are looking at fixed cost reduction particularly on the plant and the market side in segment. This could be related to operational maintenance, related to certain expenses that we have cut down on and this was part of not just one time measure, this is for certain measures that we had been taking for several quarters now in terms of total process improvement in the plant. Also at the market place some of the ATL and BTL activities that we do in fertilizer segment for example, there we would have analyzed the efficacy of these expenses and we would have made some changes there as well. These are more both factory and market related. As far as the employee cost that you see reduction I would say it is to an extent that is what you see between Q2 and Q3 is certain reduction that we have seen in variables pay component of employees, so the run rate perspective we would be somewhere in between the two numbers, which is between Q2 and Q3 numbers.

Nishit Shah: Sir, there were some locust attack so do we get affected by that in Gujarat, Rajasthan market?

Amitabh Bhargava: What attack?

Nishit Shah: Locust attack, some pest in Gujarat and Rajasthan?

Amitabh Bhargava: Some pest you are talking about?

Nishit Shah: Yes.

Amitabh Bhargava: I am not aware, I will have to check that, as such we have seen in Q3, Gujarat we have seen better liquidation and better sales. Overall market share of our liquidation as well as sales has only improved. My presumption it that, that pest per se it might have definitely affected the farmers, but we have not seen the impact of that in our fertilizer segment.

Nishit Shah: Sir, I wanted to know what would be the interest rate in our CCD and FCCB?

Amitabh Bhargava: FCCB yield to maturity is about 6.75% and CCD is of 8%.

Nishit Shah: Sir, final question, what would be Ammonia prices for the quarter?

Amitabh Bhargava: Q3 quarter has been in terms of roughly about Rs.21500 per tonne.

Nishit Shah: Phos prices?

Amitabh Bhargava: Phos price is again about Rs.48,400 per tonne odd. As far as, you question on IPA is concerned we saw import of about 15,000 tonnes in Q2 and 6,000 tonnes in Q3 from China in IPA.

Moderator: Thank you. The next question is from the line of Lokesh Manik from Vallum Capital Advisors. Please go ahead.

Lokesh Manik: Yes, thank you. So, my question is pertaining to the subsidiary, which is part of the noncore asset monetization plan. I am trying to understand the valuation of company; whether there are intangible assets in the company in technology that you are providing blasting services. We have been generating profit in FY2019 of about 2 Crores. Are we looking at any particular PE multiple valuations, need some clarity on the same.

Amitabh Bhargava: So, one is fundamentally it has taken us nearly 5 years to establish this business and bring it to this level of topline EBITDA and the bottom line. I would say certain positives that we have in that business is, one is it had now built a track record of servicing some of the large mines, now as you know in this kind of a business when you bid for new contracts your past experience typically gets counted, so that is a big positive that we have built in that business. Second is that in Australia you might have also read in context of various other projects that getting environmental approvals for certain facilities whether it is emulsion facility or the facilities that eventually support the whole blasting services business, process of getting environmental approval takes quite long. To that extent we have now built certain facility where we believe that by and large we would have monopoly in those regions because the environmental authorities are not allowing anymore facilities to come up and that is another USP that our potential strategic investor would be looking to value. So it is a combination of both tangible and intangible assets that we have built on the ground that we believe we are going to reach value.

Lokesh Manik: That is it from my side. Thank you so much.

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

Amitabh Bhargava: Well, thank everyone for participating, ladies and gentlemen and if you have any further queries or clarification please do get in touch with our Investor Relations team, we would be more than happy to give you answers to those queries as well and thank you so much once again, have a good day.

Moderator: Thank you. On behalf of Dolat Capital that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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Note: This transcript has been edited to improve readability

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