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DEEPAK FERTILISERS
AND PETROCHEMICALS
CORPORATION LIMITED

November 23, 2021

The Secretary	Listing Department
BSE Limited	National Stock Exchange of India Ltd.
Phiroze Jeejeebhoy Towers,	Exchange Plaza,
Dalal Street, Fort,	Bandra - Kurla Complex, Bandra (E)
Mumbai – 400 001	Mumbai – 400 051
BSE Code: 500645	NSE Code: DEEPAKFERT

Subject: Management Transcript of Q2 FY 2022 Earnings Conference Call

Dear Sir / Madam,

We would like to provide the Management Transcript of Q2 FY 2022 Earnings Conference Call, which was held on **November 15, 2021.**

The transcript of the Q2 FY 2022 Earnings Conference Call is also available on below mentioned Youtube video link: https://youtu.be/Ldl8-l9R1lU

We request you to take the same on your record.

Thanking you,
Yours faithfully,

For **Deepak Fertilisers**
And Petrochemicals Corporation Limited

Ritesh Chaudhry
Company Secretary
Encl: as above

Earnings Conference Call

Q2 FY2022

November 15, 2021

Management:

Mr. Sailesh Mehta – Chairman & Managing Director
Mr. Amitabh Bhargava – President and Chief Financial Officer
Mr. Mahesh Girdhar – President, Crop Nutrition Business
Mr. Deepak Balwani –Associate Vice President, Investor Relations

Hosted by Antique Stock Broking Limited

Moderator: Ladies and gentlemen, good day and welcome to Deepak Fertilisers and Petrochemicals Corporation Limited Q2 FY2022 post results conference call hosted by Antique Stock Broking. 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 touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manish Mahawar from Antique Stock Broking Limited. Thank you and over to you Sir!

Manish Mahawar: Thank you Kathy. On behalf of Antique Stock Broking, I would like to welcome all the participants on the call of Deepak Fertilisers & Petrochemicals Corporation. From the management, we have with us Mr. Sailesh Mehta, Chairman and Managing Director, Mr. Amitabh Bhargava, President & CFO, Mr. Mahesh Girdhar, President, Crop Nutrition Business and Mr. Deepak Balwani, Head of Investor Relations on the call. Without further ado, I would like to handover the call to Mr. Mehta for opening remarks. Post which, we will open the floor for Q&A. Thank you and over to you Mr. Mehta.

Sailesh C Mehta: Thank you Manish. At the outset, my very warm and bit belated best wishes for Diwali and the New Year to all of you and I hope you and all your family members are staying safe and healthy. I take pleasure in welcoming you all for the Q2 FY2022 earnings call of Deepak Fertilisers. I hope you have all had a chance to look at the financial statements and earnings presentation that had been uploaded so that we can have a meaningful conversation today. At the outset, I am very happy to share that since we met last we have successfully raised Rs. 510 Crores to our QIP and what is more is the new set of investors are marquee long-term investors and that is clear testimony of the confidence that the long-term global investors have had on our operations and our growth strategy. As far as this quarter goes despite massive hike seen in many of our raw materials, our quarter has withstood fairly well and we have recorded a revenue growth of almost 28% over the last year and our EBITDA and net profit grew by about 10% and 16% compared to Q2 FY2021. As you know we are performing in three different sectors and if I might share from the sector perspective then the first is where we as always pharma-specialty chemical sector and that has shown a growth of 46% year-on-year in Q2 FY2022. So, in the nitric acid business which is a part of the specialty chemical sector we have seen because of certain I would say curb in production by the Chinese government the demand for nitric acid has further strengthened for us and we are expecting prices also to remain pretty firm in Q3 onwards. Within the same pharma chemical sector we have IPA where we did see capacity utilization to be more than 100% supported by good demand, but realization were somewhat depressed due to the plunge in the alternate feedstock acetone, however looking all these aspects the DGTR has recently recommended safeguard measures that is quantitative restriction on IPA import. We are also looking at focusing on having a special pharma grade IPA as you go along and further in our specialty drive in the IPA business we are also seeing a good response on our hand sanitizer, the Cororid, and the other disinfection products and more recently we also had very good tender that we won from the Odisha government and we have also received our first export order to supply IPA USP grade from South Africa. Within the same chemical segment, we also have the mining sector and revenue from mining chemicals almost doubled compared to Q2 FY2021. Here we are leveraging on a lot of specialty products advanced technologies like drone and AI base, blast modeling to improve the productivity in the mines and infrastructure projects. As you are also aware the country is facing significant coal shortages and with improving economic recovery the demand for power and therefore coal is also poised to increase and all of these boost strongly positively for our mining chemical business.

On the fertilizer side, we continue to find that our strategy of differentiation and crop specific approach continues to give us good positive result and our Smartek sales achieved of 2.28 lakhs metric tons during the first half. The industry witnessed a shortage of potash unprecedented increases in prices on all the raw materials like ammonia, Phos acid etc., but with somewhere broad support of the government the sector has performed well. We continue to adopt digital means of working and connected with around 4.5 lakhs farmers through 12,000 farmer connect activities such as demo site meetings, crop seminars and others. So that connect to the farmers is getting stronger and that is building a good brand for us.

Going forward, the south-west monsoon in the country recorded a normal rainfall during Q2 leading to full reservoirs of water and with that we are looking at even better Rabi season as we go along. On the capex side, our ammonia plant construction activity at Taloja has been in full swing and we are looking at the progress as per the schedule and expecting to commission the plant by Q1 FY2024.

From a broader perspective going forward, we continue to single mindedly focus on number one capturing value chain which is where the ammonia project will give us a good positive traction. Secondly, we continue to focus on the drive very strongly from commodity to specialty or focus on end consumer and that is something that is going to give us certain improved margins and also certain strong brand finishing and in the near term we are looking at better efficiencies and debottlenecking to help us enhance capacity and expect maximum value in the near term. With this I would say broad overview, let me hand over to Mr. Amitabh Bhargava, our CFO and President Finance who can then give you a detailed financial overview and then of course we will be available for further clarifications and answers to your questions.

Amitabh Bhargava: Thank you Mr. Mehta. Good afternoon ladies and gentlemen and thank you for joining the Deepak Fertilisers & Petrochemicals conference call to discuss the Q2 FY2022 results. Our financial performance during the quarter remains positive as Mr. Mehta was mentioning supported by our diversified product range and value focused business model during Q2 FY2022 we reported a total operating revenue of Rs. 1,793 Crores an increase of nearly 28% compared to same period last year. Our operating EBITDA increased by 9.8% y-o-y to Rs. 212 Crores in Q2 FY2022 with margins of 11.8 during the quarter. There has been sharp increase in key raw material prices y-o-y in Q2. Ammonia was up by approximately 158%, Phos acid was up 70%, RGP that is propylene was up by 53%. Despite these adverse movements of key raw material prices our better utilization levels during the quarter and sales volumes resulted in improved financial performance. Our net profit grew by 15.9% y-o-y to Rs. 93 Crores in Q2. Finance cost were also reduced by 11.7% y-o-y during the quarter driven by a better working capital management and conversion of IFC, FCCB Tranche one. This generated approximately 648 Crores of cash from operations and working capital management during first half of FY2022. Net debt was further reduced by approximately 205 Crores during H1. There has been significant improvement in leverage ratio with net debt to equity improved from 0.91x in H1 FY2021 to 0.53x in H1 FY2022.

DFPCL successfully raised, as Mr. Mehta was also mentioning, Rs. 510 Crores to a qualified institutional placement of equity shares in October 21. Leading domestic as well as foreign institutional investors participated in the issue which included Smallcap World Fund, Government Pension Fund Global, Axis Mutual Fund, Fidelity, Avendus and Societe Generale among others.. During this quarter, our manufactured pharma specialty chemical business recorded revenue of Rs. 374 Crores, an increase of 46% compared to Q2 FY2021, manufactured assets for quarter recorded revenue of Rs. 208 Crores an increase of 94% compared to Q2 last year and manufactured IPA recorded revenue of Rs. 167 Crores an increase of 12% y-o-y due to the decrease in availability of various down streams of nitric acid from China and the resulting higher pricing. Nitric acid demand and prices are expected to stay strong in Q3 in the short-term demand for hand sanitizers and disinfectant products are also expected to rise. Manufactured mining business recorded revenue of Rs. 373 Crores an increase of about 100% during the quarter. We recorded highest ever second quarter sales of ammonium nitrate melt with 74% y-o-y growth, high density ammonium nitrate sales volume grew by 51% as supported by combination of fixed price short-term agreement and increasing sizes of imported ammonium nitrate due to the availability concerns from exporting country. With improving economic recovery the demand for power and therefore coal is expected to increase in addition with an increase in infrastructure activity demand for cement and rock aggregates are likely to increase all these factors should result in increase explosive demands in mining and infrastructure segment and inturn on our mining chemical products. Our value based business model and crop nutrition business has resulted in revenue growth of 15.8% to Rs. 802 Crores in Q2. NP and NPK recorded a revenue growth of 30.9% to Rs. 687 Crores and bensulf sales increased by 37% to Rs. 21 Crores in Q2 FY2022.

Despite year over year increase in major raw material prices our strategically oriented initiative which range from crop specific products to pharma focus marketing should help us grow our market share and profitability. During the quarter, our IPA plant operated at capacity utilization of 101% and both acids and TAN operated at 83% and 88% respectively. As you might recall in earlier quarters I made this point that last year we got affected by COVID particularly operation maintenance and the operating leverage that we were getting on at the beginning of the year it is evident that we have sort of taken advantage of that in this quarter and in the first half of this year. In the crop nutrition segments, NP, NPK plants operated with utilization levels of 77% and bensulf plant operated at 66% utilization level. The available capacities across our plants provide us head room for future growth potential. We still have good margin as far as capacity utilization percentage. We remain confident of continuing our growth trajectory while extending full support to our customers, suppliers, and other valued stakeholders. It is all the three sectors that is our industrial chemicals, mining chemicals and fertilizers are strongly aligned to overall economic growth in India and with Indian economy poised to perform better in the coming quarters our segments are expected to be benefited from the same in the coming quarter. With this, we would be happy to take your questions. Thank you….

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Vishal Pratap from VP Capital. Please go ahead.

Vishal Pratap: Good afternoon. I have one question on technical ammonium nitrate I understand we supply ammonium nitrate to solar industry as well as TAN to coal mines and then I also understand that Solar Industries supply their products to coal mines so could help me understand what is the difference between what we provide and what Solar Industries provides.

Amitabh Bhargava: We have three different products in technical ammonium nitrate one is ammonium nitrate melt which is liquid ammonium nitrate, the second one is high density ammonium nitrate, high density ammonium nitrate essentially is in solid form and therefore it helps transport it for a longer distance, but for shorter distance to be extended the customer end also has the storage facility we supply the TAN in melt form so in a AN melt and HDAN are substitute of each other one is in solid and the other is in liquid form. Both these products go in the emulsion-based explosives which our customers like solar and other they essentially covert the two products into emulsion-based explosives which in turn are used in for mining activity. While the low-density ammonium nitrate can be directly put down the hole you can add right there the fuel oil on top of it and you can with the help of detonators you can detonate so in a way LDAN can be directly used in mines it also used and converted into certain explosives which are different from emulsion based explosives so essentially in summary HDAN and AN melt is used by or supplied to our customers to be in turn converted into emulsion based explosives while low density ammonium nitrate can directly be used as explosives in the mines you can directly use it as with the addition of fuel oil you can directly blast in the mines so it does not have to go through the intermediary customers and then it can also be converted into certain explosives which we call ANFO ammonium nitrate fuel oil those explosives are different from emulsion-base explosives that our customers like Solar make.

Vishal Pratap: Right so if I am Coal India and I am trying to buy an explosive so when will we buy from our company Deepak and when we will I buy from Solar and what is the difference?

Amitabh Bhargava: Coal India depending on their requirement can either tender for emulsion based explosives or in certain limited quantity could even directly tender for LDAN low-density ammonium nitrate essentially in India LDAN is used in coal mining particularly Coal India has just started using it on commercial scale only in Q4 before that they did not have the experience of blasting through LDAN and into that extent and prior to that 100% of their requirement was met through emulsion-based explosives. Now from Q4 onwards after they tested it on a commercial scheme depending on their requirement they can tender for LDAN based explosive but India given the manufacturing capacity of emulsion based explosive and explosive in general which are largely emulsion based particularly in the coal mine and public sector coal mine would continue to remain sort of largely be serviced by emulsion basis. But like I said Q4 onwards coal India subsidiaries they have tested on commercial space the LDAN based explosives for blasting. They depending on their requirement can tender separately for LDAN based explosives.

Vishal Pratap: If I try to compare emulsion based explosives and LDAN so which is more efficient if efficiency you measure in terms of money spent?

Amitabh Bhargava: Fundamentally while LDAN per ton basis it can be priced or may be priced more at rupees per ton basis with higher level at HDAN or AN melt though that also keeps changing depending on the demand supply situation but when it comes to the blasting requirement generally speaking LDAN based explosive turn out more efficient in terms of the quantity that is used and the generally efficiency that you get in blasting because blasting also depending on so when you blast it over burden comes out in uniform let us say shape the whole processing of removal of over burden is additional cost such that it is incurred by mine and therefore mines tend to look at their overall cost not just the explosive cost but end to end cost and those cost can turn out to be more expensive because LDAN base explosives are blasting is more measured it has certain efficiency in terms of outcome of overburden so that is how it works generally it can work more efficient.

Vishal Pratap: Last question from my side sir majorly the technical ammonium nitrate we supply to the end users or we supply to explosive manufacturers like Solar?

Amitabh Bhargava: So like I said HDAN and AN melt which are out of the total portfolio are the substantial part of our product basket they are supplied to the intermediary the emulsion based explosive manufacturers. LDAN can be directly supplied to the mine

Moderator: Thank you. The next question is from the line of Sharan an individual investor. Please go ahead.

Sharan: Thanks for the opportunity. My first question is regarding the ammonia which plant capacity is in progress whether it is the green ammonia or what is exactly because government is going to make mandatory that for fertilizers green ammonia should be utilized and green ammonia comes from the power used from the renewable sources.

Amitabh Bhargava: So our ammonia is from natural gas and to that extent there is CO2 emission now what we are trying to do is that we are talking to various CO2 users including the upstream oil and gas industry and to the extent the CO2 generated along with ammonia can be utilized for purposes where CO2 can be gainfully consumed rather than emitted in the environment reducing the effect on environment to the extent while it is not green ammonia it could get the shade of blue ammonia or whatever that term used but as of now our ammonia as much as the ammonia produced in the country is pretty much every where by all the players is based on natural gas and therefore is not part of green ammonia.

Sharan: In case in the future if required is Deepak ready consume renewable energy and produce green ammonia in the same plant?

Amitabh Bhargava: As of now it is green ammonia has two components to it one is the power that you are consuming the renewable power consumed is then used for hydrolysis of water and that's how we generate hydrogen and then you take nitrogen from the air and that's how you combine nitrogen and hydrogen to make ammonia so it has the element of not just using the power in renewable form but the power should be then used through hydrolysis of water to generate hydrogen while in our case the whole process KBR process through which are producing ammonia or going to produce ammonia is through natural gas route and therefore there is a fundamental difference it is not just the power consumed but it is the whole process end to end.

Sharan: Sure the second question is the ammonia capacity is going to be around 500 plus ton rate let us say a year, 500 thousand ton per year right, so basically and there was a mention that there is going to be savings of around 70 to 80 dollars just from the logistics so can I assume that 70 dollar is into the Indian Rupee whatever it comes and then plus into the 500 ton roughly it is going to be 200 to 300 Crores per year straight forward savings from that strategy?

Amitabh Bhargava: I have answered this question earlier again I am going to repeat that. One is logistics part of the savings which your numbers broadly correct 70 to 80 dollars and whatever ammonia that we produce we pay that much is the logistics if you compare it with say for the FOB Middle East. There are other advantage of producing this locally one is that the whole process of ammonia generation also is exo thermic that it produces additional heat and that heat is something that we can use because its right across our plant, so we can use that for what I was saying is that there is additional savings that we have of heat that we can generate and to that extent our heat consumption in our main downstream plant there could be saving and that saving could be anywhere between 10 to 15 dollars per ton of ammonia in terms of the production. The third one is our manufacturing facility has been granted an ultra mega project status by government of Maharashtra and their 75% of our capex in ammonia would be we will get reimbursement of basically state GST until we recover about 75% of our capex and that is the additional savings that we make year on year. There are this three elements of savings that would accrue to us across our downstream.

Sharan: Okay that's a great information so when roughly this will get completed in the year of 2023?

Amitabh Bhargava: Our mechanical completion is expected by March and I think in a matter of 4 to 6 weeks we can start commercial production.

Sharan: Roughly the year when we start producing the in-house ammonia that year roughly what will be the savings amount like 500 Crores or something?

Amitabh Bhargava: I think I talked about all three elements we can just do a calculation.

Sharan: Just one last question. Just would like to know the customers from all the sectors from agriculture and industrial chemical if you would like to give some names, the customers and any recent addition in the customer list?

Amitabh Bhargava: Which sector are you asking this question?

Sharan: Both agri and the industrial chemical and pharma just would like to know any big customers you have and any recent addition to the customers list?

Amitabh Bhargava: So in our mining chemicals we have customers like solar industry ,special glass, Indian Oil Corporation, these are some of our large customers as far as the TAN or mining chemical is concerned. As far as the acid is concerned, we have Aarti Industries, Deepak Nitrate these are some of the customer in case of IPA pretty much the entire gamut of the pharma companies Aurobindo Pharma, Dr. Reddy from pharma these are all our customers.

Sharan: Thank you very much sir. Thanks for time and all the best for the future…

Moderator: Thank you. The next question is from the line of Rajan Thakur from Ruchi Oyster Mushroom. Please go ahead.

Rajan Thakur: My question was with regards to the fertilizer business raw material prices fertilizer cost so how much it is to purchase a quantity of fertilizer before and how you can manage this?

Amitabh Bhargava: Your voice is not clear. Can you repeat the last line I got your point that there is an increase raw material prices what exactly your question?

Rajan Thakur: My question was we know there is an increase in the raw material prices and subsequently our fertilizer product cost will also increase so will the farmers be able to purchase the same quantity of fertilizer as before and how we are managing this?

Amitabh Bhargava: Essentially as you know the increase in raw material prices typically there are government also depending on the raw material prices and looks at the NPK nutrient based subsidy the government did one increase in May of this year based on the some of the increase that had happened compared to the previous year raw material prices whatever other than the government nutrient based subsidy versus prices are essentially depending on the market depending on the competition and the way industry increases or passes on those prices we also increase our prices of our products overall a combination of the two is what government as well as industry tries to create a balance and to that extent for a brief period till the prices are passed on to the farmers there could be some absorption that industry has to do but eventually as long as the prices are sustainably at a higher level these prices do get passed on to the farmer but as you know the NPK, I mean nitrogen is also used in fertilizer and to that extent prices of other fertilizers competing fertilizer also tend to go up and that end the clarity between other fertilizers and complex fertilizer which is maintained. My colleague Mahesh is also there Mahesh do you want to add anything to this.

Mahesh Girdhar: Sir I think you already covered that. I think there are two, one is that the government announced nearly 14,000 Crores additional subsidy by virtue of NBS Nutrition based subsidy again there was a second infusion done in October which will impact next quarter so thereby in fact cost covered through subsidy as well as partial pass through in the market should be able to support. The consumption has not declined as you talk about H1 consumption has been nearly as at previous year level. We also deal into non subsidized fertilizer it is about 15% of total portfolio and in the nonsubsidized portfolio of the fertilizer we have been able to pass through the increased cost these are efficient fertilizer used through dip irrigation they are anyway lower used so there use water soluble fertilizer is much lower than the bulk fertilizer and high value cash crops are using those where we also know that India has got a huge vegetable requirement. Farmers have been able to absorb the cost when the cost is increased for nonsubsidized fertilizers.

Moderator: Thank you. The next question is from the line of Abhijit Akella from IIFL Securities. Please go ahead.

Abhijit Akella: Good afternoon and thank you so much for taking my questions. I had a question on the chemical business first in the context of your commentary about the robust demand outlook for mining chemicals as well as the pharma segment and specialty chemicals so in that context would it be fair to assume that we can more than pass on the increase of ammonia cost in the second half of this year as demands picks up and if you could just give us some help in understanding I mean how realization in those businesses are trending and how we should expect margins to trend in the next couple of quarters.

Amitabh Bhargava: Abhijit one fundamental aspects about this sharp changes that have happened in the raw material prices and I am sure you would also be observing that is that a lot of this has been very sharp in a very short time frame and therefore the first assumption before anyone can comment on H2 due to reason one has to come to a conclusion whether the prices though they had gone up already so much would they remain at this level or would they go further up that itself is something that today is very difficult to predict how further up these raw material prices can grow and so that is fundamental to any prognosis at one can estimate, one can make to the margin that said I think in general what we are seeing is that if you look at product by product acid has certain contractual reasons where the raw material prices are passed through in a long term contract. In short term we are also seeing because of in general shortage and the China factor the acid demand has also gone up and to that extent in the spot market the price realization have improved and hopefully that would mean that the increase in ammonia prices our ability to pass that on the asset partly through contractual structure and partly through good realization in spot market should be better so that is as far as acid is concern. As far as tan is concerned there again we feel that even the FGAN the fertilizer grade ammonium nitrate that comes into the country and competes with the local production has also seen increase as black seed prices have gone up now whether they keep in sync with the sharp increase that we are seeing month on month in ammonia or would they have certain level of lag would really decide whether the pass through is proportionate or more than proportionate very very difficult to predict at this stage how quickly each of these not just raw materials but their response in the finished good products prices will reflect but generally speaking I think in H1 itself raw material prices have gone up we have seen that mining chemical business TAN has withstood those raw material prices and finished prices seem to have reflected that increases. IPA is the other product where we have seen obviously compared to the last year and even quarter-on-quarter there have been pressures on the margin because on one hand propylene prices are going up there is Acetone based IPA is coming into the country and to that extent there is a pressure on IPA margins and this is what we had anticipated as well in the beginning of the year also we said we do not expect the margins to sustain at last year's level. The DGTR's quantitative restriction that DGTR has recommended that should help to an extent in getting better realization because lot of the acetone base I feel as is coming to the country if the quantitative restrictions come on that most of the IPA is propylene based IPA and it would improve the realization for IPA and in general the ability to pass on the raw material prices there will get better. That's really the commentary on all the three products I hope I have answered your question.

Abhijit Akella: That's helpful thank you. So in the nutshell we are not too concerned on the margin front we do believe that the demand trends are healthy enough to permit us to pass on any cost increase in general.

Amitabh Bhargava: Demand trends are certainly very very encouraging the point I just made is that the increases in raw material prices month on month and sometimes week on week had been sharp and to that extent it is very very difficult to predict for the entire quarter of second half we see how it shapes up.

Abhijit Akella: Sure understood and second on the fertilizer business given this volume pressure because of rising prices, etc., does that sort of delay your plans of achieving full capacity utilization in that business I believe your plans to do that in the next two years or so, so does that push that back or do you think it is still achievable and you know in terms of the margin targets that you had for yourself how do you see that shaping up in the context of this industry scenario?

Amitabh Bhargava: I think the answer again is I would say how fast this raw material cycle would continue is there a part of the answer, we do not expect that is going to fundamentally change the capacity utilization plan because if these raw material prices are sustainable either government would intervene in terms of increasing the subsidy or the entire industry would have to look at change in the market price and to that extent we do not expect fundamental base I mean demand destruction that will happen in complex fertilizers

Mahesh Girdhar: So that is the industry view and please note that our CMD and CFO quarter after quarter we are explaining that we have completely moved from commodity business in fertilizers we have moved into value added differentiated product and these differentiated products are more efficient. We have introduced manufacturing technology which enhances nutrient uptake which is called nutrient envelope technology so we are able to differentiate ourselves and add value to the farmers increasing their yield by the same product so we are actually creating higher preference for our brand and used by our consumer farmers and as well as we are introducing complete crop specific let us say more balanced product in your portfolio which will bring up your efficient for the farmers from value perspective so those two things coupled with the industry overall scenario as you now the subsidized fertilizer also takes care so both put together would help us go sustainably.

Abhijit Akella: Got it that's helpful. Thank you so much. One last thing I will come back for anything more. The capex in the first half has been about 309 Crores is there any rough number we have in mind for the second half how much we expect to spend on all the projects put together?

Amitabh Bhargava: We have given guidance for the next I think about six to seven quarters \If you look at and what you are saying is between Q3 of FY2022 to Q1 of FY2024 one is we would complete the ammonia which we there is balance about 2,500 odd Crores of capex for ammonia that will take place in this seven quarter also roughly about anywhere between 700 to 900 Crores of capex on the TAN capacity or new plant would also be there in the seven quarter, one quarter number is little difficult, one or two quarter because our TAN construction is not yet started we are sort in the far end of getting all our approvals in place and financial closure so to that extent we are more certain about ammonia, TAN by December or January we would know what kind of balance capex is expected till March in TAN I mean. So we have given guidance next six to seven quarters as opposed to quarter on quarter.

Abhijit Akella: Understood, thank you so much and wish you all the best.

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

Bhavya Shah: Good afternoon and thanks for taking my question. In Q2 press release we have mentioned that we had a lower than planned production of fertilizer due to MOP shortage so just you can throw some light on are we facing the same issues in Q3 or are we facing shortage in any raw material other than MOP in fertilizer.

Amitabh Bhargava: No I think by now almost non-availability of MOP for a long period that phase is over so as such raw material availability is not hampering anything, the price of these raw materials and production cost and overall market pricing is the fact that we be tracking month on month. So that's still one area that we need to watch out for but as such raw material availability is no longer an issue.

Bhavya Shah: And my second question was that this quantitative restriction in IPA is already in place or is there any final order left to be published or anything like that?

Amitabh Bhargava: Implementation of that as to how that will be implemented is something is work in process. Because it is said it has to be source specific restriction all of those integrities of implementation is something that is being worked up.

Bhavya Shah: Okay, understood that's it.

Moderator: Thank you. The next question is from the line of Vishal Pratap from VP Capital. Please go ahead.

Vishal Pratap: Sir if I look at the history of Deepak Fertilisers in last 32 years except 1991, 1992 when we had unfortunate incidents of fire alarm where we struggled a few years we have been total capital allocated and we avoid taking undue risk but if I look at what we are doing now 4,300 capex for ammonia and then we are talking about TAN where we will have lot of capex so do you do not think 5,000 Crores debt on our balance sheet will be a risky proportion?

Amitabh Bhargava: I am not sure where the 5,000 Crores number comes from but yes the question I think which I get the essence of the question is that these two large capex has been done together whether that is the risk or not. See essentially if you look at ammonia in fact I would flip the point and I would say that if we do not have our own ammonia given the large ammonia requirement because its fundamental nature of our business of fundamental raw material that is required in our business because we are in nitric acid and NP/NPK fertilizer and TAN all three of them require ammonia the scale is going to a level where relying on logistics particularly price from Middle East to JNPT. JNPT infrastructure the transportation of that through road to our plant and all the not just the logistics uncertainty and issues in terms of frequent disruption but also the whole environmental footprint of this logistic is something which for a long time we have debated internally and we have come to a conclusion that is not sustainable operation for the size of operations that we have and therefore ammonia while the capex involved is large no doubt about that but without having our own ammonia we would have been running far more risk in terms of sustainability of our operations for the size of our operation. As far as ammonia, now if you look at the current I think we have gone through in last two years certain delays in land acquisition but as we stand today we have all the statutory approval the progress on the ground is only now just construction part it is nearly 95% of the equipment is with us. Land is with us, all the approvals are with us so it is only civil and mechanical construction that needs to happen on the ground so as such if you look at it just the implementation risk is now substantially behind us that said yes it would mean that there is a large capex and therefore proportionate debt. Debt also it will be we are actually even today as we have almost about 1,800 Crore of implementation that we have done we have gone less than 50% of that by the way of debt and we have used our internal accruals or internal cash to fund the balance. Therefore while in the base case yes we are planning to fund the project with 60:40 debt equity and TAN with 70:30 debt equity. We may depending on the cash accruals and cash position we have we may improve on debt equity, number one. Number two, if you see the profile of this main project any expansion one huge risk factor is there in any new project is the demand side of it whether you will be able to place that product in the market or not and what would be your capacity utilization and that is where 100% of this for captive consumption and I have already spoken about the reasons why we believe that without having our own ammonia we would havemuch higher risk with on the sustainability we do not believe that there is much risk that left to be addressed in ammonia. We have gone through that phase in the last two years. As far as TAN is concerned again it is largely import substitution we have the land in place most of the statutory approvals going to be with us and to that extent again this is a product where quarter on quarter we have done well there is a huge gap that is emerging in terms of import and this product again is going to be used as import substitution and this has been market leaders this has been there for more than three decades. Again the risk is not some unrelated diversification it is not something that for which we have to create market but ready market we have to substitute the import and to that extent I think the risk while the capex is no doubt are large but risk if you talk about risk we believe that the risk is manageable.

Vishal Pratap: I think you have been clear about this in the past calls, I really appreciate that. My question was more from going parallel capex in ammonia as well as TAN rather than doing back to back where once we have done with ammonia then we do TAN that is where my question was if you could share your thoughts on that would be great.

Amitabh Bhargava: Ammonia if you look at it we are sitting in November we would complete ammonia in another 15 to 16 months say March, April or 2023 TAN we are yet to start the construction we have the land basic all the statutory approvals and that let us say at 28 to 32 months if you see even roughly the implementation or completion of this is three quarter apart from each other so overlap if you see would be I would say four or five quarters may be and to that extent they are it is not they are completely overlapping with each other or coinciding there is a gap that is there and we have some other 15 to 16 months less for ammonia, TAN after we start the construction it would be another 32 odd months even from a cash flow perspective as you would be implementing TAN. Our ammonia the advantage of our having our captive ammonia would start approving to us from quarter one of FY2024 I think there is I mean it is not a complete overlap there is a gap between completion of these two and to that extent we think we have fairly good place to manage.

Vishal Pratap: Okay we have taken some land from JNPT recently so is that for storing LNG?

Amitabh Bhargava: JNPT land?

Vishal Pratap: Yes there is press release from JNPT our name came up that we have taken land for storage or something?

Amitabh Bhargava: At some point in time we had bid for additional storage capacity but we had not followed through in terms of going ahead with land construction, etc., I am not aware what this land.

Vishal Pratap: Okay, that’s fine. Last question sir if I look at Coromandel they have backward integrated into phosphorous because I think there is a lot of raw material release there as well so is it important to have at some point in time in future to have backward integration in phosphorous or that's not very important for us?

Amitabh Bhargava: That creates optionality there today we are entirely dependent on phosphoric acid if you have the backward integration you have optionality using of rock phosphate convert that phosphoric acid and then use it in your NPK so thus makes sense to have that optimality but today given that ammonia goes into three of our products and not just the fertilizer ammonia made better sense for us for the scale up operation and ammonia we have also got certain advantages as I would mention both on the energy side and also the ultra mega status that we got from government of Maharashtra so from that perspective ammonia made sense for us but phos acid any backward integration in hhos acid would certainly create an optionality

Vishal Pratap: Thank you sir.

Moderator: Thank you. The next question is from the line of Sameer Joshi an individual investor. Please go ahead.

Sameer Joshi: Thanks for giving me opportunity. What is the percentage of fixed price contract as compared to variable price contract across various business and what is the tenure of these fixed price contract and is there any chance that because of increase in raw material prices or decrease we can pass on the increase in case of fixed price contracts? Thanks.

Amitabh Bhargava: One is fundamentally these numbers have not fixed they depend on the commitments that our customers want and commitment that anything we are committing to our customers but typically in let us say today we would be roughly about 50 to 60% as far as the contract and spot is concerned in the TAN segment and in the acid segment, these numbers in CNA varies from 60 to 70% and balance 20 to 30% and say 30 to 35% in the spot segment but I like said these are not numbers that one needs to take it on, this could be numbers which are dynamic.

Sameer Joshi: Okay because I was estimating by which quarter the increase in raw material prices will be taken care in pricing of final products?

Amitabh Bhargava: Spot typically in general is at premium over fixed prices at which we had committed to our long term customers, if fixed price contract are there we are willing to pass on raw material prices given that spot is premium over long term it also has the ability to pass on raw material prices.

Sameer Joshi: Okay. Thanks.

Moderator: Ladies and gentleman that was as the last question for today. I now hand the conference over to Amitabh Bhargava for his closing comments.

Amitabh Bhargava: Well thank you so much for your participation and all insightful questions, for any further queries or clarification, please do get in touch with our investor relationship team. Thank you so much again and have a good day. Thank you,

Moderator: Thank you very much sir. On behalf of Antique Stock Broking Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

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