



November 12, 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 Q2 FY 2021 Earnings Conference Call**

Dear Sir / Madam,

We would like to provide the Management Transcript for Q2 FY 2021 Earnings Conference Call, which was held on November 5, 2020.

The transcript of the Q2 FY 2021 Earnings Conference Call is also available on below mentioned Youtube video link: <https://youtu.be/ps-tMu5X7II>

We request you to take the same on your record.

Thanking you,  
Yours faithfully,

For **Deepak Fertilisers  
And Petrochemicals Corporation Limited**

**Gaurav Munoli  
Company Secretary and Compliance Officer**

Encl: as above



DEEPAK FERTILISERS  
AND PETROCHEMICALS  
CORPORATION LIMITED

# Earnings Conference Call

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Q2 FY2021

November 5, 2020

## **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 BOBCAPS**

**Moderator:** Ladies and gentlemen, welcome to the Q2 FY2021 Earnings Conference Call of Deepak Fertilisers and Petrochemicals Corporation Limited hosted by BOB Capital Markets Limited. 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 Ms. Shaheen Mirza from BOB Capital Markets. Thank you and over to you Mam!

**Shaheen C Mirza:** Thank you moderator. Good day everyone and welcome to the Q2 FY21 Earnings Call of Deepak Fertilisers and Petrochemicals Corporation. From the management we have Mr. S. C. Mehta, Chairman & Managing Director, Mr. Amitabh Bhargava, President and Chief Financial Officer, Mr. Mahesh Girdhar – President, Crop Nutrition Business, and Mr. Deepak Balwani – Head of Investor Relations. I would now handover the call to Mr. S. C. Mehta, Chairman. Thank you and over to you Sir!

**Sailesh C. Mehta:** Thank you. Very good afternoon and I hope you and your families are all safe and healthy. We still have some miles to go before we have the vaccine out, so we all need to be continually careful. It is my pleasure to welcome all of you for Q2 and H1 FY2021 result, and I trust all of you would have received the results in the presentation, which have been uploaded and I will take the opportunity to share some further thoughts on it and then of course more details will be shared by our CFO, President Finance, Amitabh Bhargava.

So during the COVID times we saw some continued operational challenges in terms of somewhere the supply chain areas or somewhere getting sufficient number of people and I think probably lot of industries faced that, but we are now seeing a gradual revival that is coming in as the lockdowns are getting eased.

As far as recently good monsoon and the water level then all the major reservoirs are up at the desired level. We did have some head of fact and some additional monsoon, which had a little bit of an impact in terms of delay in Rabi season, but going forward we expect you Rabi to be good.

Now I am very pleased to share that our company in terms of the financial operational front has really done well and growth trajectory has been better based on higher margin businesses and cost optimization and very frankly speaking I am indeed pleased to share that our H1FY21 has been the strongest ever possibly in the past five to six years.

Our H1 revenue from operations increased by about 23% year on year to roughly around 2,786 Crores and the operating EBITDA doubled to around 465 Crores in H1. Our PAT, I am happy to share it is up 4.5 times to Rs. 202 Crores in FY21 and with the good collection and the business all around, our borrowing also reduced significantly with the net debt to equity ratio improving from 1.25x as on March 31, 2020 to 0.91x as on September 30, 2020.

We also had our rights issue as lot of it would be aware and we successfully raised around 178 Crores, a little oversubscription and both from our existing a new institutional shareholder. Additionally, we also received our second tranche from International Finance Corporation Washington of around 210 Crores and so all of it will ease knock away the liquidity but improve the leverage profile.

So one of the key aspects that help us while they continued strong delivery from the CNB our Crop and Nutrition Business and I would say this is the fourth consecutive quarter where you know things have been going well and as we saw some of these impacts coming of COVID even in the rural area, our field operators were really challenged due to movement and farmer issues and all that. So despite these challenging times, I must share that the team came up with somebody out of box ideas of digital connect with host of retailers and farmers through webinars and so our farmer touch point continued to be strong and that has reflected in continued strong volumes of sales off our differentiate NPK product and that is something which I am seeing from a very positive light, that is not only the differentiation is something that is being well understood at the dealer, retailer and farmer level, but it is also getting reflected in certain price premiums, and it is also I would say reflected in repeat sales.

So, to that degree the promise that was made in terms of yield improvement is clearly showing up at the field level and building up the confidence. As far as the IPA goes, Q1 of course was an extraordinary jump because of the panic that the virus set in and as was expected we have seen the prices normalize and this is something, which was expected and this is something, which we are seeing panning out and it should normalize to the pre-COVID areas.

We are continuing to focus on the needs of the farmer sector and we are also looking at somewhere gradually putting across our B2C products hygiene product under the brand name 'CORORID' and that is something, which we are seeing it of course very small today, but we are seeing that is a good promise.

During Q2, we also sought the demand for grades of nitric acid gradually improve and our Dahej plant in particularly has witnessed now coming back into good performance and this is something that also added to our IC, business, our industry and chemical business, and the second half again we are looking at the gradual acid business for the intermediates and others coming back to normal the pre-COVID time.

As far as the TAN segment goes, the customers were infected meeting the coal, cement and others were impacted by COVID and which did result into subdued sales. Also, we saw exports getting impacted because of again similar kind of situation all around. Yet we continued to push at all sites and what we found was at least you know our collections were really very good because of all that push.

In the second half, we expect you know the improved performance on the TAN business in any case and monsoon is normally mining activities are at a low end and we now expect you know the expected typical H2 as being good for the TAN business.

Going forward we also see the central government is more of encouraging Atmanirbhar initiative and also well aligned with our growth story and capex outlet, which are you know very strongly going to bring the import substitution to us and to the country.

Fundamentally, as I see it even this COVID crisis has shown that we are very beautifully aligned with the India growth story and that has stood this test of the crisis where one-third of business interlinked with fertilizer and food security, one-third into the industrial chemicals linked to the Pharma sector and one-third into the mining sector you know for India's requirement of power derived from coal or its need for infrastructure drawn from limestone cement.

So we find that you know this crisis has validated our strategies and reconfirm to us with great degree of confidence that all the three sectors that we are into beautifully aligned into the India growth story and despite variety of crisis that everyone went through for us these three fundamental areas of strength stood very strongly to support you know this H1 great results

So, with this now, I handover to Amitabh Bhargava, President Finance and CFO for a detailed presentation on the financials and you know all the rest of the operational performance, Amitabh.

**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 Q2 FY2021 results. During the quarter ending September 2020, we felt much improved environmental business operations as overall economic activities revised to a large extent particularly on the demand side post relaxation of lockdown; however, as Mr. Mehta also mentioned the operations and maintenance challenges at our production facilities decreased in this quarter due to pandemic issues and its impact on availability of manpower and mandatory intermittent shutdowns undertaken by us, but overall we continued our journey of delivering robust operational performance this quarter on the back of a very strong showing in the first quarter of FY2021.

During Q2 FY2021 we reported total revenue growth of 22% YOY to Rs. 1,404 Crores operating EBITDA increased by 66% YOY to Rs. 193 Crores. Operating margin increased to 13.8% in Q2 FY2021 as compared to 10.1% in Q2 FY20. Net profit increased three times YOY to 81 Crores and Q2 FY2021. The company has delivered staggering operational performance in the H1 FY2021, which is indeed best ever performance in last 5 to 6 years.

Our fertilizer segment delivered fourth consecutive profitable quarters. Net debt reduced from Rs. 2,769 Crores as on FY2020-2021 to 2,201 Crores as on H1 FY2021. Net debt to equity improved to 0.91X as on H1 FY2021 resulting in lower financing cost.

In chemical segment manufactured chemical business reported revenue of Rs. 541 Crores in Q2 FY2021. IPA revenue increased by 42% YOY to Rs. 149 Crores in Q2 FY2021 and despite the fall in prices QOQ the NSP were higher YOY resulting in robust margin in manufactured IPA.

IPA sales volumes were impacted by about 25% YOY due to some plant constraints. Sales volumes of nitric acid during Q2 FY2021 into 21% over the previous quarter as a result of normalization and business activity across downstream industries; however, it was lower by 8% compared to Q2 FY2020.

Capacity utilization at Dahej Plant improved to 80% level during Q2FY2021 as compared to 68% during the corresponding quarter last year. Our TAN revenue is decreased by 21% YOY to Rs. 187 Crores. Despite the seasonality and low demand in Q2 due to monsoon the impact of COVID and the resultant lockdown were also felt across both for the domestic HDAN, LDAN and AN and export vertical across TAN business.

Demand on coal and limestone mining is expected to improve in Q3 as the economy continues to come back. Fertilizer segment delivered fourth consecutive of stable quarter led by significant increase in volumes favorable monsoon surplus reservoir levels, record high Kharif crop and sowing and softening of raw material prices.

Manufactured fertilizers reported increased revenue by 29% YOY to Rs. 540 Crores in Q2 FY2021. Sales volumes of manufacturing well fertilizer that is NP and NPK increased by 29% YOY and fertilizer trading business increased by 65% YOY to 152 Crores in Q2 FY2021.

Overall margin improved significantly due to 100% migration from plain grade to differentiated grade market. We successfully started production of new NPK N14 at Taluja and superfast themselves grade at Panipat. The company has reached around 3.8 million farmers social media and activity engaged with 1.9 million farmers until September end. Around 5 lakhs plus farmers were directly reached through direct calling and then modes.

Our H1 performance is a reflection of our focus on business improvement, better product offerings numerous initiatives that they have undertaken to improve systems and processes to optimize our cost over the last few quarters. We remain confident of continuing our growth trajectory while extending full support to our customers, suppliers and other valued stakeholders in these testing times.

With his we would be happy to take your question. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Dhwani Ketan Shah from I-Wealth Management. Please go ahead.

**Dhwani Ketan Shah:** Good evening and congratulations there are very good set of numbers. Sir, I had couple of questions. One was on the, IPA division as we have seen for the IPA prices of almost come to the pre-COVID level and in this quarter, we had a realization of Rs.105 - Rs.106. So, going ahead how will our spreads pan out and then how much will it impact to our profitability that is one and the second question Sir is on Capex any timeline about when it is going to commission?

**Amitabh Bhargava:** As far as the IPA prices are concerned by the market prices in terms of her our sale prices it would difficult to say where they would settle during this quarter, but what I can tell you is that the imported

cargoes that are now coming in when the pre-COVID we started at about \$800 a ton and a short up all the way up to \$1400 to \$1500 per ton. We are currently hovering in the range of \$950 to \$1000 per ton and you know we have seen some of volatility in these prices that they had gone down and from the bottom of about 850 they have again found up to these levels. So, we know to see what how price is, but that is the level of imported prices we are seeing in the market.

**Dhwanil Ketan Shah:** Just a follow between up to Rs. 107 in September and this in December we settled at somewhat at Rs. 80 to 85 hypothetically. So, in that case how will our spreads used, in terms of profitability how will that impact us?

**Amitabh Bhargava:** Those are not coming down. What I would say that one is 106 or 107 numbers that you are quoting is for the quarter which is average during the quarter not necessarily the September number. In fact, September number has progressively come down from July, August. So at you can do a back of the envelope calculation that if the person and the prices are remaining where they are we do roughly manufacturing volumes of during the quarter anywhere between 14000 and 18000 depending on all production level, and every Rs.5000 decrease to that extent you could do that calculation

**Dhwanil Ketan Shah:** The second question about the capex.

**Amitabh Bhargava:** In capex as far as the projects are concerned the ammonia projects, we have reached a stage where the entire land is acquired. We also received approval from Maharashtra Pollution Control Board in terms of the consent was established and we are at the fag end of negotiating our contract with the EPC contractors. So, the contraction should commence very soon, and I would say it takes roughly 26 to 28 months to complete the projects. So, in that timeframe we would be completing our ammonia project. As far as TAN project is concerned, we are still at a stage where we are applied for environmental approval and it only after obtaining an environmental approval that our capex would begin.

**Dhwanil Ketan Shah:** Currently Sir the next one was there is no commissioning as of now?

**Amitabh Bhargava:** Completion of both these capex would be minimum of 26 to 28 months.

**Dhwanil Ketan Shah:** Then on the fertilizer segments we will be doing very well since last three quarters, as you have also mentioned. The raw material in the fertilizer segment has also softened. So, going ahead Sir what kind of margins, you think is sustainable in this division and then any pressure on the raw material prices or it is still at the similar level?

**Amitabh Bhargava:** While the ammonia price is at the same level, there has been some increase phos acid prices in this quarter and as far as the margins are concerned, it is a factor of multiple variables in terms our overall production capacity utilization. So, all that I would say that if you would have seen our performance in Q1 and Q2. Our volumes of our smart pick products, which will be differentiated products has gone substantially up and we have also to that extent received with additional volumes because this would premium products and then we are quite hopeful that despite the variations in raw material prices we would be able to sustain our profitability going forward.

- Dhwanil Ketan Shah:** Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Hiten Boricha from Sequent Investment. Please go ahead.
- Hiten Boricha:** Good evening Sir. Sir I have the two questions like my first question is on what was the reason behind the auditor resigning and can you throw some light on that and the second question is like an IPA and other chemical crises are getting normalize now. So, can we consider this named as in base now, this gives you earnings of base quarter now?
- Amitabh Bhargava:** To your first question I think we have permitted to stock exchange the letter which BSR our statutory auditor had written to us at the time of resignation. It is a commercial reason that we had quoting. So that this was potentially as you know commercially means we had a debate in terms of our audit fee. We couldnt arrive at common compensation on that. Equally as far as the TAN business is concerned as you are aware that Q2 is typically a lean quarter because of monsoon, we also face certain challenges on the production side. So TAN business H2 both from a demand and production point of view to be a better half. So is it combination of all these factors or some factors may growth again that, but there are other factors or other business, which are expected to do that. It is difficult to for me to say that whether this is the base quarter or not, but I have given you an indication on what is happening in each of the business.
- Hiten Boricha:** I am just followup on this Sir. Why not we appoint an auditor with similar credentials like BSR, the new auditors are unknown to us. So just that is few colors on that.
- Amitabh Bhargava:** If you see the new auditor and the audit completed, they are auditing as you see their track record. I do not see where we are coming from on this question because practically many large companies located in Pune are being audited by this audit firm. They have a strong presence and they are audited which been in business for several decades if I am not wrong, at least more than 18 plus years. So, our audit committees and board has considered all these factors while appointing the new audit firm.
- Hiten Boricha:** Thanks for the detailed explanation. Thank you I will get back to you.
- Moderator:** Thank you. The next question is from the line of Dikshit Doshi from Whitestone Financial Advisors. Please go ahead.
- Dikshit Doshi:** Thanks for the opportunity. Sir just one clarification that you mentioned the current IPA prices are around 950 to 1000 rupees a ton and our Q2 realization was around \$1400 per ton.
- Amitabh Bhargava:** I could not hear you, could you please repeat the question.
- Dikshit Doshi:** I think that IP prices currently are around \$952 per ton and our Q2 realization was around \$1400 per ton, right?



- Amitabh Bhargava:** Let me clarify. What I said is that pre-COVID we had seen the prices import prices about \$800 per ton and during Q1 and Q2 and particularly in Q1 the prices shot up to \$1400-1500 and then they started coming down and current levels are more like \$950 to 1000 ton.
- Dikshit Doshi:** Secondly Sir, still our capacity utilization in fertilizer has been quite low and we are seen a very good performance in H1 with the volumes of upwards of 60% and with the good monsoon and good Rabi season, can you explain this growth momentum to continue even in H2 and further improvement in utilization can we expect some hire margins in going forward may be next year?
- Amitabh Bhargava:** I could not quite hear your question your voice is breaking but let me try to answer your question is on capacity utilization. We actually started a second trade in sometime in July so that we have progressively baring the disruptions that we see we have tried to increase our capacity utilization. It is expected given the demand that we are seeing of our differentiated product that we should be in a position to increase our capacity utilization in coming quarters.
- Dikshit Doshi:** With the increase in the utilization can we expect some more improvement in EBIT margins of NPK division may be in H2 or next year?
- Amitabh Bhargava:** With increased in capacity utilizations the margins are certainly expected to improve fairly some operating beverage standpoint. At what stage in H2 or next year I won't be able to comment because I said it earlier that despite variations in the raw material prices given the work that we have done in the market on our differentiated products we expect then we are hopeful that we will be able to maintain our profitability in NPK segment.
- Dikshit Doshi:** Sir what are the plans in terms of capex for this year and next year? How much we are planning to spend?
- Amitabh Bhargava:** As far as the ammonia project is concerned, I have mentioned that we are at almost at fag end in terms of getting all our approvals in place, so construction should commence. Given that there are only three to four months left, I would rather be able to have a better sense on what we would spend on next year, but in this financial year whether we commence construction for two or three months that is not clear, but we can assume that roughly about 150 Crores to 200 Crores of capex on ammonia project would go from now until March. TAN like I said is the state that we are obtaining environmental approval, so we do not expect that any major capex would not come in TAN?
- Dikshit Doshi:** Next year how much do you expecting in FY2022?
- Amitabh Bhargava:** Next year ammonia I would say would be roughly about 600 Crores to 800 Crores depending on the progress level in that project. TAN is difficult to predict it. It is the function of when we would get the environmental approval, but in the first year of TAN construction again we expect similar kind of capex. The first year from the time it starts it would have similar 600 Crores to 800 Crores kind of additional cost.

- Dikshit Doshi:** Thank you.
- Moderator:** Thank you. The next question is from the line of Bachhraj Nahar from Mili Consultants. Please go ahead.
- Bachhraj Nahar:** Thank you for opportunity. My question is government of India has recently used price of natural gas. So our chemical product how much going to be the benefit on various chemical, which you are manufacturing based on the natural gas and whether there is a plan to start methanol because the price of methanol has gone up quite substantially 25% to 30% in last three months so are we planning to restart our methanol plant? Thank you.
- Amitabh Bhargava:** As per gas prices are concerned, we typically buy a basket of LNG at a market price. The gas price that you are referring to is the gas, which government has control in terms of the prices, which is in APM gas or whatever is the term right now for it. Earlier it was called APM gas, so that market determined gas, which is rather price-controlled gas but that is available onto certain sectors based on the priority and location. We buy gas like I said based on these LNG prices basket of LNG negotiates with all gas suppliers. So, there is no one to two links between what come and thus to the prices and because the government formula is based on the price indices of some of the gas surplus country and they do not necessarily reflect the LNG prices. In general, but to answer the question is that the gas prices you have seen more than benign sort of raw material and prices as far as gas is concerned. That is the dependence on gas and to some extent on the utility that we run with this gas. Rest of the ammonia and majority of ammonia we are purchasing or importing from various sources, so only limited to the extent about domestic or own manufacturing of ammonia that gas prices impact us. As far as methanol prices are concerned, yes, we are watching the methanol prices and it will go for three to six months because the gas contracts we tie up or for us minimum period of 3 months. So we need to take a view as what happens to methanol prices that three months' timeframe and of what price we are able to tie up gas based on that we will take we will take a view but certainly your point that methanol prices are looking attractive for us to consider starting methanol plant that is definitely the case.
- Bachhraj Nahar:** Thank you.
- Moderator:** Thank you. The next question is from the line of Nishit Shah from Aequitas Investment. Please go ahead.
- Nishit Shah:** Good evening sir. Thank for the opportunity. Sorry sir I actually got disconnected in between some of my questions might be repetitive. Sir first I wanted to ask you what is the current capacity utilization in TAN segment and what are the capex plans for this because we feel increase them and also coming from this commercial coal mining and going forward.
- Amitabh Bhargava:** As far as capacity utilization is concerned, as you know in 2017-2018, we had actually crossed the capacity utilization beyond 100%. So, we had actually in 2018-19 in terms of capacity utilization of 105%. Eventually because there were challenges in terms of shutting of coal mines and also some slowdown in infrastructure, which is what growth are capacity utilization came down to 91%. In the first

half, I think we have done about 74-75% capacity utilization, a lot of that is I would say also because of the pandemic related challenges that we have seen besides some demand that has challenges that we saw in Q1 and the Q2 was not so much apart that demanded was more about production related challenge. As we see how like I said H2 we expect it to be better both from the demand and production suspected. So, we are hopeful that we would improve the capacity addition from the current level and that we are contemplating as far that as in 19 that we are actually crossed the 100% capacity utilization in our facility.

- Nishit Shah:** How much time does it take post acting all the environmental approval to set up TAN new capacity?
- Amitabh Bhargava:** 26 to 28 now.
- Nishit Shah:** Sir comments to this fertilizer segment I wanted to understand how much market share did we get? So, we do look at the market share gain or that is not how we look at our fertilizer segment?
- Amitabh Bhargava:** What is your question? Can you repeat them?
- Nishit Shah:** Sir. I wanted to understand how much market share did we gain in the fertilizer segment in key States and do we see that going forward also?
- Amitabh Bhargava:** Market share and if you talk about the H1 as such my relations also there, my colleague Mahesh is also there, by as far as my knowledge goes, market share remains at the same level as far as H1 is concerned Mahesh can you throw more light on that please.
- Mahesh Girdhar:** Certainly Amitabh. Good evening everyone. Thanks for this question. I agree Amitabh that our market share remained at the level it was previous year because as you are seen earlier Amitabh speaking about our differentiation strategy. So, we are actually moved up in our growth of the differentiated product with the unique grades in the market. So, we have completely moved into specialist kind of product segment vis-à-vis value proposition. Overall market grew as you know that H1 overall agriculture during this COVID period was much better than any other industries, so we grew with the market in terms of market share.
- Nishit Shah:** I wanted to understand raw material prices for Phos Acid and ammonia?
- Mahesh Girdhar:** What is the question?
- Nishit Shah:** Raw material price phos acid and ammonia, which is the raw material?
- Amitabh Bhargava:** Ammonia I mentioned by largely the prices Q1 and Q2 have remained flat. There is too not much change there. In Q2 the phos acid prices have gone up and Mahesh can you just quote the numbers in terms of Q1 and Q2 what has been the change?
- Mahesh Girdhar:** The Q1 and Q2 change was only \$17-18 per ton for phosphoric acid. Ammonia remained static or slightly downward, I mean the entire.

- Nishit Shah:** Currently it would be around \$640.
- Mahesh Girdhar:** Currently the phos acid prices has gone up by about \$54 over Q2.
- Nishit Shah:** Okay and Sir are we taking price hike for our fertilizers now?
- Mahesh Girdhar:** As you know that in case of fertilizer, we are governed by the Department of Fertilizer the subsidized fertilizers. So we are taking governed by certain norms, but within that norms normally whenever price is going upward down there is a pass through happening by the industry and done by us as well so there is some time in lag and some time it is close to that, but in our case certainly our prices will change.
- Nishit Shah:** Last question what will be the subsidy outstanding for first half?
- Amitabh Bhargava:** It is I think 481 Crores.
- Moderator:** Thank you. The next question is from the line of Rohit Nagraj from Sunidhi Securities. Please go ahead.
- Rohit Nagraj:** Thanks for the opportunity and congrats on the performance. The first question in terms of the capex plan that we have which is going to start commissioning, Sir what is the funding plan for the same? How much for total capex will be required and when will be see the peak debt in terms of once the project is completed. Thank you.
- Amitabh Bhargava:** I think you partly answered your own question but to answer rest of your question as far as ammonia project is concerned, we had here even the limitation that we had financially closed that project to the extent of 70% of the project at cost we have already tied to debt. As far as the TAN project is concerned, we had made initial investments in equipment, but going forward we would be signing or financially closing these projects given that the construction is some month away and we would require environmental clearance. We have sufficient time to close this project so if this would again be funded partly by debt and by equity so that is the plan for and I have already indicated that the capex that is expected in the first year of these project construction from there on.
- Rohit Nagraj:** Thanks for the clarification. Sir what would be the peak debt in that case once two projects or commissioned may be 24 or 26 months down the line which is fag end of FY2024 so at that time what we expect in terms of the overall Debt.
- Amitabh Bhargava:** I do not think that figure because both these projects are timeline depending on TAN projects lot of construction the peak debt could call in FY2023 and FY2024 and that said we also during this period we would be increasing our capacity utilization in fertilizer business. Equally we would there are known for Dahej and NPK projects which are getting amortized year-on-year, so those repayments are taking place. So it is very difficult for me to put on number to it, but we are mindful that we need to maintain couple of leverage ratios and therefore our internal generation as well as our monetization of our non core as we would plan it in a manner that our peak debt and leverage ratio do not go out of control.

- Rohit Nagraj:** Thanks for the clarification. Sir only as you mentioned that ratio because of utilization so what was the ratio and the what was the issue and we are now normal operating capacity. Thank you.
- Amitabh Bhargava:** Yes, the issue is resolved, and we are back to normal operating capacity.
- Rohit Nagraj:** Thank you Sir in terms of incrementally focus so may be over three to five years period once these two projects are completed ammonia as well as Tan. How do we look in terms of revenue so still would it be 50-50% chemical fertilizers, or will it be more inclined towards the one of the segments?
- Amitabh Bhargava:** So from here on TAN you could do back of the envelop of calculation that we are looking at TAN capacity is about 370000 ton while our current capacity utilization last year for example was 440000 tons in that ratio you could do a guesstimate of what kind of additional revenues that you would get from the TAN project. Ammonia is more of since it is going to be consumed internally it would not as such need to increase in revenue consolidate revenue it would be accreting as far as the margins are concerned, EBITDA are concerned. Today we are purchasing that cost is being purchasing ammonia from outside once the ammonia project is there it will be internally transferred to that extent revenues would go up only on a account of TAN additional capacity and like I said there is also capacity utilization ramp up being done that is happening in the fertilization segment and that would be another factor which would change during the revenue composition going forward.
- Rohit Nagraj:** Just one last clarification on the ammonia project are we tied up for natural gas or have your initial conversations with the players outside would you be able to provide gas once the project is commissioned? Thank you.
- Amitabh Bhargava:** We have discussion with gas suppliers. We have not yet signed agreement, but as such the discussion are on.
- Rohit Nagraj:** Thanks a lot, and best of luck Sir.
- Moderator:** Thank you. The next question is from the line of Lokesh Manik from Vallum Capital. Please go ahead.
- Lokesh Manik:** Good evening. Just a couple of questions from my end. One is I needed a clarification the item of purchase for finished goods for this quarter will that be completely attributed to the trading business?
- Amitabh Bhargava:** It is all outright.
- Lokesh Manik:** Second question is if you can just throw some light or share more information on the kind of propylene prices maybe the last three to six months how is it? It will usually fall into one to one with the crude oil prices in your view.
- Amitabh Bhargava:** So there is a strong linkage with the crude oil prices because propylene and its benchmark in terms of the total will work are linked with propane and butane prices that are LPG prices and both of these are crude derivatives so they are strongly linked. That said as you in refineries or refinery slate each of the product has its own demand supply dynamics and that is pretty much in a way decides to refinery

margins also. So, to that extent LPG may have its own demand supply equation, but broadly it would follow or the trend wise if you follow the crude trend.

**Lokesh Manik:** We will be having it in index contract with the refineries to ensure that we do not get these fluctuations of the derivative products, do we follow such

**Amitabh Bhargava:** Our prices are linked with the LPG prices and to that extent whatever happens to LPG prices internationally particularly the Middle East prices of LPG in a way the company puts benchmark on the propylene prices.

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

**Moderator:** Thank you. The next question is from the line of Deepak Chitroda from PhillipCapital India Private Limited from Sunidhi Securities. Please go ahead.

**Deepak Chitroda:** Thanks for taking my question. Congratulations on good set of numbers. I had two questions; one is already been answered. So, the second question is slightly over medium to long-term. As a strategy Deepak Fertiliser are we planning to foray into the related sectors which I think you have already quoted yourself so are in any plans to foray into agrochemicals or seed because I think we are already there in states like Maharashtra, Gujarat, and some of the south zone states where we have a good understanding or scalability. So, any particular reasons in the past that we have not been forayed into that or any plans to do that going forward? Thanks.

**Amitabh Bhargava:** What I can confirm to you is that our Board has not taken any such view and as and when the board takes a view, we would be announcing it to the stock exchanges as well as to investors simultaneously.

**Deepak Chitroda:** But any more plans or going forward or anything like that?

**Amitabh Bhargava:** Plan is about board decides and let the board take a decision we will inform you.

**Moderator:** Thank you. The next question is from the line of Nitin Kumar, an individual Investor. Please go ahead.

**Nitin Kumar:** Congratulations on a great set of numbers. My question is on the resignation of the statutory auditors, so considering that the cash flows are improved and the tax rates have now increased, why was it not considered prudent to let us to take on the request of the new auditors to consider the fee hike? I mean why was it that they did not take the hire and that relationship may go up after the financial year. So, can you throw some light on that?

**Amitabh Bhargava:** Nitin I think their expectations on the fee and the rightly, so they have their own reasons in terms of their resource recovery. Their expectations on the fee was a multiple of what we were paying earlier and like I said I am not commenting on they were right or wrong, but they were trying to recover their costs and based on that they had made certain proposal which was not acceptable to the board nor the audit committee.

- Nitin Kumar:** Sir followup question to that I understand that the present auditors might be talking the relationship on contract is causal from the looks of it that any announcements from the stock exchanges. Sir can we expect of auditors or associates to feel that you let us say the big four, Cap Managers is out of question for the other three for the next financial year?
- Amitabh Bhargava:** See one is a casual means that till shareholders approve. It is irrespective of who comes in and that is the terminology. We have approached much all the reputed auditors. E&Y for example is our internal auditor. We have certain other assignment that has been that we have an engagement with the one other big four auditors and the fourth one was not really too willing to come into the additional or rather the new assignment. So, we did explore everyone. Like I said we already had an engagement which is conflicting because E&Y are our internal auditor and then the board and the audit committee looked at all other audit firms of repute and based on that they have taken this decision.
- Moderator:** Thank you. The next question is from the line of Ravi Mehta from Deep Financials. Please go ahead.
- Ravi Mehta:** Thank you for the opportunity. Just small bookkeeping question out of the 109 Crores chemical segment EBIT, what could be the contribution of IPA if you can share it?
- Amitabh Bhargava:** Yes, if we could move to the next question, during the call I will answer this question if you answer.
- Ravi Mehta:** No problem.
- Moderator:** Thank you. The next question from the line of Sumana Kundu an Individual Investor. Please go ahead.
- Sumana Kundu:** Congrats for the good set of members and thank you for providing the opportunity to ask this query. So, my question is, are you planning to cut down more debt in future. If so, what is the plan for coming two years keeping in the eye that the capex is going to come for ammonia and TAN?
- Amitabh Bhargava:** So, one is out of if you see September end number this year a big part of the loan is actually a long-term term debt by and large working capital has been cut down substantially. As far as the term loans are concerned, each one of them and most of them were taken for the capex purpose and to that extent we had an amortization, which is currently on for these long-term loans. So progressively these long-term loans will get repaid. As far as working capital is concerned, given that first H1 was good half for us both from internal generation as well as some external points that we had raised, we brought down our working capital, but looking capex would obviously go up in the non-season period. Also, it depends on government subsidy disbursements. That will also determine to what extent our working capital goes up or remains at this level. So, I think a combination of these factors, are our attempts would be to manage the working capital as efficiently as possible and term loans in any case the existing term loans would anyway get amortized. It is a new term loans that will come from a capex perspective. This is what adds up. So, I think that is the way I would that say the working capital loan is a function of how season moves and how we are able to manage the working capital and then the government subsidy. Rest I did specify that it was. To the earlier question, the acid and IPA as I talked about of 73 Crores and TAN had an EBITDA of 36 Crores. In terms of makeup of Tan and IPA acid combined.

- Sumana Kundu:** I have another question regarding this CORORID brand, we have launched right? So what is the response we are getting for this brand and how much we are thinking going ahead so that what is our thinking for going ahead, how much concentrate do you want to give on this band and just wanted to know about it?
- Amitabh Bhargava:** The initial response has been good. We are evaluating because of market factor how much of that is the trends of above products distribution. So, we will take a view on expanding this once we have authority based on from our first two may another quarters of response in the market. Because as of now, the geography wise we have kept as limited, so our decision to expand it beyond this geography I will evaluate based on three, four quarters.
- Moderator:** Thank you. As there are no further questions in the participants, I now hand the conference over to Mr. Amitabh Bhargava for closing comments.
- Amitabh Bhargava:** Thank you everyone for your participation. For any further queries or clarifications please get in touch in investor relations team. I thank all of you once again. Thank you.
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*Note: This transcript has been edited to improve readability*



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