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DEEPAK FERTILISERS
AND PETROCHEMICALS
CORPORATION LIMITED

4th August, 2022

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 Q1 FY 2023 Earnings Conference Call

Dear Sir / Madam,

Pursuant to the Regulation 30(6) read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, please find enclosed the Management Transcript of the Earnings Conference Call held on 1st August, 2022 to discuss the financial results of the Company for the quarter ended 30th June, 2022.

The transcript of the Q1 FY 2023 Earnings Conference Call will also be made available on the website of the Company i.e. https://www.dfpcl.com/.

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

Q1 FY2023

August 01st, 2022

Management:

Mr. Sailesh Mehta – Chairman & Managing Director

Mr. Amitabh Bhargava – President and Chief Financial Officer

Mr. Mahesh Girdhar – President, Crop Nutrition Business

Mr. Tarun Sinha – President, Technical Ammonium Nitrite

Mr. Deepak Balwani – Head, Investor Relations

Hosted by IIFL securities

Moderator: Ladies and gentlemen, good day and welcome to the Deepak Fertilisers and Petrochemical Limited Q1 FY'23 Earnings Conference Call hosted by IIFL Securities 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 Mr. Ranjit Cirumalla from IIFL Securities Limited. Thank you and over to you, Sir.

Ranjit Cirumalla: Good evening, everyone. Thanks for joining us for Deepak Fertilizer's Q1FY23 Earnings Conference Call.

Today we have with us from the Management: Mr. S.C Mehta -- Chairman and Managing Director, Mr. Mahesh Girdhar – President, Crop Nutrition Business, Mr. Tarun Sinha – President, Technical Ammonium Nitrite, Mr. Amitabh Bhargava – President and Chief Financial Officer, Mr. Deepak Balwani – Head, Investor Relations.

I would like to invite Mr. S. C. Mehta to begin the call with his opening remarks. Thank you. And over to you, Sir.

S C. Mehta: Very good afternoon to all of you. I take indeed pleasure in welcoming you all, for the Q1 FY'23 Earnings Conference Call of Deepak Fertilisers. I hope you all have had a chance to look at the "Financial Statements" and "Earnings Presentation" uploaded on the exchanges and our website.

So, at the outset, let me share my joy in bringing to your attention that we have seen in Q1, the revenue is crossing Rs. 3,000 crores and an almost 59% jump over last year, same quarter. But beyond that the profits have crossed Rs. 436 crores, a jump of 233% over last year. And we saw almost over 87% of our segment profits were contributed by the chemical segment. And all of this, despite a huge jump in all the raw material costs that we saw.

So, obviously, two aspects that could emerge in anyone's mind, and I thought I will share some of those insights. And then of course, draw Amitabh, our CFO to take you through the details. So, if I were to look at three undercurrents, besides the price increases and the broad turmoil that all of us are seeing because of the Ukraine War and other things. But if one were to look at a fundamental level, there were three undercurrents that I saw.

So, one is at the macroeconomic level, we continue to see an excellent alignment with the India growth story that all our businesses are having, and particularly the chemical segment. So, be it mining, infrastructure, or China Plus One shift. All of it, bringing in good positive undercurrent, which is going to be ongoing. And despite such price hikes, even in finished products, one aspect that was evident was that there was no demand destruction. And actually it was to the contrary. The other aspect that we noticed was there is resilience in the downstream industry to absorb some of those prices. So, those were, I would say deeper insights.

The second insight that we saw was that whatever investments that we have made in strengthening our operational efficiencies, our systems and processes, our supply chain management, all of it got tested. And all of it, despite the COVID, despite the geopolitical situations it stood the test of time. So, that was the other undercurrent that we saw very clearly.

And the third of course, has been our continued drive to move from Commodity to Specialty and giving now more customized solutions. That also we are seeing that it is beginning to bear fruits.

So, if one were to look at 'what next', what is likely to be the situation as we look at Q2, Q3, Q4 and the rest of the year and maybe years ahead. So, one aspect that we see is that we do expect this kind of a heated situation on pricing to mellow down. We expect lowering of both finished goods pricing, as well as the raw material pricing. Now, as it is normal that there could be a gap of a month or two, between the two. And if the finished goods pricing drop faster than the raw material, it may impact the delta temporarily. And if it's the other way around, it will continue to ensure a robust delta. But it is a matter of a temporary adjustment of a couple of months.

We do also expect the normal standard bit dampening in the chemical mining sector during monsoons, but that is also a typical phenomenon every year.

Having said that, there are again three aspects that I see, which will provide a positive thrust for the balance year.

So, number one that I see is the additional capacities, emerging out of our operational efficiencies and debottlenecking, will come in handy which will kick-in in the balance part of the year. So, that is going to be a positive thrust.

The second is at an operational level, our continued drive on strong digitization, applied R&D thrust, to achieve not only operational efficiency, but also customizing, customer orientation that is going to keep unfolding over the next many quarters, to bring in better positioning.

And lastly, on a continual basis, our management strategy change where for each of our businesses, this move that we are bringing in, from commodity to customize, specialization that is going to continue to give us better brand creation and premiums. And that if you would have seen in the quarter that went by and of course the quarters that are going to follow, in the Crop Nutrition business we are bringing in crop specific grades more and more. We are branding it as Croptek, and it is not just NPK, but NPK+ micronutrients and plus a package of practices which are going to be focused on specific crops.

Even on the acid business, we are now looking at repositioning some of our products, customizing it to the solar grid nitric acid or steel grade nitric acid. Even in case of IPA, instead of a Commodity IPA, we are looking at focusing specifically on the pharmaceutical sector, and also introducing the medical wipes and the sanitizing system for hospitals. Even for the mining sector in case of a Technical Ammonium Nitrate, instead of just focusing on the product, we are now moving towards TCO that is Total Cost of Operations for specific mines and bringing in a composite, holistic solutions as we go forward. So, these are aspects which are going to continue to give, I would say positive tailwind as we see the balance year.

Now, as far as projects goes, the ammonia project continues to be on a fast-track execution no holds bar. And we are looking at, with that coming in, it will bring a solid foundation for all our three businesses to contain the raw material volatility and also of course bring in attractive IRRs by itself. And we continue to expect it to be commissioned by 1st Quarter, FY'24.

I must share that the ammonia project will be giving us somewhere close to Rs. 25,000 crores of "Atmanirbhar" or "Import Substitution" over the next 10 years, plus a large reduction in the carbon footprint. So, we are very happy to contribute to the larger interests of India in that fashion.

Similarly, our TAN project work has begun at site. And there again we target to complete by second half of 2024. And that you are aware that it is based on solid demand from the coal, limestone, cement infrastructure sectors.

So, with the above two projects we will in that sense complete our strategic CAPEX drive based on if you recall, we had two strategic drivers there one was to get our size right. So, with this now, fertilizers we have invested, triple our capacity, acids, we have invested, and you know, we are probably Asia's largest; with the TAN coming in, we will be among the world's Top 3 and then ammonia coming in to feed all the three businesses. So, both these aspects getting a size right and capturing the value in our complete chain, that will get completed with this CAPEX getting implemented. So, what will follow will be our strong forward integration drive, moving from Commodity to Solution, Specialty. And that will of course, unfold quarter-on-quarter, as we work harder to customize each of our products to the specific needs of each of the end segments.

So, with this overview, let me hand you over to Amitabh Bhargava our CFO, President, Finance, to now take you through the nitty-gritty details of how the quarter went by, Amitabh.

Amitabh Bhargava: Good afternoon, ladies and gentlemen, and thank you for joining the Deepak Fertilisers and Petrochemical's conference call to discuss Q1FY23 Results.

We maintained our growth momentum while concentrating on transformation initiatives. And in fact, Q1 was our best ever quarterly performance.

We reported a total operating revenue of Rs. 3,031 crores an increase of 59% YoY compared to same period last year. Our operating EBITDA augmented to Rs. 740 crores compared to Rs. 290 crores in Q1 FY'22. Operating EBITDA margins expanded significantly to 24.3% from 15.2% during Q1 FY'22. Our net profit for the quarter recorded a growth of over 233% YoY, to Rs. 436 crores with margins of 14%.

Chemical segment as Mr. Mehta was also mentioning earlier, contributed to about 87% of total segment profit.

Going into a little bit of a detail in chemical segments, during the quarter our manufactured Specialty Chemicals business recorded a revenue of Rs. 1,771 crores an increase of 95% compared to Q1FY22. Segment margins expanded from 19%, Q1FY22 to 41% in Q1FY23.

Manufactured acid for the quarter recorded a revenue of Rs. 424 crores an increase of 156% versus last year. And manufactured IPA recorded revenues of Rs. 98 crores. Manufactured mining business chemical business recorded revenue of Rs. 1,078 crores, an increase of 177% YoY during the quarter. Mining chemical business volumes were supported by continued demand from coal as reflected in Coal India and HPCL's overburden performance.

AN Melt, Ammonium Nitrate Melt volumes grew by 39% YoY. High density ammonium nitrate by 13% YoY and low density volumes declined by 16% YoY.

During the quarter our IPA plant operated at capacity utilizations of 58% and both acid and TAN operated at 91% and 111% respectively.

As far as the fertiliser segment is concerned, the revenues grew by 26% YoY, all those segment margins were largely impacted on account of sharp increase in raw material prices. With steep increase in raw material prices such as ammonia, phos acid and MOP the production cost of fertiliser has been significantly higher compared to the same period last year.

NP, NPK inclusive of our Croptek recorded a sales growth of 36% YoY to Rs. 1,121 crores in Quarter 1 FY'23. And then bensulf sales increased by 109% YoY to Rs. 252 crores in the Quarter 1 FY'23.

NP, NPK plants operated with utilization levels of 75%. And Bensulf plant operated at 76%, utilization level. The available capacity across our plants provides us headroom for future growth potential.

I think with this I would as such stop the commentary and we will be happy to take your questions. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Jenish Gada, an Individual Investor. Please go ahead.

Jenish Gada: My first question is regarding EBITDA margin of 24%, will it be maintained in near term and future term? And will the margin be maintained where the two new plants get started in FY'24? And second question is regarding in 'Investor' presentation, in one of the heading renowned investor, one investor name is Dolly Khanna is mentioned, but in investor, means I am not able to show in our holdings the name of Dolly Khanna.

Amitabh Bhargava: To your first question, I think Mr. Metha just, I think he did touch upon this aspect that while this quarter we saw a significant increase in both raw material prices and finished goods prices, the encouraging part was that there was no demand destruction in each of our products. By and large, the demand remained strong. So, I think that is one aspect that we believe, and we are confident that is going to be the case in coming quarters. What happens to raw material prices and finished goods prices, as Mr. Mehta was also mentioning, that there is always, tend to be a lag or lead in terms of passing on of some of these raw material prices or you know, so to that extent, it's very difficult to say what could be the EBITDA margins going forward.

Q2 as he mentioned is generally a lean quarter for us, particularly in the chemical segment. And to that extent, there is obviously the demand side because of monsoon, in both our chemical segments, nitric acid and TAN is likely to be weakened. So, I think that is pretty much what we would, we are in a position to comment at this stage.

Jenish Gada: Can you give the margins, means if we are not able to maintain 24% margin, can you give the lower base margin as per management expectation?

Amitabh Bhargava: We are not in a position to guide any, see few of you would appreciate that the whole geopolitical environment is so uncertain that at this case for us to predict sitting here what would happen in the balanced three quarters is very difficult. So, we would refrain from giving….

Jenish Gada: Company has a long history so it can, it must have any prediction or it will, in the worst-case scenario our margin will be this much percent and all.

Amitabh Bhargava: Like I said, we would refrain from giving any guidance on margin, given the kind of volatility we are seeing in both the finished goods and raw material side.

Jenish Gada: And regarding that investor, in our investor presentation, investor Dolly Khanna is mentioned but in holdings I am not able to see Dolly Khanna name.

Deepak Balwani: So, basically if you are looking at BSE, BSE provides investor details only above 1%. For the other details, you can write to us separately, and we can provide you with the Top 200 shareholder registered for your reference.

Jenish Gada: So, where I have to write.

Deepak Balwani: You can write to me and copy to Company Secretary, will provide you the necessary details. Our details are there at the end of the presentation.

Moderator: Thank you. Next question is from the line of Abhijit Akella from Kotak Securities. Please go ahead.

Abhijit Akella: Just one main point to seek your clarifications on. It's regarding the debt position at this point in time, as of June 30th, if you could please just help us with the gross and debt number. And also how much CAPEX has already been executed on the ammonia project and how much is pending to be spent?

Amitabh Bhargava: Yes, so, as far as ammonia is concerned, let me first answer your first question that is our gross debt is about Rs. 2,900 crores odd. And net debt is about Rs. 1,930 crores odd. So, those are the numbers as end of June. As far as ammonia CAPEX is concerned, out of Rs. 4,350 that we had estimated, we have already spent the CAPEX of about Rs. 2,850 crores odd. And therefore the balance Rs. 4,350 minus Rs. 2,850, is yet to be incurred, which largely will get incurred in completing the project, as we mentioned that it's likely to be commissioned in Quarter 1 of FY'24.

Abhijit Akella: So, not sure if you are in a position to sort of look ahead until the end of the year, but would it be reasonable to conclude that net debt by the time of the project is commissioned; the ammonia project will probably be less than Rs. 3,000 crores at the end of it?

Amitabh Bhargava: That's difficult to say. But ammonia, like I said, we need to incur roughly about Rs. 1,500 crore additional. And out of this, roughly I think half of it will come by way of debt and half of it will come by way of equity. So, as such on ammonia, yes, gross debt perspective, it will add about Rs. 750 crore odd by the time project is complete. But when it comes to net debt, I think it'll all depend on our internal cash generation and cash position, so that I wouldn't be able to give you any guidance at such.

Abhijit Akella: And one last thing was just in terms of the situation on the ground in terms of gas prices and ammonia prices. So, what is your thought process in terms of finalizing any gas contracts? And how are you seeing the economics for the ammonia project at current market levels?

Amitabh Bhargava: So, at current market level, as much as the gas prices are elevated, even ammonia prices are high. And I have mentioned that in earlier calls also, that at the current prices, including the state incentives that we have, where we get 9% SGST reimbursement till we recover 75% of our CAPEX. And some of the energy related benefits that we have with the new project. The margins are currently at, I would say significantly better than when we started the project, almost in the range of $400 to $500 per ton.

As far as gas and ammonia prices are concerned you would appreciate that gas is also getting driven by what's happening in Europe, particularly because of Russia Ukraine War and the stand taken by Russia on supply of gas to Europe and therefore Europe also trying to bridge the gap through various LNG import from U.S. and other geographies. So, I think that aspect of it is honestly, we are seeing pretty much every two, three weeks, there is new news, new developments, very difficult to predict.

The second factor that may affect the gas prices also is how severe the winter is. As we move into winter for Europe and U.S. I think all of those aspects will play kind of a significant effect on gas prices, and to an extent ammonia prices because ammonia prices are, given the incremental cost of, marginal cost of production of ammonia is dependent on what's happening in European gas prices, there is a level that there seems like a strong linkage at this moment between these two commodities. But it's very like I said, it is every, pretty much every month is a new development, very difficult to predict what might happen.

Moderator: Thank you. Next question is from the line of Vidhi Dadia from Raedan Securities. Please go ahead.

Vidhi Dadia: Can you help us with the volume trends in TAN and nitric acid segment and also the expected realizations, a broader picture, for the next two quarters?

Amitabh Bhargava: See the only point that I can confirm or guide at this stage is that Q2, as is the case every year is a quarter where demand for both TAN and nitric acid, typically is on the lower side, because in nitric acid, again, the inorganic nitration segment is also linked with what happens on the explosive side. And to that extent, the Q2 is likely to be a weaker quarter compared to what we saw in Q1. But beyond Q3, Q4, I would go back to the point that Mr. Mehta also mentioned, and we have been saying that we are seeing good demand both on the explosive side as well as on nitric acid side.

Explosive driven by coal as well as infra and cement segment, and nitric acid, largely by nitration segment, which is again, is somewhere we have seen that China Plus One shift and a lot of our downstream customers are seeing very strong demand of their products and their order book. So, with that directionally I think Q3, Q4 we expect the demand to continue to remain robust. I think that's pretty much what I would be in a position to say at this stage.

Moderator: Thank you. Next question is from the line of Chinmaya Bhargava from Chetan Phalak Capital. Please go ahead.

Chinmaya Bhargava: So, I have a couple of questions. I am not going to ask about TAN realizations. But so a majority of our nitric acid is consumed in-house, right. So, if I continuing to look at let's say solar grade nitric acid, does this fall in the concentrated nitric acid segment, and how much higher realizations do you expect for solar grade nitric acid compared to current end use?

Amitabh Bhargava: So, we are right now in the process of developing some of these products based on the requirements we are seeing in these segments. And therefore, it is till we establish the volume as well as what value add that we need to do, meaning that what is the additional cost to be incurred and what realizations can we make, it's right now, we are not in a position to guide you on the margin. But needless to say the whole idea of getting into specific segments and catering to specific requirements of the end user is to basically look at value-based pricing. And therefore, we expect that therefore, the margins are likely to be better than the plain vanilla grade nitric acid.

Chinmaya Bhargava: And do we, are we thinking about expanding our capacities in concentrated nitric acid after the TAN capacities or is it too early to think about that right now?

Amitabh Bhargava: It's too early, Board hasn't taken any decisions. So, I won't be able to guide you anything on that.

Chinmaya Bhargava: Next question is I have been hearing of the coal industry looking at a PLI scheme for TAN. Could you share if there is talks of that happening?

Amitabh Bhargava: We have been obviously, because of the way the PLI scheme was proposed by the government. We were also exploring whether that would be available for TAN, but as of now, we don't have any firm news on that. We have also like yourself, we have also heard it in the press. So, I don't have anything firm to mention.

Chinmaya Bhargava: Last question from my side is could you just tell us about the consequence of the income tax issue that we had for Rs. 500 crore? I know, we said we are confident of defending it. But if you could give me some details on why we are confident and where this stems from?

Amitabh Bhargava: So, essentially, the most of the demand is a consequence of disallowance of goodwill and intangible, depreciation on goodwill and intangible, and that both on the judicial precedent and also the fact that in Finance Act 2021, Government had prospectively disallowed depreciation on goodwill. That is the reason we believe that retrospectively, when we had claimed that depreciation on goodwill and intangible, is something that would be defendable. And that is where our belief that this would not have any, I mean, fundamentally it's a legally defendable claim.

Chinmaya Bhargava: And there won't be any outlay until it's challenged in Courts, and it's heard in Court, right.

Amitabh Bhargava: At this moment, we will have to discuss with the department that whether before giving, appealing at the next stage, would there be a requirement for any deposit of tax, but in the worst case, that will not be more than the 20% of the demand made by the department.

Chinmaya Bhargava: So, at worst case, our balance sheet will look like it did last quarter, because from the debt levels that you have mentioned, it looks like our net debt is still roughly the same as what it was last quarter, and we have got about Rs. 400 crores of cash.

Amitabh Bhargava: So, I don't know what is the link between the two, but what I can confirm is that given that the demand met by the department is for Rs. 569 crore, the maximum that we may be required to deposit is 20% of this roughly Rs. 100 crores odd, but even that depends on, if we would make an appeal for given that amount is large we will see how, what differentiation department is willing to give us. And to that extent that the maximum outgo at this stage, till we go into next stage of appealing.

Moderator: Thank you. Next question is from the line of Tejas Shah from Lazer Securities. Please go ahead.

Tejas Shah: How do we see the TAN prices compared to last quarter, Jan to March and from April to June? So, have the prices have gone up or it is just that the volume ramp up and helped you clock more sales, profits?

Amitabh Bhargava: See quarter-on-quarter, we have in fact reported in our presentation the revenues from TAN. Quarter-on-quarter the increase in volume as far as TAN is concerned is about 12%. Of course, you can then maybe do a back calculation to see how much of the increase in revenue is because of volume and how much is because of price.

Tejas Shah: And price will be what? How much increase will be the effective price if you can share, rough?

Amitabh Bhargava: Thats what, I said that the volume have gone up by 12%. And we have reported the revenues from TAN segment last quarter as well as this quarter. And to that extent you could just do a back calculation to see what the per ton or rather MSP would have gone up by both quarter-on-quarter and YoY.

Moderator: Thank you. Next question is from the line of Darshan Jhaveri from Crown Capital. Please go ahead.

Darshan Jhaveri: I just wanted to ask after our project completion, what kind of revenue can we foresee for the next year or something could be available to be guided or, if not the revenue then the benefit of the new ammonia plant?

Amitabh Bhargava: As I said that ammonia was largely for our own consumption. So, on a consolidated level it would not lead to increase in revenue. But it would, depending on the margins that we make in ammonia project, which is typically ammonia gas delta on which earlier I had answered that question that is the likely improvement as far as the margins or bottom-line is concerned. But from a revenue perspective, consol level it will not as such result in, because it's all for entirely for our own captive consumption.

Darshan Jhaveri: And we have seen very good growth in this Quarter 1. So, how much of it would be sustainable going forward? I imagine our demand is we don't see any problem with demand. So, the revenue in Quarter 1 could be assumed as sustainable?

Amitabh Bhargava: Look revenue, I think two aspects that we mentioned and I would again draw your attention to those one is that if you look at the capacity utilization in some of our segments, there is still a good headroom available in terms of better capacity utilization. So, if the demand with the exception of Q2 which has its own you know sort of demand reduction aspects in chemical segment, but with that exception, if the demand continues in which we are confident it would then the capacity utilization in these segments, there is a headroom. Also we are and we have already done debottlenecking of TAN as well as NPK capacity. And that also in terms would play a role in terms of improvement in our top-line. But I think other than that price wise we just mentioned that price. Of course, it's very difficult to predict it will also depend on what happens to raw material prices and its consequent impact on the finished goods prices. So, I think you should maybe take guidance more from the demand side or volume numbers that are likely to pan out in next couple of quarters.

Moderator: Thank you. Next question is from the line of Sharan Nandikur an Individual Investor. Please go ahead.

Sharan Nandikur: So, my first question is, for the remaining CAPEX, you mentioned that 50% will be the equity whether it will be QIP once again, or any other mode of the funding.

Amitabh Bhargava: It will be largely through internal generation and the existing cash balance that we have.

Sharan Nandikur: And another question is, in the previous two quarters, there was a point raised on the non-core sector, commercial property sale, whether that's going to happen in next one or two quarters or not on discussion.

Amitabh Bhargava: I think our reply to that remains the same, that one is we are trying to remove all the regulatory I would say blocks that are there to make sure that any potential, monetization of that is done at the full potential. And the second is given that currently as such from a balance sheet perspective, we are fairly comfortable, we will see the right timing of that, as we go in the process of completing our CAPEX and the funding requirement.

Sharan Nandikur: And my last question is the customized offering to the solar and steel sector the chemical. So, I think someone asked the question and you responded saying that it's still in the development process. So, my question is like once let's say considering the huge growth potential in solar and steel in the next few years in India, do you have existing plans to scale up the chemical like once your invention is done or like you need to even plan the CAPEX for that sector as well for the specialty chemical for those two sectors.

Amitabh Bhargava: Those two sectors, we are looking at product development both you know largely nitric acid segment. So, as such volume perspective, it would go out of the existing volume or some of the better capacity utilization that we are targeting. But, beyond this, as I was mentioning that there is no decision as of now to increase the capacity or any CAPEX in nitric acid as and when that happens, we will be informing the stock exchange and investors.

Moderator: Thank you. Next question is from the line of Tarun Dhingra, an Individual Investor. Please go ahead.

Tarun Dhingra: So, my question is that you have non-core assets of Rs. 700 crores that has been giving the losses since last quarter. Why don't you exit from that non-core asset and reduce the debt?

Amitabh Bhargava: I just answered that question. And we will take your sentiments back to the Management.

Tarun Dhingra: And the second question is when my Company is going to be debt free? What time span you are taking that Deepak Fertilizer would be debt free.

Amitabh Bhargava: See if you see, today even from a gross debt, net debt perspective, we have sort of cash balance practically, but given that we are in a CAPEX mode both on ammonia and TAN we are obviously till we complete the CAPEX, we would be cautious in repaying our debt ahead of the schedule. But as these CAPEXs are over, depending on the cash generation, we would certainly look at because, you know, that cash would either have to go for next round of growth or it is for repaying the debt, there is no reason for us to hold that cash in our books. So, I think largely one would have to see how the CAPEX of these two projects pans out in next, let's say about 24 to 36 months, and also in terms of cash generation based on that we certainly would --

Moderator: Thank you. The next question is from the line of Mr. Karthik Nagri, an Individual Investor, please go ahead.

Kartik Nagri: I have two questions, in the opening comments the Chairman mentioned regarding the pricing of the chemicals wherein there would be sometimes a lag, wherein the raw material prices may rise, but the finished product prices might not rise and the other way around. What I would like to know is that in this quarter have we had the benefit of the raw material prices going down and the finished product prices not coming down or vice versa?

And my second question is, you made us understand regarding the price of gas and ammonia, what I just want to know is the company are assured of gas supply when the ammonia project starts.

Amitabh Bhargava: So, to you first question, as I said that if you look at the volumes in chemical segment both TAN and acid, you can also look at what the margins had been compared to the volume growth, what has been the overall sales growth and to that extent, yes, I think yes the margins have expanded. And so it's obvious that the finished goods prices have obviously, compared to raw material prices finished goods prices have seen higher expansion.

The second aspect on your question on the gas availability, see gas availability per se, is not a challenge even today, because India has enough LNG terminals and therefore import capacity. Also both ONGC, Reliance what we understand based on the progressive auctions that have happened from their field, they also have the plans to increase their production profile. And to that extent a combination of both domestic and imported gas there is enough availability. It is more about at what price is this gas available and which is where I earlier mentioned that today even at the current prices of gas, we also keep buying spot gas every quarter incremental quantity based on our production profile or our internal utility consumption. And we are buying gas even at this price, current price in our overall portfolio. And to that extent, it's the price and what effect does it have or what kind of margins can one make with the current prices of ammonia, is the aspect that one has to track, but availability is not an issue.

Moderator: Thank you. Next question is from the line of Madhav Marda from Fidelity. Please go ahead.

Madhav Marda: My question was basically could you help me understand the CAPEX that we have for FY23 and FY24 given the projects that are ongoing with ammonia and TAN please.

Amitabh Bhargava: So, in ammonia which we are targeting to complete by Q1 let's say somewhere in May 23 We are yet to incur from here on we have another 1500 crore of CAPEX in ammonia project. As far as TAN is concerned, this year, this financial year, you would incur somewhere like Rs. 550 to Rs. 600 odd crores in this year for TAN.

Madhav Marda: So, that's 2,100 and then any other maintenance or any other small CAPEX for the existing lines and something like that. So, we could get the number for the full year.

Amitabh Bhargava: So, there is normal maintenance CAPEX. And there is also, we have completed one round of debottlenecking in TAN, the second phase of debottlenecking we are still awaiting the technical details and depending on that, though, the numbers are not going to be very big as far as debottlenecking is, but those would be the additional expenses beyond the TAN and ammonia CAPEX.

Madhav Marda: So, would it be fair to say that the CAPEX for FY23 should be within Rs. 2500 crores including the debottlenecking and the maintenance?

Amitabh Bhargava: Yes.

Madhav Marda: And then FY 24, what does that look like? So, ammonia should be largely complete and then you would have TAN the CAPEX?

Amitabh Bhargava: Ammonia would be largely complete. And by that time assuming that we would have incurred let us take say Rs. 600 odd crores in TAN from here on, we would have completed almost Rs. 1,000 crores in TAN. After that over the next 18 to 20 months we would incur the balance Rs. 1,200 crores.

Moderator: Thank you. Next question is from the line of Meet Vora from Axis Capital. Please go ahead.

Meet Vora: Can you share the segment wise margins for TAN and nitric acid both?

Amitabh Bhargava: We don't report segment wise; I mean we report chemical segment and fertilizer segment. And that is we have already shown that in our earning presentation.

Moderator: Thank you. Next question is on the line of Nishit Shah from Equitas Investment. Please go ahead.

Nishit Shah: So, in Q1 we highlighted in our presentation that there were some issues which impacted our capacity utilization. So, in Q2 are we facing any issues?

Amitabh Bhargava: No so in Q1 one effect was of raw material, rather raw water shortage, which was because of MIDC had taken some maintenance shutdown of their pipeline. And now that is over as such that is unlikely to affect. The other aspects of we had MOP shortage in Quarter 1 and that is now better compared to Q1.

Moderator: Thank you. Next question is from the line of Priyan Purohit from Kamayakya Wealth Management. Please go ahead.

Priyan Purohit: So, I can clearly see that if I compare to FY21, the chemical segment has been contributing quite significantly to your bottom line specifically. So, just wanted to understand do you have any plans for doing any CAPEX for the fertilizer segment, or probably entering into some niche fertilizer segments, which are maybe not NPK based, maybe something like potassium based fertilizers or just wanted to know your outlook on that?

Amitabh Bhargava: No such plan or decision taken by the Board.

Priyan Purohit: And secondly, just wanted to ask that there's been a sharp drop in IPA, capacity utilization, if I compare it with Q4 I think it has dropped from 88% to 58% so what's the reason for that? Are you already experiencing the muted demand which you were foreseeing in Q2 are you already experiencing those headwinds right now.

Amitabh Bhargava: So, IPA had some production challenges because of raw water, but other than that, IPA, margins were under pressure. So, we had taken certain sort of shutdowns in a plant maintenance in advance rather than waiting for the scheduled ones.

Priyan Purohit: So, do you see the utilization levels going up in the coming quarters now, considering that these shutdowns would have been a one off event?

Amitabh Bhargava: Yes, we will have to see the margins, see there are two things that are playing out right now. One is because of the crude prices, the refinery grade propylene prices have gone up by the IPA prices seem to have come down or have reflected the increase in prices of crude and propylene because the IPA is made through the other route as well. The second aspect is that we are currently also looking expansion of our product profile into pharma grade IPA and a couple of other special applications. And to the extent there our margins are better than the plain vanilla standard grade IPA. So, depending on how we are able to ramp up the volumes in the specialty grade, and what happens to the margins our capacity utilization would be calibrated accordingly in Quarter 2

Moderator: Thank you. Next question is on the line of Shubham Thorat from Perpetual Investment Advisors. Please go ahead.

Shubham Thorat: So, my question is related to our fertilizer business vertical. So, we can see quite subdued performance from this vertical this quarter. So, how do you see the fertilizer business shaping up in the coming quarters?

Mahesh Girdhar: Yes so if you see the fertilizer consumption takes place during kharif and Ravi. And in the 1st Quarter we had a bit of a delayed rainfall start of the rainfall in the month of June was more lower than the previous year that got shifted to July. From July onwards, the proper rainfall and we are seeing that in western part of India where we operate, rainfall even more and we have a better reservoir fill. So, from that perspective, we don't see any challenges from agriculture perspective, as well as the commodity prices are good. And if you see as well as your question related to the fertilizer performance, we have been in the range of 10% year-to-year performance. From last quarter, we nearly doubled our net income as we reported. Industry wise, there was a little bit of reduction in the volume in the first half. But we have maintained our market share. As well as you may have noticed that we already launched next level of innovation category, which is crop tech products, which are unique product with eight nutrients along with nutrient unlock technology, as well as we continue to launch in water soluble fertilizer business, also new products. So, we are moving up on our innovation curve and continue to launch better products every quarter and scale them up.

Shubham Thorat: And just a small clarification, so you said that Greenfield ammonia project is going to be commissioned by Q1FY24 and TAN plant is to be commissioned by second part in FY24, is that right?

Amitabh Bhargava: Yes so the ammonia project it will be in Quarter 1 FY24. But TAN project would be in the second half of calendar year 24.

Moderator: Thank you. Due to time constraint, we have reached the end of question and answer session. I would now like to hand the conference over to the management for closing comments.

Amitabh Bhargava: Well ladies and gentlemen, thank you so much for your participation. And for any further queries or clarification, please do get in touch with our Investor Relationship team. Thank you once again. Thank you.

Moderator: Thank you. On behalf of IIFL Securities Limited 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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