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DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED

28th May, 2025

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 Q4 FY 2025 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 23rd May, 2025 to discuss the financial results of the Company for the quarter & year ended 31st March, 2025.

The transcript of the Q4 FY 2025 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

RABINDRA KUMAR PUROHIT

Digitally signed by RABINDRA KUMAR PUROHIT
Date: 2025.05.28 16:56:49 +05'30'

Rabindra Purohit

VP – Legal, Compliance & Company Secretary

Encl: as above

DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED
CIN: L24121MH1979PLC021360

PhillipCapital

"Deepak Fertilisers And Petrochemicals Corporation Limited Q4 FY-25 Earnings Conference Call"

May 23, 2025

DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED
CIN: L24121MH1979PLC021360

PhillipCapital

MANAGEMENT: **MR. SAILESH MEHTA – CHAIRMAN AND MANAGING DIRECTOR, DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED**

MR. SUBHASH ANAND, PRESIDENT & CFO, DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED

MR. SUPARAS JAIN – EXECUTIVE VICE PRESIDENT, CORPORATE FINANCE, DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED

MR. DEBASISH KEDIA – SENIOR GM, CORPORATE FINANCE, DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED

MODERATOR: **MR. HARMISH DESAI – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Deepak Fertilisers and Petrochemicals Corporation Limited Q4 FY '25 Earnings Conference Call, hosted by PhillipCapital (India) Private 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. Please note that this conference is being recorded.

I now hand the conference over to Mr. Harmish Desai. Thank you. And over to you, sir.

Harmish Desai: Thank you, Avirath. Good evening, and welcome to the 4th Quarter and Full-Year FY '25 Earnings Call of Deepak Fertilisers and Petrochemicals Limited, hosted by PhillipCapital.

From the Management, we have Mr. Sailesh Mehta – Chairman and Managing Director; Mr. Subhash Anand – President and Chief Financial Officer; Mr. Suparas Jain – Executive VP (Corporate Finance); and Mr. Debasish Kedia – Senior GM (Corporate Finance).

I would like to thank the Management for giving us the opportunity to host this call. We will begin the call with Opening Remarks from Mr. Sailesh Mehta, followed by Mr. Subhash Anand for an update on financial performance, post which we will have a Q&A session.

Thank you. And over to you, sir.

Sailesh Mehta: Okay. Thank you. So, a very warm welcome to all of you for the Q4 and 12-month FY '25 earnings call.

I do hope all of you had a chance to review the presentations. But just from my side at the outset in terms of the headlines, I am indeed happy to share that Q4 top line grew by 28% and PAT bottom line grew by 21%. For the full year, the top line grew by 18%, and we crossed INR 10,000 crores. But the headline there is that PAT bottom line grew by 102%. It's almost doubled. Based on these good results and also balancing it out with the CAPEX plan, though the thought was to look at even higher dividends, but the Board in a conservative manner has recommended 100% dividend.

So now just to share some insights in terms of when I look at the year as a whole to look at the undercurrents and to try and share with you in terms of what we feel is panning out, what has worked. So somewhere, I see very clearly that strategy and execution coming together now and getting validated, revalidated in the P&L in the financial outcomes that we are seeing.

So, number one that we see is that our enhanced business focus, aligned to the India growth story is certainly continuing to be a very positive tailwind for all the businesses that we are looking at, in the sense for the fueling of the India growth story, the focus on coal for power, limestone, cement for the real estate sector, infrastructure, all those are going to be continuing to be critical. And that is where our mining chemicals, technical ammonium nitrate, continues to be beautifully aligned.

Similarly, as the mid-income group grows, the move from basic rice, wheat, bajra to horticulture, fruits, vegetables is something that we are seeing as a continuing trend, and which is where our CNB business, Fertilizer business is very well aligned.

And similarly, our Industrial Chemicals business is riding on the alignment with China Plus One Specialty Chemicals and the Pharma sector. So, one dimension that we see is that this alignment with the India growth story not only is giving us a continued positive traction on the demand perspective side, but is also somewhere insulating us from the global volatility, which has somewhere emerged with all these tariff dimensions that are emerging.

The second and the more critical aspect that we are seeing is that our dedicated drive to move from commodity to specialty is continuing to gain grounds and give us a very positive traction. With the push that we have, overall, we are seeing that almost 22% of our revenues are now emerging out of this move into the specialty space.

The key contributor to the transformation from commodity to specialty is certainly the Crop Nutrition business, the Fertilizer business, where virtually now every product that we sell has somewhere a specialty offering. It is not the same as what anyone else in the industry are offering.

And all of our NPK, either is sold as NPK with growth promoter coating, which is giving a much higher boost to the nutrient use efficiency or in a major way, which is what has transpired in this last year, where we have moved from commodity NPK to crop-specific NPK along with micronutrients and growth promoters. And by now, we have now enhanced the number of grades. We are catering to many more crops than what we were in the previous year.

Now, this aspect of it is somewhere very, very deeply making an impact in terms of not just the yield, but also somewhere the quality dimensions of the agri produce, which is where we are now having a very positive traction in terms of repeat customers, and a very strong attraction also from the channel.

And uniquely, now we have clocked up not just in terms of the sales, which is by way of invoices, but also by way of liquidation, which would mean that the farmers have actually bought the fertilizers. And that speaks very strongly about the value proposition that they are seeing in terms of the Croptek or the crop-specific fertilizers.

So with that, if I look at just the Crop Nutrition business, besides the crop-specific fertilizers, we are also into Bensulf, which is another specialty fertilizer. We are also into the water-soluble fertilizers, which are also specialty fertilizers. And all put together, we are seeing that there is a lot of value that we could bring to the table by looking at not just commodity product orientation, but somewhere bringing in a lot of weightage to what could impact the farmers and the yields, and so also their income levels.

Similarly, the journey continues from commodity to specialty even in our technical ammonium nitrate mining chemical business, and where, as you would be aware that our range of product itself caters to all possible segments in the mining sector, whether it is ammonium nitrate melt or the high-dense product or the porous prills, the global best porous prills, right up to the Hospital segment is what we are catering to.

And some of these segment-by-segment catering to the needs of that particular segment is somewhere now making more and more sense that, that is the way to go, and that is what is bringing the strength. Similarly, in the acids, again, every segment right from 58% acid, 60% acid, 72% acid, right up to 98% acid is something that we are catering to, and going up to even specialized acid with additives for the steel companies that are there.

Finally, even in case of IPA, that our move towards moving away from commodity IPA to pharma-grade IPA is something that is bearing good fruits. So, those 2 aspects are aspects which I feel at the undercurrent level, have given a lot of confidence and is giving us a very positive feeling in terms of sustainability of these good results.

And going forward, as we move more and more towards segmenting the market and catering to each segment, and as we move more and more from pure commodity product offering to a holistic solution offering, we are seeing that not only there will be, I would say, additions to the contribution margin, but we are on our way to creating valuable brands in the spaces that we are performing, in the spaces that we are having our business focus.

Building upon the same, I would say, strength, we have also taken up projects of enhancing capacities on nitric acid at Dahej and on our technical ammonium nitrate at Gopalpur. And somewhere those aspects are also very strongly built on both these dimensions. Both are projects that are beautifully aligned to the India growth story. Both the projects draw strength from our 40-years of knowledge and experience of that sector. And that aspect of it is going to ensure that in the least gestation period, it should begin its contribution to the bottom line. And both of them, we are looking at somewhere, H2 of FY '26 to bring it into our financial fold.

I am also happy to share that with the good cash flows that were there, we were in a position to further reduce the net debt by around INR 120 crores. And now the net-to-EBITDA ratio has improved to a healthy 1.72x versus 2.66x, which was in the previous year.

We also brought in and infused INR 800 crores in our subsidiary, Deepak Mining Solutions, which is also available for the group by way of CCD, Compulsory Convertible Debentures. And that is also going to deleverage and make the balance sheet even more healthier as we go forward.

So as we look at this aspect, we were also, from a project perspective, seeing that some, I would say, competition could be emerging. And when we looked at ourselves, we saw unique USPs against competition that we will be bringing to the table.

Uniquely, our facilities will be now on both East Coast and West Coast, and that will provide a freight advantage to us as we serve our customers. With having multiple facilities in terms of our technical ammonium nitrate and our nitric acids, we will be singularly placed to provide 100% assured supplies to our customers, which others may not be able to.

With the 40 years of knowledge and experience in the market, uniquely, we will be bringing in a huge supply chain advantage of warehouses, dealers, and others to be able to cater to these customers.

And of course, the 40 years of knowledge and experience will be uniquely standing on our side, whether it is in terms of raw material availability, operations, safety, health environment, logistics, so on and so forth.

And the biggest advantage that we see in ourselves is now integrated advantage emerging out of a long-term tied up LNG contract, then from LNG, ammonia. From ammonia, the multiple nitric acid plants that are there, and then reaching up to the downstream. So, this kind of a complete value chain is something, which will be very, very unique to the Deepak Fertilisers Group.

And finally, when we move right up to the requirements of the end consumer, whether it's the farmer or the mine, this is something where this strength right from LNG to the final finished impactful product plus solutions is something that in the next 2 years to 3 years will be something that will be uniquely available from Deepak Fertilisers and its subsidiaries, unlike anyone else.

Having said that, there is a perplexment that does remain in my mind. Recently, when we did the CCD negotiations on the basis of just the Mining business, DMSL, we were in a position to garner the funding at 12x EBITDA, which puts the valuation of just the Mining business to INR 13,000-odd crores, whereas in totality, Deepak Fertilisers is somewhere getting valued at INR 17,000-odd or INR 18,000-odd crores.

And the perplexment has been that how is it that the sum of the parts, meaning the totality of the 3 businesses which are doing so well, somewhere is not getting valued as much as one part is getting valued, which is where I seek a better understanding with your help to be able to somewhere get across to the various investor community in terms of the real strength that we bring in terms of our 40 years of knowledge base, the real strength that is going to emerge in terms of the strategy at play, whether it is in terms of the alignment with the India growth story, whether it is in terms of the long-term LNG contract that we have, and the value that we will be bringing right from gas to ammonia to the downstream, or the huge work and now well-accepted work that we are doing from commodity to specialty.

And finally, also helping to bring far more clarity in terms of each business having unwound and now restructured into each business into a separate corporate entity to bring a much more clearer perspective and vision. Some of these aspects, I look forward to each one of you to not only absorb, but to help communicate so that there is a better understanding of our businesses.

So with that thought, I hand you over to Subhash, who will take you through the details of the Q4 and 12 months.

Subhash? Yes.

Subhash Anand: Yes. Thank you, Mr. Mehta, and good evening, everyone.

It's a pleasure to welcome you all to Deepak Fertilisers and Petrochemicals Corporation Limited earnings call for the 4th Quarter and full-year financial, year ended 31 March 2025. We are pleased to report yet another quarter and year of strong performance, marked by resilient operations, robust financials, and continued progress on our strategic transformation journey.

Let me start with financial highlights. Revenue for quarter 4, operating revenue stood at INR 2,667 crores, a strong 28% increase Y-o-Y, primarily led by our CNB business, which grew by 86%. The full-year FY '25, we reported INR 10,274 crores in revenue. That's an 18% growth over FY '24. Notably, our specialty product portfolio now contributes 22% of our total revenue, led by our crop-specific innovations and our premium LDAN product.

On EBITDA front, Q4 EBITDA came in at INR 480 crores, up 10% Y-o-Y. While the margin for quarter stood at 18%, slightly lower due to change in business mix. Individually, if we look 3 business separately, both TAN and CNB segments individually saw margin expansions.

Since the growth of this quarter primarily led by Fertilizer business, that mix change has resulted into this contraction or the lower margin what we are able to see at consol level. Individually, each business is showing an expanded margin and contributing healthy to the bottom line.

For the full year, EBITDA grew remarkably 50%, up to INR 1,925 crores, with a margin improvement of 390 basis points to 19%.

Coming to net profit – Our Q4 net profit increased 21% Y-o-Y to INR 278 crores. FY '25, we delivered INR 945 crores in net profit, doubling Y-o-Y. Reflecting strong margin execution and cost discipline, the net profit margin improved by 381 basis points to 9%.

I would like to highlight that Q4 includes one-time deferred tax creation of INR 37 crores, linked to DMSL demerger. Excluding this, the group effective tax rate would be approximately 24.7% for the quarter, compared to reported 13.2%.

Coming to balance sheet and cash flow. As Mr. Mehta pointed out, we have generated INR 1,400 crores free operating cash flow supported by robust EBITDA and improved working capital efficiency.

Working capital as a percentage of revenue declined from 17% to 12%. Despite capital expenditure or CAPEX of around INR 1,100 crores in FY '25, net debt was reduced to INR 3,305 crores from INR 3,426 crores a year ago. As a result, our net debt-to-EBITDA ratio improved significantly from 2.66x to 1.72x in this year. Net debt to equity now stands at healthy 0.53.

In Q1 FY '26, our subsidiary, DMSL, raised INR 800 crores CCD, further fortifying the group balance sheet. These results reflect our clear focus on financial prudence, capital efficiency and balance sheet strengthening.

Some more insight on our segmental performance on our Crop Nutrition business that is CNB. The business had one of its strongest ever Q4 showing. The Bulk Fertilizers grew at 68% Y-o-Y to 2.1 lakh metric tons. For the full-year FY '25, we have crossed 1 million metric ton milestone, with manufactured volume surged from 55% to 888 Kt.

Our crop-focused specialty product, Croptek, more than doubled in its volume in Q4, up 111% Y-o-Y basis. Specialty fertilizers' volume, which includes Bensulf and WSF rose 13% Y-o-Y. Looking ahead, we are optimistic for the kharif season, supported by forecast of above normal monsoon and our targeted approach across cotton, soybean, paddy, and corn through the Mahadhan brand.

On mining chemical, our TAN business continued to deliver strong operational performance. TAN volume in Q4 grew 13% sequentially to 146 Kt, though Y-o-Y, we have seen a 3% decline. Full-year basis, the volume grew by 3%.

LDAN, our premium specialty offering recorded 13% sequential and 11% Y-o-Y growth, increasing the B2C revenue share to 18%. As India infrastructure and mining demand remains strong, particularly in coal, cement, steel, and aggregate, we see a positive momentum sustaining through FY '26.

On Industrial Chemicals, despite a volatile global environment, this segment saw a solid performance. Nitric acid volumes saw 29% Y-o-Y increase in Q4, and 3% for full year.

IPA volume declined due to plant shutdown for our process enhancement and productivity improvement, which is now completed in FY '25. And for full-year FY, IPA volume was down 5%, primarily again, led by the shutdown, which was important for us to ensure we have an enhanced productivity and process going forward.

Talking about outlook, nitric acid remains well positioned with improving downstream demand from TAN, while IPA faces some near-term margin pressures due to oversupply and weak

Acetone prices, our specialty product line is gaining steady market traction and positive customer feedback.

Coming to our strategic project update, which is Gopalpur for TAN and nitric acid for Dahej, both have seen steady performance. The Gopalpur progress is 75%, and Dahej project has progressed 48%. We stand committed, the commissioning of both the plant is expected in H2 FY '26. These investments are crucial enablers of our next growth cycle, focused on import substitutions, margin expansions and deeper market integrations.

To conclude, FY '25 was a pivotal year for Deepak Fertilisers. Our strong financials and operational performance is a direct result of strategic transformations undertaken over the past few years. The momentum is expected to continue in FY '26, driven by macro tailwinds and our focus on high-margin differentiated products. We are entering the new fiscal year with strong foundations financially and operationally, and we remain confident in our ability to deliver sustained long-term value to all our stakeholders.

With that, I now open the floor for any questions you may have.

Moderator: Thank you very much. We will now begin the question-and-answer session. (Operator Instructions) The first question is from the line of Tarang Agrawal from Old Bridge. Mr. Tarang your line has been unmuted, please go ahead with your question.

Since there is no response, the next question is from the line of Jainam Ghelani from Svan Investments. Please go ahead.

Jainam Ghelani: Hi, sir. Thanks for this opportunity. So, my first question is, what is the current ammonia pricing and what was your annual savings in FY '25 from the ammonia plant?

Subhash Anand: Okay. In fact, the current price of ammonia is around $300. Yes, the last quarter, I will say the average price is around $330. That's what the average number what we have seen. I will not say saving in terms of ammonia, we need to see separately because now we have an integrated supply chain. As we continue to maintain, our EBITDA breakeven is around $310, $320, at that price, the PCL remain EBITDA breakeven.

Jainam Ghelani: Okay. And sir, what would be our EBITDA from our Industrial Chemicals business and the Fertilizers business, if you could specify?

Subhash Anand: So, we don't give segment-wise EBITDA margin, this thing. But overall EBITDA, if you see, yes, at consol level, we have delivered 19% EBITDA. All 3 business has a different level of EBITDA. That's definitely we all understand and each one of you aware of. In terms of Mining business, that's a highly profitable business. Fertilizers business, as such, the industry compared to all 3 businesses comes at a lower level, Industrial Chemicals at the mid-level.

Jainam Ghelani: Okay. That would be helpful, sir. And my last question is that what would be our peak debt levels over the next 2 years, because we have this huge CAPEX upcoming?

Subhash Anand: No, that's, in fact, a standard question, I call it every time this come up and right so also. Good thing is our current CAPEX cycle is reaching towards fag end. The cycle, we have started with PCL capitalization or PCL operations. Now with Gopalpur and Dahej coming to a fag end, and we are expecting to commencing of production some time in H2 of this year. So the debt level currently, we are at around INR 3,300 crores. So, we expect to be around INR 5,000 crores when the peak touches.

Jainam Ghelani: So, can we expect that by end of FY '26, INR 5,000 crores could be our peak debt and then we can expect deleveraging from next year?

Subhash Anand: Yes, that's the right assumption because the 2 new facilities, which are coming up, will start contributing sizably to our bottom line as well as to cash flow. So the deleveraging will start after that.

Jainam Ghelani: Okay, sir. That's it from my side. Thank you sir, all the best.

Moderator: Thank you. The next question is from the line of S. Ramesh from Nirmal Bang Equities. Please go ahead.

R. Sankaranarayanan: Congratulations on the results. So in terms of the 2 housekeeping questions I have, one is your other expenses have gone up, both on a Y-o-Y and quarter-on-quarter basis in the consolidated results. And secondly, in the segment results, your Chemical business segment earnings is down, both again on Y-o-Y and quarter-on-quarter basis. Is that because of the IPA shutdown or any other reason for that?

Subhash Anand: You're talking quarter, right?

R. Sankaranarayanan: For the 4th Quarter, yes.

Subhash Anand: Yes. In fact, Industrial Chemicals, yes, we have an IPA shutdown and that has an impact on our profitability.

R. Sankaranarayanan: And in terms of the increase in other expenses?

Subhash Anand: In fact, since the majority of the growth has come from CNB business, and that has a very high freight output, so that's the impact what you see in our other expenses.

R. Sankaranarayanan: Is that seasonal? Or is it something, which will continue depending on the growth in your Fertilizer business?

Subhash Anand: It's a business specific. CNB growing will always see freight expenses going up, higher compared to other 2 business.

R. Sankaranarayanan: Okay. So now on the projects and the long-term growth in your cash flows and returns. So if you look at your expansion in nitric acid and the integration into downstream TAN, what is the incremental ROC you will get on the additional CAPEX once you reach peak utilization? And what is the peak utilization you expect by, say, FY '27?

Subhash Anand: No. In fact, both the new projects, what we have embarked on, we are looking at a healthy ROCE somewhere in the range of, I will say, 18% to 20%, and we will prefer to maintain that level for these 2 projects.

R. Sankaranarayanan: And what is the utilization level required for this sort of ROCE?

Subhash Anand: This is a standard what we see, I call it. First year, we expect 70%, which is the normal ramp-up. The moment we go to an 80%, 85%, we start seeing this kind of ROCE.

R. Sankaranarayanan: Okay. So, one last thought on the ammonium nitrate prices, which you may have missed for your estimate. So, these numbers require any further increase in prices or at current prices, you will be able to achieve? Because the reason why I am asking that is there are 2 competitors who are setting up, Chambal and GNFC. So, is there a challenge in terms of the placement of the additional volume in the next 1, 2 years before the actual long-term growth in the downstream end-use sectors is able to absorb the incremental capacity? What is your thought on that?

Subhash Anand: In fact, although Mr. Mehta touched upon our plant USP and uniqueness, but let me give you a few data points. Currently, the demand of TAN is around 1.4 million, and the present capacity in Indian market is around 1 million. So, this industry is net-net short. So, there is enough headroom for new player to come in and substitute import.

And second thing, this industry, the TAN demand itself is growing 6% to 7% Y-o-Y. That itself is, if we say roughly around 1 lakh ton is getting added in the demand every year. So if you just put these 2 numbers in place and the new capacity, which is coming up, the ramp-up doesn't happen on day 1. Everybody will have its own ramp-up time. By the time, this capacity is actually available in the market, net-net, we will again start seeing import higher than the supply available. So, we don't see a challenge in the TAN demand.

Second, you would have seen our specialty and downstream efforts reaching from customer to consumer. So, that's another thing which will help us to create our space and our uniqueness, because we are a strong player in this market, first mover, 40 years downstream, and then we are uniquely placed on both the coasts, West or North. All these same factors will make us a very different player or a different league player. We don't see a challenge placing our capacity in the market.

R. Sankaranarayanan: Thank you for your detailed explanation and wish you all the best. I will join the queue.

Moderator: Thank you The next question is from the line of Nikhil Gada from Abakkus AMC. Please go ahead.

Nikhil Gada: Yes. Hi thanks for the opportunity and congrats on a good set of numbers. Sir, just a continuation on this overall TAN growth. Just for the 4th Quarter as well as for the last 3 years, if we see the growth in our TAN volumes, it has been sort of suboptimal. It's been around 1% to 2% range. And while we are talking about a capacity of close to 6 lakhs, we have still not been able to achieve, at least closer to those kind of levels. So is it because of there being a demand being slower? Or is it something where we are capacity constrained in terms of our nitric acid, which you have mentioned, that is having an impact on this overall business?

Subhash Anand: No, Nikhil, you are right. There's no demand constraint actually. We do have a demand, and we are at this point of time constrained by supply side. We have a nitric acid capacity constraint, and that's a limiting factor for us to grow our TAN substantially. And that's one of the main reasons for us to get into capacity and expansions and then cater to the demand, which we already know we have in front of us.

Second thing, if you see what is immediate, we have done some debottleneck of TAN business, TAN capacity and nitric acid capacity last year towards end of H1 or beginning H2. So, that will also help us to do some additional volume this year.

And second thing, if you ask me in TAN business especially, our focus is more moving from more and more specialty downstream from customer to consumer. And that gives us not only additional stickiness of the business, but also incremental margins. So the focus is more till the time we have capacity, we will continue to go more towards value add and expand our margin. And when the capacity available, we are good to go in a full flow.

I hope I answered your question.

Nikhil Gada: Yes, sir. So then do we sort of say that even for FY '26, I understand that you are focusing on more value addition. But in terms of volume growth, do we see FY '26 also to do like a 2%, 3% volume growth? Or we see better volume growth in FY '26 since your capacity is going to come, most of it will start in FY '27, yes?

Subhash Anand: No, it will be slightly more than the number what you are saying. We do expect with some bottlenecking, we will be able to do slightly better or better than. But yes, if you are looking leapfrog jump, then that will happen once Gopalpur comes in place.

Nikhil Gada: Fair enough, sir. Got it. Sir, in terms of the ammonia business, you have sort of mentioned that $310, $320 levels. Because we have factored in it at $400, $410, and based on that, our working has been made in this business. Are we always dependent on the pricing for ammonia on a global level? Or is there a better way to get an understanding of the spreads? Because since quarterly, we are not getting all the subsidiary data as well. It's becoming a bit of a challenge to understand exactly the spread levels.

Subhash Anand: Two things basically. Okay, ammonia pricing is internationally available. I won't say there's any challenges. This is a published number as everyday numbers available.

Nikhil Gada: I understand. But then because you sell at a premium as well, so definitely, the price, yes. Sorry.

Subhash Anand: Okay. Broadly, if you ask me, we do publish quarterly how is the ammonia price going on. So this is a number. And there is a standard formula from FOB Middle East to the landed, how the number comes in. We can have that discussion and we can discuss around that.

Finally, any change in ammonia price, we are an integrated business. So it's a shift from one business to another. And net-net, if you see, still the margin remain within business because we are an integrated player. So even if we see a softness here, but we do see a margin expansion for our other business.

Nikhil Gada: So sir, if I want to ask it in a different way, the 4th Quarter margins, which were at 23%, it has nothing to do with the TAN ammonia spread. It's largely because of the Industrial Chemical business, IPA business not doing well.

Subhash Anand: No, which 4th Quarter, 23%, I didn't get your number. We have an 18% margin.

Nikhil Gada: I was talking about the Chemical business EBIT margins, which were at 23% for the 4th Quarter vis-a-vis 27%, 28%, 31% for the last 3 quarters.

Subhash Anand: No. Okay. When you are looking at Chemical business, overall, if you see ammonia price between this last year, broadly, it remained at a similar level, barring 1 quarter when it's significantly gone up. But otherwise, it remains broadly at the same level.

Last quarter, specifically, the dip in industrial chemical or dip in Chemical business segment is IPA is one thing, which has impacted, because there is a pressure of IPA prices globally, and that has impacted marginal Industrial Chemical business. The last year, overall ammonia prices was broadly stable barring quarter 3 when it has seen a substantial increase, I call it.

Nikhil Gada: Understood. Got it, sir. So then just to complete this...

Moderator: Sorry to interrupt, Mr. Nikhil. Can we return to the question queue for a follow-up?

Nikhil Gada: Sure. I will do that.

Moderator: The next question is from the line of Bharat Shah from ASK Investment Managers Limited. Please go ahead.

Bharat Shah: Yes. I hope Sailesh bhai is on the call because in his initial remarks, he made a comment that there was a certain valuation assigned to the Mining Chemical business, which represented the bulk of the value of the firm. And he was expressing wonderment as to why that is the case. So, I hope Sailesh bhai is on the call.

Subhash Anand: No. Bharat bhai, keep asking, I should be able to answer your questions.

Bharat Shah: Okay. Because he raised the question, I thought he'll be there to discuss that question that he had raised. But be it as it may, I will reach out to him separately. Subhash ji, if we continue to play coy, and not give proper details of each business in terms of underlying moving parts, its profitability, when the change of the traction over a period of time, how do you expect really speaking for people to be able to analyze the business, which has 3 main activities?

And each activity has many moving parts. And therefore, whole aggregate performance is so much harder to analyze unless and until details are shared. Now, of course, the crop business is put into Mahadhan and the Mining business has gone into DMSL. So, picture would start getting more clear. But I wonder why that has not been the case so far?

Subhash Anand: No, Bharat bhai, very rightly so. And definitely, we started far more insight into our segmental businesses, what we used to talk earlier. And it's only a matter of time when you start seeing us coming out with far more detail. Input well taken. We will work on this.

Bharat Shah: Subhash ji, the entity which is, DMSL now, received INR 800 crores of the convertible debenture, right?

Subhash Anand: Yes.

Bharat Shah: And effectively, I assume it will dilute equity capital of that business by about 6% to 7%.

Subhash Anand: Yes, on a valuation of around INR 13,000 crores, INR 800 crores will be around that, 6%.

Bharat Shah: That will get converted in by what timeframe?

Subhash Anand: No. In fact, CCD is for 48 months, but there is an option after 30 months, we can convert anything after 30 months.

Bharat Shah: Okay. Till then it will carry the interest rate?

Subhash Anand: Yes. Till that time it has a coupon rate.

Bharat Shah: So therefore, about 94% equity will belong to the holding Deepak Fertilisers?

Subhash Anand: That's right.

Bharat Shah: And on Mahadhan, what is the equity dilution of INR 400 crores that has happened? How much is the equity dilution?

Subhash Anand: That is internal, not to external public. Basically, there was an OCD, which Deepak has, that's got converted into equity. So, that's 100% remains, 100%. Nothing changes.

Bharat Shah: So then INR 400 crores, which has been injected there, where does it reside?

Subhash Anand: Yes. Basically, there was an OCD which there was an equity infusion from Deepak Fertilisers to Mahadhan. So the 100% still remain 100%. Nothing changes further.

Bharat Shah: It's just the left and right pockets.

Subhash Anand: Yes, yes, that's what I am saying. So there is no external.

Bharat Shah: Okay. So that's a very confusing...

Subhash Anand: No, it's basically to strengthen Mahadhan balance sheet so the Deepak Fertilisers has put in money.

Bharat Shah: Okay. And the INR 800 crores received in DMSL, I suppose, will remain in DMSL, except whenever dividends are paid out, that Deepak Fertilisers will get?

Subhash Anand: No. In fact, INR 800 crores in DMSL has come in for strengthening DMSL balance sheet, including their capital expansion, which is planned. Gopalpur is part of DMSL. So it's part and parcel of DMSL, strengthening balance sheet for capital expansion.

Bharat Shah: One last thing, Subhash ji. While over years, we have grown 8x. We have leapt ahead, then we have fallen behind. But we are still well below what we did in 2022-'23 when the turnover exceeded INR 11,000 crores, and bottom line exceeded more than INR 2,000 crores. We are still well below those numbers. When do you think we will surpass the performance?

Subhash Anand: Let's hope we surpass very soon.

Bharat Shah: Son as in next quarter or it will be...

Subhash Anand: No, I won't put a number or immediate timeframe for that. But yes, as a Management, definitely, surpassing that should be soon.

Bharat Shah: Okay. Just one final thing. Current year outlook on the Mining Chemical business, how would you portray it?

Subhash Anand: Okay. Current year, demand side, we don't see a challenge. Definitely, we do have capacity constraint, and some debottlenecking will help us to grow volume. We expect volume will grow in current year, although it will be single digit. But we do expect margin expansions will play a larger role than just volume growth. And that's what will be the story of DMSL. And then towards H2 when the new capacity come in, that will be a big, I will say, change, which will take the entire Mining business to the new level.

Bharat Shah: Right. So, year of '26-'27 should be a record year for Mining Chemicals?

Subhash Anand: Yes. That's where all the levers, whether it's Gopalpur, whether it's Dahej new plant or whether it's a new gas contract, all will be fully operational at that time, and we will be in the new leap, I call it.

Bharat Shah: Okay. So, '26 will be better year than '25 for Mining Chemicals? Completing this question.

Subhash Anand: Yes. We do expect '26, definitely, we will do an improvement. And you will see definitely a better result compared to FY '25, what we have.

Bharat Shah: Sure. Thank you Subash ji, and we will connect with Sailesh bhai also separately.

Subhash Anand: Sure. Thank you.

Moderator: Thank you. The next question is from the line of Pratyush Kamal from InCred Capital. Please go ahead.

Pratyush Kamal: Congratulations on good set of numbers, sir. I have few questions. First is regarding the Ammonia business, wherein you used to mention that about $380 per ton would be breakeven cost for you. But I suppose that you usually produce ammonia from natural gas, use about 33, 35 MMBtu of natural gas for that.

And given the fact that the natural gas prices have fallen down significantly from Q3 to Q4, because of Brent-linked and Henry Hub linked contract. So what is the current cost of gas that you are accumulating right now due to which you would have, again, shifted your breakeven cost from $380 to now $330, which you just mentioned?

Subhash Anand: No. In fact, $380 I don't think so we ever talked $380 in dollars. We always maintain for EBITDA breakeven, our number is around $310 to $320. So, we broadly remain at that level for EBITDA breakeven.

Second thing, you are talking about gas. Currently, our gas prices are more I will say since our long-term Equinor contract yet to get kicked in and that will get kicked in only next year, FY '26, and that's where we will start seeing the real benefit of gas price reduction happening. Till that time, our contracts are linked to various baskets, not just one Brent or not just one thing. Movement of gas price is not immediately visible to us or not immediately getting passed on to us. So it has some lag when it comes to our ammonia pricing or the costing.

Pratyush Kamal: Okay. So what is the usual time lag, sir, from the reduction of the basket of the price and your accumulating of the benefits of that?

Subhash Anand: It depends, but we buy from 3, 4 sources, not just one source. So, each has a different formula. I call it linkages. Yes.

Pratyush Kamal: Understood, sir. And second is regarding your Nitric Acid business. I wanted to ask that other than the IPA, did you also see some kind of dumping from China as far as nitroaromatics compound is concerned due to which it would have reduced or impacted your margins on nitric acid front?

Subhash Anand: Okay. Nitric acid, when you are talking, yes, nitroaromatics do have challenges, because of imports coming in and that's seeing a competition. But other side of things, the TAN business across the country is seeing a good demand and nitric acid is one of the important component or a raw material input for that business.

So, nitric acid as a total business, we have not seen a challenge placing our nitric acid. Actually, if you see, we are, net-net, short of nitric acid. If we have more nitric acid, we can sell much more than what we are selling. So, we don't see an immediate impact of one of the specific segments seeing a softness of nitric softness. Overall, we are comfortable when it comes to whatever capacity we have, we are able to place and place it comfortably at the right profit level.

Pratyush Kamal: Understood, sir. So was there a possibility in terms of getting the nitric acid from some other manufacturers and manufacturing ammonium nitrate from that, if you were seeing a good demand coming off for ammonium nitrate and you were filling short of the nitric acid, so was there a possibility? Or what do you think on that, sir?

Subhash Anand: We continue to explore and keep looking for those opportunities. It's not that we don't do that. Whenever right opportunity, we continue to keep looking and keep doing it.

Pratyush Kamal: Understood, sir. Just a final question regarding the expansion.

Moderator: Sorry to interrupt. Mr. Pratyush, can I request you to return to the question queue for a follow-up question?

Pratyush Kamal: Sure. Sure.

Moderator: Thank you. (Operator Instructions) The next question is from the line of Tarang Agrawal from Old Bridge. Please go ahead.

Tarang Agrawal: Just a couple of questions, rather bookkeeping. You said for TAN, is the license capacity 587 Kt or 630 Kt?

Subhash Anand: It's 587. TAN capacity you are taking.

Tarang Agrawal: Right. Okay. Got it. Second, how big is LDAN for you? And what is the significance of the B2C metric that you laid out in the presentation?

Subhash Anand: Okay. No, in fact, the LDAN is basically a product, which gets used as an explosive in the mines or in infrastructure. So, we used to sell most of our product as a B2B segment of late. As a part of our TCO, we started working with end consumers, which is various mines and infra and started working with them to supply LDAN directly to them. And that's how our downstream business or a B2C journey in TAN is expanding. And now we have reached to a level where our 18% of the share comes from our sale to B2C segments.

Tarang Agrawal: So just to understand correctly, if Coal India was your customer, was there an intermediary involved in between and now you are selling it to Coal India directly? Is that what you are trying to say?

Subhash Anand: I will not say the name of the customer, XYZ.

Tarang Agrawal: No, just an example, just an example.

Subhash Anand: But your understanding is right. Earlier, we were going through intermediary, who were converting. Now, we are able to reach out directly and make our product available to them directly.

Tarang Agrawal: Okay. And how are the metrics different for that business versus your overall business? Do you get higher pricing or your volume visibility is better, or your ability to protect your market share is better? Any insight would be helpful.

Subhash Anand: All 3 actually, not just one. It gives me value-based pricing because the way our TCO model work, as we have explained earlier, we are moving towards productivity solutions to the end consumer. We are not just selling products. We are working as a partnership to them and showing we can improve their mines' productivity or infra productivity.

The moment we reach out to solutions, so it's value pricing that help us to expand margin, that help us to improve stickiness, because then we become actually a true partner. And third thing, definitely, I call it once you have a stickiness in this, your market share improves.

Tarang Agrawal: So, 18% is for FY '25, Q4?

Subhash Anand: It's Q4.

Tarang Agrawal: Okay. A couple more on CAPEX.

Moderator: Sorry to interrupt, Mr. Tarang, can we return to the question queue for a follow-up question?

Tarang Agrawal: These are just objective one liner questions that I am asking. Just give me a couple more and then I will get back on the line.

So sir, on CAPEX, if you could give us your overall CAPEX for FY '26 and '27, the maintenance CAPEX within that? And last, for Gopalpur and Dahej, what has been the CAPEX outlay till March '26 for '25? And what is the likely outlay in '26 and '27? Thanks, that's it from me.

Subhash Anand: Okay. In fact, the total CAPEX this year, which we talked about FY '26, the 2 new projects, total CAPEX is expected to be around INR 4,500 crores, total I am talking. Out of that, our capitalization is around INR 1,400 crores. That's what we already completed. So, balance is expected in the current year.

Tarang Agrawal: So, INR 3,100 crores in FY '26, all of it?

Subhash Anand: Because we have to complete the project. So, this is the CAPEX of this year expected.

Tarang Agrawal: And for your footprint, what is the maintenance CAPEX that you run with?

Subhash Anand: That's roughly around, I would say INR 300 crores to INR 400 crores. That's the normal maintenance CAPEX, which will continue as a normal business.

Tarang Agrawal: Sure. Thank you, I will join the queue.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, that was the last question. I now hand the conference over to the Management for closing comments.

Subhash Anand: Thanks. Thank you once again for your time and interest in Deepak Fertilisers and Petrochemicals Corporation Limited. We appreciate your continued support, and look forward to engaging with you in the next quarter. Thank you.

Moderator: Thank you. On behalf of PhillipCapital (India) Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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Note: This transcript has been edited to improve readability

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