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DEEPAK FERTILISERS
AND PETROCHEMICALS
CORPORATION LIMITED

6th February, 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 Q3 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 30th January 2025 to discuss the financial results of the Company for the quarter and nine months ended 31st December, 2024.

The transcript of the Q3 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: 2025.02.06 15:51:00 +05'30'

Rabindra Purohit

VP – Legal, Compliance & Company Secretary

Encl: as above

"Deepak Fertilisers and Petrochemicals Limited

Q3 FY25 Earnings Conference Call"

January 30, 2025

MANAGEMENT:	MR. SAILESH C. MEHTA – CHAIRMAN AND MANAGING DIRECTOR – DEEPAK FERTILISERS AND PETROCHEMICALS LIMITED MR. SUBHASH ANAND – PRESIDENT AND CHIEF FINANCIAL OFFICER – DEEPAK FERTILISERS AND PETROCHEMICALS LIMITED MR. SUPARAS JAIN – VICE PRESIDENT – CORPORATE FINANCE – DEEPAK FERTILISERS AND PETROCHEMICALS LIMITED MS. PALLAVI BHALLA – HEAD OF INVESTOR RELATIONS – DEEPAK FERTILISERS AND PETROCHEMICALS LIMITED
MODERATOR:	MR. PRATYUSH KAMAL – INCRED CAPITAL WEALTH PORTFOLIO MANAGERS PRIVATE LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Deepak Fertilisers Q3 FY '25 Earnings Conference Call hosted by InCred Capital Wealth Portfolio Managers 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Pratyush Kamal from InCred Capital Wealth Portfolio Managers Private Limited. Thank you, and over to you, Pratyush.

Pratyush Kamal: Thank you. Good evening, and welcome to the Third Quarter FY '25 Earnings Call of Deepak Fertilisers and Petrochemicals Limited hosted by InCred Equities. From the management, we have Mr. Sailesh C. Mehta, Chairman and Managing Director; Mr. Subhash Anand, President and Chief Financial Officer; Mr. Suparas Jain, Vice President, Corporate Finance and Ms. Pallavi Bhalla, Head of Investor Relations.

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. Mehta, followed by Mr. Subhash Anand for update on financial performance, post which we'll have a Q&A session. Thank you, and over to you, sir.

Sailesh Mehta: Thank you. I hope my voice is clear, Pratyush?

Pratyush Kamal: Yes, sir.

Sailesh Mehta: Okay. So good afternoon, ladies and gentlemen. I would once again warmly welcome each of you for the Q3 FY 2025 Earnings Conference Call of Deepak Fertilisers. As usual, I hope you have had a chance to explore the detailed earnings presentation and looked at some of those numbers. But just at the outset, let me share that it's a happy situation for us to share that our consolidated revenues have surged by 39% and we have crossed INR2,500 crores for the quarter.

EBITDA saw a very good smart 72% increase bringing our EBITDA to almost INR486 crores. I guess this is the highest in the last 5 years same quarters. EBITDA margins also have improved significantly. They climbed up from 15% to 19% and net profit surged by 318%, reaching almost INR250 crores plus. So one common denominator and obvious underplay has been the volumes growth in each of the products.

But what has gone behind this and what we feel we will be giving a very strong foundation for sustainability is something that I would want to share with all of you. So there are five or six strategies that have been at play since the last few years and we are seeing a stronger and stronger validation of some of these in terms of what we see in the quarterly results also. Some of these may be a repeat for some of you who have been with us in every of these calls.

But nevertheless, I'm restating these because it is giving us a very strong confidence about the validity of some of these strategies at play. So number one is that we are seeing a continued strong validation of the beautiful alignment that all of our three businesses are having with the India growth story.

So as India needs coal for power, limestone for cement and all the push on infrastructure, it provides a very strong tailwind for our mining chemicals, technical ammonium nitrate. As far as the increasing income levels and the shifting food habits towards fruits and vegetables, we see a very good alignment with our crop nutrition business. And then the China plus One and the push towards specialty chemicals is giving a very good impetus to our building block chemicals, nitric acid and the industrial chemicals business.

So one aspect that is definitely getting validated is a beautiful outside-in strong alignment with the India growth story for all three of our businesses. When we look at it from the inside out, the tremendous hard work that we have put in, in terms of bringing in operational excellence is something that is also helping to further build on the outside in alignment and the demand drivers that are emerging from the economy.

So we have seen anywhere from 85% to 105% capacity utilizations and a concerted effort that we had put by way of cross-functional teams to look at every single reason for a downtime in the last 3 years and then attacking that by way of proper thrust on repair, maintenance, condition monitoring, preventive maintenance, those all have been bearing fruit.

In addition, we are also bringing in now very strongly at the manufacturing end all the smart factory initiatives. And that is also helping us to have a much better control section by section, process by process to look at efficiencies, which could be globally benchmarked. And at the overall level, we are finding very good benefits out of the IT-driven S&OP systems, the sales and operation planning systems that we had put in place, where right from raw material, coordination, operations and marketing.

There was a clear IT-driven loop that has been helping us to plan in a fashion where we can allocate raw materials to the best possible end use. So that has been one aspect that has at an undercurrent of the results that you see.

Of course, the second one riding on this India growth story, our capex program where we have said that look if all the three businesses are so beautifully aligned, the clearest growth strategy has to be doing more of the same.

And from that perspective, some years back, we had added capacities in the fertilizer business and in the nitric acid business. As we see in a year's time, we should have our additional capacities of technical ammonium nitrate at Gopalpur and the additional facilities for nitric acid at Dahej also come alive.

These capex's also will ride on both the strong alignment with India growth story, but so also our solid 40 years of knowledge and experience in this space. And it will also, of course, take good advantage of the distribution networks and customer bases that are already in existence. The third aspect as a strategy at play that we are seeing getting validated by this quarter and of course, it will continue, which is the advantageous backward integration that we have done to strengthen the whole value chain by our investments in the ammonia facility, a world-scale ammonia plant, ammonia being the key raw material for all the three business lines.

And now the ammonia plant is stabilizing at higher and higher levels. And this is something that is going to continuously give us the solid advantage at the foundation level for the complete chain of products. Particularly amid the geopolitical uncertainties, this is going to help us to navigate the market volatility and bring a competitive edge.

The fourth undercurrent strategy that is at play and which is also going to as time elapse it is going to get more and more stronger in terms of its delivery and impact has been the transformation from commodity to specialty. And this strategic pivot that we are bringing in, it's powered by very strong R&D efforts, consumer and market segmentation to make sure that we move from customer to consumer in each of our products, in each of our business lines moving from pure product to a holistic solution.

So somewhere the efforts that we have been making to bring in steel-grade nitric acid or pharma grade IPA in the chemical sector or in case of the mining chemicals, we are bringing in the total cost of operation, meaning covering not just technical ammonium nitrate, but also blasting services and holistic offering to raise the mine productivity.

And lastly, but in a major way if we see this quarter, seeing the positive impact of our drive to move the crop nutrition business from commodity NPKs to crop-specific NPKs and that is really bearing good fruits by way of very good acceptance in the marketplace that these, I would say, unique fertilizers, performance fertilizers, if I might put it that way are giving very clear improvements in yield and improvements in quality for our farmers.

Last but not the least, in terms of the strategic drivers at play has been the corporate restructuring that we have completed, and now we will see in the coming quarters and, of course, the years ahead in terms of the enhanced focus. So now each business is going to be housed in a separate corporate entity, which will have then right from the board member to the lowest officer, very sharply focused on the requirements of that particular business.

And the requirements of those specific consumers for that business in terms of operations and work culture and all that is required. So these five have been the strategic drivers at play, and that is behind the quarter's performance as well as we see the quarters ahead and the years ahead because each of the strategic drivers have a very solid muscle power that will help build on the foundation that has been created so far.

Now as far as the details of the quarterly financials goes, let me hand you over to Subhash Anand, who will take you through the details. And then, of course, we'll be available for clarifying any other questions that you may have.

Subhash Anand: Thanks, Mr. Mehta and good evening, everyone. Thanks for joining us today. I am pleased to share that our Q3 FY '25 results reflect the strength, resilience, effectiveness of our strategic initiative over the past few years. These efforts have enabled us to achieve robust growth across key business segments, reinforcing our commitment to delivering sustainable value.

Starting with our financial highlights for quarter 3 FY '25. Operating revenue stood at INR2,579 crores, marking a strong 39% Y-o-Y growth from INR1,853 crores of Q3 FY '24. Over the first 9 months, revenue grew 15% Y-o-Y to INR7,607 crores compared to INR6,590 crores in 9 months FY '24.

Operating EBITDA surged 72% Y-o-Y to INR486 crores, up from INR282 crores in Q3 FY '24. Our EBITDA margin expanded by 362 basis points from 15% to 19% this quarter, driven by optimized business mix, pricing strategies, cost effectiveness and the other initiative that Mr. Mehta just explained. Over the 9-month period, EBITDA grew 70% to INR1,445 crores with margin expansion of 611 basis points to 19%.

On net profit front, Q3 FY '25 came to INR253 crores, reflecting an impressive 318% Y-o-Y increase from INR61 crores in Q3 FY '24. On a 9-month basis, net profit grew 181% to INR666 crores from INR238 crores in 9 months FY '24. The net margin expanded by 652 basis points to 10%.

Just to bring attention, the net profit do include onetime tax provision reversal of INR40 crores. Even excluding this, our profit margin stands at 8.2% for the quarter and broadly similar number for 9 months. These results underscore our ongoing commitment to cost efficiencies, margin enhancements and successful execution of our strategic priorities.

Now let's take a closer look at performance across our key business segments, starting with mining chemicals. Our mining chemicals segment delivered a strong performance in quarter 3 FY '25. Sales volume of TAN increased 19% Y-o-Y to 129 KMT, up from 108 KMT in quarter 3 FY '24. Over the first 9 months, the sales volume grew 5%, reaching 372 KMT. Our premium product, LDAN, saw 10% Y-o-Y growth in quarter 3 and 16% Y-o-Y growth for first 9 months.

Looking ahead, quarter 4, typically a peak production period for mining and infrastructure activities. We expect increased demand coming from coal, cement, steel sectors, which recorded roughly 6% to 8% Y-o-Y growth in quarter 3 FY '25. This should further strengthen demand for our TAN business.

On an Industrial Chemical front, despite global challenges, our Industrial Chemicals segment demonstrated resilience. Nitric acid sales volume rose 4% Y-o-Y in quarter 3, though there was a 3% decline over a 9-month period due to increased import of low-cost nitroaromatics impacting downstream acid customer.

On IPA side, sales grew 36% Y-o-Y to 17.48 KMT in quarter 3 FY '25 compared to 12.8 KMT in quarter 3 last year. Over the first 9 months, sales increased 4% to 48.89 KMT, primarily driven by robust demand from pharmaceutical sector. Looking forward, nitric acid demand and margin is expected to remain stable.

Meanwhile, IPA margin, which has seen some pricing pressure likely to improve gradually, aided by anti-dumping duty on IPA and narrowing Phenol-Benzene spread, which should enhance profitability in the coming quarters.

Our crop nutrition business delivered strong results in quarter 3 FY '25. Manufactured bulk fertilizers grew 64% Y-o-Y, reaching 231 KMT. Over the first 9 months, sales increased 52%, supported by above-normal monsoon rains in the key operational regions. Our flagship product, Smartek and Croptek experienced outstanding growth, with volume rising 186% and 56% Y-o-Y, respectively.

Specialty fertilizers such as Bensulf and water-soluble fertilizers saw an 8% Y-o-Y increase, reaching to 19 KMT. Favorable water conditions improved ground-level availability, are expected to sustain growth in the coming Kharif season. On a project capex front, as we communicated earlier, the current capacity utilization is almost at a very high level or a peak level. So we are, at this point of time, more constrained on the supply side rather than on the demand side.

Company has undertaken two capacity expansion projects, Mr. Mehta talked about, one in Dahej, other in Gopalpur, Odisha. Both projects in next 12 months or I'll say, H2 of coming year, we do expect both projects to go live and start adding to our capacities. Project execution is currently in line with plan and expected to start production, as we spoke earlier, somewhere sometime during H2 of next year.

In summary, our strong performance in quarter 3 and first 9 months of FY '25 reflects the successful execution of our strategies. Our focus on backward integration, shifting from commodity to specialty and driving manufacturing excellence has positioned us for a long-term sustainable growth. We remain confident in our ability to continue delivering value to all our stakeholders. Thank you. I now welcome any questions you may have.

Moderator: Thank you very much. We will now begin the question and answer session. First question is from the line of Nirav Jimudia from Anvil Wealth. Please go ahead.

Nirav Jimudia: So, I have a few questions to ask. So first is when we see our current run rate of TAN and WNA production, our ammonia requirement comes to close to around 4, 25,000 tons. And once our expansion of TAN and WNA goes through, I think this requirement will go up to 6,20,000 tons.

So just wanted to understand from you, let's say, for the Gopalpur project, how we are placed in terms of our ammonia requirement? So, the ammonia would be transported out of our Taloja plant to the Gopalpur plant. This is how the system would work like? And also, if you can share in terms of how both our plants are currently operating on, let's say, one old plant of 1,38,000 tons and the newly commissioned 5 lakh tons of ammonia plant. If you can just help us?

Subhash Anand: Okay. Just to share our ammonia plant capacity is 5 lakhs plus.

Subhash Anand: The new plant of PCL, which we have set up is 500,000-plus capacity and the old one is around 129,000. , The new plant takes care of our current requirement what we have. So, the old plant is -- we are keeping it or we are not running at this point of time.

Coming to the new plant, once Gopalpur and Dahej comes up, yes, our demand goes up. Current Taloja will not be able to cater to entire capacities. And we have planned to import the ammonia and feed to our newer capacity what we have. In fact, the capacity, which is coming up in eastern coast, it's much beneficial if we import and utilize that ammonia rather than shipping from Taloja to those locations. So that commercially, it makes more sense to import and run that plant in that model.

Nirav Jimudia: Got it. So let's say, the requirement of close to 1, 30,000 tons of ammonia for the new TAN would be imported and whatever is excess produced here at Taloja would be sold at the merchant rates in the open market?

Subhash Anand: Yes. We have all the options available. We can do this, whatever commercially more suitable for us. If selling in the merchant market and importing in Gopalpur or in Dahej is viable option, we'll do that. If shipping is cheaper, we can even do that. So, we have both options. We'll evaluate what makes more sense at that point of time.

Nirav Jimudia: Got it. And the number of 4, 25,000 tons of current requirement of ammonia considering the current production is correct in terms of the calculation, and probably safe to believe that the balance 75,000 to 80,000 tons is getting sold in the open market by us current given the 5 lakh tons of newly commissioned plant?

Subhash Anand: Currently, plant is running at a good capacity utilization, ammonia plant. So yes, the surplus capacity, what we have in ammonia plant, we are able to sell in the merchant open market or a merchant market. So that continues to be there.

Nirav Jimudia: Correct. Sir, second question is on the IPA side. So, like one thing is like we have been consistently running at our plant close to 100%. And with now ADD also in place, any plans to expand here? And if you can just correlate with this in terms of the initial remarks from the Chairman that we have been trying to move from the commodity side of the business to the specialty side of the business.

So one thing which has been alluded in the presentation is the electronic-grade IPA, which has been highlighted on. So if you can share, let's say, out of INR1,150 crores of turnover, which we have reported on the chemical side, considering both TAN and Industrial Chemicals, how much is currently the share of specialty? And going forward, let's say, over the next 2, 3 years, how this share would look like?

Subhash Anand: Okay. In fact, currently, IPA, you are right, we are running at almost full capacity. This is how it is. And we do see demand continue to grow on this. There are more, I'll say, opportunity to move more and more towards specialty in IPA. We are already moving in pharma-grade IPA that's already running or already in place.

On top of that, we are also looking at chloride which is, I'll say, a value-added product for clinic or in pharmaceutical sector, I call it. So, we are even in that side. Going forward, IPA getting into electronic-grade semiconductor is the opportunity or what we call it high-purity chemical is an opportunity for us in this space.

We are in a stage where we are exploring all these opportunities. And once we have a more, I'll say, solid case and we understand it's going to add value to our business, we'll take that forward. But yes, all remain in our considerations to discuss and see what opportunity we can encash going forward from these.

Nirav Jimudia: But sir, any numbers which you can share, let's say, out of current revenue numbers, what according to you could be a share of specialty in the current sales? And how much we intend to take it to, let's say, over the next 2, 3 years? If some qualitative understanding would also help, sir?

Subhash Anand: Can you hear me?

Nirav Jimudia: Yes, sir, your voice was not audible. If you can just...

Subhash Anand: Is it better now?

Nirav Jimudia: Yes, it's better now.

Subhash Anand: Okay. what we sell out of the total, company-wide, we are almost at 20% share of specialty, in our overall revenue. On IC side, this is a place which is catching up. In the next few years, it will be much bigger. But currently, IC business contribute almost double digit to our overall total revenue what we have.

Nirav Jimudia: Got it. And sir...

Subhash Anand: Going forward, this percentage split will be much better because the way our focus is more and more growth initiatives are towards specialty side. So our intent is to grow specialty share to the total business to a larger number.

Nirav Jimudia: Got it. And sir, just a last clarification on the supplies of LNG from Equinor. So if you can just help us in terms of when the supplies could start on and how much in the first year of those supplies will help us to suffice our total requirement of gas for our...

Subhash Anand: The supply starts from next year first quarter. And yes, no, I'm talking financial year. So, FY '27 first quarter of next year, the supply from Equinor will start. And once it starts, it will take care of entire requirement what we have.

Nirav Jimudia: Correct. Thank you so much and wish the entire team. All the best.

Moderator: Thank you. The next question is from the line of Jainam Ghelani from Svan Investments. Please go ahead.

Jainam Ghelani: Sir, just carry on with the Nirav's question in terms of our new project, which is coming in Gopalpur, the TAN. So, assuming that we will be importing an ammonia, so what will be the IRR that we are expecting on both the new projects that we are commencing in the second half?

Subhash Anand: Okay. IRR will not be very different because even the way we do run our business currently also, the TAN business and the transfer of or, I say the intercompany sales happens at a market value or at international price value. So, the profitability which TAN has, even if they start importing, it will continue to be at a similar level.

Jainam Ghelani: Sir, it means it will be in the high teens or early 20? I mean can you give a qualitative thing on that front?

Subhash Anand: It will be high teens.

Jainam Ghelani: Okay. So your IRR is in the high teens. And on the current utilization, I mean, the current capacity that we are having in Taloja and what is the captive consumption, if you can help us in terms of quantitative numbers, annually, how much do we consume captively ammonia?

Subhash Anand: Majority of the ammonia gets captively consumed, small quantity which we are left over at this stage goes in the market. So, if you're looking at a number, out of the total, I'll say 80%, 85% is captively consumed.

Jainam Ghelani: 80%, 85% is captively consumed. And in the last quarter, I mean, what was the actual savings that we got from the ammonia facility because we operated almost at a rated capacity. So, what are the savings that came from the ammonia for us in the Q3 numbers?

Subhash Anand: Okay. I will not give you a very specific number, but as we spoke earlier, the moment we have an ammonia price crossing $400 FOB middle East plus, we start reaching more and more to near breakeven point. So last quarter was the time when you will see all 3 months' average ammonia prices was $400 plus. So, we were almost at breakeven level when it comes to ammonia business.

Jainam Ghelani: No. But sir, if you look in the previous quarter, which is the Q2 call, Mr. Rastogi has clearly mentioned that the annual saving was INR45 crores to INR50 crores when the ammonia prices were just crossing $400. And in the last quarter, it was more than $410, $430 if you look on the last 3 months basis. So, is it fair to assume that saving was towards the INR100 crores, or it was lower than that?

Subhash Anand: If you're looking at EBITDA level, yes, savings are -- I'm talking we were at almost at breakeven at PBT level. EBITDA contribution was much higher than what number -- what Mr. Rastogi talked about. The moment we crossed 300 crores we crossed almost 300, 350, our EBITDA is breakeven. and last quarter, we were at $400 plus, so we have generated money out of that. Our EBITDA was -- I'll say it contributed significantly, and it has added to our numbers.

Jainam Ghelani: And in terms of month of January, we are back to breakeven because the ammonia price as per your presentation is $370 per ton?

Subhash Anand: Yes. This is a normal trend if somebody looks at ammonia on a longer duration. Normally, the prices of ammonia do come back in quarter 4 and remains soft in quarter 4 and early part of quarter 1. And then again, it starts going up. So, nothing unusual, nothing unexpected. This is the normal trend which this commodity follows.

Jainam Ghelani: Sir, last question. I mean I know we shouldn't look at the numbers on a sequential basis. But if you look at our chemical business, I mean, TAN business and IC business we had seen an overall increase in the revenue but -- because of a higher volume. But on the realization front, there was a dip in the TAN business also and as well as in the IC business. So how do you see the realization playing out in the Q4 and probably in full year of FY '26?

Subhash Anand: No, it's a seasonality which comes in, I'm not say anything very specific thing happens. Every quarter or if you see annual reset every quarter, the prices or the volume remains in the range. It's not something which is exceptional or abnormal, what we see in the last quarter. So, we do see our margin will remain in a stable range and we continue in the same trajectory.

Jainam Ghelani: And sir, any update on the monetization of the noncore assets that you are looking at it, which is the Pune mall and...

Subhash Anand: We haven't reached to a conclusion at this stage. It's still under discussion, and we'll see what the right strategy for us to move forward. We'll let the market know once we reach to any decision point. This point of time, it's very well there, and we are operating. But at some point, of time, we'll come back.

Jainam Ghelani: And in terms of the demerger, I mean, NCLT has approved our scheme on June 28. So, what is the status on that?

Subhash Anand: The demerger, if you ask technically, demerger is over. All three entities are now independent entity, even operating independently. But they continue to be a subsidiary structure. The DFPCL is a main parent entity and both MAL and DMSL are subsidiary of DFPCL operating independently. So this is what the structure is.

Good thing which has happened with this restructuring, since all entities are now independent, each business is highly focused on their key strategic levers, how do they take their business to the next level and how do they move from commodity to specialty. So, the lever which were earlier focused on at an entity level, now each business is charting out its own growth path and moving in that direction. So that's what where we are at this point of time.

Jainam Ghelani: Sure, sir. And last on the debt front. I mean, if you look at the last September, we closed the first half at INR3,776 crores of the debt. Now with both these expansions coming in the second half of FY '26, what will be our peak debt in FY '26?

Subhash Anand: Our current net debt is around INR3,250 crores kind of a thing. Since we are in a capacity expansion mode and next year when -- our peak debt will be sometime towards H2 of next year when our both projects gets completed, we will be in a range of -- I'll say we'll be around INR5,500 crores kind of a net debt, and that will be the peak that what we expect to touch.

But that will be a gradual increase. And once our plant becomes operational, we'll start generating enough cash. So what we see, we don't see challenge in terms of overall debt level because we see this is a temporary phenomenon for us. If you see our operational results, we are generating cash. So it's a matter of some time when we again come back and then impair our debts and bring back to a much comfortable level.

Jainam Ghelani: So INR5,500 crores of the net debt, which one are looking at the end of FY '26. And if you look on the demerged entity, then the larger portion of the debt will be on the chemical business, right, and then not on the IC and the Smartek business?

Subhash Anand: The investment is happening. If you see an investment, Gopalpur investment is TAN business and Dahej investment is IC business. So, TAN business is DMSL, so some of the debt will be sitting in DMSL and IC business that will be in DFPCL books.

Jainam Ghelani: Sure sir. That's all from our side. Thank you and all the best.

Moderator: Thank you. Next question is from the line of Hardik Gori from Alpha Plus Capital Associates. Please go ahead.

Hardik Gori: This year, we have added approximately 50,000 tons capacity. So, sir, I wanted to understand, is there any leeway for debottlenecking within the Taloja facility?

Sailesh Mehta: In fact, as a part of our ongoing operational efficiency, we keep looking opportunity for debottlenecking. It's not like the first time we did, and this won't be the last time which we will be doing it. So, we have a program which we call it CFTs and one of their objective is to keep looking at opportunities how we can debottleneck.

So, there are plans to debottleneck and add lines in the existing Taloja facility itself, not immediate in short term, but since each of these debottlenecking do take time. So over a period of time, some debottlenecking is expected.

Hardik Gori: Got it. That's helpful. And what is the remaining capex out of total cost of INR1,900 crores of capex for nitric acid and INR2,200 crores of capex for TAN?

Subhash Anand: The total capex which, in fact, if I recollect, we spoke about total capex on these plants are expected to be around INR4,500 crores. Spend till now is around INR1,300 crores. So balance is -- which is expected to be spent from quarter 4 of this year till the next year project completion.

Hardik Gori: Got it. That's really helpful. Thanks for taking my question.

Moderator: Thank you. The next question is from the line of Parth Kotak from Plus91 Asset Management. Please go ahead.

Parth Kotak: Sir, I have a couple of questions. First on the fertilizers bit. We've been seeing encouraging numbers from the crop nutrition business. Just wanted to get a sense of what would be our sustainable EBIT margin from this piece of business? We've been clocking about 9% for the current quarter, 8%. Is this the sustainable level or is there further room for improvement?

Subhash Anand: Okay. Normally, we don't talk about business-specific EBITDA numbers. But this business, if you see, yes, it's a single-digit margin business. And we do see with our focus what we have on specialty, the way we are moving our business and going towards specialty, our intent is to move this margin up. We are seeing every quarter or quarter-on-quarter this shift is helping us to expand margin, and this journey will continue.

Parth Kotak: Perfect, sir. That's very encouraging. A lot of my other questions have been answered. One another piece and probably a little too early to talk about the strategic demerger. But maybe if you can just throw some light on how do you see Deepak Fertilisers evolving over the next 5 years in terms of business mix, profitability and growth focus, that would be really helpful?

Subhash Anand: Okay. That's -- I'll say, too longer version or too longer vision. But if you ask me, the early part of our call, Mr. Mehta, do speak about the way our business -- we are seeing this business, our business will move more and more from commodity to specialty. Each business now with the -- after demerger is looking into their growth charter plan.

How do they move more into specialty, like TAN business, we are talking about moving from pure TAN to TCO kind of an approach, which is getting connected with mine owners or with infrastructure project owners. So, we not just control TAN, but we participate in the entire value chain of this business.

Same way, CNB, if we talk about crop nutrition business, if we talk about, we have a strategy or we are internally looking how do we do 5x in this business. if you see our collaboration with Haifa, that also is basically with the intent to bring more specialty products into the Indian market. So all those opportunity in this business has been looked. I just spoke about IC business some time back, bringing more high-purity chemical into our fold.

Looking into IC -- looking into adjacencies, which are the places, or which are the business which has I say synergy where we can expand those business into specialty. So, all those pieces, which we are part of our strategy are in discussion and getting discussed to draw a next 5-year road map. Plan is to share or get a much bigger share of specialty business and expand the margin profile of entire Deepak portfolio. That's what we are looking into.

Parth Kotak: Perfect sir. That’s very encouraging and wish you all the very best for the future and that’s all from my side.

Moderator: Thank you. The next question is from the line of Viraj Mahadevia from MoneyGrow India. Please go ahead.

Viraj Mahadevia: This is Viraj here. Sorry, a quick question. How much of the performance is being driven by geopolitical events, particularly with Russia reducing dumping of TAN into India? And is this sustainable in terms of our current TAN production? Is it on par with Russian landed TAN costs?

Subhash Anand: Okay. In fact, if you see this year, we haven't seen much impact on TAN because of geopolitical, whatever incident what we have. Last year has much bigger impact on the business. This year, it's normalized, I call it. So whatever performance you see on TAN business is a sustainable normal business performance.

Viraj Mahadevia: Okay. Excellent. And in terms of the landed cost of Russian TAN in India versus our production cost, is there a big difference, sir?

Subhash Anand: No, we are competitive in the market. Our strategy is very clear being a player and being, I'll say, a sustainable player in India, we will charge premium to the imported price and that strategy will continue to play.

Viraj Mahadevia: Right. And clients are seeing value in having a second local supplier even if they are buying some imported TAN?

Subhash Anand: Yes.

Viraj Mahadevia: Thank you. All the best.

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

Sharan Mandikar: I saw this time there is a mention about cartridge-based explosives in the presentation. Is it a new product? And what's the potential and market share of this cartridge-based explosives? Are you able to hear me?

Subhash Anand: This is basically TAN business, downstream business, what we are talking since we are saying we are going to move into the entire value chain of TAN business currently with the mine owner discussion. So as a part of that, we are doing, I call it, some of the concept testing, and we would have gone and done some part of, I'd say, that product. But currently, that's not sizable in our overall portfolio, what we have.

Sharan Mandikar: Okay. And where it is used? Is it only in the mining or it is used in defense as well?

Subhash Anand: No, we are not in defense at this point of time.

Sharan Mandikar: Okay, sir. And sir, like since you mentioned already most of the existing capacities are running at maximum utilization levels and the next big capex is coming in the next year second half. So, till that time, next three to four quarters, what will be our growth driving factors? Because we are already at maximum utilization level for existing ones, next capex is almost 3 to 4 quarters away. So in between these couple of quarters, what will be the growth factors?

Subhash Anand: No. In fact, the driving factor will be getting into more and more profitable segments, the customer segmentations and looking how we can sell at a more profitable places and segments rather than selling and capturing anything and everywhere. So, we'll be segmenting the market and looking more profitable growth rather than a growth.

Second thing, capacity debottlenecking, what we did will help us to utilize for next full year plan. Third thing, not in TAN business, but other business, we do have debottlenecking in NPK and ANP. So that's an ongoing process. So, we'll get the more capacity coming from those businesses.

Sharan Mandikar: Okay. And can you throw some light on this semiconductor and solar-grade IP chemical? And any partnership or vendor we have onboarded and supplying to them the semiconductor and solar is already in place, right?

Subhash Anand: No. In fact, these are the specialty business in IC, what we are working on and growing it. We do have, in fact, in-house capability through which we have developed it. But specific detail, what you're looking, normally, we don't share. That's a very specific business detail, so that we will not want to share in this call.

Sharan Mandikar: Okay. But we have started already supplying the specialty chemical, industrial chemical for solar and semiconductors?

Subhash Anand: We do have share of those business, we not just started this year. It's an ongoing business or we have started this from last couple of quarters. So it's an ongoing business for us.

Sharan Mandikar: Okay. And when do you see it gradually increasing, from which quarter?

Subhash Anand: It's an ongoing, I'll say, efforts. How big this business can be, we are putting an effort, let's say, in the next couple of years it will be a business which we can talk about and say, okay, this much it contributed. But this point of time it contributes I'll say, a single digit to our overall industrial chemical business.

Sharan Mandikar: Thank you sir. Thanks for your time and opportunity to ask questions and all the best.

Moderator: Thank you. The next question is from the line of Harmish Desai from PhillipCapital. Please go ahead.

Harmish Desai: Sir, my first question is on Equinor gas supply. Once the gas supply starts, that is from Q1 FY '27, which you mentioned earlier in the call. What will be the changes in our cost structure with regards to gas once the supply starts?

Subhash Anand: The cost structure will be far more efficient, I call it. Our overall cost of production will be sizably reduced, I call it. And the breakeven point will be at much lower or within the price range, what we are talking.

Harmish Desai: Sir, any percentage reduction in cost, which you mentioned, sizable percentage number, right?

Subhash Anand: It will be 20% plus.

Harmish Desai: 20% reduction in gas cost, correct?

Subhash Anand: 20% reduction in gas cost.

Harmish Desai: Got it. And sir, what is our gas -- what has been our gas cost for the third quarter?

Subhash Anand: It's around $13.

Harmish Desai: Okay. And sir, now we are almost less than a year with our plants commissioning. So have you set a definite time line? Is it in Q3 or Q4? Or we are still going with H2?

Subhash Anand: Sorry, come again?

Harmish Desai: I'm asking, sir, with the 2 projects to be commissioned in less than a year, have you set a definite time line, whether it is Q3 of FY '26 or Q4 of FY '26 ? Because that will give us an idea how fast can we ramp up and whether FY '27 will be having the full numbers or not. So that -- just to get an idea of the -- do you have that?

Subhash Anand: The plan is to complete in towards H2 of FY '26. Definite time line, if you ask me, just wait maybe next call when we come and we'll be able to share with you more accurate or more better idea which quarter or which month those plants will become operational because most of the activity will be coming to a stage where time line will become far more crystal clear for us.

Harmish Desai: That will be all, sir. Yes. And sir, what has been our capex for 9-month FY '25?

Subhash Anand: For these 2 plants, it's around INR1,300 crores.

Harmish Desai: No, sir total capex for Deepak for 9-month FY '25?

Subhash Anand: Just a minute. It will be roughly around INR700 crores, INR800 crores.

Harmish Desai: Understood. That is all from my side. Thank you so much.

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

Darshil Jhaveri: Some of my questions have already been answered, sir. So, sir, just regards to our currently margins, so our EBITDA on a console level basis will be sustainable, right, sir?

Subhash Anand: Yes.

Darshil Jhaveri: Okay. Fair enough, sir.

Subhash Anand: Yes, we can hear you.

Darshil Jhaveri: Yes. And sir, with the capex, so what kind of asset turnover are we looking at, sir, like with the capex is coming online next year?

Subhash Anand: Okay. Typically, for this kind of a business and this size of a capex, asset turn anything around 0.7, 0.8 seems to be a good asset turn.

Darshil Jhaveri: Okay. Fair enough, sir. That is helpful, sir. And sir, so once we get the capacity online, what would be the timeline we see for getting them to optimum utilization levels?

Subhash Anand: Good thing for our capacity, what we have put in, these are the same product or same plant which we are running in Taloja. For us, it's not a learning period, which will make difference to us. It will be a ramp-up, and we expect ramp-up to be pretty fast.

Darshil Jhaveri: Okay. So, ramp-up, we expect pretty fast. And sir, just on like overall picture, so FY '27, we'll have 2 plants running as well as the gas plant -- we have our gas deal going on. So, what kind of like an outlook would you -- is it possible to give us in terms of revenue or margins that we'll be looking forward out there?

Subhash Anand: Too early to talk about FY '27.

Darshil Jhaveri: So maybe next year, sir, what can we guide for something?

Subhash Anand: Yes. Let's wait for -- I think, for the right time, so we start having a discussion around how post all these things, how our guidelines will be, but we'll come back.

Darshil Jhaveri: Okay. Fair enough, sir. And just like last, so till the time our capex has come online, the current level of performance is sustainable, right? And we'll have some other growth as you were saying, like more premiumization?

Subhash Anand: Correct. Correct. Yes, that's what the plans are.

Darshil Jhaveri: Okay. And sir, just -- sorry, so last our tax adjustment we said we were like a INR40 crores one-off. So, going forward what would be roughly the effective tax rate?

Subhash Anand: The last quarter was normal tax rate. So, if you compute, that's what the normal tax rate will be for us.

Darshil Jhaveri: Okay. Fair enough. That’s it from my side. Thank you so much.

Moderator: Thank you. The next question is from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

Vignesh Iyer: So, a few questions from my side. First, from the crop nutrition business side of it, I know it wouldn't be correct to compare it on a quarter-on-quarter basis. But just to get an understanding, on a Y-o-Y basis, we have done an exceptional improvement when it comes to volume. And still we have managed to keep our profitability in line with what it was in Q2, whereas Q2 is a very -- probably the best quarter for us.

So just wanted to understand on which area that we have managed to make our mark in this quarter? And if you could give us an idea of the product that we targeted and managed to sell more of volumes when it comes to crop nutrition?

Subhash Anand: So, a few things which help actually if you see CNB or crop nutrition business, our focus on specialty definitely helping us to maintain our margins. Our focus on Croptek and Smartek is something where our growth was phenomenal in the overall growth, what you see in a CNB business. And these being value-added product, so it helps us to not only grow -- revenue grow more in proportionate to volume and help us to maintain profitability.

Second thing, which is important, the kind of a business mix which we have, CNB, TAN and IC, there is a natural hedge between these businesses, where one business when it goes towards off-season, other business running through a peak season. So, at an overall level, we can hold on to our overall profitability at a consol level. And that's the beauty of our 3 businesses beautifully aligned to seasonality and India growth story.

Vignesh Iyer: Right. So, but if I just take crop nutrition business segment specific, you have still maintained CNB margins almost at the same level despite doing a lower volume. Sir, I wanted to understand more on your flagship side of the product. Let's say, like you did -- if I'm not wrong, you did a sale of Croptek around 37,000 metric tons last quarter. So, what would that volume be in this quarter?

Subhash Anand: It will be 60,000.

Vignesh Iyer: Sorry?

Subhash Anand: 60,000.

Vignesh Iyer: Okay. And which product is this targeted towards? It is sugarcane. I mean what -- sugarcane would be one of it. What other products that it would be targeted towards the crop?

Subhash Anand: It is sugarcane and onion.

Vignesh Iyer: Sugarcane and onion. Okay. Sir, can we assume going ahead in the quarter 4 that we can maintain around this utilization level?

Subhash Anand: It's a seasonality do play in. But yes, we'll able to maintain this kind of level. Some fluctuations do expect it in this business because this is not a quarter-on-quarter business one should look in.

Vignesh Iyer: Yes. Definitely. Sir, just one more question on my understanding on the industrial chemical side of it. I mean our -- what would be our mix of specialty and regular grade nitric acid be in this quarter? Because I see that despite doing better volumes to what we did last quarter, we have seen some dip in revenue. So, if you could help me understand what would the mix be?

Subhash Anand: You're talking industrial chemicals business?

Vignesh Iyer: Yes, more on nitric acid side of it?

Subhash Anand: Okay. Nitric acid side of this business, there is no major change when it comes to specialty to overall. It remains broadly similar level what it was earlier in this quarter. But overall, if you are looking at volume increase to value increase, you do see some softness coming on pricing side.

That is a result of -- as I spoke during my commentary, there is an import of nitroaromatics, and that has a pressure on overall end customers' pricing resulting to this business pressure on what you call it, pressure on pricing side. But the growth in volume and other efficiency helps us to maintain the overall margin or overall EBITDA level for this business.

Vignesh Iyer: Okay. Got it, sir. That’s all from my side and all the best.

Moderator: Thank you very much. Ladies and gentlemen, that was the last question for today's call. I would now like to hand the conference over to Mr. Subhash Anand for closing comments.

Subhash Anand: Thanks, everyone for taking out time and participating in our call. I wish all of you best of luck and good time coming ahead and look forward seeing you again or talking to you again next quarter. Thank you.

Moderator: On behalf of InCred Capital Wealth Portfolio Managers Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.