



9th February, 2024

The Secretary
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai – 400 001
BSE Code: 500645

Listing Department
National Stock Exchange of India Ltd.
Exchange Plaza,
Bandra - Kurla Complex, Bandra (E)
Mumbai – 400 051
NSE Code: DEEPAKFERT

Subject: Management Transcript of Q3 FY 2024 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 2nd February, 2024 to discuss the financial results of the Company for the quarter and nine months ended 31st December, 2023.

The transcript of the Q3 FY 2024 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**

Gaurav Munoli
Company Secretary

Encl: as above



Earnings Conference Call Q3 FY2024

February 02, 2024

MANAGEMENT:

MR. S. C. MEHTA – CHAIRMAN AND MANAGING DIRECTOR

MR. DEEPAK RASTOGI – PRESIDENT AND CHIEF FINANCIAL OFFICER

MR. TARUN SINHA – PRESIDENT (TECHNICAL AMMONIUM NITRATE)

MR. SUPARAS JAIN – VICE PRESIDENT (CORPORATE FINANCE)

MR. DEEPAK BALWANI – HEAD (INVESTOR RELATIONS)



Moderator: Ladies and Gentlemen, Good day and welcome to Deepak Fertilisers and Petrochemicals Limited Q3 FY24 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 the operator by pressing “*” and then “0” on your touchtone telephone. Please note that the conference is being recorded.

I now hand the conference over to Mr. Harmish Desai from PhillipCapital (India) Private Limited. Thank you and over to you, sir.

Harmish Desai: Thank you Manas. Good afternoon and welcome to the Q3 and 9 Months FY24 Earnings Call of Deepak Fertilisers and Petrochemicals Limited hosted by PhillipCapital.

From the management we have Mr. S. C. Mehta – Chairman and Managing Director, Mr. Deepak Rastogi – President and Chief Financial Officer, Mr. Tarun Sinha – President (Technical Ammonium Nitrate), Mr. Suparas Jain – Vice President (Corporate Finance) and Mr. Deepak Balwani – Head (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. Deepak Rastogi for detailed and financial performance post which we will have a Q&A session.

Thank you and over to you, Sir.

S. C. Mehta: Thank you. Good afternoon to all of you. I extend a warm welcome to each of you for joining us in our Q3 and 9MFY24 Earnings Call of Deepak Fertilisers.

Our “Earnings Presentation and Press Release” have been uploaded on the Company's website as well as on the Stock Exchange and I hope you have had a chance to review it.

Now, as you would have noticed from the figures that we have faced yet again a very challenging quarter. However, let me take this opportunity to share what are macro and micro undercurrents that will help you to better understand the context as well as the figures and also get a bit of a medium-term long-term perspective as we see it.

So, the Results are good or challenging based on what they are compared with. So, last year was our historic unusual best hence comparing it with last year the current quarter, 9 months do appear rather pale. However, when we take the average of the last 5 years same quarters or last 5 years 9 months we have noted that the contribution margins continue to be good, and this shows the resilience of our business.

If I were to put aside the onetime subsidy hit on the fertilizer side and also the onetime Ammonia plant stabilization cost during the stabilization period, then in fact our margins profile are



actually better. As far as the Ammonia project goes, which as you all recall was a large investment, it has now fully stabilized. We recently completed our guaranteed test runs and the capacities and efficiencies have been now well proven.

So, in a nutshell from a higher volatile zone of Ammonia to all downstream we have now moved to a lower volatile zone of gas to downstream with the Ammonia plant coming in and that is going to help all the three businesses as we go forward. We are also broadly seeing that the global newer Ammonia capacities like at Maaden, they are getting tied up with downstream fertilizer needs and with all that put together we expect the Ammonia prices to stabilize.

Now in case of our Technical Ammonium Nitrate (TAN) business which serves the mining sector we did face a big hit emerging out of the huge quantum of Russian fertilizer grade ammonium nitrate dumped into India because of the sanctions on the Russian products in some other countries.

Now as we see we are seeing that some demand revival of the fertilizer grade ammonium nitrate for Russia's domestic demand itself as well as in Brazil where earlier this year the pickup was almost half of the typical needs. Also, as what we had envisaged in the last call that the Government has now opened up the ban on exports of TAN by some 30,000 tons and we expect the complete removal of the ban in the near future as a good policy and that will allow us to export our top-grade TAN which will help going forward.

The Government is also being sensitized to non-level playing and safety security concerns which are there for the imported fertilizer grade ammonium nitrate (AN) and which may result into some non-tariff barriers and controls for the imported Afghan.

Lastly, as you would have read more recently Coal India's aggressive plans to supply domestic coal is targeted to completely replace all the imported coal coming to India. This Atmanirbhar drive is likely to boost TAN demand to probably double digit CAGR positive for our Gopalpur project.

Now, as regards industrial chemicals. We've seen some global slowdown overall emerging out of the increasing interest rates and aggressive supplies last year at higher prices. As we speak now, we see the upward interest rate regime slowing down which you are all reading about in the US and elsewhere, and a fair degree of destocking that has happened which we are now seeing that gradually we should shift back to normal prices.

Finally, as far as the fertilizer business goes just to explain the context Government of India had come up with the nutrient-based subsidy scheme some 10 years back. What it simply meant was there would be fixed subsidies and free MRPs. So, they would allow us to price our products, fertilizer products freely.

However, in the last few years with the global prices of fertilizer shooting up the Government clamped down upon free pricing and as regards fixed subsidies as per the formula



they are based on previous 6 months average. Now in case of rising global prices the industry would suffer losses on its inventory because the fixed subsidies would be covered based on the previous 6 months.

In light of this, the industry had been pleading to the Government to restore the old nutrient-based subsidy scheme with free MRPs but worries of farmer Vote Bank the Government was worried about any exploitative pricing.

Now I might share that a very good middle path was announced by the Department of Fertilizer just 7 days, 10 days back which came up in terms of guidelines for reasonability of margins. So, up to what margin the industry can make and beyond which it would be something that would be exploited even we would need to give it back.

So, these margins are allowing us decent headroom and definitely better margins than what we are looking at today and these margins the margin guidelines are also somewhere giving us headroom for innovations. So, this policy and this clarity is something that the industry was looking forward to and it will be a very positive dimension to look at the fertilizer sector going forward.

Our innovative crop specific CropTech product has been gaining very good traction and if I summarize at the fundamentals our committed strategy of moving from commodity to holistic solutions for the crop nutrition business, for the technical ammonium nitrate mining business as well as industrial chemicals where we are looking at specialty grades that strategy we feel is validated again and again even during tough times and that is something that we are looking forward to further building upon and our recently approved restructuring will get a more focused I would say drive on each of our businesses.

So, with these broad perspectives, I will hand over to Mr. Deepak Rastogi our CFO to take you through more details and then of course be available for any clarifications for any of your questions. Thank you.

Deepak Rastogi:

Thank you, Mr. Mehta. Good afternoon, ladies and gentlemen and I thank you for joining Deepak Fertilisers and Petrochemicals Corporation Limited Conference Call to Discuss the Q3 Financial Year '24 Results.

During Q3, we reported total operating revenue of Rs. 1,853 crores with an operating EBITDA of Rs. 282 crores. Our operating margins grew by approximately 343 basis points quarter-on-quarter to 15.2%. The net profit for the quarter is 61 crores with a margin of 3.3%.

Similarly for the 9 months, which is YTD December for this financial year, we reported total operating revenue of 6,590 crores with an operating EBITDA of 849 crores. 9 months revenue and operating EBITDA have shown a consistent increase over the previous 5 years except for last financial year which we know was a positive aberration. The operating EBITDA margin is 12.9% and without the one-time impact which actually we took in H1 the same will be 18.3%.



The onetime impact includes subsidy impact of 267 crores and 87 crores on account of Ammonia business stabilization during the first half of financial year.

Coming to the performance of our business segment for chemical business:

Chemical segment margins that improved to its 24% in the Q3 versus 21% in Q2 the capacity utilization of our acids and ammonium nitrate business was closer to almost 89%, 90%. Similarly, the capacity utilization for 9 months was around 90% to 92%. Our manufactured Specialty Chemical segment recorded revenue of 382 crores compared to 454 crores in Q3 of last year.

Nitric Acid sales volumes improved by 9% YoY and for 9 months it was similar which is around 10%. For IPA, the sales volumes improved by almost 49% for the quarter, which is YoY and 66% YoY for the 9-month period. Now due to poor demand and downstream from the downstream industry there was huge amount of imports of nitro aromatics from China at a very, very cheap rate which actually impacted the margins for our Nitric Acid business, and it also impacted the volumes.

However, the margin pressures which Nitric Acid business actually phased for more than offset by our IPA business profitability during the quarter as well as obviously for the 9-month period. The manufactured TAN business had a revenue of 440 crores in Quarter 3 and despite the positive industry trends the cement as well as power sector actually grew almost by 14%, 15%. Overall, TAN sales volumes during the quarter declined by 15% YoY in Q3 and by 7% for the 9-month period because of a huge import from Russia during the period and at it was at a very, very cheaper rate.

Following the lifting of the export ban in a phased manner, we will restart our TAN export operations in the coming quarter onwards. Demand is going to be we understand, will continue to be stable. The expected increase in domestic demand in Russia and demand for Russian products in Brazil are projected to reduce and hence we expect that the Russian imports would gradually be obviously coming down over a period of time.

During the quarter, bulk fertilizers volumes improved by 23% YoY for Quarter 3 and the plant utilization was closer to 75% in Q3 versus 67% for the 9 months. As you are aware that because of the erratic rains during the rainy season has actually impacted and similarly lower than average rainfall and inadequate and an educated irrigation water and especially for Q3 unseasonal rains and hailstorm actually has caused a reduction in sowing of rabbi crop, but SkyMet's recent predictions indicate normal monsoon for the current year which would support a good fertilizer season for skies.

PCL Ammonia plant we actually after successful commissioning in August 2023 we the plant has conducted performance guarantee test run which has conclusively established the design norms are achieved. The plant is currently running at full design capacity.



With available capacity across our plants, we are well positioned to navigate through challenges and capitalize on the growth opportunities. With this I would like to open the floor for questions and answers. Over to you, Moderator. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Jenam Gilani from Swan Investment. Please go ahead.

Jenam Gilani: So, we had a few questions. Sir, I wanted to know what is the current spread for imported Ammonia versus our production and when do we expect it to run at full utilization?

Deepak Rastogi: Maybe I am not clear on your first question are you asking that what is the Ammonia pricing FOB Middle East U.S dollars which is closer to Around 400 and it ranges which one, but last quarter it was closer to almost \$475, \$480 on an average. As far as your second question is concerned, we are actually running the plant at full capacity.

Jenam Gilani: How much sequential improvement can we expect in this quarter or the upcoming quarters?

Deepak Rastogi: I'm not clear about the question are you asking that is that on the margin side?

Jenam Gilani: In terms of the spreads for us for the Ammonia spread, how do we expect it to like what would be the spread for us in the upcoming quarters, do we expect it to improve, or should it be stable?

Deepak Rastogi: So, effectively what we are expecting is that it should be more or less stable or maybe slightly coming down because it depends upon how the ammonia prices globally actually are going to behave. So, we expect the Ammonia prices would at least be either stable or coming down a little bit is what our understanding is, but we will have to really see how it will actually happen. So, for the time being you can think it will be stable to a slightly marginally.

Jenam Gilani: And sir in the fertilizer the Department of Fertilizer Policy that has been given by the Governmentt. Sir, where will we be standing, will we be considered a manufacturer or integrated player?

Deepak Rastogi: We would be actually considered as manufacturer.

Jenam Gilani: So, I guess the CAP for us would be 10% PBT margins?

Deepak Rastogi: That is correct.

Jenam Gilani: And how would that impact our profitability?

Deepak Rastogi: I don't think that it is going to impact our profitability because it is within our overall limits that we can actually improve our profitability until that happens 10%. So, the profitability can go up. So, we have room to be able to actually improve our profitability going forward.



Jenam Gilani: And sir as you mentioned that the ban of TAN exports has been lifted, so when do we expect the first shipment from us for exports?

Deepak Rastogi: So, I will ask my colleague Mr. Tarun Sinha to respond to this, please.

Tarun Sinha: Right now we are just waiting for our export license from the statutory bodies and it has taken a little bit of time because of the corporate restructuring that Mr. Mehta talked about where we had actually first change the name of the Company from “Smartchem” to “Mahadhan” under which the TAN business came and then through a recent demerger process we are demerging the TAN business from “Mahadhan” to “Deepak Mining Solutions Limited”.

So, as a result of these name changes, we are just awaiting some licenses from statutory bodies and with that we expect if not by March, then certainly by start of April our export should commence.

Jenam Gilani: And sir last question. As you had mentioned that the chemical business was impacted by imports. So, can you please help us what were the total imports for our products and how is the situation in the month of January?

Management: Are you basically looking at for the TAN products?

Jenam Gilani: Yes TAN.

Tarun Sinha: Sorry I probably thought this question was about chemicals or was it about the import of ammonium nitrate, can you please come back with your question.

Jenam Gilani: Yes, import of the ammonium nitrate.

Tarun Sinha: So, what's your specific question around that?

Jenam Gilani: We were mentioning that we were impacted by imports. So, is there any feature that what was the total imports for the products during the last quarter and how is the situation in January, have the imports reduced or so?

Tarun Sinha: I will just give you some pointers to get some picture around it. So, last financial year, which was financial year ending 31st March 2023, the total quantum of imports was 355,000 - 356,000 of that order and in the first 10 months of this financial year which is in the January it has been around 373,000 - 374,000 odd tons. So, the imports are higher this year, but having said that the demand of ammonium nitrate in India is also growing. So, a part of that growth is being taken by imports naturally and while the domestic capacities are trying to service the rest of the demand of the country.

Moderator: We have a next question from the line of Deepak Poddar from Sapphire Capital



Deepak Poddar: Sir first up just wanted to understand, and I mean couple of impact that you mentioned about the Russian imports as well as the Chinese import impacting the TAN and Nitric Acid respectively the sales. So, I mean how much time do you think that it will take from now for the situation to normalize as we speak now, I mean we are we are we one quarter, two quarter away from things getting normalized and plus the export impact also benefit will also come. So, some light on that would be helpful.

Deepak Rastogi: Obviously, it's difficult to basically pinpoint any specific timelines for it, but I'll give you an answer in very specific parts for our industrial chemicals which is Nitric Acid and obviously for TAN ammonium nitrate.

As far as the industrial chemical which is Nitric Acid is concerned given that the destocking has already happened and obviously, we are expecting that the interest rates are obviously Fed has already said that the interest rates are going to eventually increase. Hence, there should be an uptake of volume and obviously the reduction in imports overall is what we are expecting for a couple of quarters. Now, whether it will happen in one quarter, two or three quarters it is difficult for us to obviously comment, but it is in near term obviously the things are getting stabilized now. This stability will continue, and it will eventually improve, but we'll have to really wait and watch how and when the situation improves. As far as Ammonium Nitrate is concerned as Mr. Tarun Sinha was mentioning that we have actually seen the imports actually coming in from Russia because of that they are actually exporting close to 1.5 million metric tons of Afghan to Brazil in the past, but in this year specifically they have only exported around 1.1 million to 1.2 million tons to Brazil and it was because of officially the lack of demand in those markets and all that product which was going to Brazil has actually made into India. So, obviously the things again on Ammonium Nitrate are stabilizing now and obviously this could be one time event, it could repeat, but we'll have to really see.

The other thing which I would also place on record is that generally there is always an import closer to 350,000 metric tons which would continue, which doesn't impact our growth and things like that because the domestic market is also improving. So, for Ammonium Nitrate also we are seeing a stabilizing signs obviously Q3 have been one of the tough quarters across both these business, but we have seen lot of signs of stabilization and hence we think that the improvement would obviously start coming in, it's only a matter of time whether it will take one quarter or couple of quarters we'll have to really wait and watch how the situation is.

Deepak Poddar: My second question revolves around your Ammonia. Currently it is at \$475 - \$480 per ton, the Ammonia Middle East FOB price because that was you mentioned about was for the last quarter?

Deepak Rastogi: Currently obviously it keeps changing. Currently it is hovering around \$425 to \$450 so that is the range, especially in January.

Deepak Poddar: \$425 to \$440?



- Deepak Rastogi:** \$440 - \$450 that is right, but what happens is that on an average you have to see how the whole month actually drive it. So, the Ammonia prices FOB – ME have actually been varying quite a bit and we think it would actually stabilize over a period of time. I would say generally the range of Ammonia is closer to \$450 to \$475. So, it should have stabilized in that range.
- Deepak Poddar:** And what would be our spread at this \$425 to \$450 per ton including the benefit we get from the Government?
- Deepak Rastogi:** We had been basically talking about a spread between \$75 to \$125 depending upon how the actual variation is, but at \$450 generally we talk about a spread of close to maybe around \$75 to \$100.
- Deepak Poddar:** And that includes the Government benefit of \$75 that we get?
- Deepak Rastogi:** That will be that will be slightly over and above.
- Moderator:** Thank you, sir. We have our next question from the line of Aditya Sen from Robo Capital. Please go ahead.
- Aditya Sen:** With the capacity addition in TAN and given that we will start exporting in the coming quarter, how much volume addition do we aspire in the coming year that is FY25?
- Deepak Rastogi:** We basically are currently at 486,000 metric tons and are looking for 100,000 tons worth of capacity expansion going forward in next year which will take us to around 587,000 metric tons with Gopalpur coming in sometimes in FY26-27 that would actually add up additionally 376 tons. So, give or take in a couple of years we would be close to a million metric tons of capacity.
- Aditya Sen:** And this 100,000 tons in next year is expected to come by which quarter, ?
- Deepak Rastogi:** The 50,000 tons is already in place 50,000 tons is under obviously planning mode. So, it will come early next year financial year.
- Aditya Sen:** My question basically is because Ammonia CAPEX, which is sort of a backward integration CAPEX ultimately, we believe that the objective is to cut down the volatility on the Ammonia prices. So, do we expect any increase in gross margins or any EBITDA with the addition of such CAPEX?
- Deepak Rastogi:** Yes, the answer is yes otherwise there will be no ROI. So, effectively there will be an increase, but it also depends upon how the Ammonia prices in the global markets are doing it effectively, but just to give you an answer, overall we have been looking at a payback period of around 6 -7 years for the project and hence accordingly the numbers and we think we would be able to basically be delivering those numbers over there.
- Moderator:** We have a next question from the line of Ranjit from IIFL Securities. Please go ahead.



Ranjit: The first question is on the PCL performance chemicals. Can you share rough financials whether you would be able to breakeven at the EBITDA level for this quarter?

And second, you have also mentioned that we are looking forward to getting the Government incentive, the state Government incentives. How do we account for that, would it be accounted up in the 4Q or as and when we would receive that? That's the first question I had?

Deepak Rastogi: Ranjit so that I understand are you saying that will we be breakeven at EBITDA level this year or means coming quarter is what your question is.

Ranjit: Yes for PCL?

Deepak Rastogi: The answer obviously we'll have to do some math, but the answer could be yes roughly, but we'll have to really see how the overall things pans out in terms of external FOB Ammonia, obviously rising because it's all the revenues of PCL are determined on the obviously how it is marked with the market pricing. So, that is number one.

As far as the other question which you had was how we account for the incentives is what your question is that state incentives. So, these numbers if I were to obviously start adding incentives because these numbers are without incentives then definitely, we will be EBITDA positive, but we are actually currently in a process of filing the details for the eligibility certificate and once we have got those things we should be able to account for it. Now we are working on the timelines as to when we will be able to get those from the district industries commission. So, we will have to really see when we get it, but the idea would be that if we can get that eligibility certificate during this year then we should be able to account for it as well during this year end.

Ranjit: Just one extension for whether the 2Q or 3Q whatever production that we have done, we would be eligible for that, or it would only be implemented from the date of eligibility certificate that we get?

Deepak Rastogi: No, it is from the start of the production.

Ranjit: The second what is the average gas costing now since we have almost entirely tied up. So, if you can help with the average gas costing that would be helpful?

Deepak Rastogi: It is somewhere around closer to around \$13.5 MMBTU.

Ranjit: And final bit of the FOB price that you have shared, what will be the landed cost of Ammonia?

Deepak Rastogi: So, when you talk about FOB ME pricing you are talking about dollars, we have to add to basically get to the landed cost. So, closer to around \$100 - \$110 because just at a landing it is \$100 then you have to add customs and all which will add maybe around \$15 more. So, that is the reason I have said it is around \$110 - \$115.



- Ranjit:** And finally, any update on the Nitric Acid project that we have done, what are the timelines we are looking at for the commissioning?
- Deepak Rastogi:** So, we are looking for the second half of FY26.
- Ranjit:** FY26?
- Deepak Rastogi:** Yes.
- Ranjit:** And what is the CAPEX that were incurred till now out of Rs. 1,900 odd crores?
- Deepak Rastogi:** So, we have just started it. It is actually currently because we are into more procurement right now. So, it's more of placing the orders and providing the LCs wherever it is required because lot of assets are long lead items, but just if from a cash perspective we have hardly incurred Rs. 20 crores – Rs. 30 crores so far.
- Moderator:** We have our next question from the line of Mr. Ankit from Kotak. Please go ahead.
- Ankit:** Sir, can you please let us know the net debt number for December 23?
- Deepak Rastogi:** It will be closer to around Rs. 4,000 closers to that number.
- Ankit:** This is net debt, right?
- Deepak Rastogi:** Yes, that is correct. It's an annualized number, that's the way we are looking at this.
- Ankit:** Sir annualized as in annualized for FY24?
- Deepak Rastogi:** Yes, that is correct.
- Ankit:** And what is the status on Gopalpur project?
- Deepak Rastogi:** So, currently just to answer you currently we are at around Rs. 3,400 crores as a net debt effectively just to give you a sense.
- Ankit:** On my second question what is the status on Gopalpur project?
- Deepak Rastogi:** So, that progress the project is progressing well now, and the timelines are for second half of 26.
- Moderator:** We will have our next question from the line of Sharan Nandikoren from Individual Investor. Please go ahead.
- Sharan Nandikoren:** I would like to know the demerger status and by when both the entities will be listing separately on the stock exchange.



Deepak Rastogi: So, we have got the order. They have pronounced the order on 17th of January. The demerger has been approved and we have yet to receive the order. So, it will take a while, maybe a month or so to basically put that process in place.

The second question on the IPO side is what you are saying we will have to basically run these companies and whenever the board actually approves the listing process then we will come back and then accordingly plan and then inform everyone.

Sharan Nandikoren: What's the timeline? Do you have any timeline like in next two quarters this will happen like allocation of share ratio for the existing shareholder and when both entities will be listed separately?

Deepak Rastogi: So, currently board has not taken any view on that. So, there is no timeline as such which I can provide you.

Sharan Nandikoren: And the second question is about the non-core asset, real estate. I think for the last more than one year we have been discussing in all the calls and currently the Company is going through tough times with respect to imports and other phrasings. Is there any plan for selling the non-core asset, to liquidate and make the balance sheets stronger?

Deepak Rastogi: So, there is always a plan obviously for liquidation. The only thing is the board has not taken a final view and whenever obviously we get the best pricing so the board will take a call and then accordingly, we'll do it, but we are aware of this, and we want to do it no sooner than later.

Sharan Nandikoren: And the question on what's our production cost of Ammonia currently market price is \$450 what you said, what's our production cost?

Deepak Rastogi: It's around \$38,000 - \$39,000 or maybe around closer to \$40,000.

Sharan Nandikoren: Sir it's a \$450 per ton is the market price and our per ton production cost?

Deepak Rastogi: The production obviously we don't provide those numbers but net-net we always say the margins which we basically or the spread we have depending upon how the Ammonia prices, the spread ranges from \$75 to \$125.

Sharan Nandikoren: I have one request actually, can we get an update on whenever there is an increase in the export like export ban was there and it is lifted now from \$20,000 to \$30,000 and any further because all these updates we will not get to know until the concall in between the quarter whenever such things happens if we get an update on these things it will be helpful?

Deepak Rastogi: Sure, we will look in that.

Sharan Nandikoren: And also, the export licensing that's also pending from last one quarter, Mr. Tarun mentioned in the last concall as well that it is pending and even today its pending whenever that happens if



we get update on such things, these are major events in terms of export ban, export lifting and getting the approval all these things that's the request. Thanks for your time.

Moderator: We have our next question from the line of Neeraj, Individual Investor. Please go ahead.

Neeraj: Just wanted to what is the status on putting anti-dumping duty again and last concall I gathered that the matter is sub judice. So, any update on that front is specific to TAN business?

Tarun Sinha: So, the answer is still the same as in India when the matter is sub-judice we would be lucky to have a decision in a quarter which is the time gap between two consecutive con-calls like this. So, the matter is still sub-judice.

That said it appears that now the Ministry of Finance which earlier had been rejecting unilaterally without assigning any reasons to a number of ADD recommendations from the DGTR which is the Directorate General of Trade Remedies under Ministry of Commerce and Industry, and this is not just for Ammonium Nitrate, for many products in different industries.

Now I think the message they're getting is that the stand of Ministry of Finance is changing slowly. So, we'll just see what happens and as I said it's hard to put a date or timeline to a matter which is in court.

Neeraj: So, is that stand is changing, are we expecting that something positive can happen in terms of again putting this anti-dumping duty? Any such feedback or feelers you have from the Government side?

Tarun Sinha: At this stage no, it is just a very recent information we received that now probably things are looking for better not sure whether it is for Ammonium Nitrate or it is for which product, but certainly there is a bit of a change what we feel.

Now, if we are talking of the pending matter, which is the matter pending in the court now that probably will continue to be in court and we will have to wait till the decision comes out. If it comes to a stage that there's a case for putting in a new ADD request then it will follow the entire process as it does which is starting from Directorate General of Trades and Remedies, and then if they feel there's enough justification for a fresh anti-dumping duty, then they may develop a case, put up the case to make your finance again and then we will have to see what happens there.

Neeraj: So, we are expecting any such development?

Tarun Sinha: If there is a case we will. So, I think our chairman mentioned in the initial part of this call that we have sensitized the different Government bodies in terms of the need to create a level playing field for the Indian producers and then there are ways to do that through tariff barriers, through non-tariff barriers. So, all those measures are being looked at and we will towards the line depending on how the Government and the various ministries and guide us on this process.



Moderator: We will move on to the next question from the line of Kushal Shah, an Individual Investor. Please go ahead.

Kushal Shah: My questions are on the lines of the mining solutions business that we have, and my first question is about the nature of contracts that we have with our customer. What are the inputs we provide to our customers as in we do we make some kind of promise that we will produce x tons of the material and what kind of return do we get like do we get the percentage of amount we will save for them?

The second question is since we have no experience in downstream like we do have experience for using TAN, but we do not have experience in Mining. So, what kind of prototyping have we done in this area and what kind of customer reviews we have got till now?

Tarun Sinha: So, that's a great question because it is aligned to again one of the comments our chairman made right in the beginning of the call which is our transformation strategy for all our businesses from just selling products to solutions and in the Technical Ammonium Nitrate which is now going to become a Mining solutions Company anyway going forward through the corporate restructuring. This is the buzzword.

So, what we do I'll try to keep it simple. The details can be quite lengthy. What we do with the Mining companies and the Mine operators is that see effectively there are 5 value streams in a typical mine and they are starting from drilling which is drilling holes in the rock then blasting which is putting the right type of explosives in the right quantities in those holes in the rock. So, that's blasting after the rock is blasted the third value stream is lifting that rock excavating that broken rock so excavation and then that excavated rock is moved from where it was blasted to the place of processing or further treatment so that's transportation the fourth one. And the fifth one is crushing, if applicable.

So, drilling, blasting, excavation, transport and crushing if we combine these 5 operations in a typical mine or an infrastructure project then this is what we call as the total cost of ownership of the mine operator or the quarry operator of the project operator. So, what we do in the form of mining solutions business is we reach out to the mines and these infrastructure projects try to do a base lining work in terms of mapping the baseline cost for each of these 5 value streams that I talked about that is that is drilling to crushing.

Figure out where are the scope of improvements in terms of the delta through introduction of the right products and the right technologies which we are in the process of developing and that's the part of downstream the term that you used in your question and then we deploy a team of people which is another area where we are building capability and then we actually offer put an offer on the table for the mine operator saying look this is what we feel it is in terms of the current cost structure and these are the let's say 2 out of the 5 value streams or 4 of the 5 value streams depending on the case where we think we can bring delta improvement. And as a result of we are being able to bring that delta improvement and if we are able to bring that delta improvement, we would like to share some of the benefits with you.



So, in other words, the model that that the mining solutions business of Deepak is putting in the market is we provide inputs to the mines in the form of products, services and solutions which includes technology and get paid for that and at the same time we guarantee certain outcomes as a result of the inputs that we provide and those outcomes are agreed in the form of certain KPIs in our contract and then we try to go for benefit sharing once we deliver those outcomes.

So, it's a two-way income stream input and outcome based, that's the kind of model which we are working on, and we will continue to develop as we go along.

Kushal Shah: Sorry to interrupt you. Is it a one-time contract or is it a long running contract for multiple years?

Tarun Sinha: So, initially we were doing shorter term contracts let's say 6 months kind of thing because this is a new concept, a novel concept in India. No Company in India is doing it actually and therefore the consumers also wanted to see how it actually works from their perspective. Now that we've done a number of these and now the success is there, and the consumers can see it. We are now targeting slightly longer-term contracts.

When I say longer term, we will be looking at anywhere between 1 to 2 year kind of contracts to begin with and again as we get more matured the industry gets more matured, the consumers start to see even more value out of this potentially in the longer term we can go for even longer term contracts.

Kushal Shah: So, the unanswered part of my question is what kind of prototyping have we done and what kind of customer reviews have been till now and what road map do we expect, how long do we expect till we go to full scale?

Tarun Sinha: So, the short answer is entire country is the canvas that we can attack with this model because nobody in India is doing it. When I say entire country one level down detail is all the mines in India and all the infrastructure projects in India and there are thousands of them as we know. So, it's a huge canvas to cover, but then the point is not every consumer is at the same level in terms of how they look at productivity improvement.

So, we are very conscious in terms of approaching those consumers first who actually understand this language that we are trying to develop and then we start to engage with them, and the results have been quite good.

In saying so we basically approach the entire market in three segments. One is what we call as coal segment which is a very big segment in India the coal mines, that's coal segment for us. Then the non-coal mining segment which is all other minerals other than coal and limestone all put together because they have different ways of running their mines, their nuances are different, their requirements are different, mindset is different.

And then the third segment which we approached for this solutioning model is the infrastructure segment which is completely different from mining anyway. So, these are the sort of customers



and we have actually covered all three types of customers in the past 12 months to 18 months with this novel idea and this novel business model and as I said it's picking up traction as we go along.

Moderator: Thank you, sir. Ladies and gentlemen, that was last question for today and I now hand the conference over to Mr. Deepak Rastogi sir for closing comments.

Deepak Rastogi: Thank you everyone for your participation. For any further queries or clarifications please do get in touch with our Investor Relations team. Thank you.

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Note: This transcript has been edited to improve readability



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