



June 4, 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 Q4 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 30th May, 2024 to discuss the financial results of the Company for the quarter & year ended 31st March, 2024.

The transcript of the Q4 FY 2024 Earnings Conference Call will also be made available on the website of the Company i.e. <https://www.dfpl.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



DEEPAK FERTILISERS
AND PETROCHEMICALS
CORPORATION LIMITED
CIN: L24121MH1979PLC021360



“Deepak Fertilisers and Petrochemicals Corporation Limited Q4 FY24 Earnings Conference Call”

May 30, 2024



DEEPAK FERTILISERS
AND PETROCHEMICALS
CORPORATION LIMITED
CIN: L24121MH1979PLC021360



MANAGEMENT: **MR. S. C. MEHTA – CHAIRMAN AND MANAGING DIRECTOR**
MR. DEEPAK RASTOGI – PRESIDENT AND CHIEF FINANCIAL OFFICER
MR. TARUN SINHA – PRESIDENT (TECHNICAL AMMONIUM NITRATE)
MS. PALLAVI BHALLA – HEAD (INVESTOR RELATIONS), DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED

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

Moderator: Ladies and gentlemen, good day, and welcome to the Deepak Fertilisers and Petrochemicals Limited Q4 FY '24 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 “*” and then “0” on your touch-tone phone. Please note that this 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.

Harmish Desai: Thank you, Myron. Good evening, and welcome to the Fourth Quarter and Full Year FY '24 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; 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. Deepak Rastogi 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, Harmish. Is my voice okay?

Harmish Desai: it's fine, sir, yes.

Sailesh Mehta: Okay. A very good afternoon to all of you. I extend a very warm welcome to each of you for joining us in the Q4 and Full Year Earnings Conference call of Deepak Fertilisers. Our earnings presentation and the press release have been updated on the company's website as well as on the stock exchange. And I do hope you have had a chance to review it. But let me share with you a few of my observations and the broad comments.

So, we have just completed our Board meeting where we reviewed the consolidated results of the Q4 as well as the year. And I was sharing with the Board that this year, we faced very strong headwinds in all the 3 of our businesses. And such a negative triple effect is rather rare. Generally, it doesn't happen, but we did face headwinds in all our businesses.

For instance, in case of mining chemicals, TAN business, there was a strong short-term aberration of dumping of cheap fertilizer-grade ammonium nitrate in large quantities from Russia. In our industrial chemicals, again, we faced a short-term aberration emerging out of cheap Chinese Nitroaromatics, which impacted our downstream asset customers, whereas in the fertilizer business in the crop nutrition business, we faced some unusually low and erratic rains

last year and almost a drought-like situation in some of the states where we operate. And along with this, there was also a certain degree of micromanagement of products and prices by the government, keeping in view the short-term orientation. Additionally, we also had to take 2 rather heavy financial hits, namely 1 being that there was a onetime large subsidy hit that we had to accommodate and the other being emerging from our new ammonia plant stabilization costs.

Now all these headwinds were pretty strong and impactful. And yet, if I look at the last year and I look at the last Q4, see, when we look at our Q4 EBITDA margins and we compare it with Q4s of the last 5 years, the Q4 '24 EBITDA margin of 21% is indeed among the highest, other than the 24% we had clocked in, in an unusually good FY '22. Second is the TAN mining chemical business delivered second-highest volume in its history. The IPA business bounced back at 44% year-on-year. Our crop-specific Croptek fertilizer grew by 11%.

And looking at all these aspects and the fundamental trends, ICRA reaffirmed our long-term and short-term ratings. And taking cognizance of all of this in the Board meeting after due deliberations, the Board has also recommended 85% dividend. So, if you were to ask me in one word to explain the year that went by and our operations, the only word that comes to my mind is resilience, that our businesses have shown great resilience to all the headwinds that we face. And unusual, like I said, the headwinds that came on all the 3 businesses.

Having said that, now going forward, let me share some of the dimensions and interesting dimensions that I am seeing. Going forward, number one, with our ammonia plant, the new ammonia plant now stabilized because we have just completed also the guaranteed test run and with its running rated capacity and with globally best efficiency norms, this will make our value chain rock solid.

The second is you would have heard that we have tied up a very attractive formula base, 15-year LNG contract with the Norwegian giants. And this will bring a complete upstream stability. So, right from LNG, ammonia, building block, nitric acid to all the downstream. So, the whole value chain will be rock solid.

Third I would share is that our TAN mining chemical expansion project at Gopalpur, it is going to capitalize not only on our 40 years of proven capability in that space, but also on the hugely growing coal limestone and infra sectors linked to the India growth story.

Fourth, the new nitric acid project that we have taken up, again, leveraging on our 40 years history and a large capacity already underwritten by our customer under a long-term contract, will bring another risk-mitigated attractive project. Additionally, you would have heard that we have just recently signed a 7-year strategic commercial alliance contract with a global leader in specialty fertilizer, namely Haifa. And this will speed up our journey in the very attractive specialty fertilizer sector.

Additionally, I am happy to share that the IMD forecast for this year is a good monsoon. And this will support all the sectors, especially our crop nutrition business. And last but not the least, our continued relentless drive to move from commodity to holistic solutions continues with full vigor, and we are seeing step-by-step, beautiful success. And this is something that we are pushing, as you are aware, in all the 3 of our businesses, namely the building-block industrial chemicals, the crop nutrition business, and the third is the mining chemicals business. And all the 3 being beautifully aligned with the India growth story, going forward, we are, of course, looking forward to very positive tailwinds to support each of our businesses.

So, with these opening remarks, let me now hand you over to our CFO, Mr. Deepak Rastogi, who can take you through the detailed financials and also respond to your queries. Deepak?

Deepak Rastogi:

Yes. Thank you, Mr. Mehta. Thank you so much. Can you hear me loud and clear? Okay. So, good afternoon, ladies and gentlemen. Thank you for joining the Deepak Fertilisers and Petrochemicals Corporation Limited conference call to discuss the Quarter 4 and Financial Year '24 results. I am delighted to share the highlights of our performance during Q4 and for the full fiscal year.

So, during Q4, the total operating revenue is Rs. 2,086 crores, with an operating EBITDA of Rs. 438 crores, which is 21%, an increase of 421 basis points Y-o-Y and 575 basis points quarter-on-quarter. The net profit for the quarter is Rs. 220 crores versus Rs. 61 crores for the same quarter last year.

Similarly, for the fiscal year, the operating revenue is Rs. 8,676 crores and operating EBITDA of Rs. 1,287 crores. Despite headwinds, our revenue and operating EBITDA have shown a consistent upward trajectory over the past couple of years. Barring the adjustments of onetime subsidy and the ramping-up cost, which was taken because of our new ammonia plant, our operating EBITDA margins would have been around 18.3% instead of 14.8%, which we have actually, underscoring our operational efficiency.

Moving to our business performance. Our mining chemicals business, which is the TAN, Technical Grade Ammonium Nitrate, the sales volume grew by 26% during Q4 year-on-year, and 39% quarter-on-quarter, driven by improved demand. And obviously, as you heard, Mr. Mehta saying that this year for especially for Q2 and Q3, we actually saw imports in large quantities from Russia. And we saw that coming down especially in Q4.

Similarly, AN Melt sales volume reached all-time high in Q4, marking substantial growth both year-on-year as well as quarter-on-quarter basis. Despite challenges, TAN volumes grew marginally year-on-year basis, reaching second-highest sales volume in our company's history. Highest was sometimes in 2018-19.

The capacity utilization for our TAN business was close to almost 101% for the quarter and 92% for the year. As I mentioned earlier, the first quarter was very strong for the TAN business. However, due to excessive imports of fertilizer-grade ammonium nitrate during Q2 and Q3, saw

margin and obviously volume pressures. But from Q4, the demand has improved, and obviously, stabilized and improved, and there was gradual reduction in Russian imports. We have started TAN exports from March '24 onwards once the ban was lifted during the year. Growth in demand is expected to continue for the next fiscal, which is '24-'25 because the coal mining, power, infrastructure, all the sectors are expected to grow between 10% to 12%.

In the industrial chemicals business, nitric acid faced challenges in Q4, primarily due to our extended shutdown of our Dahej plant, whereas our IPA sales continued to perform well with significant volume growth of 27% Q-on-Q and 6% volume growth Y-o-Y. For the full year, nitric acid sales remained similar to previous year despite subdued demand from downstream industries caused by imports of cheaper Nitroaromatics from China impacting the margins of our nitric acid business and volumes temporarily.

The capacity utilization of our nitric acid business was close to 82% for the quarter and 86% for the full year. The capacity utilization of our IPA business was approximately 102% for the quarter and 87% for the full year. Going forward, nitric acid prices are expected to remain stable and improved over a few quarters. RGP, which is propylene-based IPA, would continue to perform better from both demand and price perspective.

Crop nutrition business, despite the lower and irregular rainfall, had impacted the rabi crop in Q4 of this year. Our specialty products, Croptek and Smartek, sales volume actually increased by 11% and 10% Y-o-Y respectively. For the full fiscal, bulk fertilizer sales grew by almost 1% despite unfavorable seasonal conditions and decline in margins mainly attributable to the subsidy impact, which we took in H1, amounting to Rs. 267 crores during the year.

Our bulk manufacturing capacity utilization was close to 58% for the quarter and 55% for the full year. With IMD forecasting above average rainfall for the upcoming monsoon season, we expect a favorable kharif and rabi season. PCL ammonia plant is running at 90%-plus capacity utilization after PGTR in January '24. The project has received an Ultra Mega Project certification eligibility certificate and has started accruing state incentives. During the fiscal, we have also entered into 15 years long-term gas supply agreement with Equinor commencing in May 2026. This move is expected to ensure greater stability in overall business.

ICRA has reaffirmed DFPCL as well as MAL long-term credit rating to AA- with stable outlook, and short-term credit rating is also reaffirmed at A+ which is the highest rating. CRISIL has recently assigned a short-term rating of A+ to DFPCL and MAL, which is again the highest rating in the short-term order. As on 31st of March, there is no encumbrance of any kind on promoter's holding. Further, the Board has recommended a dividend of Rs. 8.50 per equity share of Rs.10, which is 85%.

Now I would like to open the floor for questions and answers. Over to you, moderator. Thank you.

Moderator: Thank you, sir. We will now begin the question and answer session. We have the first question comes from the line of Jatin Damania from Svan Investments. Please go ahead.

Jatin Damania: Sir, I have couple of questions. Firstly, on the ammonia front, now when you say that our plant has been stabilized and the cost has been largely factored in, so how shall one look at the profitability in the ammonia business given the current pricing dynamics?

Deepak Rastogi: You are done with the question?

Jatin Damania: Yes, I am done with question on ammonia.

Deepak Rastogi: Yes. This question is for the Financial Year '24, '25, is what I would expect, right?

Jatin Damania: Yes, sir.

Deepak Rastogi: So, obviously, the way we are looking at it is that the ammonia pricing for this year based on the forecast, which we have received from multiple agencies, that should be around \$400 to \$450 during the year. At this point in time, it's close to \$310, which I am talking about FOB ME. So, we expect that the business to do well if the ammonia pricing continues to be at a similar level.

But I can also tell you that the ammonia plant does not have to actually worry about how the, obviously, ammonia prices are because we have a gas contract and the manufacturing price based on the input prices of the gas actually determine the cost price, and eventually the selling price is based on the ammonia pricing, which is the IPP pricing. So, having said that, we are optimistic and expect a good year for the business.

Jatin Damania: Yes. But sir, if you look, the current level of the pricing and our long-term contract is going to start in the next 18 months, so given the current level of the pricing of \$400, \$450, are we able to make any money on the ammonia? Or on the EBITDA level, we will be breakeven? Or we'll be operating with a loss?

Deepak Rastogi: So, if you were to see our Q4 Results, we have actually made, obviously, money during that particular quarter at an EBITDA level. So, effectively, overall, we have made money in Q4, which is for the current year. And that is what we expect going forward as well. Obviously, there are certain ranges, which basically would continue because there will always be variability in terms of gas pricing as well as ammonia pricing. So, if they continue to move in food, obviously, there is no reason.

And the other thing which I would want to tell, which I keep reminding the investors on the investor call is that we have actually invested this plant for 20, 25 years. So, this is not a quarter-on-quarter investment or year-on-year investments. And some quarters may be very, very good. Some quarters may not be too good. But from an overall financial perspective, the plant will obviously be making money over a period of time. So, there is absolutely no doubt. And in our mind, that this is a good investment.

Jatin Damania: So, sir, how much this ammonia contributed to the overall revenue and the profitability in the last quarter?

Deepak Rastogi: So, last quarter, the revenue was close to around Rs. 600 crores.

Jatin Damania: And sir, second question, in the initial remarks, you indicated that we are going with the 2 of our projects: One is on TAN, and other is nitric acid. So, if you take the total CAPEX that we'll be accumulating will be total of Rs. 4,000 crores. And currently, we have a debt of about Rs. 4,500 crores on the book. So, how are we going to fund this CAPEX? Because if you look at the current profitability, it seems that, that will further inch up from the current levels till the time the contract on the ammonia or the profitability of some the ammonia doesn't improve.

Deepak Rastogi: So, the net debt, which we ended for this year, is close to Rs. 3,400 crores. And it is not Rs. 4,500 crores as what you suggested. The second thing is that during this year, ammonia plant, the EBITDA was not for full year. Obviously, we had some ramping-up challenges also. So, we expect that the EBITDA would grow. As far as the funding needs are concerned, we have already tied up the funding for our Gopalpur project, which is around Rs. 2,200 crores. It's already done and dusted. We have got the approvals in place from the banks.

As far as the Dahej is concerned, which is our expansion plan, there, we are looking at to invest close to Rs. 1,950 crores. And there also the bridge funding is in place today. So, we don't expect that we will have a challenge in terms of funding. But overall, we expect with the businesses, when the business is like this year, we had huge amount of headwinds during the whole year. And in a normal year, obviously, the EBITDA would actually be far more higher than what we would expect. And hence, we are very confident that we should be able to basically take these investments into account.

The other thing is that, unless and until we are ready for future, we will not be having the leadership position either in the TAN business or in nitric acid. So, we are deliberately doing front-end investments to ensure that we continue to serve our customers whenever the demand comes in, which is basically around the corner with the economy doubling over a period of 2 to 3 years now. And for our own captive demand, so this is a requirement. And obviously, it will expand our EBITDA once the plants come upstream.

Jatin Damania: So, sir, post the completion of both our projects, which is your TAN and the nitric, what will be the peak debt that we are looking at?

Deepak Rastogi: So, we would be in a very comfortable zone. That's how the rating agencies have looked through those numbers as well as the banks when they have actually provided us the long-term funding for us. So, we would be in a comfortable zone is what I can tell you right now.

Moderator: We have the next question from the line of Jahnvi Dodai from Aequitas Investments. Please go ahead.

Jahnvi Dodai: So, my first question was on TAN. Since we've started exporting TAN since March, what would be the export mix that we're expecting this year?

Deepak Rastogi: So, effectively, you mean to say, '24, '25. So, there is a limit to which the companies can actually export. So, the quota, which we have got is around 20,000 ton for the whole year. And obviously, domestically we sell, during the year, close to almost 500,000 or 550,000 tons a year. But slowly, we expect that the government is able to relax these quotas so that we are able to export far more higher than what the current quota is today.

Jahnvi Dodai: Right, sir. And sir, my second question would be on nitric acid. So, the plant that is coming up for nitric acid, are we still on track to commercialize it till H2 2026? And what is the CAPEX that you've done so far in terms of cash?

Deepak Rastogi: So, yes, we are on track to deliver the project on time, which is H2 of '26. The second question is in terms of CAPEX. We have just started just incurring the expenses now. So, last year, we incurred close to around Rs. 60 crores last year. And accordingly, because you have to pay overall once you are signing up for the purchase orders and all. So, it's a very minimal amount right now. But overall, the project cost is far more higher what we have already committed. And this amount would actually increase this year at a much more faster pace.

Jahnvi Dodai: Okay. So, how much of the amount are we planning to incur in the current year?

Deepak Rastogi: So, maybe around close to almost 40% of the overall project cost is what I would expect.

Moderator: We have the next question from the line of Ranjit from IIFL Securities. Please go ahead.

Ranjit Cirumalla: First of all, congratulations on such a resilient performance in 4Q despite weak ammonia pricing. The first question is on the chemical business. We have seen a bit of a strong improvement sequentially. And I believe this is largely led by TAN business, wherein we have seen initially cheaper imports coming and hitting us hard. But later on, I think in the last couple of months, what we have seen in the imports have significantly reduced and is coming down to virtually 0 imports. Just wanted to understand, what's happening on the TAN business point, why suddenly we are seeing lower intensity of imports and how sustainable this would be getting into FY '25?

Deepak Rastogi: So, Ranjit, I think it's a very good question. There are 2, 3 things which is happening. First of all, obviously, we always understood that it is just a short-term aberration overall. And the first reason which we basically understand is that the Russian government has actually banned the exports from St. Petersburg straight away because of the ongoing war with Ukraine. And because it's explosive. So, hence, they have banned it. And hence, there is obviously a little movement from Russia perspective.

The other thing is that the reason why actually there were a lot of imports last year was that Russia actually exports fertilizer-grade ammonium nitrate to Brazil. And generally, their exports is close to 1.4 million to 1.5 million tons every year. Last year, we noticed that only 1.1 million

tons have actually reached Brazil, and all the other product has come through in India, which means it made its way to India.

There are obviously reasons because of the lower rains and because of that fertilizer business not doing well. The other is that again pricing itself was lower. And again, as well as urea, they are actually used surrogate or ammonium sulfate and things like that. So, the farmer has the capability to utilize whichever is the cheaper product. So, we are thinking that because of the rain effect and, obviously, the price effect, the product has come in, which in our view, will not recur year-on-year basis. And hence, we don't expect this to happen in a large sum.

There is always an import, which happens because almost 20% of the TAN demands are fulfilled by the imports, and we expect that to continue. That should not affect us. However, what has happened was that the quantity, which used to come in the full year, it actually made its way within 2 to 3 quarters. And that is where, with obviously a pricing which was slightly more prohibited. And hence, it's created some short-term challenge, but we hope that we are confident that we are out of it now.

Ranjit Cirumalla: Sure, sir. The ban from the Russia should be effective for CY '24. Is that the right way to understand?

Deepak Rastogi: Yes, I think so. We are expecting because now they have extended. Previously, the ban was for 2, 3 months, but now they have actually unlimited ban now given the war situation in that region.

Ranjit Cirumalla: So, the profitability in TAN business should sustain the fourth year as well?

Deepak Rastogi: So, we are expecting. Look, as far as the profitability is concerned, TAN, except for the '22, '23, which was a positive aberration, if I were to take that away, I think from a profitability perspective, it has not impacted. There is always a variability between 100 basis point plus/minus, but it has moved within that range. So, we expect to be stable and continue to be in an improving trend.

Ranjit Cirumalla: Right. And second question is on the ammonia plant. So, earlier, in the last quarter, we have kind of guided for \$100, \$120 kind of spreads. So, were we able to achieve that even during the 4Q given the low ammonia prices?

Deepak Rastogi: So, ammonia prices, if they go down beyond a particular level, obviously, then their spread goes away because there is a cost of production. And as I said last time, if the prices stay between \$425 to \$475 FOB ME, obviously, then there is a spread. But lower, obviously, value comes in like. So, like last quarter, the ammonia was close to around \$410 to \$425. That was the range.

So, we would have some lesser, obviously, spread, but we will always make money. And it came down to around \$300 recently. It's moving up. We expect this to go up to almost \$350 to \$400 in the next quarter again. So, that is the range, and it will stabilize between \$450 to \$475. If you were to take the last 10 years history, you would find in almost 70% to 75% of the time, it ranges

between \$450 to \$475. That is how it has played out. But in between, there has been some variability, which as I said, we are confident that these ups and downs would continue to happen. And we will go through this.

Ranjit Cirumalla: Right, sir. As you rightly pointed out, despite that, we reported profit in ammonia plant during 4Q at the PBT level.

Deepak Rastogi: Yes.

Ranjit Cirumalla: Some bookkeeping data points, possible if you can give that one. What has been the average gas cost during the quarter? And the incentives that we have recognized, was it for the full year or for the quarter, and if you can quantify that?

Deepak Rastogi: So, we basically have taken the incentives for the full year i.e from August onwards because that is how the incentives are. So, we have recognized for the full year. The second thing is that as far as the gas is concerned, it was closer to almost 13.3 or 13.5. That's the range it has actually hovered most of the time.

Ranjit Cirumalla: Can you quantify the incentives?

Deepak Rastogi: So, it is closer to maybe around Rs. 89 crores effectively.

Ranjit Cirumalla: All right. And this should rise as we increase our production at the ammonia plant?

Deepak Rastogi: So, the more the production will be the sales will be. Obviously, this incentive, so generally, we are expecting this incentive to be paid out over a period of 20 years, and the total amount of incentives, which will be paid, will be close to Rs. 4,000 crores. So, if I were to just simply do it equally, it is Rs. 200 crores every year. But obviously, every year, based on the demand-supply situation, the numbers will change, but this is how the numbers would look like going forward.

Ranjit Cirumalla: Sir, the earlier impression was that this was to be paid out over 8 years. Now we are saying it would be 20 years.

Deepak Rastogi: So, it also depends upon how the ammonia pricing is behaving apart from obviously the production which we do in sales and all. So, if the ammonia prices go up, obviously, it can be paid far more earlier than what we expect.

Ranjit Cirumalla: Yes, sir, but we are kind of confident the entire CAPEX will be recovered.

Deepak Rastogi: Yes, for sure. It's no-brainer. Only thing is that if you take from a money-to-money perspective, the government has already given us the eligibility certification. That we are eligible for it. We have to just prove that this much of the taxes as far as state, GSTs, we have paid, which will get actually reimbursed back to us.

- Ranjit Cirumalla:** And going forward, we will recognize this on a quarterly basis?
- Deepak Rastogi:** So, we will do it effectively. We will do it on a periodic basis.
- Ranjit Cirumalla:** That's good. And one final thing. In couple of years' time, we now have a net debt of around the fund that we have said. Where do you see this couple of years down the line given that we have 2 large CAPEX, probably FY '25?
- Deepak Rastogi:** So, we always see the net debt-to-EBITDA effectively, our net debt to equity as opposed to just counting the money as a gross debt and this thing. As I said earlier, we will be in a comfortable zone because we will also not take, obviously, steps which will create challenges for our own sake. So, we always play out. In fact, you would have seen that we have actually got comfortable with our ammonia that it's getting capitalized and the start of production. We then actually said that we are going ahead with our nitric acid expansion plan.
- So, we always take those calls to ensure that we are in a comfortable zone from a leverage perspective. And we will continue to be in a comfortable zone going forward because the EBITDA is going to increase wherever we are today. But the debt will not increase beyond a particular point because there are only a few projects which we are doing it, unless and until, obviously, there are new things which come up. But after 2 years, this will also start throwing a lot of EBITDA going forward. So, we will always be in a comfortable range. And that is one of the reasons why the rating agencies and the banks have been comfortable giving us debt as well as, obviously, reaffirming the rating which we have got.
- Moderator:** We have the next question from the line of Narendra from RoboCapital. Please go ahead.
- Narendra Khuthia:** Congratulations on a resilient quarter. So, my first question is regarding the ammonia prices, right? So, do we expect them to go to about \$400 or \$425 in Q2, Q3?
- Deepak Rastogi:** Yes. The answer is yes. From Q3 onwards, it should touch \$400 plus is what we are looking at right now.
- Narendra Khuthia:** And the volumes should be fairly strong, right, similar to the current quarter's volume, right?
- Deepak Rastogi:** So, actually, almost 80% of the volumes get captively consumed. So, we don't have an issue in terms of the volumes at all. That is number one. Second thing is that from purely from production perspective, the plant is now after PGTR, which is the performance guarantee test run. The plant is running at design capacity, which is 100%-plus. Actually, it is capable to run even more than 100% now. The second thing is that even the norms, the gas norms, the design norms, so it is meeting all the design norms. So, the more, obviously, the volumes are the better off for the plant is and even the plant is capable to obviously handle it.
- Narendra Khuthia:** Understood. And what kind of utilization would we see in the crop nutrition segment and also the nitric acid, specialty chemicals?

- Deepak Rastogi:** So, nitric is almost 100% all the time purely from a nitric acid perspective. And last year, because we had some challenges in terms of the plant shutdowns. And hence, the nitric acid in few quarters, especially the last quarter, we saw some challenges, and hence, the capacity utilization was lower. As far as CNB business is concerned, we would be close to almost, like last year, we delivered around 58% for Q4 and 55% for the whole year, with so much of challenges in terms of the irregularity of rains, which were there. Going forward, given that the monsoon is expected to be normal, hence, we expect the utilization should go up to around 60% to 70% depending upon which quarter you are talking about, even higher than that because we have capacity to produce. And we should be able to basically make good use of that. But in good days, we have even done 75% to 80% also.
- Narendra Khuthia:** All right. And given the positive sentiment, right, so the Q4 margins that we have of 21%. So, is that sustainable? And what could be the whole year number, I mean, for '25?
- Deepak Rastogi:** So, we don't give a future, obviously, forecast or estimates for the upcoming year. I would say all the businesses had challenges. When we are able to sustain the business at that level, in a normal year, obviously, you can expect that it should at least be at that level or better than that.
- Narendra Khuthia:** Okay. Great. Great. And one last question. So, your expansion project, right, so Gopalpur and the Dahej expansion. So, when are these expected to come onboard?
- Deepak Rastogi:** So, they both are actually expected to come upstream in H2 of '26.
- Narendra Khuthia:** Both of them, right?
- Deepak Rastogi:** Yes, both of them, yes.
- Moderator:** We have the next question from the line of Nirav Jimudia from Anvil Research. Please go ahead.
- Nirav Jimudia:** So, my question is on the nitric acid business. So, if I see our capacities for WNA and CNA, they are like close to around 8.5 lakh and 2.3 lakh tons, respectively. So, just wanted to understand from you, like after consuming our WNA for our CNA as well as for ANP, do we have some extra WNA which we sold in the market? Or everything what we've been reporting in our quarterly numbers is more of a CNA number, and it doesn't include the WNA numbers?
- Deepak Rastogi:** No. Actually, the sales of CNA is obviously purely from acids perspective, so CNA sales for like last year. So, overall, it will be close to almost 100% or more than that. That actually is the sale of CNA, which basically gets sold. So, WNA sales is not very similar effectively because the other products, whatever is not sold outside, so the way it is, is that almost we can consume 100% captively to be very honest with you. And depending upon how the demands actually grow business by business, we actually have to import also at times to ensure that we are able to meet the customer demands, which are outside. Last year, we did it. We are doing this year as well. So, we have our own demand as well as obviously outside demands, which we meet to ensure that we are obviously serving all the customers we have. So, WNA is almost 30% of total

nitric acid sales, which we have made out to outside customers in both these segments, closer to that.

Nirav Jimudia: Got it. And when we say that we have imported nitric acid, there is predominantly the WNA which we have imported and not the CNA because it becomes difficult to import CAN at times?

Deepak Rastogi: Logistically, actually nitric acid imports are obviously because it's a hazardous thing. So, it's always WNA, which is weak nitric acid, which is imported.

Nirav Jimudia: And required ammonia for our WNA plant. Earlier, we had a lesser capacity of ammonia, but with the commissioning of new plant, are we able to use that ammonia plant for our WNA plant? Or we still need to import ammonia for the WNA?

Deepak Rastogi: No. We have self-sufficient ammonia with us with the existing capacities we have. And we don't have an issue. But once the Gopalpur plant comes in, at that point in time, we may need to think about it because the volumes would go up obviously significantly there.

Nirav Jimudia: All right. Sir, one of the statements you also mentioned that nitric acid was not doing well because the downstreams were not doing well on the customer side. So, more recently, because the freight rates have gone up, the container rates have gone up, are we seeing some inquiries on the increase side from the customers for the nitric acid business, whereby those imported materials from the customer side are not happening and that could possibly drive our nitric acid sales?

Deepak Rastogi: So, we don't have an issue from a demand perspective. That is number one. There was absolutely not an issue from a demand perspective. What happens in these scenarios are that the margins come slightly under pressure. As far as we are concerned, even the margins were not so bad or, rather, not so depressed. And you are right in saying that the logistic cost has gone up, but those logistic costs have gone up towards the Red Sea and those kind of European regions where there is a war. There, actually, we see much more of freight because the shipping lines don't take those routes, and they take a longer route to actually get the goods towards Asia and all.

But this is competitive landscape. We have been dealing with this throughout when we have started this business, and this continues. So, sometimes it may get slightly more intense than lesser one. That's all. But otherwise, the imports continues. There is a parity between the imported price versus the domestic price. But I can tell you that we are actually very highly competitive. Hence, none of the pricing even from China perspective also, it does not actually hit. This year, because China actually had exported the Nitroaromatics, not nitric acid.

Nirav Jimudia: Nitroaromatics I was talking about.

Deepak Rastogi: Yes. So, what has happened is that they have actually exported because they have enough capacities. The demand is not there in China. Their export demand has vanished. And hence, they were just trying to dump, which is very, very cheap. Our customers also are finding to run

their own plants at a cost competitive because imports were far more cheaper compared to their running their own capacity. So, a few months, we saw that, but those days are over now. The imports have come down. The nitric acid, as I said, pricing has actually stabilized, and it will continue. But a few quarters may be up and down. But over on a long run perspective, I don't think so that we have an issue.

Nirav Jimudia:

So, one thing here, let's say, hypothetically, if ammonia prices starts going up, and we do produce ammonia for our WNA. Because some of the other players are also expanding the capacities of nitric acid in India, the relevant demand may or may not go up to that extent the way the capacities have been deployed on. So, at times, can we enter into that sort of trade-offs where those ammonia could be more profitable to sell directly in the market rather than converting into WNA and selling the WNA in the market?

Deepak Rastogi:

So, your hypothesis to say that the demand supply will outstrip demand, we have not seen that statistics at all. Most of the companies actually produce, and specialty fertilizer or exclusive companies, they produce for their own captive consumption. The leftover is actually sold out in the marketplace. Nobody will actually put a plant outside India to export out into India because it is not, first of all, logistics friendly, neither it is cost effective. That is number two.

Second thing is that if the economy of India is going to grow from, let's say, \$3 trillion to \$6 trillion or \$7 trillion, the kind of demand of nitric acid would actually simply double. And there is no capacities which are coming, which can cater to that kind of a requirement. In fact, there is a shortfall today. And that shortfall will double if there are no capacities which are coming in. So, we don't expect that any year would be that the supply would actually outstrip. There could be, if at all, the economy goes down. But we are not expecting that to happen.

Nirav Jimudia:

Sir, last from my side is, is it possible to share the current demand for CNA? And what sort of capacities are there currently? And how do you see these demand numbers going up over next 3, 4 years based on the reasonable amount of GDP growth or doubling our economy or the kind of customer feedbacks which you are getting in terms of their downstream capacities, which are using nitric acid?

Deepak Rastogi:

So, I don't have that number right now, but we can share later on, as an industry, what is the demand and what is the supply currently and how that will be.

Moderator:

We have the next question from the line of Sheel Shah from Sameeshka Capital. Please go ahead.

Sheel Shah:

Yes, so our realty assets have increased by almost Rs. 120 crores sequentially. So, just wanted to understand, what's happening there, sir?

Pallavi Bhalla:

Can you repeat your question? Your voice is not clear.

Deepak Rastogi:

I am not able to actually follow you at all, Sheel.

- Sheel Shah:** Yes. So, our realty assets have increased by Rs. 120 crores sequentially. This is as per our segmental assets. So, just wanted to understand what we are doing there, sir?
- Deepak Rastogi:** You are asking a question that the realty assets have increased?
- Sheel Shah:** Yes, correct.
- Deepak Rastogi:** Okay. So, why Rs. 120 crores is what you are asking that question?
- Sheel Shah:** Yes.
- Deepak Rastogi:** We will get back to you. It's around Rs. 183 crores, yes. That's what you're asking. So, effectively, there was some reclassification which has happened, and there is no change in the assets as such, but there is a reclassification. And I can tell you that, that reclassification, because you are looking at segmental, it looks like you are looking at segments. So, from unallocated, it has actually allocated to the realty. But otherwise, there is no change in the asset number, the amount of assets which we own versus what we have added. We have not added any assets, especially in that realty segment.
- Moderator:** We have the next question from the line of Hardit Gori from Alpha Plus Capital Associates. Please go ahead.
- Hardit Gori:** Could you provide the approximate conversion cycle or thumb rule for converting natural gas to ammonia?
- Deepak Rastogi:** So, generally, 34, 35 is what we generally have suggested.
- Hardit Gori:** And was there any impact of NBS subsidy in this quarter?
- Deepak Rastogi:** So, there is none because the prices have actually gone up since then. So, there is no as such impact. As I said in the call earlier, we have already taken a onetime effect of the notification, which is Rs. 257 crores, and we continue to account for this on a regular basis. So, the normal ups and downs are accounted in the results. And because of that, there will be no variability in terms of this.
- Hardit Gori:** Can you provide an update on CAPEX incurred to date out of Rs. 2,000 crores allocated for Gopalpur TAN project?
- Deepak Rastogi:** Sorry, can you repeat that for me, please?
- Hardit Gori:** Out of Rs. 2,000 crores allocated for Gopalpur TAN project, how much is incurred to date?
- Deepak Rastogi:** You mean to say how much in cash we incurred or actually committed?
- Hardit Gori:** No. How much in cash you have incurred?

- Deepak Rastogi:** So, we are close to around Rs. 654crores. That's how it is. But from a commitment perspective, we are far more higher. And till date for this year, we have actually done it. So, what we are saying is that we have actually incurred so far almost 1/3 of the amount for the project which is close to around Rs. 2,200 crores. So, we have already incurred till date, because I was referring to only for the year, but till date, we have actually done almost close to 1/3 of the amount, which was supposed to be incurred.
- Hardit Gori:** Okay. And the remaining will be funded via internal accrual or debt?
- Deepak Rastogi:** No. So, we have only drawn part of the debt. We have already put in equity. We have already put in some of the debt. So, there is obviously lines which are available to obviously get the funding. The second thing is that, if at all something is required, there is some equity which we have to put in, which we will put in whenever it is needed to be done.
- Moderator:** We have the next question from the line of Ranjit from IIFL Securities. Please go ahead.
- Ranjit Cirumalla:** Sir, needed just one clarification actually. We have reported higher other income, which was largely due to an asset sale at Vashi. So, on the segmental reporting, where all this would have got clubbed? Would it be under chemicals?
- Deepak Rastogi:** No, no. It should not be under chemicals. Just let me see that. So, basically, it is clubbed under other unallocable, that is where that is actually reported out.
- Moderator:** Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Deepak Rastogi for closing comments.
- Deepak Rastogi:** So, thank you so much for attending the call, and nice talking to you today. Thank you so much, and have a nice day.
- Moderator:** Thank you. On behalf of PhillipCapital (India) Private Limited, that concludes today's conference. Thank you for joining us, and you may now disconnect your lines.