



August 7, 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 Q1 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 1st August, 2024 to discuss the financial results of the Company for the quarter ended 30th June, 2024.

The transcript of the Q1 FY 2025 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

Q1 FY '25 Earnings Conference Call”

August 01, 2024



**DEEPAK FERTILISERS
AND PETROCHEMICALS
CORPORATION LIMITED**
CIN: L24121MH1979PLC021360



IIFL SECURITIES



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**
MS. PALLAVI BHALLA – HEAD, INVESTOR RELATIONS

MODERATOR: **MR. RANJIT CIRUMALLA – IIFL SECURITIES LIMITED**

Moderator:

Ladies and gentlemen, good day and welcome to Deepak Fertilisers and Petrochemicals Corporation Limited Q1FY '25 Earnings Conference Call hosted by IIFL Securities. 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. Ranjit Cirumalla from IIFL Securities Limited. Thank you, and over to you, sir.

Ranjit Cirumalla:

Thank you, Laiba. Good afternoon, everyone, and thank you for joining us on Deepak Fertilisers and Petrochemicals Q1 FY '25 Earnings Conference Call. From the company we have with us 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 Ms. Pallavi Bhalla, Head, Investor Relations.

We would like to begin the call with a brief opening remarks from the management, following which we will have the forum open for an interactive Q&A session.

I would now like to invite Mr. S.C. Mehta to make the initial remarks. Thank you, and over to you, sir.

S.C. Mehta:

Thank you, Ranjit. A very warm welcome to all of you for this earnings call. Our earnings presentation and press release have been updated on the company's website as well as the Stock Exchange. And I do hope you had a chance to review it.

So, at the outset, I'm very happy to share that DFPCL has delivered a good performance in Q1 FY '25. Our EBITDA margins climbed from around 12% to an impressive 20.4%. And the net profit increased by 76% year-on-year and have now notched up to INR200 crores. I'm also happy to share the positive impacts emerging from the recently announced Union budget. From a larger perspective, the Finance Ministry's continued strong support on the fertilizer subsidies, the growing outlay for the agriculture sector, and the strong support to infrastructure. All of them will go to provide a strong and positive tailwind to all our business segments.

At the micro level, the duty hike on ammonium nitrate and the duty reductions on the precious metals that go for fabricating the catalyst for all the nitric acid plants, both will bring small but direct benefits. Further, I'm also pleased to share that NCLT Mumbai has now formally approved the demerger plans, now paving the way of unwinding each business into a separate corporate entity. So the Chemical business will be housed in 1 entity, the Crop Nutrition Fertilizer business in another one and the Technical Ammonium Nitrate Mining Chemicals in the third.

Now with this strategic restructuring, this aligns very well with our vision of evolving from a commodity player to one that provides specialized holistic solutions. This restructuring will also help the businesses to focus on their specific business strategy, specific market leadership, technology and operational excellence right from the Board level to the junior most officer levels. Each business will now be sharply positioned in advancement of the respective transformational journey. The restructuring will also open doors for strategic global investors focus on specific businesses to join us and besides that, it will also further improve the specific business visibility for the investors in general.

Now turning to our business performance. In case of Mining Chemicals, Technical Ammonium Nitrate, showed a robust growth, resulting in a 23% increase in the technical ammonium nitrate sales volume year-on-year. This growth is supported by improved prices and increased demand in key end sectors such as coal mining, steel production and both showed around 11% growth.

Also, in our journey to provide holistic mining solutions, it is continuing and there we've now established some segment-specific case studies with very impactful results. So, we are getting more and more confident that we will be able to provide a very strong value proposition. The robust performance of the TAN business once again validates the beautiful alignment of our mining chemicals with the India growth story.

As far as the industrial chemicals goes, the business delivered lower volumes in nitric acid due to an extended repair job at our Taloja Nitric Acid plant and partly due to reduced demand from the downstream industry following a temporary shutdown of the GNFC TDI plant, leading to an oversupply of their asset in the market. But as you would have guessed, both are short-lived negatives.

IPA volumes were a little lower due to a plant shutdown. So that was as per plants. Having said that, our specialty products in the Chemical segment - Industrial Chemicals segment, including the pharma grade IPA and the stainless-steel grade nitric acid continued to grow based on the positive customer feedback as regards their value propositions.

When it comes to the Crop Nutrition Fertilizer business, the business delivered 11% year-on-year increase in sales of manufactured bulk fertilizers, whereas sales of specialty products like Bensulf have surged by 51% over last year. During the quarter, the business launched Croptek grade for soybean and Smartek grade for paddy and pulses, taking us forward in our crop-specific nutrient journey.

Further, the positive outlook is bolstered by a very good monsoon as you can all see. And so also our new partnership strategic alliance that we have with the Israel-based global leaders, Haifa Group, for high-performance specialty fertilizers. Besides the 3 businesses, our ammonia plant, is also now running fine. It's running at around 98% capacity. And this inclusion of this raw material in our fold has truly inducted a great risk mitigator in our total basket. So, when I look at it from a broader perspective, at the fundamental level, there are 3 things that we are seeing now and getting more and more validated.

Number one is, we continue to benefit in all our business segments due to the excellent alignment with the India growth stories, which are providing very strong tailwinds as the country's GDP also grows. So, it's a very natural corollary of positivity.

The second thing at the fundamental level that we see is that the solid foundation that now is laid, right, from LNG gas to now a world-scale ammonia plant to the building block, nitric acids to finished products and strong market shares in each. This gives us a very solid value accretion and risk mitigation basket. So, this is a second.

And the third is our relentless pursuit from a commodity product player to a specialty holistic solution player, riding on the foundation is also expected to deliver towards higher margins, particularly in view of the customized branded and volatility, insulated business profile that is gradually emerging in the next few years.

So, in a nutshell, 3 things. Beautifully aligned India growth story; number two, solid value chain; and number three, move from commodity to holistic solution. All the 3 promises to change the very face of Deepak Fertilisers in the years to come.

So, with this broad overview, I will now hand over to Mr. Deepak Rastogi, our CFO, who will provide you with more detailed insights on the financials and should be able to also address questions and clarifications. Deepak?

Deepak Rastogi: Yes. Thank you, Mr. Mehta. Can you hear me loud and clear?

Moderator: Yes, sir.

Deepak Rastogi: Very good. Good afternoon. Ladies and gentlemen, I thank you for joining Deepak Fertilisers and Petrochemicals Corporation Limited conference call to discuss the quarter one financial result. During Q1, we reported total operating revenue of INR 2,281 crores with an operating EBITDA of INR 464 crores, which saw an improvement of almost 66% from INR 281 crores on year-on-year basis.

Our operating EBITDA margins were at 20.4%, which grew by approximately 823 basis points year-on-year basis. The net profit for the quarter is INR 200 crores, which grew by almost 76% versus last year's quarter one. Revenue and operating EBITDA, as you would see, has shown consistent increase.

Coming to the performance of our businesses. Mining Chemicals business performed very well, both in terms of revenue as well as volumes. Sales volume surged by almost 23% Y-o-Y due to the improved demand and revenue grew by almost 19% on account of improved realization and obviously, the demand as such. The capacity utilization of our TAN business was closer to 104% for the quarter.

From an outlook perspective, as Mr. Mehta said, post demerger and the TAN business would get into a separate legal entity now. And it will establish itself as a fully integrated technology solution provider for all our customers. As you are aware that the export ban was lifted last financial year. We have already started exports from March '24 onwards, and we will talk about how much exports we did during this quarter as well.

The quarter also witnessed positive trends across key market indicators compared to the high base of Q1 of '24, which is last year. Based on the data published by the Ministry of Commerce and Industry, coal and steel production actually increased at 11% Y-o-Y. And we expect the demand to remain strong, which is again driven by the coal, power and infrastructure segment going forward.

Coming to the Industrial Chemicals business, the nitric acid was lower by 12% on account of extended repair job at our Taloja plant. Further, various trials at customers, especially for the steel grade nitric acid have been under obviously, they are being conducted right now. And we expect expansion of volumes from speciality grade going forward from here.

IPA volumes are down Y-o-Y based on the planned shutdown. Our specialty chemicals, which is pharma grade IPA continued to grow and receive positive customer response in this regard. The capacity utilization of our nitric acid plant was closer to 90% for the quarter. And for the IPA plant, it was closer to almost 78%. The price of nitric acid continues to be stable. The imports have become steady, and they have come down. And we expect the pricing improvement gradually over a period of few quarters. The propylene based IPA would continue to perform better as it has performed last year, as the demand and, obviously the price perspective, things remain stable or better.

For our Crop Nutrition business during the quarter despite delayed monsoon, in the last quarter, which is Q4 of last year had been not so great. The water tables have come down. Despite the delayed monsoon this year as well because two months there was hardly any rain and higher inventory of phosphoric fertilizers, the sales of bulk fertilizers grew 11% on Y-o-Y basis. Sales of specialty fertilizers saw an increase of almost 51% and specialty traded fertilizers grew by almost 80% Y-o-Y.

Bulk fertilizer manufacturing capacity utilization was closer to 67% during the quarter. We have also launched Croptek grade of soybean as well as Smartek grade for paddy and pulses. As the rains are predicted above normal this year, we are expecting a good Kharif season as well as growth volume in the coming quarters. The partnership with Haifa will help us to promote the high-performance specialty fertilizers, which we have been talking about.

Performance Chemicals Limited, which houses our ammonia plant. Ammonia plant as you know that we basically started this plant last year in Q2. The capacity utilization in Q1 at around 98%. Out of the total production, around 86% was for captive consumption and around 14% for the merchant sales. As we have been telling all our investor communities that the backward integration is helping us and will help us to reduce volatility to enable us to retain the margins within the group.

So this year, at least this quarter we saw the ammonia prices coming down for which some of the benefit actually got to the other businesses within the group which are our downstream industry. The same we have done it in the past, we have seen it, and we have seen it again.

The outlook is that FOB-ME ammonia pricing is expected to improve and started already improving. With the available capacity across all the plants, we are well positioned to navigate through challenges and capitalize on the group of opportunities.

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

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Jainam Ghelani from Svan Investments.

Jainam Ghelani:

Good evening, sir, and thank you for the opportunity and congrats on great set of numbers if you look on the year-on-year basis. But sir, I just want to understand on the TAN business, now since we are already operating at the rated capacity about 104%. So can you help us understand the demand supply dynamics in the TAN business and what will be general operating performance in terms of the EBITDA that we will be making only from the TAN?

Deepak Rastogi: So, are you suggesting how we would you be improving our growth for TAN business? Is that your question?

Jainam Ghelani: Yes.

Deepak Rastogi: We currently have a capacity of around 540,000 tons right now, we are actually expanding additionally 50,000 tons, which will come upstream by the end of September. So obviously, the capacity would go up. We are looking for getting our new plant ready in Gopalpur with a capacity close to 376,000 tons. You can say around 400,000 tons, which would come upstream sometimes to next year.

We actually are looking for a huge growth going forward. I would also say that we generally are close to almost 50% to 60% of the marketplace, and we will continue to do that.

Jainam Ghelani: From our operating performance, how much will be contributed from TAN? Like see INR464 crores of the EBITDA that we reported in the current quarter, what would be the contribution from the TAN in it?

Deepak Rastogi: I will have to see the numbers effectively. But purely from a TAN perspective, I would say close to almost 50%, 55% would predominantly come from, but I will just confirm those numbers to you.

Jainam Ghelani: Even if you take 50%, when we try to assume that the EBITDA per ton under TAN remains between INR18,000 to INR20,000 per ton, right?

Deepak Rastogi: That is up to you, but you're very close for sure.

Jainam Ghelani: Sir, secondly, in the nitric and in the IPA, we have seen the lower volume because of the repair and the maintenance shutdown. So is the facility back in operation or probably see lower volumes from both these facilities in Q2 as well?

Deepak Rastogi: So your question is for IPA you mean to say?

Jainam Ghelani: IPA and nitric in Taloja also we have taken a repair due to which there was a shutdown and there was a lower volume?

Deepak Rastogi: So IPA, I can tell you that the reason why we have good, obviously, runway on IPA is that, there are two things. First of all, obviously, we continue to supply the pharmacopeia certified grade of IPA, that's number one, which goes into the pharma category. And we have continuously been seeking CDSCO approvals to make sure that IPA's use continues to be number one.

The second thing is, on the other side, the IPA is manufactured as through the phenol route, which is like from acetone. And given that the prices of phenol have been quite low and hence the pricing. It doesn't make sense for them to really sell at a pricing which is not conducive. And the reason is that all this phenol chemicals actually go into predominantly into automotive as well as construction industry, and most of the consumption happens in China. Given the local industry has not been doing well and hence those pricing continues to be stretched right now.

On a long-term basis or rather short to midterm basis, this trend will continue. So, we are expecting that demand would continue for the next at least a couple of quarters or maybe a couple of years as well.

Jainam Ghelani: So our capacity is that in IPA will continue to remain the range of 80%, 85%, it won't go beyond above that, right?

Deepak Rastogi: I think last quarter, we did more than 100%. We will basically reach 100% given that we had a plant shutdown and hence, we have this situation. But we will be able to clock almost 98% and 100% only going forward.

Jainam Ghelani: Sir, in terms of nitric acid, extended repair job that continues in the Taloja, is the facility up and running in month of July or the repair work is till going on?

Deepak Rastogi: So that is a short time aberration. It got repaired within the quarter only, but it had an impact.

Jainam Ghelani: Because this quarter at least we'll see capacity ramping up from nitric as well.

Deepak Rastogi: Yes, you're right.

Jainam Ghelani: Contribution in the overall revenue from the ammonia. And as the current realization, what would be the EBITDA per ton that we will be making on the ammonia plant?

Deepak Rastogi: So from an EBITDA perspective, given that the ammonia prices have been quite subdued beginning of this quarter. Obviously, I will have to get the numbers exactly how much per ton will be. But predominantly, it was quite less at least for this quarter because overall ammonia prices have been depressed quite far. But from an external sales perspective, whatever we sell to third party, those have been quite encouraging because it sells over on premium of the ammonia pricing, which generally it is we generally have a benchmark as FOB-ME pricing. And it was trading as the external sales are from a premium perspective. So we gained something out of it.

Jainam Ghelani: And just help us understand what will be our cost of production in ammonia definitely pricing will depend. But at what level we will be breakeven at the ammonia?

Deepak Rastogi: So we have been answering this question. We will basically provide you offline those details.

Moderator: The next question is from the line of Parth Kotak from Plus91 Asset Management.

Parth Kotak: Firstly, I would like to congratulate you and your team for a decent set of numbers. Sir, my first question is on the expansion project and capacity utilization. So just want to take an update with the ongoing expansion at Gopalpur for TAN and Dahej for nitric acid. Can you provide an update on the expected timelines for these projects? Are we online on what we committed before? And additionally, what are the anticipated capacity utilization from the new facilities upon completion? Can they be ramped up once they are commissioned straight away? Or how would the capacity ramp-up happen?

Deepak Rastogi: So thank you so much for your compliments first of all. To answer you, we are looking to start the production sometime in H2 of financial year '26. That is number one.

Regarding your question on the capacity utilization, it takes because these are very big plants, it takes few months to ramp up fully, but we expect to start ramping up between 70% to 80% initially, which will eventually ramp up to around 90% to 100%. Like even if you were to see our ammonia plant we basically started with maybe 70% or 80%, and now we are running at 98%, and it would actually further improve from where we are right now.

Parth Kotak: Sir. That is helpful. Secondly, I would like to understand the impact of ammonia price volatility. As you have rightly mentioned, probably the additional EBIT that we make from ammonia would be negligent. And like we have been guiding if ammonia continues to trade at about \$400 or \$450, which is the long-term average of ammonia. And again, from more of an accounting perspective, the way we are reporting our numbers, would it be fair to assume when we would be showing an EBIT margin of about 40% on our Chemicals business and about 15% plus on our fertilizer business, especially when we are not showing an EBIT for ammonia separately?

Deepak Rastogi: No. So currently, if I were to see, you are talking about the margins? Or you're talking about the volumes?

Parth Kotak: Margins, sir. Margins.

Deepak Rastogi: So we will have to do that math overall. But we don't do the math how much including ammonia and excluding ammonia because business as a business. But I can only tell you that like last year also, we saw when we started the plant the ammonia prices were close to around \$250 FOB-ME. This quarter, the average was close to around \$290 FOB-ME but it actually ramped quickly to almost 330 - 340 in the last quarter. And we expect that to happen anytime soon in this as well. So overall, I don't think so that a quarter is a mirror or replica of how the year is going to pan out. So I just wanted to put that to rest.

Parth Kotak: Perfect, sir. No, probably just for my better understanding, we've posted an EBITDA of about INR 465 crores which would translate, again we are not talking about numbers per se, just from an understanding of how the business would pan out after ammonia prices normalize. So INR465 crores, so INR1,800 crores to INR2,000 crores of EBITDA for the year. And on top of that, there is a potential to probably due a INR1,000 crores of EBITDA savings coming from ammonia price normalization. Is that the right way to look at it?

Deepak Rastogi: I think you are double adding some of the things some of the benefits which the businesses have got, they may not be able to derive similar benefits when the ammonia prices goes up, right?

So there will be definitely some portion of EBITDA would get enhanced or expanded, but not 100% of that. It will be a jackpot if we do it. But I don't think so that is. Anyway, that is not we are expecting at all.

Parth Kotak: Perfect, sir, that is absolutely helpful. Now I understand clearly. Just to squeeze in a last question to gain clarity, sir.

Moderator: May we request you to return to the question queue for follow up questions as there are several participants waiting for their turn.

Parth Kotak: Okay, sure. I'll join back the question queue.

Moderator: Thank you very much. The next question is from the line of Deepak Mandhana from Avighna Investments.

Deepak Mandhana: I have two sets of questions. One is pertaining to the TAN business. So we are doing capex for the Gopalpur plant, but I believe 6 months back, can you just give me what is the export percentage of our TAN business and the domestic?

Deepak Rastogi: So there was zero exports 6 months back because the ban only got lifted sometimes in October. By the time the ordinance actually came, it took some time for us to receive and things like that. So actual exports started only last quarter, which is the last quarter of the last financial year, which is '23-2024. Now from this quarter the business will start looking at aggressively all the exports to be done.

Deepak Mandhana: The reason why I'm asking this is because Coal and BHEL have signed a JV for setting up 2,000 ton per day ammonia nitrate plant. So obviously, they will also be by the time ready be somewhere around the time we commission Gopalpur plant. So would that not lead us with an excess supply in the market? And wouldn't it impact on our revenue and also on our profits?

Deepak Rastogi: So we are not expecting the plant which you are referring would be ready by then for sure. Obviously, they have a plan, but they have not suggested when they will start how much would be the case. So both things are there. As part of the declaration, we are aware of it, but there are no time lines that when they will do it.

Now coming to your question whether we will have an excess capacity going forward. So I can tell you that currently, almost 25% to 30% of the demand actually is fed by imports today as we speak, every year-on-year basis. And we have to see how much is the new capacity is coming in. But on the contrary, given the emphasis on mining as well as infrastructure activities, these sectors are going to grow at a CAGR of, if not more 10%, at least 8%. So that would, again, maybe 5, 6 years, it will improve dramatically.

We are not expecting on long-term basis any capacities which are basically going to be idle, but there could be a few quarters when the business is not doing well maybe there could be some surplus capacity. But what would happen is that we would expect lower imports compared to what we see today. If at all the plants are cost competitive because one of the things which you should also understand is that unless until the plants are cost competitive, it doesn't make sense for anybody to actually even produce because if they can get similar materials from outside at a more cost-effective prices. And we don't know how the costing would pan out to be for them.

Deepak Mandhana: Okay. And the second question was on Mahadhan. So, you had filed earlier circular with the exchange stating that the demand for the commissioner appeals has been discussed by them. Can you provide an update on that? Is there any new set of things that has happened post that?

- Deepak Rastogi:** So we basically feel that we have a very strong case and whatever demands which the commissioner of income tax has actually saying, we continue to obviously fight that at various levels. And we will go to the highest level because we think we have a very strong case to defend us.
- Deepak Mandhana:** So is currently the case at the ITAT level or has that reached to high court?
- Deepak Rastogi:** That is correct. It is at the ITAT level right now.
- Moderator:** The next question is from the line of Vivek Choraria an Individual Investor.
- Vivek Choraria:** You've given all the details in quite a general manner. I just wanted to get a broad two to three-year outlook. I'm not asking for a guidance. I mean Q1 FY '25, we've done an EBITDA of close to INR 464 crores. So we're at an annual run rate of close to INR1,700 crores, INR1,800 crores. Is it possible for the group as a whole to aspire for, say, INR3,000 crores EBITDA number, I mean, in the next 3 years? I'm not asking for any near-term guidance sir or anything. Just wanted to understand what the vision is for the next 2 to 3 years?
- Deepak Rastogi:** So you are asking me to forecast. So unfortunately, I cannot really answer you exactly. But obviously, the year looks good. That's all I can tell you.
- Moderator:** The next question is from the line of Adarsh Jain an Individual Investor.
- Adarsh Jain:** So my question is related to demerger. So basically, we have got the demerger approval and we wanted to know the people who are already holding shares of Deepak Fertilisers will they get the shares of the new entity, which is Deepak Mining Solution and by when it can be completed?
- Deepak Rastogi:** So the demerger happened, which is the subsidiary of Deepak fertilisers, and it is called Mahadhan Agritech Limited, which is an unlisted company. It used to house the CNB business, which is our fertilizer business and also the technical ammonium, which is the Mining Chemicals for us business. Now the Mining Chemicals business is getting carved out into a new legal entity and its name is Deepak Mining Solutions Limited. So that is the impact. And hence, there is no impact on the existing shareholders of Deepak Fertilisers.
- Adarsh Jain:** Okay. So what you said is I mean, the Chairman in his opening remarks, he said that any investor who wants to invest in particularly in one business can come and invest in the business he wants to invest, right? So basically, what I want to understand is, i.e., bought shares of Deepak Fertilisers because of TAN business, because of this ammonia plant. Now if somebody else comes and he gets the shares and -- I mean will I be getting the value I'm looking to my shares?
- Deepak Rastogi:** So the answer is, yes, because we would continue to look for technology partners as well as strategic investors to grow those businesses. Whether it is the fertilizer business or whether it is the Technical Ammonium Nitrate business. So whatever growth which we see automatically it will show up in the holding company. So that is how it will benefit all the shareholders indirectly, but not the way that any shares would get allocated to them.

- Adarsh Jain:** So the person who will come new will be able to get the shares. And the existing shareholders will get the benefit only of being a holding company, not the individual company?
- Deepak Rastogi:** No. But I don't think so that we may give a shareholding. It depends upon what kind of investor we would get it. If it is a technology one, obviously, because it is the risk and rewards which carry for any investor from that perspective. And hence, those are the discussions would happen if at all somebody comes in and we need it. I don't think so that we are able to comment anything at this point in time.
- Adarsh Jain:** Okay. But I mean, as a shareholder, I can make you a request that you should keep in mind people who have been investing in your company for the past few years because of the TAN business or the ammonia business. They should also get something out of it. I mean being a holding company, I mean, if I had known this before that not getting any shares after demerger, I mean, you should do something for them who are existing shareholders, and they should also get the shares of the when you plan to, I mean, divest the stake or maybe if you give the shares to any investor based on technology value investment or whatever investment you are seeking of the any company.
- Deepak Rastogi:** We hear you, and we will see what can be done. But I don't think so that we can discuss this right now on that aspect because no decision has been taken so far.
- Adarsh Jain:** I can make you a request that please keep this point in mind.
- Deepak Rastogi:** Sure.
- Moderator:** The next question is from line of Sanjana from FWC.
- Sanjana:** I have a question on our ammonia plant, the new ammonia plant, what is the capacity utilization right now for the ammonia production?
- Deepak Rastogi:** It is closer to 98%.
- Sanjana:** 98%. Can we expect it to remain at this level like is this the optimum level? Or what is the maximum synergy?
- Deepak Rastogi:** We can actually go more than 100
- Sanjana:** Okay. And sir, how much is our ammonia requirements for all our plants together? How much do we require today?
- Deepak Rastogi:** So we have a capacity of closely around 500,000 tons. Almost, as I said, 86% is actually captive consumption -- 85%, 86% will be mostly captive consumption, balance will be for outside. So we would still have some capacity left for us to use it for captive.
- Sanjana:** Okay. So we still are using almost 85% growth into captive and we have around 15% that we can sell outside? Is that so?
- Deepak Rastogi:** Yes, that is correct.

Sanjana: And after the expansions are done -- after the channel expansion and nitric acid expansion, how much will our ammonia requirement we win, will we be fully sufficient then? Or we'll still require something from outside?

Deepak Rastogi: No. So in that case, we will have to really buy from outside given that the locational disadvantage even though we may have some capacity left with us, but the logistics costs would not support that. Hence, we would prefer possibly import and we will have to see the cost benefit. But the way it stands today is that we may have to buy locally at Gopalpur.

Sanjana: Okay. Sir, one last question on the mining subsidiaries. So we had a plan for scaling up the service part of the mining subsidiary where we were helping out companies and providing end-to-end services to reduce, say, costs on mining of anything. So is there any scale-up happening on that front?

Deepak Rastogi: So as we speak, there are a number of projects which are currently undertaken by the business. And we would continue to scale up. And you would also realize is that these are the services which do not exist today. We are actually creating the market for it. So we've been telling our investors is that we will be definitely, we are very aggressive in expanding it, but it will take some time before we get there. And this will become a material till the time it becomes a material part of the business. So we are still a few quarters or a few years away from where we should be right now.

Moderator: Next question is from the line of Pramod Dangi from Unifi Investment Management.

Pramod Dangi: Thanks and congratulations for the good set of numbers. Mr. Mehta, I just want to check on the TAN. Last year, we have seen a lot of import of the Russian TAN, low-grade TAN. Can you throw some light, what's happening over there today? Is there any antidumping duty being imposed or that certain import has been reduced? How do we see that going forward?

Deepak Rastogi: So last year, we got a lot of it is not TAN actually, it is FGAN which actually got imported. And as I said, that almost 25% of, domestic requirements, gets imported. Last year, what has happened is that all the imports came from Russia only. That is number one.

Second thing is that generally, we are seeing around 325,000 to 375,000 tons per annum. Last year, what happened is that almost 400,000 tons actually came in a span of two quarters or maybe 2.5 quarters. And hence, it created an short-term aberration. Currently, obviously, the imports continue, but obviously, it is slightly more restricted. We are not seeing that kind of imports or that kind of volumes coming together. And obviously, all the companies have represented for the antidumping, but obviously, the government has to take its own call.

But so far, there are no antidumping duties. But in the new budget, as you would have read is that the duty has actually been increased for importing ammonium nitrate. So 2.5% of the duty has gone up, part of it would create some kind of a deterrent for the importer, but we'll have to see. I'm sure that the government is taking more steps to be able to at least give some competitive advantage to the domestic manufacturers as well.

- Pramod Dangi:** Okay. And secondly, on that since our capacity is coming on stream next financial year, additional capacity on the TAN. How the overall industry scenario looks like any other guys are doing any expansion? Any other largest player in India. So how the competitive scenario looks like after 1 - 1.5 years down the line?
- Deepak Rastogi:** So we know that RCF and sorry, Chambal is actually coming up with some kind of new capacity. As I have been telling that they have actually announced that it is an ammonium nitrate capacity which they're bringing in. But they are also manufacturing fertilizers. So we'll have to really see where their facilities will get utilized.
- Assuming it is for ammonium nitrate only the current capacity, as I have said that domestic demand if fed through imports and still would come in and there would obviously, room for imports. So we don't see much of a mismatch, but few quarters here and there, it could be mismatch. If the demand goes down, obviously, there could be some volumes here and there. But long-term basis, we are not looking for any kind of a supply gap for mismatches.
- Pramod Dangi:** Okay. And lastly, if I may...
- Moderator:** The next question is from the line of Bhavesh Shah an Individual Investor.
- Bhavesh Shah:** I wanted to ask that what was there any S-GST benefit in the ammonia project recorded in this quarter?
- Deepak Rastogi:** Yes. We have actually. So you mean to say the incentives?
- Bhavesh Shah:** Correct.
- Deepak Rastogi:** Incentives for the ammonia plant. So last year, as you know, that we have actually got in Q4 around INR89 crores. For this quarter, we have done closer to almost INR35 crores. We have booked it which is prorated for the year. We expect similar if the volume obviously, if the prices goes up, it may be even higher in the future quarters.
- Bhavesh Shah:** So the accounting will be consistent, right, for this quarter-over-quarter?
- Deepak Rastogi:** Yes, yes, yes.
- Moderator:** The next question is from the line of Jainam Ghelani from Svan Investments.
- Jainam Ghelani:** I just had two questions. The first one is there any planning for debt reduction this year? And how would you be dividing our debt post the demerger within the 3 companies?
- Deepak Rastogi:** So, we always continue to reduce debt. But there are ongoing projects, which would require new debt for funding those projects. So whether it is Gopalpur or whether it is Dahej. So overall even though we may be repaying the existing debt, but overall, the debt portion may go up because the new debts are coming in for the new projects. And it should peak out sometime next year.. And hence, we would start seeing some reductions there on.
- Jainam Ghelani:** So what would be the peak debt level?

- Deepak Rastogi:** So it depends how we see it. But more or less, it should be between INR5,000 -- INR5,500 crores to INR6,000 crores is what we think right now, but it can be lower than that as well. Given that if everything comes together, but that's the way we are looking at it. But net, this is a ground which I'm talking about the net debt will be definitely be lower than that.
- Jainam Ghelani:** Sir, by when do we expect the demerger process to be completed? And how would we bifurcate the debt within those 3 entities?
- Deepak Rastogi:** So we basically have certain plants which are already there in queue. So let's say, the Gopalpur that will go to the TAN business. The Dahej project that would go automatically to DFPCL. That's how the things are. And the existing debt which is there, based on the projects which it has funded. So it is very, very clear. So that we would start obviously once we will start releasing our financials now business-wise, it would actually show up how much debt each business or each entity would carry.
- Jainam Ghelani:** Is it fair to assume that at the end of last financial year, we had a debt of INR4,150 crores which was the gross debt and this was largely used for funding of our ammonia plants. So this plus the Gopalpur project once gets completed, is it fair to assume that the majority of the 70% to 80% of the total debt will be on the TAN, I mean, the Chemical business and the remaining will be on the Industrial Chemicals?
- Deepak Rastogi:** So there are existing there for you know past projects because these are long-term debt. And the door-to-door tenure is 10 to 12 years. So some of the debt would also come from the previous projects. And hence, it is not even though it may be lower, but you rightly say, majority of the debt would be from the ammonium plant, the Gopalpur plant and obviously then the nitric acid, which is the Dahej plant.
- Jainam Ghelani:** How much capex you are going to do this year and next year because both of the facilities is going to come on stream in second half of FY '26?
- Deepak Rastogi:** I cannot hear you properly. Please repeat it.
- Jainam Ghelani:** Sir, capex spend for FY '25 and '26.
- Deepak Rastogi:** '25 and '26, meaning for the projects you mean to say?
- Jainam Ghelani:** Yes, Total capex for the project.
- Deepak Rastogi:** So we have said that the Gopalpur project, we are going to incur close to INR2,200 crores. As far as Dahej is concerned, we have said we will do around INR2,000 crores.
- Jainam Ghelani:** And sir, how much we'll be spending in this year and next year?
- Deepak Rastogi:** So we are going to spend close to around INR700 crores for our Gopalpur project because we have also incurred last year. So overall, we are talking about close to INR750 crores for each of the plants between – so close to maybe INR1,500 crores both put together that's the kind of money which we will spend this year.

- Jainam Ghelani:** INR1,500 crores will be equally divided between Gopalpur and the Dahej?
- Deepak Rastogi:** More or less, yes.
- Jainam Ghelani:** And next year also, it will be more or less the same amount?
- Deepak Rastogi:** We'll have to see how much is actually retained, but could be similar here.
- Moderator:** The next question is from the line of Subash from Value Investments.
- Subash:** Sir, could you please explain in simple words about your demerger of TAN business? Because the earlier question which was asked by some of the investors I got confused because you said the demerger has happened and the wholly owned subsidiary that is this after split it is a new company name is Mahadhan, right? And what is the other business that you mentioned? And if this is a wholly owned subsidiary of Deepak Fertilizers, if at all, this Mahadhan gets listed right in the future, why wouldn't the existing shareholders get shares in Mahadhan. I mean, could you explain in simple terms about the demerger, please?
- Deepak Rastogi:** So first of all, you should go to our corporate presentation or the earnings presentation. We have actually added a slide on the demerger exactly to the question which you are asking. It talks about what is the existing structure and what will be the new structure, demerged one. So once you should look at it, otherwise it may be difficult for me to explain and you would may further get confused. It's better to look at that.
- And then if you still have follow-up questions, we will be able to answer you off-line. As far as your listing of the entities are concerned, we have 2 unlisted entities, which is one is for Mahadhan Agritech, which is an unlisted entity. The other is Deepak Mining Solutions Limited, that is other unlisted entity. There are plans in future, but no decision has been taken so far on the listing part. So whenever that comes in, we will talk at that point in time. And we will also talk about what could be the deal for the existing shareholders. It is difficult for us to comment right now because there are no plans.
- Subash:** I completely understand that you cannot explain the complete structure. I'm looking at your presentation. So to be more specific, If at all, right, I'm not asking about any deal or the ratio or anything. If at all, this Mahadhan gets lifted in the public space, would Deepak Fertilisers shareholders get the shares of Mahadhan?
- Deepak Rastogi:** So that will be whatever the scheme would be we will basically come out at that point in time. That's what I said. I cannot basically comment today because there is no decision which we have taken so far.
- Subash:** But you mentioned that Deepak Fertilisers shareholders are not eligible to get Mahadhan shares?
- Deepak Rastogi:** We never said that DFPCL shareholder will get shares. We possibly said that in order to these companies to grow, which is Mahadhan as well as Deepak Mining If they needed technology support, they needed funding and all they can do their own technology and funding tie-ups..

That's the only comment which we have made. Obviously, there are expectations from shareholders, which we cannot answer right now because no decisions have been taken so far.

Subash: Okay. I understand that these companies are still under Deepak and they're wholly owned subsidiaries. That's the end right?

Deepak Rastogi: Yes.

Moderator: Next question is from the line of Pramod Dangi from Unifi Investment Management.

Pramod Dangi: No, my question was answered.

Moderator: The next question is from the line of Adarsh, an Individual Investor.

Adarsh Jain: My question is already answered. I've already asked them the question.

Moderator: The next question is from the line of Niraj an Individual Investor.

Niraj: I just wanted to know what are the plans? And what is the current situation on Mining Solution business? And what are the prospects? Who are the current competitors? How is that business shaping up?

Tarun Sinha: This is Tarun Sinha here. I will take your question. Thanks for your question. So as Mr. Deepak Rastogi was mentioning earlier, this newly created entity by the name Deepak Mining Solutions Limited, essentially has a very unique value chain for its consumer, which starts from its own ammonia and then goes on to its ammonium nitrate. And then we use all of that together with blasting technology and different kinds of operational machines to provide mining solutions in the form of productivity improvement in the mines and infrastructure projects of the country. So that's the uniqueness of this model. It's a self-contained blasting solutions business. And I would rather call it a Mining Solutions business.

Who is doing it in India today? That was the other part of your question. The answer is no one has this kind of a value chain from ammonia to mining solutions as an integrated chain under one umbrella. So that's the uniqueness. And there was a question in the call in case you heard that, how long will it take to scale it up? We just started this whole thing about 1.5 years ago, this whole solutions model. And now we've created a new corporate entity to give it the impetus that it needs and slowly, slowly we'll be looking forward to scaling it up by building all those required capabilities.

Niraj: So, where do we see this Mining Solutions business 2, 3 years down the line? What kind of a growth percentage tentatively if you can share the -- we can expect in this business?

Tarun Sinha: So this is a similar question in one of the previous, I would say, quarterly calls, I'm not sure whether you were there. The answer here is the sky is the limit, to be honest, because the canvas is entire Indian mining industry and the infrastructure industry. There are two main factors which will determine how fast or how slow this can be done in terms of scaling up. One is because it's a new type of business model, our consumers are actually watching us, how do we bring this model in the market. We are working on a number of pilot projects as we speak. So that is one

factor which will determine what it will look like in the next 2, 3 years, which is from an acceptability point of view.

Second is the speed at which we will be building our own internal capability to convert the market.

Niraj: Okay. So at the international level, is this kind of a business operational or its -- globally it's a unique one?

Tarun Sinha: So there are very few handful of global companies who actually have this kind of a model operating, not in India, in different parts of the world, but no one does it in India today.

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

Deepak Rastogi: Thank you all for attending quarter one financial year '25 conference call of Deepak Fertilisers and Petrochemicals Corporation Limited. Thank you again, and good evening to all of you.

Moderator: On behalf of IIFL Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.