Regd. Office: Sai Hira, Survey No. 93,
Mundhwa, Pune - 411 036, India.
Tel: +91 (20) 6645 8000

DEEPAK FERTILISERS
AND PETROCHEMICALS
CORPORATION LIMITED

May 26, 2023

The Secretary	Listing Department
BSE Limited	National Stock Exchange of India Ltd.
Phiroze Jeejeebhoy Towers,	Exchange Plaza,
Dalal Street, Fort,	Bandra - Kurla Complex, Bandra (E)
Mumbai – 400 001	Mumbai – 400 051
BSE Code: 500645	NSE Code: DEEPAKFERT

Subject: Management Transcript of Q4 FY 2023 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 19th May, 2023 to discuss the financial results of the Company for the quarter & year ended 31st March, 2023.

The transcript of the Q4 FY 2023 Earnings Conference Call will also be made available on the website of the Company i.e. https://www.dfpcl.com/.

We request you to take the same on your record.

Thanking you,

Yours faithfully,

For **Deepak Fertilisers**

And Petrochemicals Corporation Limited

GAURAV UMAKANT MUNOLI

Digitally signed by GAURAV UMAKANT MUNOLI
Date: 2023.05.26 15:36:53 +05'30'

Gaurav Munoli

Company Secretary

Encl: as above

Earnings Conference Call

Q4 FY2023

May 19, 2023

Management:

Mr. S. C. Mehta – Chairman & Managing Director

Mr. Amitabh Bhargava – President, Finance and Chief Financial Officer

Mr. Tarun Sinha – President, Technical Ammonium Nitrite

Mr. Deepak Balwani – Head, Investor Relations

Hosted by PhillipCapital

Moderator: Ladies and gentlemen, good day, and welcome to the Deepak Fertilisers and Petrochemicals Limited Q4 FY 23 Earnings Conference Call hosted by PhillipCapital (India) Private Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Harmish Desai from PhillipCapital (India) Private Limited. Thank you, and over to you, sir.

Harmish Desai: Thank you, Lizann. Good afternoon, and welcome to the Q4 and Full Year FY 23 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. Amitabh Bhargava – President, and Chief Financial Officer; Mr. Tarun Sinha – President, Technical Ammonium Nitrate; Mr. Suparas Jain – Vice President, Corporate Finance; and Mr. Deepak Balwani – Head (Investor Relations).

I would like to thank the Management for giving us the opportunity to host this call. We will begin the call with opening remarks from Mr. S C Mehta followed by Mr. Amitabh Bhargava for details on "Financial Performance," post which we will have a Q&A session.

Thank you, and over to you, sir.

S C Mehta: Thank you, Harmish. A very good afternoon to all of you, and welcome to the Q4 FY 23 Earnings Conference Call.

I hope you had a chance to look at the Financial Statements, Press Release, and Earnings Presentations that were uploaded on the exchanges and our website. Let me take you through some of my thoughts and insights as I look at the larger picture.

At the outset, let me share the joy of the performance of FY 23 as a whole for the 12-month period that where our revenue jumped by 47%, and it crossed the landmark of 11,000 crores, 11,300 to be precise. Even more, I would say joyful was that profits jumped by 77%, and crossed the landmark of over 1,000 crores. To be precise, 1,221 crores.

And looking at this performance, last week in our Board meeting, the Board was also enthused to recommend a 100% dividend for the coming year for the shareholders to consider. And all of these are, indeed, landmarks, and this is something that is a joy to see. Of course, almost over 85% of these results are emerging out of the chemical business, and that is something that in one sense brings this misnomer also to like that we are the fertilizer company, but 85% is from the chemical business.

Now I was looking at in terms of what could be the undercurrent takeaway from the 12-month results, and one aspect that I thought I should share with you what I was seeing was that despite the fact that we saw an unprecedented hike in raw material prices in the last year almost 60 to 80%, and as a result we also saw an unprecedented hike in finished product pricing because we had to pass on.

But the usual aspect or something that we saw is a very positive object was that there was no demand destruction despite these unprecedented finished good pricing. And what that gave us very clearly as a message was that it validated the excellent alignment all of our three businesses have with the India growth stories. The fertilizer business, the industrial chemicals or Pharma chemical business, and the mining chemicals business, all of the three indeed have a very good alignment with the India growth story and which is why we did not see any demand destruction.

Now having said that, we were seeing also Q4 and whereas the Q4 all the revenues jumped up by 39%, in terms of profits, there has been a dip of around 9%. And as we analyzed that we saw that mainly it is emerging from the TAN business, the mining chemical business or Technical Amount Nitrate business, and there we saw two or three things that have emerged in this quarter.

Number one is what we haven't seen in general also in specific to this quarter that now the raw material prices are gradually coming down to the normal levels which were there during the pre-COVID period. And so also there is a similar correction in the finished goods prices, and they are going almost in tandem, but we are seeing that in some other quarters, one precedes the other or the other precedes the first which is there for that particular quarter, there could be a little bit of an impact emerging as the raw material prices and finished goods prices in tandem move to the lower levels. So, there as I see it while it has impacted the quarter, it is something that should even out in the balance part of the year, but in case of TAN, there are three other things that uniquely happened.

Number one is that the government put a ban on exports of Ammonium Nitrate. And this is something which we were wanting to actually push, especially the Low Density prills, which is our top-grade quality product, but because of the worries that the government had in terms of availability of TAN for the larger targets that they had for coal mining that they were worried that it would not be available, it's a misplace worry. But as we see there is a ban on exports. And of course, we have talked to the various levels in the government, and now they see the illogic in that aspect. We are hoping that some corrective action will come in soon.

The second aspect is that there were floodgates open up of imports because the antidumping duties went through a sunset clause getting over, and while the government and the other measures that are there to re-evaluate that logic of it, this window was clearly there that imports were really allowed.

And the most important aspect that we saw was that because of the various sanctions on Russia from other countries, India has become a nice dumping ground, and that aspect of it also impacted. Now a lot of these things are gradually shifting, moving into a better space, but from a strategic perspective, if I might share that some of these volatilities is something that we are seeing as a part of our lives.

And in order to combat the volatility, we are looking at three-pronged approach:

Number one is we are continuing our aggressive drive in all the three businesses to move from this commodity orientation to a specialty orientation, enhancing specialty, it is more in terms of holistic solutions for the end consumers. And in the fertilizer business instead of the commodity implicates, more and more now we are looking at crop specific nutrient baskets, and instead of focusing on the dealers, we are focusing on the farmers as I have shared last time also. And similarly, for the TAN business, that's very strong focus on technology-based holistic offering, TCO as they say for various infrastructure projects. so, first aspect that we are seeing as a strategic imperative to deal with the volatility is a continued strong drive to move from commodity to specialty.

The second aspect that we are also seeing in order to combat the volatility is again what we have put into effect, which is a backward integration into our raw material, which is ammonia, which can become a very great risk mitigator so that the volatility of the ammonia prices stays within the group. So, there again as what we had committed before the end of Q1, we are looking at declaring commercial production, and as we speak, we are in the last, very last legs of commissioning activities that are going on at site. But that is going to be, the ammonia is going to be also a good risk mitigator in the longer run so that we have a good, combat for the volatility that otherwise would have impacted us in the ammonia pricing.

And third is we are moving more and more in a lot of our products for our natural hedge where the finished goods prices are somewhere interlinked to its raw material and Forex. So, that some of those become a pass through.

Now as I look at the balance part of the year in terms of the major undercurrent, what I see is, number one, as far as the TAN mining chemicals sector goes, the coal mining upswing that we are seeing and so also in case of cement infrastructure, those both were very positively in terms of at least the demand, the needs that are there. And there, like I said, we will continue our drive for holistic products offering in terms of product led solutions rather than just products.

In case of the acid business, the China plus one aspect is something which is continuing to good demand for the acid. And in fact, it is leading us to look at additional capacities very seriously looking at the growing market. And even in case of acids, we have got some very good breakthrough for specialty grade acids for the steam sector or for the solar industry, and that is something that we are pushing. Once we have a good proof of concepts, I believe that even the export markets could open up for these specialty grade.

In case of IPA where we had struggled with the dumping from China, now, thankfully, the safeguard duty has kicked in, and that is something that is going to give us a certain kind of a insulation. And additionally, of course, our drive to move the commodity IPA into Pharma grade IPA also continues.

On the Crop Nutrition space, we will continue for the balance year or years ahead to focus more and more in terms of the crop-specific NPK and working more and more closer to the farmers so that the move is from your price - based, commodity-based selling to more value-based and value pricing kind of approaches and thoughts. Like I said, the ammonia available from our own plant will become a good risk mitigator, and whereas we have tied up almost 68% of our gas requirements for the next 3years. We are just about round the corner to pass the balance that is there.

And lastly, our demerger activities are going in the right direction. It's a matter of little time, the NCLT process is on, and we should be in a position to look at, I would say, effectively implementing the demerger. And what it will do is, as you are all aware, it will get a very strong focus on each business segment. Now we house in an independent corporate entity. So, right from the Board to the lowest level of management will be very strongly focused on that specific sector and obviously, this would open up also various kinds of further corporate restructuring ideas and thoughts. so, that is also something which is in the right direction.

With these initial thoughts, let me hand it over to Amitabh who can take you through all these details of the figures and how the year and the quarter went by.

Amitabh Bhargava: Yes. Thank you, Mr. Mehta. Good afternoon, ladies and gentlemen, and thank you for joining the Deepak Fertilisers and Petrochemicals Conference Call. We are presenting our Q4 FY 23 Results. I think the Chairman did cover at length a number of aspects. so, I will just keep my statement very brief.

Just to quote the numbers, DFPCL has successfully concluded FY 23 with record-breaking financial achievements of our highest ever revenue and PAT figures. For 23, we reported a substantial growth in our total operating revenue, which amounted to about 11,301 crores, representing an impressive Y-o-Y increase of 47.5%.

Our operating EBITDA was Rs. 2,165 crores, a growth of 60% on a Y-o-Y basis, and profit after tax of Rs. 1,221 crore, growth of 77.6%. These remarkable growth figures are the results of our various strategic initiatives undertaken during the year as Chairman also explained in his statement.

As of 31st March 23, the Company has net debt of Rs. 2,518 crores with net debt to equity of 0.48x. We have already tied up the entire debt of Rs. 1,541 crores with door-to-door tenure of 14 years for our TAN Gopalpur project, and we don't have any large loan repayments due in the next 3 years.

Now I open the floor for question-answer session.

Moderator: Thank you. The first question is from the line of Vishal Prasad from VP Capital. Please go ahead.

Vishal Prasad: Amitabh, I think sometime in 2021, I had asked about our CAPEX, and you had explained in detail why we are doing Ammonia backward integration and the benefits we would have, but all has not happened during last 21 months. so, what we know today in terms of gas and ammonia price behavior, if today we have to take a decision on the CAPEX, would we come to the same conclusion, and you will choose to do the CAPEX? Or will you be a lot more circumspect?

Amitabh Bhargava: Any of the long-term decisions which where you are building an asset for 25 - 30 years or even longer, you don't take those decisions based on what happened in last quarter or this quarter or the next quarter. You need to look at the last 10 years, 15 years average number. Now what has happened and you are right in that the gas prices have gone up. And we know the reason why gas prices have gone up. One of the factors has also been what has happened in terms of geopolitical changes that have happened in Russia-Ukraine war and therefore, suddenly Europe cramming for more gas. Now those are the kind of events you would, no one would be able to anticipate, but that said, that still doesn't change the fact that in a matter of time, the gas prices will become and they have already corrected significantly from what we saw in terms of peak to we are looking at today, that we are JKM of around 10 or little less than 10. So, we are seeing gas prices coming down. We also equally are at a stage where barring our next 2 to 3 years which we have tied up, beyond those 3 years, next 15 years of gas that we are looking to carry upfront to 15 years is at significantly competitive rate because there are more capacities coming up globally of LNG. Equally, on the ammonia side the fundamentals haven't changed that there are no significant investments have happened on Standalone ammonia plants globally, which is what typically would decide the prices of traded ammonia or the price at which we would end up buying ammonia. Today, given ammonia what is happening to nitrogenous fertilizer and their demand, ammonia seems to be in excess. It's overbought, and we would have to wait for this commodity cycle or this a low cycle of ammonia to kind of get through that. And then because we are not building this asset for 1 year, 2 year, or a few quarters, it's a 20 years, 30 years or even longer asset. So, I think, our decision certainly one does get influenced by here and now, but certainly in this kind of long assets, you have to take a 10 years, 15 years view, and you can't get a walk down by a high price of commodity or a low price of commodity those cycles would we always knew that low prices would come in ammonia and gas. My answer would be that we would still, by and large, come to the same decision because for us it's a 15, 20 years view, not a quarter view.

Vishal Prasad: I was having a conversation with the Company based out of Punjab and not in our sector, but it's another sector, and they had similar benefits as we have got for our CAPEX where they will get the SGST refund. However, over many years, they haven't got a single penny from the government, but in spite of them putting a lot of effort and having all the paperwork ready. So, I know we are not putting it up in Punjab, but in your experience, how confident are we that we will be able to get what has been promised without much hassle?

Amitabh Bhargava: You are talking about state policy. We have made investment in Gujarat, and we have started getting those incentives. In fact, we have collected a significant part of our incentives that we have claimed, and we don't see that any different. In fact, Maharashtra and Gujarat, given the industrialization, given the kind of investment that these states have attracted, I think their policies as well as their way they would implement their policies is not going to be any different from each other.

Vishal Prasad: Sir, Tarun, we worked with Coal India and other miners where we sell our explosive solutions, and we also supply to solar Industries. So, what is the difference between what will supply to the miners directly and what we supply to solar industries?

Tarun Sinha: Thanks for the question. so, first thing is the product that we supply to solar industries, that is Technical Ammonium Nitrate, which is actually used as a raw material by solar industries to produce commercial explosives, and then that commercial explosives is supplied to Coal India and all other mining companies across the country as a finished product. so, that's what we do with solar industries. Now what we are doing slightly differently as well which is what Chairman mentioned in his opening address which is a shift from selling just product and Technical Ammonium Nitrate is just product to selling products but also getting closer to the end consumers in the form of holistic solutions. Who are the end consumers for us in this context? They are again the mining companies, the infrastructure projects and so on and so forth. So, what do we do in that business model? It is about again a term which was used by Chairman in the opening address, a term called total cost of ownership, TCO in short is what we call as, which basically means we work very closely with the end consumers, again the mining companies and the infrastructure projects, to first baseline and benchmark their operating cost, which is cost of extracting minerals, cost of extracting rock, and then we put in technology together with some specialized differentiated explosive products, which is not Technical Ammonium Nitrate. And that's the difference fundamentally. And then we commit ourselves to certain improvements in the cost of mineral extraction, which is basically in simple terms productivity improvement in the mines and infrastructure projects, and that's the solution we provide. Parallelly we are running two business models. One is a product as product, which is the first example I gave. And the second one is complete holistic solutions for mine productivity improvement, which is where we go direct to the end users which was being talked earlier.

Vishal Prasad: So, Tarun, do we directly complete with solar because they provide the same thing to Coal India and other miners, right?

Tarun Sinha: As I said, our business model is very different because most of the explosive manufacturers in India and explosives vendors of Coal India, they just supply products which are explosives and get paid for that which is through the rate contract that we have let's say, with Coal India or other mining companies, whereas we do not sell explosives as explosives only. We basically provide a holistic solution, which I was talking about earlier, which is a mine productivity improvement program and then we invoice to those end users based on the solutions that we are providing instead of the products, explosive products or something else that we are provided. In some cases, we have gone to the extent of structuring our contracts, which we call outcome-based contracts. What it means is we also get paid on the basis of the outcome that we generate as a result of the solutions that we provide, which is very different compared to getting paid on the basis of input that is supplied to a mining Company which is explosives. so, it's very different business model compared to what other explosive manufacturers are currently working on in India.

Moderator: Thank you. The next question is from the line of Vidit from IIFL Securities. Please go ahead.

Vidit: My first question was again coming back to the new ammonia plant. so, we have tied up around two-thirds of our procurement for the next 2 to 3 years at least have near-term procurement. Can you guide how much this is and what cost we will be paying for at least in the near term? And also, if you could give us an update on the current dynamics of the plant in terms of how much we will be making at prevalent rates of ammonia and gas?

Amitabh Bhargava: Your first question is in terms of the quantity of gas. so, we require roughly about 1.3 billion cubic meter of gas per day, and we have tied of about 68% of that. That said, the balance 32% is also at an advanced stage in terms of finalizing the commercial terms and signing the gas supply agreement. These gas contracts have different underlying price benchmarks, mainly Brent. Some part of the gas is linked with Brent prices. There are a part of the contract is also linked with the JKM prices, but at the same time, because it is coming from KG basin, it is also governed by the price cap that government comes up and revises every 6 months. so, it is JKM linked, but cap that the PPAC price ceiling that government determines. The contract that we are looking to tie up, again from a diversification point of view could also be linked with Henry Hub prices. so, we are trying to create a portfolio where it is linked with different benchmarks, and to that extent diversification so that we are not dependent on or expose ourselves to volatility of one of the only one underlying commodity mainly oil or spot prices of LNG or Henry Hub. Now at the current prices of ammonia, I think we have discussed this at length in terms of typically what is our economics. We require of roughly about 33 odd million BTU of energy in form of gas for per ton production of ammonia. And therefore, depending on what happens to these underlying price benchmarks and to our prices of gas, we would typically, you can take that if it is let's say, today, my guess would be that well, I have not looked at the grants and all of these benchmarks as on date, but my guess is that our portfolio would be somewhere around $14 , and as JKM prices go down, we would get the impact of that. And so at about $14, you can calculate based on $33, it's roughly about $450 to $460 of gas cost, and then we have about $25, $30 of other costs involved. That's the cost of production and if you look at prices of ammonia today, we are seeing the contract prices of FOB Middle East around $300 or plus minus whatever movement happens on a weekly basis. And if we add say about $80 to $90 on transportation, customs and other charges that we pay to bring the ammonia to our doorsteps, and then we add about let's say 9% of that as the duties or the benefit, GST benefits that we are getting, and roughly about $10 to $15 of production of steam that we would replace in our existing operations. That would give you a sense on where the economics of our per ton of ammonia lies.

Vidit: Thanks for that detailed explanation. The second question I had was on the TAN expansion plan. We were going to debottleneck around 75,000 odd tons of capacities over the next year. What is the status of that? And on the other mega project at Gopalpur, I see that's been pushed to FY 26 now. so, what's happening out there?

Amitabh Bhargava: We are debottlenecking our ammonia nitrate plants. We have already done debottlenecking of 45,000 tons in Taloja, and the second step of another 45,000 would be done by September, October of this year. So, that increases our current capacity. Gopalpur is somewhere in H2 of FY '26, we would complete, and that's about 3,76,000 tons. So, as of now, you see last year we have done about 5,05,000 odd tons. so, that means that we still have, and that is on the basis of 4,86,000 of nameplate capacity. so, we do have, therefore, enough headroom in terms of enhancement of our production this year and until Gopalpur comes in, we do have that additional capacity. And Gopalpur would then get added by the second half of FY 26.

Vidit: Does that mean that the nitric acid that we sell externally, that those volumes come off as we expand volumes of ammonia?

Amitabh Bhargava: Post-COVID and during COVID, there were challenges in terms of regular maintenance of the nitric acid plant, and we did see a drop in capacity utilization, which you would notice that even this year we have improved it compared to last year, but we have still not even touched what the capacity utilization that we saw pre-COVID. Plus, like I said, we are also doing some debottlenecking and improving reliability. So, we are confident that as far as enhanced capacity of TAN is concerned, we should be able to extract it out of our existing Nitric acid assets.

Moderator: Thank you. The next question is from the line of Chirag Shah from White Pine. Please go ahead.

Chirag Shah: Sir, my first question is again coming to ammonia. so, are the take on pay arrangement, the 3 years locking contract that you have done, or you have an option of not picking up the off take or something like that. So, what is the committed off take that you have to take?

Amitabh Bhargava: One is we have tied up 68%, and I was mentioning that the balance we are in the advanced stage of tying that up. It's not yet finalized.

Chirag Shah: So, 68% you have to, it's a take or pay kind of a thing, right? Even if the spread is negative?

Amitabh Bhargava: In terms of these, the contracts that we have signed, there is somewhere between 80% to 90% kind of take or pay obligation. Let's say, plant initial hiccups in terms of because utilization, we have the option of settling the take or pay on net proceeds basis meaning that the aggregator through whom we are buying it, if they sell it in the market, we can bear the balance difference cost also. So, we have all of those arrangements. There is also a makeup arrangement typically in these contracts, that if you don't take a part of the capacity and you pay for it, you can then make up or you can take that in future quarters. So, it's a combination of all of this that works in these contracts.

Chirag Shah: Sir, just to follow up on this, so in your experience of past so many years such kind of spreads when there's a lot of spreads, generally, how do they large? Is it a 1 or 2 quarter phenomena or it can last longer also. So, what's your general experience has been if you can indicate?

Amitabh Bhargava: As I was mentioning with the first question that was asked of if we had taken the same decision based on the current prices, we took our decision based on last 10 years and 15 years price trend, and there as I have mentioned earlier as well that on an average, in 10 to 15 years whatever horizon we take, the average cost of ammonia has been about \$420 to \$430 of FOB Middle East and about \$80 of adjustment costs whether it is ocean freight or Customs or local transportation and port storage. So, we have seen this ammonia cycle, but an average of \$500 of landed cost for us, and to that \$500 of landed cost, if you add the Duty benefit, GST benefits, and the steam production that we do, our estimate was that we would have an average realization of 565-570 odd dollars. As against that, on an average, even if one were to take, and we had looked at about \$8.5 of gas, today JKM is around \$10 and maybe landed at \$11, \$11.5 for us. But if you look at the gas cycle also and the kind of price that we are seeing beyond 3years, for next 10 years in terms of the contractual some of the discussions that we are having, the average price of gas even if we were to take it as \$9 to \$10, let's say \$10, it's been talking about 330 of gas and about \$25, 30 odd dollars of other costs. That leaves almost \$200 of per ton of margin. \$180 to \$200 per ton of margin average is the basis on which we took this decision. You know that six months back, the cycle despite high prices of European gas, Ammonia was at almost \$1,000, \$1,100 FOB Middle East. Now that the margins would have looked very, very different at that stage. So, I think we need to look at it more from an average standpoint over 10 years, 12 years' time frame because at the end of the day, it is also we have not set this up for trading this capacity or sending it outside. It is for our own internal consumption. And to the extent the ammonia prices go down, we do have certain benefits in some of our products where our margins improve. And therefore, on an integrated basis we still find that this is an investment which would give us the desired return. And we have also spoken about the aspect that as we are increasing our total ammonia consumption, we are seeing challenges on JNPT. The kind of disruptions we have seen in freight, we have seen it in ports at different locations, that questions the very sustainability of our downstream operation, and that's the risk that we have now addressed through this backward integration. You can't put economic value to everything that you sort of from a risk perspective. So, that's another aspect of that that needs to be kept in mind.

Chirag Shah: Sir, last question if I can squeeze in, on the TAN, this solution-based offerings, one, how much percentage it contributes to our acid business if you can indicate and how the trend has been? And secondly, in terms of incremental economics, how much is the differential itself, if you can help us understand that also? What will be the margin differential?

Amitabh Bhargava: I couldn't get your question. Let me just ask my colleagues if they did.

Tarun Sinha: The first part of the question was what percentage of the revenue or of the business is the solutions model? That was the first question. And the second question as I understood was what sort of margins or differential margins are we making out of the solutions model? Is that correct for these two questions?

Chirag Shah: Yes.

Tarun Sinha: The first part, we started this business model of holistic solutions about a year and a half or so back from now. So, it is in the nascent stage of its journey. It's coming up quite nicely, and we are seeing some very positive responses across all the end user segments. And the way we categorize the end user segments because that also determines the profitability of the model, the way we categorize the end user segments in the solutions model is there are three end user segments. One is what we call the coal mining segment where we operate directly with the coal mine operators in that through that solution model. The second is the non-coal mining, which is all kinds of metals and limestone, but they are still mining. And the third end user segment for us for the solution model is the infrastructure segment where we operate in different kinds of infrastructure projects. Now, because this solution model has been a journey which started about a year and a half ago from now, as of now it's picking up. It's a small portion of the overall business, but certainly as we move forward, because of the Group strategy that Chairman was talking about again in his opening address, it's about moving from just being a product supplier to a holistic solution provider also. This will pick momentum in all the three segments, and we are already seeing a lot of pull because there are not too many companies in India which are operating on the solution model that I was describing to the earlier question, one of the earlier questions, where I said that we are also building a business model whereby we are trying to get paid for the outcome that we generate instead of just the input being provided to the mining companies or the infrastructure projects. That's the fundamental difference, and these models take time to get matured because not too many companies are doing this in India. So, that's the first, that's the answer to the first question. And in terms of the margin is a second question which is around the margin, obviously because the solution model has got a lot of value for the end consumers because basically, it means improving their cost of mineral extraction or improving their cost of rock extraction if it is a quarry project for that matter. Naturally, it comes along with products and services and solutions all bundled together instead of just a product being supplied as an input. so, margin levels are much better compared to the product-only model. Now, again, in terms of what is the margin and what's the Delta between this model and the product-only model, I would qualify this as commercially sensitive information at this stage. so, I won't go any further on that.

Moderator: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Sir, I wanted to dwell more on the ammonia mechanics that you mentioned. So, what I understood is that if I have to buy ammonia from outside, our landed cost would be close to about $700 per ton, whereas from our plant we would be able to manufacture at $500 per ton. so, $200 is the spread that we will get from this ammonia plant. Is that right?

Amitabh Bhargava: No, I quoted last 10 or 15 years average number, and those numbers were more like $560 and $360, the gap of $200.

Deepak Poddar: No, as per current term I was just trying to understand.

Amitabh Bhargava: The current prices would be lower for ammonia because the $560 is based on 420 odd dollars of FOB Middle East. so, as the current FOB Middle East would be more like $280 to 300 odd dollars, gas prices are today on a higher side compared to the gas price that I mentioned from a last 10 or 15 years perspective. so, today, the margins are obviously more like, I think we are at breaking even rather than having that 200 odd dollars of margin, and that is where the point I was making is that one needs to look at it across the commodity cycle and not at a point in time in that commodity cycle.

Deepak Poddar: I got that point. So, currently, the spread is barely anything, right? I mean, that’s what you are saying.

Amitabh Bhargava: Yes.

Deepak Poddar: And from this plant, what would be the incremental depreciation and interest cost that will come in? And we are going to capitalize it from the first quarter onwards, right?

Amitabh Bhargava: Yes, we are expecting commercial operation in the first quarter. Given that we are already in May, so we would get the depreciation largely from second quarter onwards. So, depending on when we commence commercial operation, the interest cost would be in the range of somewhere about of course, the current loans are at the higher interest rate because of the construction rate, and we look to refinance that. But on an average, somewhere in that around about 200 odd crores would be the interest cost, and depreciation would be 276 crores to 300 odd crores.

Deepak Poddar: This is per annum figure, right?

Amitabh Bhargava: Yes, per annum figure. Yes.

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

Vignesh Iyer: I just wanted to understand what was the spread of natural gas to ammonia in Q4, just to get an idea?

Amitabh Bhargava: Let me just correct one figure. Depreciation would be around 110 odd crores.

Vignesh Iyer: So, I just wanted to get an idea. So, from what I understand, now we are breaking even at today's level. Just to get an understanding, what was the spread if you could quantify in Q4?

Amitabh Bhargava: Let me just check that, please. I will answer your question. We can, in the meantime, go to the next question.

Vignesh Iyer: How is it panning out the new ammonia facility? If you could just give an idea when it's going to start on the timelines, are we on time to with that timeline and by when? So, basically this facility is to backwards integrate, but our TAN facility will take some time to coming up, right?

Amitabh Bhargava: We are looking to commence operations in Q1 itself. And therefore, roughly nine months of operation is likely to be completed in this financial year. We need to still see what kind of capacity utilizations, but ammonia plant technically speaking can ramp up to 100% capacity fairly quickly, but we will have to speak whether we touch that capacity soon enough, but we are confident that this year we would run it at least average of 80% capacity utilization, and so overall I think 75% to 80% given that we are also losing 3 months, roughly 3 months in the year. so, Q4FOB Middle East prices were on an average of $670.

Vignesh Iyer: Sir, I just wanted to understand what the spread was? I mean, was it at $200 in Q4?

Amitabh Bhargava: Q4 gas prices would have been given that these again were linked with Brent, Henry Hub, and JKM, JKM component would have been on a higher side. So, on average, very difficult, but I think somewhere the average, this, the margins would have been somewhere in that at least about odd $100 to $150 .

Vignesh Iyer: Sir, just one last question. I just want to understand, are we going to switch to a different tax rate a lower tax rate like 25% probably, like many of the manufacturing entities have done or are we going to continue with the 33% including the deferred tax component?

Amitabh Bhargava: Yes, we have already moved to 25%. As far as STL is concerned, it has right now two businesses which is Technical Ammonium Nitrate and fertilizer business, and we have taken firstly benefits exemptions under earlier benefits that were available. so, till the time STL remains an integrated entity, it will be roughly about 34%, but once the demerger takes place, then we would have choice of uptick for lower tax rate in Deepak Mining Solutions which is TAN business while STL where the fertilizer business would be there would continue to be at 34% because that is where we have taken certain exemptions earlier, and ammonia would be at again 25%.

Moderator: Thank you. The next question is from the line of Chirag Shah from White Pine. Please go ahead.

Chirag Shah: Sir, on the fertilizer business, if you can just throw some light. I have seen a very strong number. So, how much of this is kind of sustainable? That's the first part. Is there any specific to note about it which could be a lumpy or a temporary event and some reversal could happen?

Amitabh Bhargava: Last year our capacity utilization in fertilizer in the bulk fertilizer which is where our Ammonium Nitro Phosphate, ANP, and the NPK both Croptek and Smartek capacities are, they were while ANP was roughly about the capacity utilization there was more like 65%, 70%, but the capacity utilization at NPK Croptek and Smartek were on the lower side partly because our Croptek products are at premium in terms of pricing. Given the raw material prices were at a higher-level last year, we saw some challenges in terms of the demand size or affordability of farmers, but even in that kind of an environment, our Croptek, we clocked a total of 1.01 lakh tons of Croptek we sold. In the previous year, in fact, it was about 40,000 tons. so, we have seen almost 2.5 times jump in our Croptek product. One is fundamentally a capacity utilization, and we do have a headroom available in increasing our capacity utilization in both ANP and NPK, and given the raw material prices are going down, and therefore, in general, MSP of these products particularly the premium products would also commensurately come down. We are quite hopeful that this year our Croptek volumes will grow further and by a good margin. So, that's one commentary as far as the volume is concerned. On the overall margin front, given that last year we had made some changes to our portfolio because some of the portfolio that we produced were seen certain lower margins. so, we did not produce some of those grades, but this year given where the raw material prices are and NBS, the recent NBS that has been announced by the government, we see all our grades making selling good margins. So, even the volumes in non-Croptek NPK, which is in the Smartek category, this year we should see better volumes overall. Overall, as far as your question of one-time kind of an impact, given that NBS has been announced very recently, and it has both January to March and April to June NBS has been changed, we may see certain provision in terms of the subsidy which we had booked compared to that the change in NBS on the inventory, which was lying in the channel, we will see some effect of that in our coming quarter. So, that is more like a one-time impact that we would see, but from a longer-term perspective, lower raw material prices are in fact a better outcome for us from our overall volume and margin perspective.

Chirag Shah: Sir, no specific call out for Q4 also because sequentially also, Q4 fertilizer segmental performance is extremely strong. So, no specific call out for Q4 also, right? It's normal. It's a normal kind of thing.

Amitabh Bhargava: Yes, it was normal in Q4. In fact, Q4 overall margins were better despite lower volumes and that reflected in the number. And we will have like I was mentioned that some effect of revised NBS would come in Q1 in that.

Moderator: Thank you. The next question is from the line of Ranjit from IIFL. Please go ahead.

Ranjit: The first question is in the opening remarks, Chairman has alluded to some headwinds in the domestic TAN business with the influx of imports. So, just wanted to get a sense how do we see the profitability panning out over the next 1 year? And that also with our own backward integration into ammonia, so we always have this decision to make whether to buy or make. How that play out for our base TAN business over the next 1 to 2 years?

Amitabh Bhargava: TAN business, as Chairman was also mentioning that there has been increased imports in Q4, and there has been high opening inventory. To that extent, we are going to see some pressure on the prices. But fundamentally, as far as the demand sectors are concerned, whether it is coal or the infrastructure, we are not seeing any weakness. In fact, if at all the kind of investment government has announced, we are likely to see better off take on the infrastructure segment. So, demand-wise, in fact, volume-wise, we are hopeful that this year with our increased capacity which last year we utilized partially, but this year we have that available for the full year. Our volumes should be better. Margins-wise, if you see current prices and the current import situation is such that we may see some pressure on the margin side. But we will have to see by the time the season again picks up post monsoon, we will have to see what happens to the prices of both imported TAN and ammonia. So, buy versus make, at this moment, see, we were, anyway, even earlier, we were making roughly about 100,000 tons of our own ammonia from an old plant, which was it was actually far less energy efficient. so, we are going to, to the extent of our own requirement, we would actually see a better economics in the operations of the new plant because it's far more energy efficient. Assuming the same gas price, our cost of production from the new plant would be better than what it was in the old plant. That's one aspect. The second aspect that in the event we produce more ammonia than what we consume, we are also seeing that the local graded ammonia or ammonia that is bought by players whose consumption is on a smaller level, and they don't import directly, the prices of that are today almost I think roughly about almost 50% to 60% premium over import parity prices. So, the traded ammonia, local traded ammonia, which also has a significant volume, is actually trading at significant premium to import parity. And that's because most of the players who are producing ammonia and trading it in the market, particularly the fertilizer players who produce excess ammonia, their cost of production is high given where the gas prices are. Therefore, we would also, we are also seeing an opportunity of selling a part of our production in the domestic market, particularly if you were to run both our old and new ammonia plants. So, we will see a combination of that playing out in terms of our margins. And we don't, once it starts producing from our new plant, in very odd situations that we would be importing, but mostly, we would be producing on our own, and any excess ammonia we would also have an opportunity to trade in India's domestic markets.

Ranjit: Are we allocating any portion of the new ammonia plant towards fertilizers?

Amitabh Bhargava: No, there is no such requirement. The ammonia would be consumed by all our three segments: TAN, fertilizer and acid. And the gas that we are buying, we are not buying from any priority sector allocation. so, from that perspective, we are free to allocate it to any of our products portfolio.

Ranjit: And one last thing, how do you see the peak debt panning out over the next 1 to 2 years now that we have kind of pushed the Gopalpur plant? so, what would be the peak debt levels over FY 24 and FY25?

Amitabh Bhargava: We have mentioned earlier, there are two CAPEX that we have undertaken, ammonia and TAN. Ammonia has, if you look at a cutoff of March 31st 23 has about 700 odd crores of additional cost that needs to be incurred. We may largely funded by way of our internal accruals. We may not while we have tied up the bank debt, we may not draw more debt at least for ammonia. As far as TAN is concerned, over the next 3 years, we have roughly about 1,500 odd crores of CAPEX that we would draw down. And we would also be typically paying 250 to 300 crore every year from our existing debt, amortization of our existing debt. That's the way we are, the numbers are looking currently. And we have also, I think we have made that point earlier as well that our ammonia as well as Gopalpur TAN debts that we have tied up are from an amortization perspective are long-term debts anywhere between 10 to 14 years of repayment cycle.

Moderator: Thank you. Ladies and gentlemen, that is the last question. I now hand the conference over to Mr. Amitabh Bhargava for his closing comments.

Amitabh Bhargava: Thank you everyone for your participation. There were interesting questions, and I think most analyst investors were focused on our ammonia plant which is rightly so because we are going to start our operations very soon. For any further queries or clarifications, please do get in touch with our Investor Relationship team. And thank you once again for participation. Thank you.

Moderator: Thank you, members of the Management team. Ladies and gentlemen, on behalf of PhillipCapital (India) Private Limited, that concludes this conference call. We thank you for joining us and you may disconnect your lines. Thank you.

For further information, please contact:

CA. Deepak Balwani Head – Investor Relations deepak.balwani@dfpcl.com +91 20 6645 8733	Anvita Raghuram/Kavin Sadvilkar Churchgate Partners deepakfertilisers@churchgatepartners.com +91 22 6169 5988

Note: This transcript has been edited to improve readability

DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED

Reg. and Corp. Office: Sai Hira, Survey No.: 93, Mundhwa, Pune - 411 036, India

Web: www.dfpcl.com

CIN: L24121MH1979PLC021360

Cautionary Statement: This release contains statements that contain "forward looking statements" including, but without limitation, statements relating to the implementation of strategic initiatives, and other statements relating to DFPCL's future business developments and economic performance. While these forward-looking statements indicate our assessment and future expectations concerning the development of our business, a number of risks, uncertainties and other unknown factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to, general market, macro-economic, governmental and regulatory trends, movements in currency exchange and interest rates, competitive pressures, technological developments, changes in the financial conditions of third parties dealing with us, legislative developments, and other key factors that could affect our business and financial performance. DFPCL undertakes no obligation to publicly revise any forward-looking statements to reflect future / likely events or circumstances.