Deepak Fert & Petro

Operator: Ladies and gentlemen, good day and welcome to the earnings conference call of Deepak Fertilisers And Petrochemicals Corporation Ltd., hosted by Sunidhi Securities. Before we begin this call, I would like to point out that some of the statements made in today's call may be forward-looking, and a disclaimer to this effect has been included in the earnings presentation shared with you earlier. As a reminder, all participant lines will be in 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, please signal the 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. Rohit Sinha from Sunidhi Securities. Thank you, and over to you, Mr. Sinha.

Rohit Sinha – Sunidhi Securities: Thank you, Robin. Good evening, everyone, and thank you for joining us on the Deepak Fertilisers Q1 FY27 earnings conference call. We would like to thank the management for giving us this opportunity to host the call. Today, we have with us Mr. Sailesh Mehta, Chairman and MD of the company; Mr. Subhash Anand, President and CFO; Mr. Tarun Sinha, President of the TAN business; and Mr. Subhas Jain, Executive VP, Corporate Finance. We will begin the call with opening remarks from the management, followed by a Q&A session. I would now like to invite Mr. Mehta to make the initial remarks. Thank you, and over to you, sir.

Sailesh Mehta – Chairman & MD: Thank you. My voice is clear, right?

Rohit Sinha – Sunidhi Securities: Yes, sir, yes.

Sailesh Mehta – Chairman & MD: Okay. A very good evening to everyone, and once again, thank you for joining us today. Our earnings presentation and press release have been uploaded on the stock exchange and are also available on our website. I trust you have had the opportunity to review them.

Now, I am very happy to share that despite the volatility emerging from the Middle East war, our Q1 has turned out to be our historic best, with a 65% jump in operating EBITDA and a doubling of our PAT. Even our net debt improved from 2.86x to 1.4x. With the Q1 profits achieved, we have already covered over 65% of last year's full-year profits.

What are the undercurrents behind this performance? Will they sustain? These could be fair questions in your mind. As we see it from our perspective, we see three clear undercurrent trends. The first is the core strength of our integrated value chain that we have built, starting with the 15-year LNG contract with Equinor, followed by a world-scale ammonia plant facility next door, then Asia's largest building-block chemical, nitric acid, and finally the downstream end products. All of them are present in three diverse, risk-mitigated sectors: crop nutrition, mining chemicals, and industrial chemicals.

We strongly believe that this aspect of our value chain is one clear undercurrent strength, and we see it giving us resilience, risk mitigation, and, of course, very good cost optimization. This is something we see as unique and sustainable.

The second core strength we see is that we are repeatedly getting strong validation of the excellent alignment of all our three businesses with the India growth story. For India's power needs, coal, and

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for India's infrastructure needs, limestone, metals, and minerals are all beautifully aligned with our TAN business, the mining chemical business. The shift to horticulture, fruits, and vegetables is giving us a great tailwind for our crop nutrition business. India's focus on the pharmaceutical sector and specialty chemicals is giving a lot of boost to our industrial chemicals segment.

This is the second core strength that we see. In view of this strong alignment, we see strength in the demand drivers despite higher prices of our finished products. We saw this phenomenon during the COVID days, and we saw it again during this Middle East war phase. This is the second core strength that we see.

Last, but not least, is our growing core strength emerging from our transformative shift into specialty and customized products for all our three businesses. We see this increasingly being strongly reflected in our results through the undercurrent of customer stickiness, customer preference, and, above all, price premiums. All these three undercurrent and strategic strengths are here to stay and grow.

What is more, with our capex cycle now moving towards completion, with our TAN Gopalpur project at almost 96% completion and the nitric acid Dahej project at 93% completion, H2 promises to further solidify the top-line and bottom-line growth.

In the near term, which is Q2, we will see the typical slowdown in mining activities due to the monsoon. On the other hand, there will be a good pickup in the fertilizer and crop nutrition business, now that the worry of El Niño is behind us, with very good and widespread rains, especially in our geographies.

However, with the Middle East war scenario still hovering and bringing with it its own set of volatility, sourcing and prices of phosphoric acid, sulfur, and other raw materials for the fertilizer business will be under some strain, and we will need faster decisions from the government on subsidy corrections.

On the other hand, our cost-effective LNG supplies, firming up of ammonia prices and other chemical prices, and our steadfast focus on specialties and customized products will all continue to support our bottom line as we see the year roll out. On this positive note, I now hand you over to Subhash and the team to take you through the details of the results and also clarify any questions that you may have. Subhash?

Subhash Anand – President & CFO: Thank you, Chairman, and good afternoon, everyone. Q1 FY27 has been an important quarter for Deepak Fertilisers. We delivered our highest-ever quarterly EBITDA and PAT despite a period marked by geopolitical disturbance, supply chain challenges, and commodity volatility. More importantly, the results reflect the strengthening of the strategic foundations we have been building over the last several years.

At the consolidated level, revenue for the quarter stood at 3,256 crore, up 22% YoY and 8% quarter-on-quarter. This growth has been driven by stronger realizations across ammonia, mining chemicals, and industrial chemicals. What is noteworthy is that this performance was achieved despite temporary volume disruptions in both mining chemicals and IPA during the quarter.

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Operating EBITDA increased to a record 845 crore, up 65% YoY and 139% sequentially. EBITDA margins improved to 26% compared with 19% in the same quarter last year and about 12% in the previous quarter. The improvement was broad-based and driven by stronger realizations across TAN, nitric acid, and IPA, along with the initial benefits of our integrated gas-to-ammonia value chain. Net profit for the quarter stood at 490 crore, up 101% YoY and 252% quarter-on-quarter, reflecting both margin expansion and improved operating leverage across the portfolio.

Let me now touch upon the performance of our businesses. Mining chemicals delivered a resilient quarter despite temporary disruptions from the changes in the PESO portal. While the volumes were lower at {? 130 KT ?}, stronger realizations helped drive revenue to around 911 crore, up 37% YoY. Our B2C strategy continues to gain traction, with B2C revenue growing by 42% to 151 crore and contributing 17% of segment revenue, further improving the quality of earnings and customer engagement.

Industrial chemicals reported revenue of around 490 crore during the quarter. Nitric acid volumes remained stable, supported by improved pricing arising from supply tightness and lower imports. In IPA, volumes were impacted by propylene availability constraints, while stronger pharma-grade demand and improved realizations supported profitability. We expect IPA volumes to progressively recover as propylene availability improves.

Crop nutrition operated in a challenging environment due to delayed monsoon, elevated input costs, and inadequate subsidy alignment. Despite these headwinds, the business remained resilient, delivering revenue of around 1,367 crore, up 9% YoY. Manufactured NPK sales grew 4%. Croptek continued to perform steadily, and our premiumization strategy remains on track, with specialty and Croptek products contributing 40% of segment revenue.

On the balance sheet, we continued to strengthen despite being at the peak of our investment cycle. During the quarter, we incurred capex of over 500 crore as we progressed our strategic growth projects. Even after these investments, net debt reduced to 4,719 crore and our debt-to-EBITDA improved to 1.4x, reflecting strong cash acceleration and disciplined financial management. This places us in a strong position as we enter the commissioning phase of our major projects.

Both of our projects are now in the final stage of execution. The Gopalpur TAN project is approximately 96% complete, and the Dahej nitric acid project is approximately 93% complete. Commissioning activities are underway, and both projects are expected to commence operations during Q2 FY27. Importantly, both projects remain within the approved capex envelope. Total spending till Q1 is around 3,858 crore. These projects will strengthen our leadership positions, improve supply assurance, enhance operating leverage, and support the next phase of growth for the company.

One of the most important developments during the quarter was the commencement of supplies under our long-term LNG agreement with Equinor, with the first cargo received in May. This marks an important milestone in our integration journey. The combination of long-term LNG sourcing, ammonia integration with our downstream leadership positions, provides greater supply security, better cost visibility, and improved competitiveness across the portfolio. The benefit of this strategy has already started becoming visible in our earnings profile and will become increasingly

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important as we move forward.

To summarize, Q1 FY27 was more than just a strong quarter. It reflects the strength of our integrated business model and the strategic choices we have made over the years. The growing contribution from B2C, specialty, and crafted businesses continues to improve the quality and resilience of our earnings, while the commencement of LNG supply under our long-term contract is further strengthening our value chain integration.

During the quarter, we delivered record EBITDA and PAT, strengthened our balance sheet despite significant capex investment, and brought both our major growth projects to the final stage of commissioning. Looking ahead, we remain constructive across businesses. Mining chemicals will continue to benefit from strong market fundamentals and a growing B2C franchise. IPA is well positioned for volume recovery with improving propylene availability, while crop nutrition should benefit from improving monsoon conditions and continued portfolio premiumization.

With the new capacity coming on stream, integration benefits becoming increasingly visible, and a strong business mix, we believe we are entering the next phase of growth from a position of strength. We remain committed to delivering sustainable growth, strong cash generation, and long-term value creation for all our stakeholders. Thank you, and we would now be happy to take your questions.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to please use handsets while asking a question. Ladies and gentlemen, we will now wait for a moment while the question queue assembles. Our first question comes from the line of Hardik Shah with Brick Capital. Please go ahead.

Hardik Shah – Brick Capital: Hello. Congratulations to the management on the good numbers. My question was regarding the gas availability problem in Q1. We wanted to know what the capacity utilization was for our ammonia plant.

Management: We need to see capacity utilization in two parts. During the initial part of April, we did have a gas problem, but after May, with Equinor coming in, the gas issue was no longer there. The average utilization for this quarter was {? 94% ?}.

Hardik Shah – Brick Capital: Okay. One more thing regarding the ammonia plant. We had a shutdown in Q4 FY26. Did we debottleneck the ammonia plant, or is it still running at 5 lakh capacity? How should we consider this?

Management: No, we have debottlenecked it, and currently the plant is running at the level we desired. We have seen almost {? 10% ?} capacity improvement in that plant.

Hardik Shah – Brick Capital: Okay. My last question is on both the capex projects, nitric acid and the {? Gopalpur 10 ?} project. Are they on schedule? That is, when are we starting trial production for them?

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Management: We are on track at this point in time. We expect both plants to be operational towards the end of this quarter. Broadly, what we have discussed is on track at this point in time.

Hardik Shah – Brick Capital: Can we expect good utilization from Q4 FY27 for both plants?

Management: Yes, that is what we intend, because for us this is neither new chemistry nor a new plant. The ramp-up should be much faster.

Hardik Shah – Brick Capital: So we can expect around {? 80% ?} utilization in Q4?

Management: If everything goes well, yes, we should ramp it up. Let us see how things develop regarding the exact percentage, but our ramp-up will be faster.

Hardik Shah – Brick Capital: Okay. Thank you, and all the best.

Management: Thank you.

Operator: Thank you. Ladies and gentlemen, in order that the management is able to address questions from all participants in the queue, we request you to please restrict yourselves to two questions only. If you have further questions, you may rejoin the queue. Our next question is from the line of Shubham Andasmana with {? Asset Kotecha ?} Family Office. Please go ahead.

Shubham Andasmana – {? Asset Kotecha ?} Family Office: Sir, am I audible?

Management: Yes.

Shubham Andasmana – {? Asset Kotecha ?} Family Office: Sir, I wish to know about the industrial chemical side. How should we look at this business, say, 2-3 years down the line?

Management: You are talking about industrial chemicals, right?

Shubham Andasmana – {? Asset Kotecha ?} Family Office: Yes, yes.

Management: When we look at industrial chemicals, let us look at it in two separate parts. There is a nitric acid business and there is an IPA business. The nitric acid business is, I would say, mostly a CNA capacity and is a long-term-contract-driven business, broadly linked to the feedstock. It is therefore a more stable business, with stable margins and predictable performance. We do see this business continuing to remain stable, and with the new capacity we will be able to improve the top line as well as the EBITDA of that business.

IPA has faced challenges in the past. Recently, the availability of RGP was a challenge, which is now improving. IPA is slightly more volatile, but from Q1 onward we have started seeing some recovery in that business. We believe we should be able to maintain the long-term average in that business, with some quarter-on-quarter volatility.

Operator: Thank you. Our next question is from the line of Pritesh Chheda with Lucky Investments. Please go ahead.

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Pritesh Chheda – Lucky Investments: Sir, I have two questions. The first is on the TAN volumes, where we saw a year-on-year reduction. Should we interpret this as your inability to produce because of a raw material adjustment, or was it the market's unwillingness to purchase TAN at a higher price? Which would be the fairer assumption?

Management: Neither statement is true. The volume loss, as I stated in my remarks, was due to new guidelines from PESO during the quarter. Those guidelines disturbed the supply chain, particularly the outward logistics supply. This led to a disruption of a few days in the supply chain and a loss of production. It was neither a raw material issue, nor a production issue, nor a demand issue. It was more a temporary, few-days supply chain issue that caused us to lose this volume.

Pritesh Chheda – Lucky Investments: Should we assume normalization now of the original capacity and volumes?

Management: Yes, that should happen. Normally, Q2 is a monsoon quarter, as you have seen, but if you look year-on-year, it should be normal volume.

Pritesh Chheda – Lucky Investments: Okay. My second question is on TAN itself, in terms of the improved realization and improved profitability, which we know is a function of you being highly integrated. Any comments on how you see profitability, considering the global supply chain and where you are positioned in the business?

Tarun: Thanks, this is Tarun here. This is a similar question to one we have addressed in some of the prior calls. We have always maintained that over the medium- to long-term horizon, margin levels would be very consistent as far as the TAN business is concerned. Like any other business, it goes through cycles, apart from unforeseen situations, such as the Middle East conflict in this case.

Excluding those situations, we expect to maintain our margins over the medium to long term. In the short term, we may continue to see elevated prices for some time because the Middle East conflict has not yet subsided. But if you look at the medium to long term, we expect to return to normal or consistent margins.

Pritesh Chheda – Lucky Investments: So in the near term, you are more favorably placed, considering you have backward-linked raw materials along with the global supply crunch on the TAN side. Therefore, the elevated profitability and elevated pricing in the near term may sustain. Is that the best assumption we can make?

Tarun: Yes, tactically, that is right.

Pritesh Chheda – Lucky Investments: Okay, okay. Thank you very much, sir. Thank you.

Operator: Thank you. Our next question is from the line of Adarsh Jain, an individual investor. Please go ahead.

Adarsh Jain – Individual Investor: Hi. Thank you very much for taking my question. We had a very excellent quarter in June 2022, similar to the quarter we have just had now. EPS was around 34 at that time. What happened was that things kept changing drastically after that, and a downcycle probably started with multiple issues. Thereafter, there was Russian dumping of TAN, followed by

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fertilizer subsidy inventory losses, the stabilization of the ammonia plant, issues with IPA, and nitro-aromatics dumping from China.

It took another four years for us to beat the EPS that we had in June 2022. Going forward, do we see such issues arising again, and how do you see things changing for the business? Are we entering a downcycle? I am asking because we see a lot of volatility in stock prices. If we look at the results, the valuation looks cheaper. But if we look at the stock movement, the stock movement is something different. Would you share your thoughts on this?

Management: I will start, and then Tarun can add value if he wishes to. Fundamentally, if I compare what you are referring to in 2022 with the current situation in June 2026, a few things have structurally changed for us.

At that time, we did not have ammonia with us. Now we have built an ammonia plant, and the long-term Equinor gas contract has put us in a much more favorable position than we were in. This was not available to us if we go back 2 years. That is a structural correction that has happened and is going to improve the sustainability, reliability, and predictability of delivery across the complete integrated value chain. That is the first fundamental change that has happened.

The second change is the two new capex projects that are going to be operational towards the end of this quarter. That will take us to the next stage of growth levers. We are operating at a certain level, and our capacities are more or less utilized. We are entering the next phase of growth, and that is directly in front of us, for which the capex has already been completed. It is not that the balance sheet is yet to carry the capex; the majority of that capex has already been spent. It is now only a question of entering the realization phase.

The third point is that over the last few years we have put in a lot of effort into differentiating our models, focusing substantially on B2C, moving more from commodities to specialties, moving towards the downstream side, and focusing on crops and specialty fertilizers. All these initiatives are aimed at margin expansion and also at bringing stability and predictability to the business.

With these things in place, what we are confident about as management is that the kind of volatility the business has seen in the past will not be repeated to the same extent. Some volatility will continue; that is the nature of the business. The business does depend on many international factors that can arise and have an impact. However, the severe volatility we have seen in the past may not be a reality for us in the coming future. That is what we believe. Thank you.

Adarsh Jain – Individual Investor: Okay, so basically these are the factors assuming that no downturn in the business is seen in the near future.

Tarun: No, I would say there will be no severe volatility. The typical business cycle will come and go, but our base itself is changing with the fundamental structural change happening in the business. The business will move from the current level to the next level. We will therefore be in a better position to handle that volatility.

Adarsh Jain – Individual Investor: Okay. How long do we see these elevated ammonia prices remaining at the current level?

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Tarun: This is anybody's guess, but the way things are, prices are already elevated, and we do see this disturbance continuing for at least some more quarters.

Adarsh Jain – Individual Investor: Two to three quarters?

Tarun: Yes, that looks like the scenario because even if the war stops, prices will not fall back to the same level so soon. That is not expected, at least according to all the international forecasts, which are reflecting this very clearly. It will take time for ammonia prices to return to a more reasonable level.

Adarsh Jain – Individual Investor: June is typically the best quarter for us in any financial year. Can we at least expect that the next June quarter will have both TAN plants operating with elevated ammonia prices?

Tarun: Yes.

Adarsh Jain – Individual Investor: Okay. Thank you very much for the question.

Tarun: Thank you.

Operator: Thank you. Our next question comes from the line of Ranjit with IIFL Capital. Please go ahead.

Ranjit – IIFL Capital: Hi, sir. Thank you for this opportunity. I hope I am audible.

Tarun: Yes, yes, Ranjit.

Ranjit – IIFL Capital: Firstly, on the performance of the mining solutions business, I wanted to understand the contribution from PCL. On a standalone basis, was that a major driver of the profit, or was it purely the TAN spreads?

Tarun: We normally do not give very precise numbers for a specific business. However, if we talk about the quarter gone by, it was not just one factor that resulted in this elevated margin and profitability. It came from across the businesses, whether mining, industrial chemicals, IPA—not volumes, but pricing—or ammonia. All businesses contributed to this elevated profitability for us.

Ranjit – IIFL Capital: Within that, what would be the captive consumption of ammonia for us, if you can share a ballpark figure?

Tarun: Approximately, in percentage terms, around 80% is captive consumption.

Ranjit – IIFL Capital: Including the expanded, debottlenecked capacity?

Tarun: Yes.

Ranjit – IIFL Capital: Thank you. My second question is to Tarun on the TAN front. We have been guiding that we want to move towards more value-added products, and within the presentation I can also see that we have started mentioning the explosives business. We recently made a small acquisition in that area. Could you give us some color on how we intend to tap opportunities in

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explosives?

The second point is that we have seen an announcement—or not yet an announcement, but at least an indication—that one of the major refiners in India may enter the TAN business. How do we see that front? Till now, there had been one or two capacity expansions, but with a big player expressing its intention to enter TAN, how are we gearing up for this?

Tarun: Thanks for the question. Taking the first question first, regarding explosives, as you rightly mentioned, we completed the acquisition of an explosives company in May this year, which we had also announced to the stock exchange. The purpose of that acquisition is to complete our value chain and make it even stronger as we develop the mining solutions business.

In simple terms, this involves helping mine operators, mining companies, infrastructure companies, and contractors improve the cost of mineral extraction or rock extraction. Blasting plays a very important role in that process, hence the role of explosives. Without having that portfolio of explosives, we would not have the full value chain. That is the whole purpose and objective of the acquisition.

We are upgrading that facility after the acquisition, as we speak, to bring it to the required standards of safety and quality. We will be making investments in new types of explosives plants at this facility. Once we have the full range available, we will roll out the products commercially to the market in the form of what, if you have observed our previous conversations, is the total cost of ownership, or TCO, business model.

In simple terms, this means improving mine productivity. That is, in summary, what this explosives acquisition is all about, and the journey has begun as we had promised some quarters ago on this front.

On your second question, we do not have any information on that front.

Ranjit – IIFL Capital: [overlap] If I may, how would we be viewed by our existing customers? Would we be seen as a competitor to them, or how would we handle this?

Tarun: It is a very different business model that DMSL is pursuing, and that model is the TCO model, as I mentioned earlier. The key difference between this model and the prevailing model of explosives supply in the Indian market is that the prevailing model is about supplying explosives, invoicing for them, receiving payment, and considering the job complete.

In DMSL's TCO model, it supplies explosives along with blasting tools, technologies, people, competencies, and other such elements, but there is an outcome that we guarantee. It is therefore an outcome-based model, and that is where the difference comes in. Rather than simply being an input-driven model, DMSL's TCO model is an outcome-driven model.

There is no competition as such. It is a new space in which DMSL will be operating. I actually see it as a good move because if more explosives companies can join the game and start working in that direction, it will only help improve the cost of mineral extraction in the country. This means mine productivity in India will increase, and that serves a good national cause.

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Coming to your second question, we hardly have any information on that announcement. We do not have details of the timeline, capacities, or other matters, so it is very early for us to comment on it.

Ranjit – IIFL Capital: Lastly, regarding the two large capacities that are likely to be commissioned, how should one view the increase in depreciation? Would these be depreciated over 20 years or 25 years? Could you give us some color on that?

Tarun: Typically, these plants are depreciated over 25 years, so the same will apply to them as well.

Ranjit – IIFL Capital: Thank you, sir.

Operator: Thank you. Participants, to ask a question, you may press star and one. Our next question is from the line of Harsh Shah with Seven Rivers Holding. Please go ahead.

Harsh Shah – Seven Rivers Holding: Hi, good afternoon, sir. My first question is on the expansion and the two facilities that are coming in Q3. I want to understand how we are tied up on the feedstock side, given that we have 5 lakh tons of ammonia capacity. With this expansion, will we be procuring ammonia from the spot market? To that extent, will the economics of these new plants be different from what we are experiencing in our existing nitric acid and TAN facilities?

Tarun: So far as ammonia is concerned, we already have supply assurance, or a supply contract, tied up. We do not see that as a challenge, and it will be a long-term-driven contract, not a one-off contract.

In fact, 2 years ago, before PCL was there, we were importing ammonia. It is not that we are new to ammonia or that we do not know this market. We are very well aware of the market, and things are already tied up.

As far as the economics are concerned, even under our current operating model, when we look at the TAN business, we consider ammonia at a market price and evaluate the TAN business as a standalone profitable business. Ammonia profitability is viewed independently. Therefore, the overall TAN business will continue to be viewed in the same manner.

Harsh Shah – Seven Rivers Holding: Sure. If you step back a couple of quarters, to Q3 FY26, on the nitro-aromatics side we were facing issues from Chinese dumping, and on the TAN side we had Russian {? FAN ?} coming in at a lower price, which was putting pressure on realizations and margins.

Now, with this geopolitical event clearly working in our favor, once the dust settles, how do you think the situation will develop, especially with the new capacities our competitors are adding? If we take a slightly longer-term view, a year or a year and a half from now, how do you see the entire ecosystem working? Would we revert to the averages, or could there be some structural change in the overall supply chain dynamics?

Tarun: There is always a short-term, medium-term, and long-term perspective. If you are looking at the short term, this disturbance is present and it will have an impact on pricing. Prices are elevated and supplies are restricted or, in some areas, disturbed. Although the war may stop, the scenario will not return to normal immediately. It can take time for things to return to normal, and there may

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be a new normal even after stabilization.

Regarding new capacity being added, that is a known factor, and we are working on it internally. If you look at demand and supply, even with the new capacities, considering the total demand and supply and the kind of growth we see in the market, it will still not be a very long market. It may be long for a year, it may be short, or it may be a balanced market, and it may then translate into a short market again.

We do not see the situation changing very drastically over the medium term or the supply-demand balance shifting very drastically. We do not see that as such.

Harsh Shah – Seven Rivers Holding: Understood. One last question. Since you have started receiving gas supply from Equinor, what percentage of the contracted supply are we receiving right now?

Tarun: The way the contract is structured, our existing contracts are being phased out at this point in time, and Equinor is coming in and balancing them. This phase-in and phase-out will continue this year. By the end of Q4, when the entire phase-in and phase-out is practically completed, both contracts and supplies will have been running in parallel until then.

That is how we have tied up our supply chain, and the inward quantity has also been tied up with Equinor accordingly. The larger quantity will be ramped up over the next few quarters, while the current quantity will be ramped down during the next few quarters.

Harsh Shah – Seven Rivers Holding: So the 70% gas allocation from the government will continue, and you will top it up with the Equinor allocation, which will keep increasing?

Tarun: I would not describe it as a 70% top-up. Some of the contracts have expired or are expiring. Therefore, the portion of government gas supply will keep coming down over a period of time, while the Equinor proportion will keep increasing.

Harsh Shah – Seven Rivers Holding: And Equinor pricing will be lower than what we are phasing out, right?

Tarun: Yes, it has a commercial benefit.

Harsh Shah – Seven Rivers Holding: Sure. Thank you, sir.

Operator: Thank you. Our next question comes from the line of Viraj Mahadevia with Moneygrow India. Please go ahead.

Viraj Mahadevia – Moneygrow India: Hello. Congratulations on the fantastic numbers starting to come through. My quick question is regarding gross margins, which have expanded by about 5.5%. Can you attribute this through a split between what comes from higher pricing at the revenue level and the positive impact of Equinor supplies at the cost or raw material level?

Tarun: I will not go that far. It is a mix of all levers; it is not just one lever that has played out. Costs have performed better, and realizations have also helped us improve the margin. Both have contributed to this margin improvement journey, including efficiency measures such as capacity

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debottlenecking.

Viraj Mahadevia – Moneygrow India: Understood, sir. Are prices holding up as we move into Q2 on the revenue side?

Tarun: Holding up is a different question. Prices are still at an elevated level.

Viraj Mahadevia – Moneygrow India: Yes, that is what I mean.

Tarun: They are still at an elevated level, although not at the same level as during the peak of the war. Some softening was expected, and that has happened, but it was planned for or factored in.

Viraj Mahadevia – Moneygrow India: The Equinor gas supplies on the raw material side were only for 2 out of the 3 months of last quarter. Now we will have a full-quarter contribution from them?

Tarun: Yes, we will have the impact of a full quarter this time.

Viraj Mahadevia – Moneygrow India: Excellent. Thank you, and all the very best.

Tarun: Thank you.

Operator: Thank you. The next question comes from the line of Ritesh Bhagwati from Alpha Plus Capital. Please go ahead.

Ritesh Bhagwati – Alpha Plus Capital: Thanks for taking my question, and congratulations on a great set of numbers. My first question pertains to our DMSL subsidiary. Could you please elaborate on how you are planning to deal with DMSL regarding the corporate structure? Are we more inclined towards an IPO, or are we actively looking at other options such as a demerger or spin-off structure?

Management: In principle, we are committed to taking this entity forward and listing it. The form has not yet been decided, whether it will be through a demerger or an IPO route. We have yet to take that call. Perhaps, in due course, we will take the decision and communicate our intentions to the market.

Ritesh Bhagwati – Alpha Plus Capital: From the shareholders' perspective, I thought that if it were a demerger, the existing shareholders of Deepak would receive the shares. This would send a strong signal regarding the alignment of minority shareholders. It would also help our company in terms of the overall SOTP value, instead of creating a holding company if we were to have an IPO listing. Have you considered that?

Management: We take all inputs that are relevant and important from the perspective of all stakeholders. However, have we taken a decision? Not yet. All the right options will be evaluated, and we will take the right call, one that is beneficial for everybody.

Ritesh Bhagwati – Alpha Plus Capital: Thank you. That is all from my side.

Operator: Thank you. The next question is from the line of Parth Sodha with Trinetra Asset Management. Please go ahead.

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Parth Sodha – Trinetra Asset Management: Am I audible? Hello?

Operator: Yes, you are audible, sir.

Parth Sodha – Trinetra Asset Management: Thank you for the opportunity. My first question is: once Gopalpur and {? [unclear] ?} stabilize, where do you see the next leg of growth coming from over the next 3–5 years? Will it be further capacity expansion, higher value-added specialty products, or deeper integration across the mining and industrial chemical portfolios?

Management: There is a first leg of growth expected from these two capacities coming up and being ramped up. The next leg of growth will come from all levers; I would not say it will come from just one lever.

Across the businesses, DMSL is committed to moving downstream and growing at speed. Similarly, the Croptek and fertilizer businesses will focus on premiumization and move more and more towards value-added specialty and Croptek businesses. Industrial chemicals will also move further into the premium specialty side of the business. All these levers will continue to play a role in our growth strategy and take us to the next level.

At some point, we will need to identify the next growth engine, and we will come back on that. It is too early at present. We are currently completing our present phase of capex, and it is more important for us to complete it, execute it, and then start planning the next phase and the next round of growth, including where it will come from. We will come back and share that at the appropriate time.

The current business growth, under normal circumstances, will continue through the levers and the strategy that we have already articulated.

Parth Sodha – Trinetra Asset Management: Understood. Thank you very much for the opportunity.

Operator: Thank you. The next question is from the line of Yash Gupta with FinSIGHT Advisory. Please go ahead.

Yash Gupta – FinSIGHT Advisory: Congratulations on a good set of numbers, sir. My first question is on the cash flow side. Currently, we have total debt of 5,000 crores and some capex to be paid out in Q2 and Q3. How do you see this debt number developing over the next 2 years? Are we capitalizing any interest cost at present?

Management: Interest costs related to these projects—the loans taken for these projects—are capitalized. That happens as a normal accounting treatment.

Regarding the current debt level, we are talking about net debt, which is almost around {? 4,700 something, 4,800 crore ?}. We are more or less near our peak debt. There may be some more debt since we are in the last leg of project completion, but broadly, we have reached a level where our debt is approaching its peak.

After that, when the new capex starts contributing to EBITDA as well as cash flow, and when the integrated value chain continues to provide operating cash, the deleveraging strategy and the

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deleveraging of the balance sheet will begin. We expect that from now onward, or from this year onward, we should start seeing deleveraging reflected in our balance sheet and ratios.

Yash Gupta – FinSIGHT Advisory: In both these projects, what kind of working capital requirement do we foresee? Suppose in FY27 we generate free cash flow of 2,000 crores. Would working capital require 1,000 crores or 1,500 crores?

Management: Both these businesses are not working-capital-intensive. They are primarily B2B businesses and do not require very high working capital. They are working-capital-efficient businesses, so cash flow from these businesses should be better.

Yash Gupta – FinSIGHT Advisory: How do you see FY27 ending? We have started on a very high note, with PAT of 500 crores. What is our expectation for ending this year? Are we expecting Q3 and Q4 to be somewhat heavier on the new capex side?

Management: The things that will play out over the next few quarters are straightforward. The two new capex projects that are coming up will start contributing to our bottom line in Q4, and definitely from Q3 onward, I would say. That will be part of the base when we talk about Q4.

The gas supply, which has provided only a partial benefit so far and which we started receiving this quarter, will provide a full-quarter benefit, and the proportion of Equinor gas will increase over a period of time. Those benefits will start flowing in.

By the time we end this year, our base level will have changed from where we started. The new normal level will start reflecting in our results, and we foresee that the new level will be elevated by the time we end this year.

Yash Gupta – FinSIGHT Advisory: My last question is about the risks over the next 6-12 months. I understand it is difficult to say how things will change from here, but what risks could our business face over the next 6-12 months?

Management: You have answered the question yourself. This is an international business, so developments can have an impact if certain decisions are taken. Most of the time, when the issue is geopolitical or international, it is beneficial or favorable for us. However, if a supply-side disturbance occurs, those things can impact anybody, and we are not isolated from that.

Broadly, barring those external factors, we are well placed on the execution front, and we are working on our strategic priorities. That is what makes us far more resilient and helps us deliver.

Yash Gupta – FinSIGHT Advisory: And regarding the trade business, will the volume we lost due to the PESO portal changes be recovered in Q2 or Q3, or is it a permanent loss?

Management: No, that was only a disturbance of a few weeks, or I would say a few days. It is behind us.

Yash Gupta – FinSIGHT Advisory: Okay, sure. Thank you, sir.

Operator: Thank you. The next question is from the line of Darshil Jhaveri with Crown Capital. Please go ahead.

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Darshil Jhaveri – Crown Capital: Hello. Good evening, sir. Thank you very much for taking my question. First, congratulations on a really great set of results. Since you feel that prices will remain elevated even after the war, could we see similar EBITDA margins for the full year as in Q1? Would that be a fair assumption?

Management: I would not say that. It is too difficult and too early for any of us to make that estimate.

Darshil Jhaveri – Crown Capital: Okay, fair enough. Regarding the capex coming in, by FY28 should we have near-optimum utilization? If you could share any expected revenue or margins for FY28, that would be helpful.

Management: The new capacity will definitely add to our revenue. Those capacities have already been announced. The numbers or quantities expected to start contributing are known. We have always shared the average realization, so one can calculate and see what kind of revenue trajectory will develop.

Regarding margins, the current margin may be slightly elevated, but if one applies a standard margin, the new trajectory will become visible. Consider it in that manner and work it out.

Darshil Jhaveri – Crown Capital: Okay, fair enough. That summarizes it. Thank you.

Operator: Thank you. The next question is from the line of Neeravji Modia with Anvil Wealth. Please go ahead.

Neeravji Modia – Anvil Wealth: Thank you for the opportunity. I have two questions. The first is on the Equinor side. You mentioned that some of the existing LNG contracts would be phased out and Equinor would take up a larger share over time. If I am not wrong, our contract is for 0.65 million tons of LNG. From next year onward, when the existing contracts are phased out, how much of our total LNG requirement for ammonia production would be met by Equinor?

Management: Based on the way the Equinor supply has been scheduled, once the phase-in and phase-out are completed, Equinor gas will be more than enough to meet our requirements. We will not be dependent on any other gas source.

Neeravji Modia – Anvil Wealth: In terms of pricing, LNG contracts are generally based on the slope of crude prices and benchmark crude. Most contracts are based on the preceding 6 months of crude prices. How is our contract with Equinor structured in terms of pricing?

Management: I will not discuss the commercial terms of that contract. However, our pricing is efficient and well constituted. It is commercially favorable, and under the current pricing conditions we are definitely seeing a cost benefit in the current supply chain.

Neeravji Modia – Anvil Wealth: When the old contracts are fully phased out, based on the commercial terms and your understanding, what kind of annual savings could we envisage from this LNG supply? I think one of the numbers mentioned by the MD was close to around 300 crores. Is that the peak number you are referring to, or is that for this financial year, with the benefits potentially being larger next year?

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Management: It all depends on the way things are currently. At present, this number is right. With changes in crude prices, Henry Hub prices, or international prices, the savings can increase or decrease. Broadly, if things remain on a similar trajectory, we expect these savings to start flowing in.

Neeravji Modia – Anvil Wealth: So the savings could be higher than this number next year, probably?

Management: It depends. I will not say that. Market conditions can change. It could be higher, or it could be slightly lower.

Neeravji Modia – Anvil Wealth: Perfect. My second question is on the industrial chemical side. I think this quarter, if I am not wrong, we produced close to around 2 lakh 10 thousand tons of weak nitric acid, compared with around 2 lakh 35 thousand tons last quarter.

The lower production of TAN could be one factor. However, regarding product placement in the domestic market, I believe the other players in the nitric acid chain would also have been facing difficulties in sourcing ammonia. Did demand also fall during this quarter because downstream demand was not strong, or is this generally a quarterly phenomenon in which the production that was not sold for TAN could not be placed in other value chains?

Tarun: If you look at nitric acid, our third-party sales, or merchant nitric acid sales, the volume is flat. We have not lost nitric acid volume versus the same quarter last year. It is almost the same, around {? 80, 80 ?}; that is what we have sold. We sold a similar quantity last year as well.

The way we look at nitric acid, there is captive nitric acid and there is merchant nitric acid. Captive nitric acid moves along with the business. When there is a sudden drop, it is not always easy to immediately start placing the material outside.

Neeravji Modia – Anvil Wealth: Understood. Just two final points. Is it possible to share the realizations for weak nitric acid in this quarter? Secondly, on the ammonia side, have we been able to sell merchant ammonia in the market? If yes, could you share the volumes? That would be helpful. Thank you.

Tarun: We do sell merchant ammonia, and that is normal because it is part of our normal business model. We produce and also buy, or trade and import, merchant ammonia and sell it in the market. That continues and is part and parcel of our business model.

We do not share generic production figures. Even regarding production, when we run at full capacity, our plants have some surplus ammonia apart from what we need for captive consumption. Whatever surplus we generate, we sell as merchant ammonia. That practice continues, and it is a business model that is already well established.

When it comes to specific, grade-specific NSP, we do not share that. However, if you look at our investor presentation, total volume and total sales value are provided, so the average NSP is visible. We share the average, but not the grade-specific figure.

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Neeravji Modia – Anvil Wealth: Understood. For the {? NMANP ?} fertilizer grades that we manufacture, I understand that last year we produced close to 7 lakh 60 thousand tons. Based on the conversion, we would require more than 3 lakh tons of ammonia for that business. We procure ammonia from various sources and use it for the fertilizer business, and this has nothing to do with our captive ammonia production, right?

Tarun: I do not think your numbers are right. For all three of our captive businesses in Taloja, we use captive ammonia. Only for Gopalpur will we buy ammonia and use it, because the economics will not work otherwise and we do not have capacity there.

Neeravji Modia – Anvil Wealth: Perfect, sir. Thank you so much, and all the best.

Tarun: Thank you.

Operator: Thank you. The next question is from the line of Meet Vora with JM Financial. Please go ahead.

Meet Vora – JM Financial: Hi, sir. Thank you for taking my question. My first question is on Russia. Over the last few weeks, we have seen supply chain disruptions from Russia due to Ukrainian drone attacks near the Black Sea area, which have led to an increase in {? FGAN ?} prices.

What is the sense we are getting regarding the supply chain disruption in Russia? Is there a possibility that the Russian government could again ban {? FGAN ?} exports, as we saw in April? How should we view this disruption in the context of the fertilizer season in Rabi? If the two events coincide, this could keep {? FGAN ?} prices elevated for some time.

Tarun: Thank you for the question, Tarun here. I think you have answered your own question. That is what we are hearing from some global analysts as well. Given the situation you have described, there is a possibility that the Russian government may consider imposing a ban on exports, and we are hearing that this could happen from October this year.

If that happens, we will have to see what other dynamics emerge. I agree with you; that is what we are also hearing from other analysts.

Meet Vora – JM Financial: Secondly, what would be the current FOB Middle East price of ammonia?

Tarun: It is around 600.

Meet Vora – JM Financial: I wanted to ask whether we are seeing any major exports from China that could potentially offset the supply disruption in the Middle East and keep prices under control for some time compared with what we saw in Q1. That could perhaps be beneficial for our Gopalpur plant. I wanted to get your sense because you were saying that you expect ammonia prices to remain elevated for the next 2–3 quarters.

Tarun: We are not seeing major supply coming in immediately at this point in time. Supply under long-term contracts will flow in, but nothing that would completely disrupt the market is expected to happen.

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Meet Vora – JM Financial: So by elevated, do we expect ammonia prices to remain around $600 plus {? 10-11 ?} levels for the next 2-3 years? Is that what you are saying?

Tarun: I will not say the next 2-3 years; it is difficult for anybody to predict that. I am referring to 2-3 quarters. Currently, it is around 600. However, it all depends on the war situation. If the war stabilizes, some softness is expected. Whether prices will return to the same level is uncertain; they may settle at a new elevated level. That is what we expect, but let us wait and see before making a definitive statement.

Meet Vora – JM Financial: Sure. Thank you very much for answering my questions, and best of luck for the coming quarters.

Tarun: Thank you, thank you.

Operator: Thank you, ladies and gentlemen. We will take that as the last question for today. I would now like to hand the conference over to the management for closing comments. Over to you, gentlemen.

Tarun: Thanks, and thank you, everyone, for taking the time to participate in our call. As always, I wish all of you the best of luck. Stay healthy and stay wealthy. Thank you. Bye-bye.

Operator: Thank you. On behalf of Sunidhi Securities, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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