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DEEPAK FERTILISERS
AND PETROCHEMICALS
CORPORATION LIMITED

6th August, 2026

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 Q1 FY 2027 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 31st July, 2026 to discuss the financial results of the Company for the quarter ended 30th June, 2026.

The transcript of the Q1 FY 2027 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

RABINDRA KUMAR PUROHIT
Digitally signed by RABINDRA KUMAR PUROHIT
Date: 2026.08.06 11:52:59 +05'30'

Rabindra Purohit

VP – Legal, Compliance & Company Secretary

Membership No.: FCS 4680

Encl: as above

“Deepak Fertilisers and Petrochemicals Corporation Limited

Earnings Conference Call”

July 31, 2026

MANAGEMENT:	**MR. SAILESH MEHTA – CHAIRMAN AND MANAGING DIRECTOR – DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED** **MR. SUBHASH ANAND – PRESIDENT AND CHIEF FINANCIAL OFFICER – DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED** **MR. TARUN SINHA – PRESIDENT – TECHNICAL AMMONIUM NITRATE – DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED** **MR. SUPARAS JAIN – EXECUTIVE VICE PRESIDENT – CORPORATE FINANCE – DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED**
MODERATOR:	**MR. ROHIT SINHA -- SUNIDHI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Earnings Conference Call of Deepak Fertilisers and Petrochemicals Corporation Limited, 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 the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing "*" then "0" on your touch-tone 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: Thank you, Dorwin. Good evening, everyone, and thank you for joining us on the Deepak Fertilisers Q1 FY '27 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. Suparas Jain, Executive VP, Corporate Finance.

We will begin the call with opening remarks from the management, followed by 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: Thank you. My voice is clear, right?

Rohit Sinha: You are clear, sir. Yes.

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

Now, I'm very happy to share that despite the volatility emerging out of the Middle East war, our Q1 has turned out to be our historic best with 65% jump in the operating EBITDA and doubling in 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's profits.

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

So, this aspect of this value chain, we strongly believe, is one clear undercurrent strength, and we see that giving us resilience, risk mitigation, and of course, very good cost optimization. So, this is something we see unique and sustaining.

The second core strength we see is that repeatedly we're getting a strong validation of the excellent alignment of all our three businesses with the India growth story. For the needs of power for India; coal, or for India's infrastructure needs, limestone, metals, minerals, all are beautifully aligned with our TAN business, mining chemical business.

The shift to horticulture, fruits, vegetables is giving us a great -- good tailwind for our crop nutrition business. And India's focus on the pharmaceutical sector, specialty chemicals is giving a lot of boost to our industrial chemicals segment.

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

Last but not the least at all, is our growing core strength emerging from our transformative shift into specialty and customized products for all our three businesses. And this we see is increasingly coming out to be very strongly reflected in our results by way of the undercurrent of customer stickiness, customer preference, and above all, price premiums.

So, 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 acids Dahej project at 93% completion, H2 promises to further solidify the top-line and bottom-line growth.

Now, in the near term, which is in Q2, we will see the typical slowdown on the mining activities due to the monsoon, but on the other hand, there will be a good pick-up on the fertilizer crop nutrition business, now that the worry of El Nino is behind us with very good widespread rains, especially in our geographies.

However, with the Middle East war scenario still hovering and bringing along with it its own set of volatility, somewhere sourcing and prices of phos acid, sulphur, and other raw materials for the fertilizer business will be under somewhat of a strain, and will need for faster decisions on the subsidy corrections by the government.

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, all of it will 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: Thank you. 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 strategic foundations we have been building over the last several years.

At the consolidated level, revenue for the quarter stood at INR3,256 crores, up 22% Y-o-Y and 8% quarter-on-quarter. This growth has been driven by stronger realization across ammonia, mining chemical, and industrial chemical. What is noteworthy that this performance was achieved despite temporary volume disturbance, both in mining chemical and IPA during the quarter.

Operating EBITDA increased to a record INR845 crores, up 65% Y-o-Y and 139% sequentially, while EBITDA margin 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 realization 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 INR490 crores, up 101% Y-o-Y 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 chemical delivered a resilient quarter despite temporary disruptions from the changes in PESO portal, while the volume were lower at 130 KT, stronger realization helped drive revenue to around INR911 crores, up 37% Y-o-Y. Our B2C strategy continue to gain traction, with B2C revenue growing at 42% to INR151 crores and contributing 17% of the segment revenue, further improving the quality of earning and customer engagement.

Industrial chemical reported revenue of around INR490 crores during the quarter. Nitric acid volume remain stable, supported by improved pricing arising from supply tightness and lower importing. In IPA, while volumes were impacted by propylene availability constraint, stronger pharma grade demand and improved realizations supported profitability. We expect IPA volume to progressively recover as propylene availability improves.

Crop nutrition operated in a challenging environment due to delayed monsoon, elevated input cost, and inadequate subsidy alignment. Despite these headwinds, the business remain resilient, delivering revenue of around INR1,367 crores, up 9% Y-o-Y. Manufactured NPK sales grew 4%, Croptek continued to perform steadily, and our premiumization strategy remain on track, with specialty and Croptek product contributing 43% of the segment revenue.

On the balance sheet, continue to strengthen despite being in peak of our investment cycle. During the quarter, we incurred capex of over INR500 crores as we progress our strategic growth project. Even after these investment, net debt reduced to INR4,719 crores, and our debt/EBITDA improved to 1.4x, reflecting strong cash generation and disciplined financials management. This placed 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. The total spending till Q1 is around INR3,850 crores.

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 our most important development 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 upstream leadership position, 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 earning portfolio and will increasingly 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 made over the years. The growing contribution from B2C, specialty, and Croptek businesses continue to improve the quality and resilience of our earning, while the commencement of LNG supply under our long-term contract is further strengthening our value chain integration. During the quarter, we deliver 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 chemical continue to benefit from strong market fundamental and growing B2C franchise. IPA is well-positioned for volume recovery with improving propylene availability, while crop nutrition should benefit from improving monsoon conditions and continue portfolio premiumization.

With the new capacities coming on stream, integration benefit becoming increasingly visible, and a strong business mix, we believe we are entering the next phase of growth from the position of strength. We remain committed to deliver sustainable growth, strong cash generation, and long-term value creation for all our stakeholders.

Thank you, and we should now be happy to take your questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question gcomes from the line of Hardik Shah with Brick Capital. Please go ahead.

Hardik Shah: Hello. Yeah, congratulations to the management for good numbers. My question was in Q1 there was gas availability problem, so we wanted to know that what was the capacity utilization for our ammonia plant?

Subhash Anand: Okay. In fact, we need to see capacity utilization in two parts. Initial part of, I'll say, April, we do have a gas problem, but post May, with Equinor coming in, the gas issue was no more there. But average for this quarter was 94% utilization.

Hardik Shah: Okay. And one more thing for the ammonia plant. We had a shutdown in Q4 FY26. So, did we debottleneck the ammonia plant or it is still running at 5 lakh capacity? How is it we have to consider?

Subhash Anand: No, we have debottlenecked, and currently plant is running at what we desired. We have seen a almost 10% capacity improvement in that plant.

Hardik Shah: And last question is, both the capex, nitric acid and the Gopalpur TAN project, are they on schedule? When are we starting the plant production for that?

Subhash Anand: We are on track this point of time. We expect both the plant should be operational towards end of this quarter. So, what we spoken, we are broadly on track this point of time.

Hardik Shah: And we can expect good utilization from Q4 FY27 for both the plants?

Subhash Anand: Yes, that's what we intend to, because being a, I'll say, for us, this is not the new chemistry, not the new plant, so for us, the ramp-up should be much faster.

Hardik Shah: So we can expect around 80% utilization around for Q4, if all things go well?

Subhash Anand: Everything goes well, yes, we should ramp it up. Exact percentage, let's see how things are, but yes, our ramp-up will be faster.

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

Subhash Anand: Thank you.

Moderator: Thank you. Our next question is from the line of Shubham Dhasmana with Asit Koticha Family Office. Please go ahead.

Shubham Dhasmana: Sir, am I audible?

Subhash Anand: Yes.

Shubham Dhasmana: Sir, I wish to know about the industrial chemical side. How should we look at this business, let's say, two, three years down the line?

Subhash Anand: You're talking about industrial chemical, right?

Shubham Dhasmana: Yes, yes.

Subhash Anand: Okay. Industrial chemical, when we see, let's see in two separate parts. There is a nitric acid business and there is an IPA business. Nitric acid business is more, I'll say, majority of the capacity which is CNA is a long-term contract-driven business, broadly linked to, I call it in a linked to the feed stock. So, it's more stable business, comes with a stable margin, predictable business.

So, we do see that business to continue in a stable, and with a newer capacity, we'll be able to improve the top-line as well as the EBITDA in overall EBITDA of that business. IPA has seen a challenge in past. Now, recently, the availability of RGP was a challenge, which is now getting improved. And it's, IPA is slightly more volatile, but Q1 onward, we have started seeing some recovery in that business. So, we say we should be able to maintain the long-term average in that business with some volatility quarter-on-quarter in that part of the business.

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

Pritesh Chheda: Sir, I have two questions. One on the TAN volumes, you know, which saw a reduction on a Y-o-Y. So, should we interpret as your inability to produce because of raw material adjustments or it is the in acceptability at a higher price by the market to, you know, purchase that TAN? Which one is a more fairer assumption?

Subhash Anand: None of the statement is true. The volume loss, as I stated in my statement, during the quarter, there was a new guidelines from PESO, and that has disturbed the supply chain more on a logistics outward side of supply. And that led us to few days disturbance in the supply chain and loss of production. So, it was neither a raw material issue, nor a production issue, nor a demand issue, but more of a temporary few days supply chain issue that made us or that took us to loss of this volume.

Pritesh Chheda: So, should we assume normalization now of the original capacity and the volumes?

Subhash Anand: Yeah, yeah, that should be. Normally Q2, as you would have seen, typically monsoon quarter, but if you're looking Y-o-Y, it should be the normal volume.

Pritesh Chheda: Okay. And my second question is on the on TAN itself, in terms of the improved realization and the improved profitability, which we know is a function of you being a lot integrated, any comments there on, you know, how do you see the profitability? Considering the global supply change, where how you are positioned in the business.

Subhash Anand: Yeah. Tarun?

Tarun Sinha: Yeah. Thanks. This is Tarun here. Essentially, and this is a similar question which we have addressed in the in some of the prior calls as well, like this. We've always maintained that the medium-term to long-term horizon, you know, margin levels would be very consistent as far as TAN business goes. It is, like any other business, it goes it goes through cycles, besides the, you know, unforeseen, you know, situations, for example, Middle East in this case, Middle East conflict, as just as an example. So, excluding those situations, we expect to maintain our margins over the medium to long term.

Subhash Anand: Yeah. Short term, we may still remain on elevated prices for some time because of the Middle East conflict is still not resumed, but if you're looking medium to long term, we expect we should be back to a normal margin or a consistent margin.

Pritesh Chheda: So, near term, you are more favourably placed, right, considering you have the backward raw material plus the global supply crunch on the TAN side? So, the elevated profitability, elevated pricing on the near term may sustain, is the best guess that we can make, right?

Subhash Anand: Yeah, factually right.

Pritesh Chheda: Okay. Thank you very much, sir. Thank you.

Moderator: Thank you. Our next question comes from the line of Adarsh Jain, an Individual Investor. Please go ahead.

Adarsh Jain: Yeah, hi. Thank you very much for taking my question. We actually had a very excellent quarter way back in June 2022 and kind of the same quarter which we just had now. And EPS was around 34 at that time. And what happened that things kept on changing drastically after that, and down cycle probably started with multiple issues.

Thereafter Russian dumping of TAN and then fertilizer subsidy inventory loss, and then stabilizing the ammonia plant, and issue with IPA and nitro aromatics dumping from China. So, I mean to say that it took another four years for us to beat the EPS, the EPS which we had in June 2022. So, now going forward, do we see such issues panning out again? And how do you see, I mean, the things could change for the business again?

I mean, are we entering into down cycle? Asking because see, we see a lot of volatility in stock prices. Okay. If we look at the results, the valuation looks cheaper. But I mean, if we look at the stock movement, then stock movement is something different. So, would you share your thoughts on this, please?

Subhash Anand: Sure. So, I'll start and then see if Tarun will add value on that. Now, fundamentally, the things, if I see 2022 what you are referring, and currently 2026 June, fundamentally, there are a few things which have structurally changed for us. I call it that way. Now, that time there were no ammonia with us. Now, we have built an ammonia and with Equinor gas, which is long-term contract, put us in much favourable position what it was it was never there with us if I talk two years back.

Now, that's a structural correction which has happened and going to improve the sustainability or I'll say sustainability and reliability or predictability of the delivery as a complete integrated value chain is concerned. So, that's the one fundamental change which will happen. Second change which is going to happen is the two new capex which is going to be operational towards end of this quarter.

Now, that will take us to the next growth levers state. We are operating at certain level, capacities are more or less used. We are entering into the next leap of growth and that is very straightway sitting in front of us for which capex has already been done. It's not that the balance sheet is already carrying majority of that capex as a done money.

Now, it's only a question of realization phase which is coming. Third thing if you see, last few years we have put in lot of efforts in differentiating model, focusing lot on B2C, focusing more on commodity to specialty, going to downstream side, talking about crop focus and specialty focus fertilizers. All these initiatives are towards margin expansions and also towards bringing stability, predictability in the in the business.

Now, with these things in place, what we are confident as a management, the kind of a volatility the business has seen in past, will not have a similar volatility. Yes, some volatility will continue.

That's business, and the business do depends on international, a lot of international factors which comes and impact. But the severe volatility what we have seen in past, that may not be a reality for us in in the coming future, and that's what we believe.

Adarsh Jain: Okay, so basically it is safe to assume that no downturn in business is seen in the near future?

Subhash Anand: No, I'll say no severe volatility. Typical business cycle will come and go, but we are moving from, I'll say, our base itself is changing with the fundamental structural change which is happening in business, we'll be moving from the current level to the next level. So, we'll be in a better place to handle that volatility.

Adarsh Jain: Okay, and how long do we see this elevated ammonia prices at the current level?

Subhash Anand: Okay, this is anybody's guess, I call it, but the way things are, it's already elevated, and we do see this disturbance to continue at least for some more quarters.

Adarsh Jain: Two, three quarters?

Subhash Anand: Yes, looks like scenario, because even if war stopped, it won't fall to a same level so soon, not expected to be. At least the all international prognosis, it's reflecting very clearly, it will take time for ammonia to come back to a same level.

Adarsh Jain: Okay. So, June being the, I mean, the best quarter for us in any of the financial year, so we can expect the next June quarter will be having two TAN plants with elevated ammonia prices, probably.

Subhash Anand: Yeah.

Adarsh Jain: Okay. Thank you very much for the questions.

Subhash Anand: Thank you.

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

Ranjit: Yeah. Hi, sir. Thanks for this opportunity. I hope I am audible.

Subhash Anand: Yes, yes, Ranjit.

Ranjit: Yeah. Hi, sir. So, firstly on the performance of the mining solution business, so here just wanted to give some colour about the kind of contribution that you would have seen from the PCL, probably on a standalone basis, was that a major driver for the profit or it has been the pure TAN spreads?

Subhash Anand: Okay, I we normally don't give very precise numbers of specific business, but if we talk about the quarter gone by, it's not just one factor which has given this elevated margin profitability. It's all across, whether it was a mining business, whether it was a industrial chemical, or whether it was a IPA, not volume but pricing, yes, or whether it was an ammonia. So, all businesses have contributed to this elevated profitability for us.

Ranjit: So, within that, what would be the captive consumption of the ammonia for us, if you can just share a ballpark figure?

Subhash Anand: Approximately, in terms of percentage, around 80% is captive consumption.

Ranjit: Okay, this is on the expanded debottlenecked capacity?

Subhash Anand: Yeah.

Ranjit: Yeah, sure, thank you. The second question is to Tarun on the TAN front. Basically, two questions there. We have been guiding that we want to move towards more value-added products, and within the presentation, I can also see we started mentioning about the explosive business, and we did a recent small acquisition in that front. So, if you can give some colour about how do you intend to tap opportunities on the explosive front?

And second, we have seen announcement, not yet announcement, but at least an indication to get into TAN business, one of the major refiners in India. How do we see that front? Till now, it was one or two capacity expansion, but a big player expressing intentions to getting into TAN. How are we gearing up for these things? Thank you.

Tarun Sinha: Okay, thanks for the question. So, taking the first question first, as regards explosives. So, as you rightly mentioned, we completed the acquisition of an explosives company in May this year, which we had announced to the stock exchange as well. And the purpose of that acquisition is to complete our value chain, make it even stronger as we develop the mining solutions business.

In simple terms, is helping the mine operators, mining companies, infrastructure companies, contractors to improve their cost of mineral extraction or rock extraction, and blasting plays a very important role there, hence the role of explosives. Without having that portfolio of explosives, we wouldn't have the full value chain. So, that's the whole purpose, objective, you know, of that acquisition.

We are upgrading that facility, as we speak, after acquisition, to bring it to the required standards of safety, quality, so on and so forth. We will be making some investments in terms of putting in some new types of explosives plants in this facility. And once we have the full range available, we will roll out the products commercially to the market in the form of, if you have observed our previous conversations, it's in the form of Total Cost of Ownership, TCO, business model, which is, in simple terms, as I mentioned earlier, improving the mine productivity.

So, that's in in summary what this explosives acquisition is all about, and the journey has begun as we had promised some quarters back on this front. On your second question, again.

Ranjit: Based on this front if I may? So how would we see by our existing customers, would we be seen as competitors for them or how would we be handling this?

Tarun Sinha: It is a very different business model that DMSL is pursuing and that model is TCO model as I mentioned earlier the key difference between this model and the prevailing models of the explosive supply in the Indian market is that the prevailing model is about supplying explosives invoicing for it get paid for it, job over.

Whereas in the DMSLs TCO model certainly it supplies explosives along with blasting tools, technology, people competency and things like that but, there is an outcome which we will guarantee. So it is an outcome based model and that is where the difference comes in rather than just being an input driven model TCO model of DMSL is an outcome driven model so there is no competition as such, it is a new space in which DMSL will be operating and actually it will be a good move and as I see it, because if more explosive companies can join the game and start working in that direction it will only help in improving the cost of mineral extraction in the country.

Which means the mine productivity in India will go up, and that's for a good national cause. Now, coming to your second question, we hardly have any information on that announcement. We don't have any details of timelines, capacities, and things like that. So, it's very early for us to comment on it.

Ranjit: Sure. Thank you, sir. Lastly, the two large capacities which are likely to commission, how should one see the depreciation moving up? Would this be depreciated over 20 years or 25 years, if you can give some colour on that? Thank you.

Subhash Anand: No, those typically these plants get depreciated over 25 years, so it will happen with them also.

Ranjit: Yeah, thank you, sir.

Moderator: Thank you. Our next question comes from the line of Harsh Shah with Seven Rivers Holding. Please go ahead.

Harsh Shah: Yeah, hi. Good afternoon, sir. So, my first question is on the expansion, the two facilities that are coming in Q3. So, I just want to understand, how are we tied up on the feed stock side, given that we have 5 lakh tons of ammonia capacity, so with this expansion, will we be procuring ammonia from the spot market, and to that extent, will the economics of these new plant will be different from what we are experiencing from our existing nitric acid and TAN facilities?

Subhash Anand: No, so far ammonia is concerned, we already have a, I'll say, supply assurance or supply contract tied up. We don't see that's a challenge in terms of -- thing. And it will be a long-term driven contract, it's not one-off contract. And we do have a, in fact, 2 years before till PCL was not there, we were importing ammonia, so it's not that we are new in ammonia, we don't know this market, it's very well-aware market, and things are already tied up.

Economics as concerned, even our current way, the way we operate, when we see a TAN business, we see ammonia at a market price, and we evaluate TAN business as a standalone profitability business. Ammonia profitability is seen independently, so overall TAN will remain like that only.

Harsh Shah: Okay. Sure. And sir, if we just step back a couple of quarters -- in Q3 till Q3 FY26, we had on the nitro aromatics side, we had we were facing issues from the Chinese dumping, and on TAN side, we had the Russian TAN coming in at a lower price, which were putting pressure on our realizations and margins.

So, now with this geopolitical event, which is clearly working in our favour, so once the dust settles, how do you think this and plus with the new capacities that our competitors are adding, so if we take a slightly longer-term view, a year, a year and a half from now, how do you see the entire ecosystem working? I mean, would we again revert back to the averages, or there could be some structural change in the overall supply chain dynamics?

Subhash Anand: There is always -- that's what I in fact last sometime back same question. There is always a short-term, mid and long-term. If you're looking short-term, yes, this disturbance is there, and this disturbance will have an impact on pricing. The prices are elevated. Supplies are restricted or somewhere, I'll say, disturbed. This scenario, although the war may stop, but the scenario will not come back to normal immediately.

It will take time, things to come back, and it may be a new normal after this, even after stabilization. So, that that's what we feel. Second question is about new capacity getting added. Yes, this is known factor, and internally, we are working. If you are looking at demand-supply, the entire thing , even with new capacities, the total demand and supply with the kind of a growth what we see, 6% to 7% in the in the market, it still will not be a very, very long market.

Maybe a year, it may be long and short, or maybe a balanced market, and then may again translate into a short market. So, so the scenario we don't see things changing very drastically, or the supply demand-supply tilt happening very drastically in medium term. We don't see that. That thing coming up.

Harsh Shah: Got it. And just one last question, since we have started receiving gas supply from Equinor, so what percentage of the contracted supply are we getting right now?

Subhash Anand: Okay, now the way contract is, we have our existing contracts which are getting phased out this point of time, and Equinor is coming and balancing it. So, this phase-in, phase-out will continue this year. By end of, I'll say, by Quarter 4, when the entire phase-in, phase-out practically will get completed. Till that time, both the contract and supplies are running parallel, and that's how we have we have tied up our supply chain, and also the inward quantity accordingly has been tied up with Equinor.

So, the quantity will get ramped up in next few quarters, and the current quantity will get ramped down during next few quarters.

Harsh Shah: So, the 70% gas allocation from the government will continue, and then we'll top it off with the Equinor allocation, which will keep on increasing?

Subhash Anand: I'll not say 70% top-it-off. Some of the contracts are expired or getting expired, so the portion of government gas supply will keep coming down over a period of time, and the Equinor proportion will keep going up.

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

Subhash Anand: Yes, it has commercial benefits.

Harsh Shah: Sure. Thank you so much.

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

Viraj Mahadevia: Hello. Congratulations on the fantastic numbers starting to come through. Quick question. Your gross margins have expanded by about 5.5%. Can you attribute that as a split of what comes from higher pricing playing out at the revenue level versus positive impact of the Equinor supplies at the cost or RM level?

Subhash Anand: Okay, I will not go that far. It's a mix of all levers, it's not just one lever which has played out. The cost has done better, and also the realization has helped us to improve this margin. So, both have played in this margin improvement journey, including efficiency side, like debottlenecking the capacity what we gone through. So, everything has played a role in helping us to deliver this margin portfolio.

Viraj Mahadevia: Understood, sir. And are prices holding up as you move into Q2 on the revenue side?

Subhash Anand: Okay, holding up is a difficult or I'll say is a different question. It has it's still at an elevated level. But has it -- it's still at an elevated level, yes, not the same what it was during the peak of the war. So, some softening was expected, that has happened, but that's planned or factored in, I call it.

Viraj Mahadevia: And against that, Equinor gas supplies on the RM side would only for two out of the three months of last quarter, now you'll have full quarter contribution.

Subhash Anand: Yeah, we'll have, yes, we'll have an impact of full quarter this.

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

Subhash Anand: Thank you.

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

Ritesh Bhagwati: Thanks for taking my question, and congrats on great set of numbers. My first question pertains to our DMSL subsidiary. Could you just please elaborate on how are we planning to deal with DMSL in respect of corporate structure? Like, are we more inclined towards the IPO of it, or are we more actively looking at other options like demerger or a spin-off structure for the same?

Subhash Anand: Okay. Now, in fact, in principle, we are committed to take this entity and list this entity. The form is something which yet to be decided, whether it will be a demerger or an IPO route. We yet to take that call. Maybe in a due course, we'll take that call and communicate our intentions to the market.

Ritesh Bhagwati: Okay. Just from the shareholders' perspective, I just thought, you know, like if it's a demerger sort of a thing, the existing shareholders of Deepak would get the shares, and this basically will send a strong signal in terms of the, you know, alignment of the minority shareholders, plus it's also will help our company, you know, in terms of the overall SOTP value instead of getting a holdco, if at all we get an IPO listing. Have you guys thought of that?

Subhash Anand: No, sure. We take all input which is which is right input, I call it, an important input from all stakeholder perspective. So, but yes, have we taken any decision? Not yet. But all right options will be evaluated, and we'll take a right call, I call it, which is which is beneficial for everybody.

Ritesh Bhagwati: Okay, thanks a lot. That's it from my side.

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

Parth Sodha: Sir, am I audible? Hello?

Subhash Anand: Yes.

Moderator: You are audible, sir.

Parth Sodha: Yes, sir. So, first of all, thank you for the opportunity. So, my question is like, once Gopalpur and Dahej stabilize, where do you see the next leg of growth coming from, over let's say next three to five years? Is it further capacity expansion, higher value-added specialty products, or deeper integration across the mining and industrial chemical portfolio?

Subhash Anand: No, in fact, okay, there is a first leg, which is expected with these two capacity coming up and getting ramped up, and then the next eg of growth, and that will come from all levers. I'll not say just one lever. All businesses, like DMSL, is committed to move towards downstream and grow that piece, same way Croptek or fertilizer business is on premiumization, moving more and more towards value-add business, specialty and Croptek, and similar industrial chemical getting into more specialty side of the business.

So, all those levers will continue to play in our growth strategy and take it to the next level. And then, yes, I'll call it at some point of time, we need to see the next growth engine, and we'll come back. It's too early. We are currently at the phase where we are completing our current phase of capex, and that's more important for us to complete, take it to the execution, and then start planning the next phase of next round of growth from where it comes in. So, we'll come back and then share that at a right time. The current business growth, in a normal course, will continue through the levers which through the strategies which we already articulated.

Parth Sodha: Got it. Got it. Thank you so much. Thank you so much for the opportunity.

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

Yash Gupta: Congratulations on the good set of numbers, sir. First question on the cash flow side. Currently, we are having a total debt of INR5,000 crores and some capex need to be paid out in maybe Q2, Q3. How you are looking at next two year down the line, this debt number going to be? And are we capitalizing any interest cost as of now?

Subhash Anand: Yeah, interest cost, as a part of this project, the loan taken for these projects are capitalized, so that happens as a normal accounting. The current debt level, it's net debt we talk about, is almost around 4,700 something, INR4,800 crores. We are more or less near to our peak, debt I call it. There may be some more debt since we are in the last leg of our project completion.

But broadly, we have reached to a level where our debt level is reaching towards peak. And post that, with the new capex start contributing to our EBITDA as well as to our cash flow, and with the integrated value chain continue to give us the operational cash, the deleveraging strategy or deleveraging of balance sheet will start, and we do expect from now onward we should start seeing or from this year onward, we should start seeing our deleveraging getting reflected in our on our balance sheet and the ratios.

Yash Gupta: Sir, in this both the project, what kind of working capital requirement we are seeing, like suppose in FY27 mean -- we make free cash flow of INR2,000 crores, and working capital would be like INR1,000 crores or INR1,500 crores requirement?

Subhash Anand: I'll say both of these businesses are not heavy on working capital. They are more B2B business and they don't have very high working capital. So, they are working capital efficient business, so the cash flow from these business will be better.

Yash Gupta: Okay, sir. And how you're looking at FY27 to end, like we have started on a very high note of INR500 crores of PAT. So, what's our expectation to end this year? And we are expecting Q3 and Q4 to be like a little more heavy on the new capex side?

Subhash Anand: It's a simple thing. The things which is going to play in next few quarter, if you see, and I'll again go back. The two new capex which are coming up will start contributing to our bottom line in Q4 definitely, Q3 onward I call it. So, that will be in the base when we talk about Q4, and also the gas supply, which is now partly benefit which this quarter has seen, started seeing a full quarter benefit, and then the gas Equinor gas proportionate increase will happen over a period of time.

So, those benefit will start flowing in, so by the time we end this year, our base level will change from where we started, I call it. So, the new normal level will start reflecting in our results, and that's what we foresee. The new level will be an elevated level by the time we end this year.

Yash Gupta: Last question, what is the risk for next 6 months, 12 months, I understand it's difficult to say like how the things will change from here on, but what are the risk that our business may face in next 6 to 12 months?

Subhash Anand: You answered yourself instead of me answering. This is an international business, so things do impact, I call it, if some decisions are taken. Most of the time, if it's a geopolitical international, most of the time, I'll say, it's beneficial or favourable, but at time if supply side disturbance happens, those things can impact anybody. So, we are not isolated from that. But broadly, barring those external, I think rest of things execution front, we are well-placed, and we are working on our strategy front, and that's what makes us far more resilient and help us to deliver.

Yash Gupta: Okay. This TAN business, the volume we have lost due to PESO portal changes, this will going to make in Q2 or Q3 or it's a loss only?

Subhash Anand: No, that was only a few weeks or, I'll say, a few days disturbance, that's behind us.

Yash Gupta: Okay. Sure. Thank you, sir.

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

Darshil Jhaveri: Hello. Good evening, sir. Thank you so much for taking my question. Firstly, congratulations on a really great set of results, sir. Sir, I just wanted to know, sir, as you feel like the, you know, prices will, you know, even after the war, is going to be elevated. So, for the full year, we could see similar EBITDA margins as Q1, right? Would that be a fair assumption, sir?

Subhash Anand: I won't say that. It's too difficult, too early for any of us to make that estimate, I call it.

Darshil Jhaveri: Okay, okay. Fair enough, sir. And sir, on the capex coming in, like in FY28, which should have near optimum utilization, right? So, what kind of, you know, if you could share any kind of revenue that, you know, we expect in FY28 or margins, if you could, that would be really helpful, sir.

Subhash Anand: The revenue definitely, the new capacity will add into our revenue, so those capacity is already announced. The numbers, the quantity which is expected to start contributing is known. Average realization we already always have shared, so one can compute and see what kind of a revenue trajectory we'll be playing.

So the margin, current margin may be slightly elevated, but if you -- if one applies a standard margin, the new trajectory will be visible, I call it. So, take that way and then work it out.

Darshil Jhaveri: Okay, okay. Fair enough. Yeah. That's it from my side. Thank you.

Subhash Anand: Thank you.

Moderator: Thank you. The next question is from the line of Nirav Jimudia with Anvil Wealth. Please go ahead.

Nirav Jimudia: Yeah. So, thanks for the opportunity. Sir, two questions. So, one on the Equinor side, you mentioned that there would be some of the contracts existing LNG contracts which would be going out and the Equinor would be taking up the bigger share in times to come.

So, let's say, if I'm not wrong, our contract is for 0.65 million tons of LNG, which we have contracted on. So, let's say from next year onwards, when those contracts which currently are in place would be going away or shedding away, how much of the Equinor would be forming our total LNG requirement for the ammonia production?

Subhash Anand: Equinor contract's the way supply has been scheduled, once the phase-in, phase-out gets completed, Equinor gas will be more than enough for our meeting our requirement. So, we'll not be dependent on any other gas source.

Nirav Jimudia: Perfect. And in terms of pricing, generally, the LNG contracts are based on the slope of the crude prices, the benchmark crude, so how is our contract like in terms of, because most of the contracts are on a prices of preceding 6 months of the crude prices, so how is our contract with Equinor in terms of pricing?

Subhash Anand: No, I'll not talk about the commercial terms of that contract, but yes, the way our pricing are, our pricing is much, I'll say, is efficient or well-constituted, so it's commercially favourable, and currently the way pricing are, we are definitely having a efficient or I'll say cost benefit in the in the current supply chain the way things are.

Nirav Jimudia: Correct. And let's say when everything would be replaced in terms of phasing out of the old contracts, based on the commercial terms and the understanding what you have, what sort of savings we could envisage on an annual basis from this LNG supply?

Subhash Anand: It is sizable. Exact number we'll not share, but it's a good saving, I call it.

Nirav Jimudia: I think one of the numbers which the MD sir mentioned was about close to around INR300 crores, so possibly, is this the peak number which you are talking about or this is for the this financial year and next year the benefits could be larger?

Subhash Anand: Okay, now, basically, it all depends, I'll say, the current the way things are currently, this numbers is right. With the change in crude prices, Henry Hub prices, or the international prices, the saving can go up, come down, can come down, but broadly, if you say, if things remain broadly on a similar line, we expect this savings to start flowing in.

Nirav Jimudia: Correct, and this savings could be higher than this number for next year, probably. Correct?

Subhash Anand: It depends. I'll not say, the market scenario, conditions can change. It can be higher or it can be slightly lower also.

Nirav Jimudia: Perfect. So, second question is on the industrial chemical side. I think this quarter, if I'm not wrong, we produced close to around 2 lakh tons of weak nitric acid, which last quarter was around 2,35,000 tons. So, one was the lower production of TAN, which could be attributed, but let me say on product placement side in the domestic market, I believe that the other players on the nitric acid chain would be also facing difficulties in terms of sourcing ammonia.

So, was the demand also fallen during this quarter because of the downstream demand not great or it's a general phenomenon of a quarterly thing that our production which was not sold for TAN could not be placed in the other value chains?

Subhash Anand: If you see nitric acid, our nitric acid third-party sales or the merchant nitric acid sales, the volume is flat. We haven't lost nitric acid volume versus last year same quarter. So, it's almost similar thing to around 80 KT, that's what we have sold, so similar quantity we have sold last year also.

The way we look nitric acid, there is a captive nitric acid and there is a merchant nitric acid. Captive nitric acid goes along with the business and sudden drop sometimes it's not easy to just go and start placing it outside.

Nirav Jimudia: Correct. So, last two things, is it possible to share what were the realizations for weak nitric acid for this quarter? And secondly, on the ammonia side, have we been able to sell some merchant ammonia in the market in Q1, if you can just share the volumes, that would be helpful?

Subhash Anand: We do, we do sell merchant ammonia, and that is normal because that's our normal business model. We do produce, and we do buy or I'll say trade, import merchant ammonia, and sell in the market. So, that continues, and it's part and parcel of our business model. We don't share very specific.

Nirav Jimudia: I am talking about the production?

Subhash Anand: No, even for production also, the way we run, when the day when we are running at full capacity, our plant do have some surplus ammonia, apart from what we need for our captive consumption. So, whatever surplus we get, we sell it in the in the merchant as a merchant ammonia, so that practice continue, and that's the business model already well-instituted.

When it comes to specific, I'll say, grade-specific NSP, we don't share that. Although our -- you see our investors presentation, total volume and total sales value is there, so average NSP is visible. So, average is we do share, not grade-specific.

Nirav Jimudia: Correct, correct. And sir, for NPK, ANP fertilizer grades what we manufactured, I presume that last year we produced close to around 7,60,000 tons, and just going by the conversion, we would require close to around north of 3 lakh tons of ammonia, so for that business particularly, we procure ammonia from various sources and use it for the fertilizer business, and has nothing to do with our captive ammonia production, right?

Subhash Anand: I don't think your numbers are right, but for our all our three captive businesses in Taloja, we use captive ammonia. Only for Gopalpur, we are going to buy ammonia and use, because the economics will not work, neither we have capacity for that.

Nirav Jimudia: Perfect, sir. Thank you so much, and all the best.

Subhash Anand: Thank you.

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

Meet Vora: Yeah. Hi, sir. Thanks for taking my question. So, first question was on TAN. Over last few weeks, we have seen disruptions in supply chain from Russia because of Ukrainian drone attacks near the Black Sea area, which has led to increase in FGAN prices. What is the sense that we are getting from the supply chain disruption in Russia? Is there a possibility that the Russian government could again ban FGAN exports like what we had seen in April?

And also how do we view this in the context of this disruption coming in ahead of the fertilizer season in Brazil, because if it coincides, then this could keep FGAN prices on elevated levels for some time.

Tarun Sinha: Thanks for the question, Tarun here. So, I think you've answered your question, that's what we are hearing from some of the global analysts as well, that given the situations you described, there is a possibility that the government of Russia may think of putting a ban on export, and we are hearing this could be from October this year.

So, and if that happens, then we'll have to see what else, what other dynamics, you know, come out of it. So, I'm with you, I mean, that's what we are hearing as well from other analysts.

Meet Vora: Okay. Secondly, what would be the current price of ammonia FOB Middle East?

Subhash Anand: It's around 600.

Meet Vora: Okay, okay. Just I wanted to ask that, are we seeing any major exports from China, which could potentially offset supply disruption in Middle East and make key prices under control for some time versus what we had seen in Q1, and maybe that could be beneficial for our Gopalpur plant? But just wanted to get your sense, because you were saying that you expect ammonia prices to remain elevated for next two to three quarters?

Subhash Anand: Not immediately, we're not seeing major supply coming in at this point of time. Under long-term contract, it will flow in, but nothing like which is disturbing completely the market, not expected to happen.

Meet Vora: We expect ammonia prices to remain around USD600 plus kind of level for next two to three, that is what you're trying to say?

Subhash Anand: I'll not say next two to three years, difficult for anybody to predict. Currently, it's around 600, but it all depends how war situation is actually. If war stabilized, then some softness will happen, expected. but yes, will it come back to same level, may not be. A new elevated level may get settled, so that's what we are expecting, but that will be, let's wait, I call it.

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

Subhash Anand: Thank you. Thank you.

Moderator: 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.

Subhash Anand: Thank you. Thanks, everyone, taking time, participating in our call. As always, I wish all of you best of luck, and stay healthy, stay wealthy. Thank you. Bye-bye.

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

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Note: This transcript has been edited to improve readability

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