



“Deepak Fertilisers And Petrochemicals Corporation
Q2 FY'13
Earnings Conference Call”

November 02, 2012



ANALYST: MR. MANISH MAHAWAR

MANAGEMENT: MR. SOMNATH PATIL



Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY'13 Earnings Conference Call of Deepak Fertilisers and Petro Chemicals Corporation Limited, hosted by Edelweiss Securities. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing "*" followed by "0" on your touchtone telephone. Please note that this conference is being recorded. At this time, I would like to hand over the conference, over to Mr. Manish Mahawar from Edelweiss Securities. Thank you and over to you Sir.

Manish Mahawar: Good morning everyone. On behalf of Edelweiss, I would like to welcome all the participants in the call. From the management, we have Mr. Somnath Patil, President and CFO, Mr. D. Banerjee, VP-Finance and Accounts and Mr. Vivek Kelkar, Executive Vice President - Strategic Communication and Investor Relations. Without taking further time, I would like to hand the call over to Mr. Somnath Patil. Over to you Sir.

Somnath Patil: Good morning ladies and gentlemen. Welcome to the Deepak Fertilisers And Petrochemicals Corporation's Q2 FY'13 Earnings Call. I have with me my colleagues, Vivek Kelkar and Debasish Banerjee. As you know, we have had a strong growth in topline this quarter, which indicates that the demand fundamentals continue to remain strong, market shares across key businesses are growing and the company's products enjoy high acceptability across all customer segments.

For the quarter ended September 30, 2012, the Company grew 20% with an income from operations at Rs.693.35 Crores as against Rs.577.19 Crores in the corresponding quarter last year. Profit before tax stood at Rs.54.74 Crores against Rs.75.18 Crores and profit after tax was recorded at Rs.40.64 Crores vis-à-vis Rs. 53.90 Crores in the corresponding quarter for Q2 FY'12. Segment revenues in Q2 FY'13 for Agri business grew by 47% to Rs.339.11 Crores as against Rs.230.70 Crores in corresponding period in Q2 FY'12.



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Segment profitability for Agri business grew 63% to Rs.44.71 Crores in Q2 FY'13 as against Rs.27.44 Crores for the same quarter in the previous financial year. The Chemical segment registered growth to Rs.373.42 Crores vis-à-vis Rs.358.67 Crores. Profits for the Chemical segment were recorded at Rs.50.07 Crores against Rs.84.86 Crores in the previous year same quarter.

Profitability in the Agri business was higher on account of increased volumes of own manufactured fertilisers and stronger volumes and realizations of outsourced fertilisers. Margins in the Chemicals business were impacted by an unforeseen IsoPropyl Alcohol plant shutdown for about 20 days in this quarter. The Methanol plant also had to be virtually shutdown during the quarter due to high spot gas prices which rendered the product. The margins were also impacted by high ammonia costs.

Going forward, we expect the margin pressures due to high ammonia prices to continue in Q3 at least, but there is a likelihood of ammonia prices easing in Q4, since some global plants whose commissioning was either delayed or were down for technical reasons should come on line in the next few months. This might lead to some softening of prices since about 350,000 to 400,000 tonnes of new ammonia may get released into the system, but we need to wait and watch the situation closely. In the longer term, however, with new ammonia capacities coming on line in the USA with Shale Gas, the global ammonia prices should soften.

I must however reiterate that the demand fundamentals for all our products will remain strong. Our key products are allied to fundamental sectors of the economy like Agriculture, Mining, Infrastructure and Chemicals and we should be able to benefit from India's GDP growth. The government's initiatives on coal and power also have a good long-term prognosis for TAN demand.

On the TAN front, as you can see, we are steadily ramping up capacity utilization at our new TAN plant and the product has very good acceptability both in India and globally. But the Indian mining industry has been very subdued in FY'13, which is likely to result in lower than expected sales, but



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global mining on the other hand is growing well and we are targeting exports. We should see the results of this in the next few quarters.

As you also know we have significantly strengthened our leadership team with Mr. Partha Bhattacharyya, the Ex-CMD of Coal India and Mr. Carl Anders Lindgren, Global Expert on the TAN Business and Former Managing Director of Yara, AB, Sweden, joining us.

On the realty front, as mentioned on my last call, we do not expect any turnover of the mall in FY'13. The modification activity is complete and new signups are in progress, the impact of which could be visible in the first half of FY'14. I now leave the floor open to questions.

Moderator: Thank you very much. Participants we will now begin with the questions and answer session. We have the first question from the line of Sameer Kulkarni from Vantage Securities. Please go ahead.

Sameer Kulkarni: Good morning, Sir. Can you give the utilization levels of various products like TAN and IPA?

Somnath Patil: The TAN utilization was about 50% overall. IPA utilization was around 75% in this quarter.

Sameer Kulkarni: For Methanol and ANP?

Somnath Patil: Methanol was practically nil. ANP, we produced about close to 75%.

Sameer Kulkarni: For nitric acid sir?

Somnath Patil: Actually the bulk of the nitric acid is consumed captively but as against our target of around say 150,000 tonnes that we had taken internally, we have a sales volume around 16,000 tonnes of a strong and dilute nitric acid put together. We have sold about 32,000 tonnes of all acids put together in this quarter.

Sameer Kulkarni: What are the realization levels of TAN, IPA, Methanol?



- Somnath Patil:** Methanol, as I said, we did not sell anything in this quarter.
- Sameer Kulkarni:** Realization and prices?
- Somnath Patil:** Prices were around Rs.19000 in this quarter for methanol. For TAN the average realization was around Rs.23,000 and IPA was Rs.80,000.
- Sameer Kulkarni:** ANP?
- Somnath Patil:** ANP, the total realization was about Rs.28000.
- Sameer Kulkarni:** Regarding the TAN capacity utilization going forward, looking at the current demand scenario, how do you see in FY'14 the utilization levels panning out?
- Somnath Patil:** We expect the utilization levels to significantly go up in FY'14 and the average utilization should be at least 70 to 75% in FY'14.
- Sameer Kulkarni:** Thank you very much Sir.
- Moderator:** Thank you. We have the next question is from the line of Tarun Surana from Sunidhi Securities. Please go ahead.
- Tarun Surana:** Good morning Sir. Can you please share your total ammonia requirement for this quarter, both manufactured and imported?
- Somnath Patil:** This quarter our total ammonia purchased quantity was around 20,000 tonnes. That is outsourced ammonia, which has been mainly sourced from domestic sources. Our own production was about 33,000 tonnes.
- Tarun Surana:** Sir, EBIT margin in this quarter was close to 13%. Is it because of the captive ammonia that was taken at cost?
- Somnath Patil:** Yes, for fertilizer it is always captive ammonia, but slightly improved margins were because of outsourced specialty fertilisers where the margins are better than what we earn on our own produced fertilisers.



Tarun Surana: Sir, your realty business has seen bleeding and in past quarters you have said that you were into some agreements with other retailers for the Ishanya Mall. Are those plans still on hold mode or we have lost any agreements with any of the retailers for Ishanya Mall specifically?

Somnath Patil: As I said it is not on hold, but this modification activity was going on and that has been now completed. So parallely we have been talking to a number of people and some sign-ups have already happened while of course we have lost some tenants in the last one year, but some new signups have happened in the light of the modified mall that is now being offered by us.

Tarun Surana: Last question Sir, for your capex, should we take a TAN plant in Australia and also a DAP and NPK granulation plant at Taloja. So if considering you have to go forward with only one project which will be your priority?

Somnath Patil: Our NPK plant is on priority and we have started implementing it at Taloja.

Tarun Surana: What are the costs associated with this?

Somnath Patil: The cost is about Rs. 360 Crores.

Tarun Surana: Thanks a lot Sir.

Moderator: Thank you. We have the next question from the line of Manoj Baheti from Edelweiss. Please go ahead.

Manoj Baheti: I have couple of questions. My first question is on the TAN new plant. Earlier we had some operational issues in the TAN new plant. So, now all that is over and the new TAN plant is working perfectly at the normal capacity. Maybe the capacity utilization was lower because of the monsoon quarter but on the operational side whether everything is done?

Somnath Patil: Yes, absolutely. On the operation side we are not seeing any difficulty as of now and as you rightly put it during monsoons the product tends to have some issues particularly because of the moisture. These products are highly



hygroscopic in nature. With the monsoon behind us, the next six months should be much better in terms of product quality etc. But technically there is no problem as such with the plant. Our plants have been fully stabilized.

Manoj Baheti: Considering the domestic market, especially the issue which the Mining sector is facing, are you seeing significant headwinds on the demand side especially on TAN?

Somnath Patil: In fact what is happening is there is a demand supply gap insofar as the Indian production is concerned. Those who are used to manufacturing their explosives particularly from imported low quality fertiliser grade ammonium nitrate continue to do so. A switch over to our superior quality product can be expedited with demand increase, which in turn is dependent on the activity of the Mining segment in the country. As you know the Mining sector is actually quite subdued and we are seeing a growth of less than 2% as of now. That is creating some difficulty for us to make inroads into these areas and increase our volumes. Having said that, there has been a consistent increase in volumes of TAN, as compared to last year.

Manoj Baheti: Looking at the current scenario do you still hold your earlier guidance of around 3 Lakhs metric tonne of TAN or you would like to revise it downward for FY'13?

Somnath Patil: I think we will have to revise it downwards and we feel a figure of 250,000 would be more realistic.

Manoj Baheti: What type of margins generally at the current ammonia prices and at Rs.23,000 of the TAN's selling price what kind of margins are we are making on TAN, as well as on IPA also?

Somnath Patil: On TAN we are making a margin of about 15% at EBIT level as of now and on IPA this quarter margins have been quite good they have been at about 16% to 17%, up from 12% that we had in the last quarter. So, that is where we are.



- Manoj Baheti:** This 15% margin, I believe, the normal margin used to be in the range of around 20% to 30% on the TAN side?
- Somnath Patil:** It used to be between 20% and 25%.
- Manoj Baheti:** So once the ammonia prices soften now you expect the margins to come back to that level?
- Somnath Patil:** Yes.
- Manoj Baheti:** Sir, on exports whether the margins are lower vis-à-vis domestic market
- Somnath Patil:** In fact whatever exports we have done we have managed to get good realizations in line with what we get domestically. That is upwards of Rs.24,000 per tonne.
- Manoj Baheti:** So export realization is higher than the domestic right?
- Somnath Patil:** Marginally higher than domestic.
- Manoj Baheti:** That is after taking out all the cost logistics cost?
- Somnath Patil:** Net PAT ex-factory.
- Manoj Baheti:** Sir, going forward what will be your guidance? What should be the export domestic mix like you will be having almost 470,000 tonne of the TAN capacity both plants put together including your subsidiaries so what will be your guidance in terms of export domestic mix?
- Somnath Patil:** We will be targeting to export anywhere between 75,000 and 100,000 tonnes of technical ammonium nitrate per year as we ramp up capacity.
- Manoj Baheti:** That is likely to happen in FY'14?
- Somnath Patil:** I think FY'14 should see a significant increase in our exports and at 100% capacity utilization the export figures would be more like 75000 to 100000 tonnes.



Manoj Baheti: So in FY'14 it still means we are having 70% to 80% capacity utilization or even lower?

Somnath Patil: It will be more like around 75%.

Manoj Baheti: 75% of the overall capacity, right?

Somnath Patil: Yes.

Manoj Baheti: One last question from my side, what is your view on the Agri segments? How are you seeing the demand scenario on the Agri side? Is the market is still flooded with excessive inventory and also if you can touch upon your sulphur bentonite fertilizer, how are you seeing the demand and market scenario in that segment?

Somnath Patil: Second part, I did not get you.

Manoj Baheti: Specialty nutrient fertiliser which you trade?

Somnath Patil: As far as the market scenario is concerned with the monsoons having come now the Rabi season sowing has started and we have been able to sell our products both our own manufactured as well as the traded products completely. At the end of September we did carry some stocks like around 8000 tonnes of our own manufactured nitro phosphates and about 12,000 tonnes of MOP and about 16000 tonnes of DAP., In the pipeline we see a figure of something like one and half million tonnes at the end of the year FY13. So, there is a lot of material which has been contracted by most of the companies. But we have not contracted anything additionally and we are not going to have any new receipts of bulk traded fertilisers. So, we should be reasonably comfortable insofar as inventory carrying and the associated costs are concerned.

But activity surely will pickup, as we see, with the Rabi sowing starting. I think the pipeline quantity should keep on reducing but it will happen gradually. We are also seeing pressure on the farming community because of which you see our debtors



levels are also little bit high. So, all these things should ease by end of December or early January. On the specialty fertilizer front, we have been seeing steady growth. In Q2 our specialty fertilizer sales were lower than what we achieved in Q1. That happened because of the drought-like situation which we experienced, but now things are again looking up. So, we should do reasonably well on the specialty fertilizer as well.

Manoj Baheti: Any update on Desai Fruits & Vegetables business?

Somnath Baheti: The Desai fruits & vegetables front activity is going on and we are actually facing some problems at the back end as of now in terms of the volumes and the quality of the bananas as against what we expected. But a lot of actions have been taken and we have inducted some overseas experts as well to work with the farmers to help them adopt good growing cultivation practices and fruit care practices, packing practices, etc. On the front end of course, we have our expertise. So while earlier the focus was on exports, we are also now shifting to greater focus on domestic sale of bananas. The business will take some more time to settle down and may be in next year we will be able to see some good results from DFV.

Manoj Baheti: Any more infusion of funds in that entity?

Somnath Patil: We have so far infused about Rs. 27 Crores and we need to infuse about Rs. 12 Crores more over the next one and half years and that is it.

Manoj Patil: Thanks for taking my question and wish you all the best.

Moderator: Thank you. We have the next question from the line of Gauri Anand from Philip Capital. Please go ahead.

Gauri Anand: Sir I have two questions. One I understand even now we are a methanol deficit market and we may be importing about 50% or so of our requirement. You know gas prices are likely to remain firm be it domestic or I mean at least they are likely to look up northward domestic as well for the international prices. Sir, I just wanted to understand when would the manufacturers get



pricing power because cost of input will likely rise and it looks like we do not have the pricing power. Also if you can tell where are these imports coming from and then we can make a sense that if gas prices does go up in those nations and perhaps methanol prices will then follow suit? That is the first question. The second question is we have two senior gentlemen, who have been recruited this quarter and I understand they would be very focused on our ammonia derivative business. So, could you tell us that what is their scope of work and how does our company is expected to benefit with they coming in. These are two questions Sir.

Somnath Patil: As far as methanol is concerned the gas cost being so high, the total cost of manufacture for Methanol for us is upwards of Rs.30,000 per tonne. Against that the realization is around Rs.19000 per tonne so obviously it does not make sense for us to manufacture the methanol at cash loss. And because methanol is manufactured out of spot gas and spot gas is at about \$17 per MMBTU therefore it just does not make any sense for us. Methanol is imported into the country from typically Middle East largely. India actually does not have any pricing power, quite frankly. See the market in India is about 1.8 Million tonnes and domestic supply is just about 30%.

Gauri Anand: So, then there is no way that we will ever be able to get the pricing power and will never be able to pass on the cost because in India domestic gas prices will rise. International prices, at least new tie ups that we are having, are likely to be crude linked?

Somnath Patil: That is right. It is going to be a tough situation in India if this kind of gas cost remains and the realization does not improve.

Gauri Anand: Sir, what is our fixed cost on methanol now and the let's say the plant maintenance cost, staff what would our fixed cost?

Somnath Patil: Our fixed cost actually are about Rs.2 Crores per quarter in terms of Rupees. It is a depreciated plant so we generally we need to incur about Rs.2 Crores per quarter on maintenance. As far as the second question is concerned we have



mentioned about Mr. Carl-Anders Lindgren. He was the Managing Director of Yara AB, Sweden. So, he brings with him complete expertise of the TAN global industry. He will be heading this business , and he understands the technology side as well as the ammonia market and the TAN global market. So, he is going to add tremendous value to the understanding of the business and the way in which we will be doing this business.

Gauri Anand: Sir then any agreements that we have been thinking of entering into for longer term offtake of TAN is that also likely to come through?

Somnath Patil: Typically, what happens globally is that most of these large players are consumers of TAN. They have medium to long term tie-ups with suppliers. So, we will really have to achieve some breakthrough in our relationship with these large customers and that will take some time. In terms of quality we will not be found wanting but what is important is to make them buy the product from us. We are working on actually cracking that entry barrier and that is how gradually we will be able to increase our presence in the international market. Partha Bhattacharyya is a very renowned figure in India. He was the Chairman and Managing Director of Coal India. Again this segment in a way is the one which is serviced by us and it is a major segment for us. But his activities or his management expertise will not be limited to only to coal or the mining activity. He will be the Executive Director for all operations.

Gauri Anand: Sir, we are supplying to Coal India but would this increase our scope to sell more to Coal India? Would something of that sort be likely?

Somnath Patil: It is a continuous activity from our side to educate Coal India and the actual users there as to how the product has to be used and also to guide them and inform them about the superiority of our product. How it is superior compared to the imported fertilizer grade ammonium nitrate. We are seeing a shift in their understanding as well as higher acceptability for our product.

Gauri Anand: That is it. Thank you so much and wish you all the very best.



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- Moderator:** Thank you. We have the next question is from the line of Satish Mishra from HDFC Securities. Please go ahead.
- Satish Mishra:** Good morning Sir. First question, can you give some sense related the key raw materials; how the prices have moved Q-On-Q for Ammonia and propylene?
- Somnath Patil:** For propylene last year for the same quarter the prices were around Rs.51,000 per tonne. They moved up to Rs.68,000 in Q1 of this year and in this quarter they dropped to about Rs.56,000 per tonne. Then coming to Phos acid last year for the same quarter the prices were around Rs.47,000. They increased to Rs.53,000 in the first quarter and for the second quarter, they were at Rs.52,500. Where ammonia is concerned the prices increased from Rs.26,000 last year same quarter to Rs.29,000 in Q1 and in Q2 prices increased Rs.36,000..
- Satish Mishra:** The current rates we have negotiated for Q3 are upward of Rs. 36,000 or in the same range?
- Somnath Patil:** It is currently at the same range, upwards of \$700 per tonne.
- Satish Mishra:** Second Sir, related to TAN you said combined entity is operating at 50% capacity utilization. Can you give the break up between the old unit and the new unit in terms of capacity utilization?
- Somnath Patil:** Now we do not look at it that way. We work considering both the units as one because that offers us considerable flexibility. It is the same management team, it is the same operating team and it is left to them to decide how to optimize plant utilization. So we look at the utilization in terms of the total capacity that we have.
- Satish Mishra:** Sir, actually I was trying to understand that new unit up to what capacity utilization the maximum we have operated so far? Have we crossed 80%-90% kind of level?



- Somnath Patil:** We have crossed 60%, but there is absolutely no technical issue as such, as said earlier on the call so the plants are fully stabilized. So, we have no technology or any other technical issues.
- Satish Mishra:** Another question related to ammonia. You said 33,000 is, manufactured out of this 33,000 how much were used in fertiliser segment?
- Somnath Patil:** Most of this goes for fertilisers and some gas also goes for associated utilities.
- Satish Mishra:** Thank you.
- Moderator:** Anyone who has a question at this time you may press "*" and "1".
- Manish Mahawar:** This is Manish Mahawar. Just I have two questions. First, your IPA plant shutdown for 20 days and methanol plant was shut-down almost for a quarter. Further, ammonia prices impacted the results. So, would it be possible to quantify the financial impact of these three during the quarter?
- Somnath Patil:** As far as methanol is concerned, it has been impacted us by about Rs.9 Crores. As far as acids are concerned, acids also have taken a beating on Q-On-Q basis by about Rs. 15 Crores as a drop in profits mainly because of the impact of ammonia prices.
- Manish Mahawar:** So, it is roughly around Rs.24 Crores, you can say around Rs. 9 Crores and Rs. 15 Crores?
- Somnath Patil:** Yes.
- Manish Mahawar:** Second question on Ishanya Mall. I think we have done 100% modification so what is total expenditure we have done so far?
- Somnath Patil:** About Rs. 57 Crores.
- Manish Mahawar:** This is now 100% completed, right?
- Somnath Patil:** Modification is complete.



- Manish Mahawar:** Last question from my side is on the capex front. How much capex required in the next six months and for FY'14?
- Somnath Patil:** For the next six months we expect to spend about Rs. 40 Crores including some small amount on the new expansion, next year ending in FY 14 Rs. 120 Crores for the existing as well as the new.
- Moderator:** We will take the next question is from the line of Siddharth Sivaramkrishnan from UTI Asset Management. Please go ahead.
- Siddharth S:** Just want to understand the reasons why the IPA plant was shutdown and going forward whether such kind of shutdown will occur even in the subsequent quarters? Second was on the gas availability and a gas cost for this quarter?
- Somnath Patil:** Gas availability for the quarter was about 50 Million SM³. The cost was around Rs.13.
- Siddharth S:** Just on the IPA, if you could just clarify what was the reason for the shutdown?
- Somnath Patil:** Some problems with heat exchanger and some tube leakages. So, this was unexpected. Having said that these are all chemicals plants which do develop such things once in a while and we do not foresee any such thing happening at least in the next six months.
- Siddharth S:** Sir, this IPA margin that you mentioned of 15% to 18% is considering the impact of the shut down. So if this had not been what would be the normal EBIT margin for IPA in normal course of operation?
- Somnath Patil:** It is close to 20%.
- Siddharth S:** Thanks.
- Moderator:** Thank you. We have the next question from the line of Grishma Shah from Envision Capital. Please go ahead.



- Grishma Shah:** Good morning Sir. I just wanted to know the DAP plan, would it be on-stream by FY'14 end or will it be FY'15?
- Somnath Patil:** The NPK plant will be on stream by FY'15 end.
- Grishma Shah:** What would be the capacity?
- Somnath Patil:** Total capacity will be around 600,000 tonnes.
- Grishma Shah:** Do we have the raw material tie up in place?
- Somnath Patil:** We have our own ammonia plant, which should be able to meet the requirements of this expanded capacity because we will be producing NPK, DAPs and other bulk fertilisers of different, different grades and therefore this should suffice though we might have to use some outsourced ammonia in some small quantity.
- Grishma Shah:** And Phos acids?
- Somnath Patil:** Phos acid should not be a problem because when we switch over to this new plant it would have a granulation process, so we will be able to consume different grades and varieties of Phos acid. Today we are restricted to just couple of sources and so that is a handicap for us. Once we implement this new project, we will have several sources of Phos acid because this new plant will be able to consume different types of Phos acids.
- Grishma Shah:** Thank you and good luck.
- Moderator:** Thank you. We have the next question is from the line of Manoj Baheti from Edelweiss. Please go ahead.
- Manoj Baheti:** My question is on the APM gas, for the fertilizer mop-up, any update on that?
- Somnath Patil:** The matter is actually still under discussion with DOF and therefore I think it would be appropriate for us to say anything on this at this stage. Better we wait and watch.



- Manoj Baheti:** No further updates post that right?
- Somnath Patil:** No further updates.
- Manoj Baheti:** Thanks.
- Moderator:** Thank you. We have the next question again from the line of Satish Mishra from HDFC Securities. Please go ahead.
- Satish Mishra:** I have a question related Ishanya Mall. Modification is now complete over here and your guidance is that situation should improve from next year onwards. So, what is the actual change happening on the ground level, which is giving us a positive signal. That is one. Second is because if you see Q-On-Q the revenues have slightly decreased so that basically is saying tenants have fallen Q-On-Q. So, what is the strategy playing over there? What are you doing over there?
- Vivek Y Kelkar:** Satish, what is happening on that is that we redesigned the mall from home and interior products to be more of a wider range of products today and the appeal that we are creating will be much wider. I do not want to go into details of that because there is competition in this area. But what is happening is that while home and interiors will about 30%-35% of the Mall, it will have a much broader appeal in terms of food, entertainment and other shopping options. That seems to be working well with new tenants. That concept is really working well because Home is quite a unique offering to us and nobody else has this in our catchment area. In fact in Pune nobody else has that option. So coupled with all these things it seems to be a good response that is coming in from new tenants.
- Satish Mishra:** Revenue is a modular profit sharing?
- Vivek Y Kelkar:** We have moved to revenue share substantially and this is the reason why there has been a drop in revenues.



Satish Mishra: Just last question on TAN, have we fully capitalized or is there any further scope of sequential depreciation increase in coming quarters?

Somnath Patil: It is fully capitalized.

Satish Mishra: Thank you, Sir.

Moderator: Thank you. We have the next question from the line of Rohan Gupta from Emkay Global. Please go ahead.

Rohan Gupta: Good morning. Sir just one thing with a couple of person joining with a rich experience and background, just wanted to understand the company's philosophy and objectives going forward. Earlier we have earlier some plans of putting up a plant in Australia and we were planning some global plants. Are we going forward in that direction? Where we are planning to expand our chemical business? I just wanted to understand what was the thought process right now in the company?

Somnath Patil: See new people have joined us. One of them is Carl-Anders Lindgren has joined as Head of the TAN business. We did not have anybody in that position and he brings with him extremely rich experience of this industry. We right now is focusing on increasing our capacity utilization at our Taloja plants and once we are closed to 75%-80%, we will then look for opportunities outside India including South Australia. While I say that South Australia is clearly on the radar and some work is going on as we speak, but serious commitment will happen sometime in the next year so we are clearly focused on expanding the TAN business both in India and internationally.

Rohan Gupta: This will be acquisition of some old facilities in South Australia or we are planning to put new plants in those markets?

Somnath Patil: The thought process was to put up Greenfield project there in South Australia. But right now we have had some issues with the land that was allocated to us and there were some community issues also. As a result of which we had to surrender the land to the South Australian Government and we are now in the



process of identifying land in some different areas where we would not be confronting the environmental and the community issues.

Rohan Gupta: Though it may be very early for you to comment on my next question, I would just like to ask if the new project will you plan to go with the JV or the company will go by itself?

Somnath Patil: Yes you were right actually it is little bit premature for me also to answer. The original thought was to go on our own but let us wait for some time and see how things play out.

Rohan Gupta: Focus will remain on TAN only, right?

Somnath Patil: Not only on TAN. There are other products that we make like IPA. We can grow that business further because there is a gap in demand supply in the country, which is met significantly through imports. So the country will need one more IPA plant very soon. So, we are focused on that and in nitro phosphates anyway I told you we are expanding capacity at Taloja. These three areas will be focus areas clearly -- fertilisers, TAN and chemicals.

Rohan Gupta: Just lastly what is the Greenfield project cost for a 100,000 tonnes of TAN plant in Australia?

Somnath Patil: We will talk about 300,000 tonnes which is the economic size, our rough estimate tells us that it will be something like Rs. 1500 Crores.

Rohan Gupta: Thank you very much.

Moderator: Thank you. We have the next follow up question from the line of Samir Kulkarni from Vantage Securities. Please go ahead.

Samir Kulkarni: My questions are answered. Thank you.

Moderator: Thank you. As there were no further questions from the participants, I would now like to hand the floor back to Mr. Manish Mahawar for closing comments. Over to you Sir.



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Manish Mahawar: I would like to thank the management for taking the time out for the call. Mr. Patil would you like to make any closing comments Sir?

Somnath Patil: Let me thank you as well as all the participants for joining our call. Just I want to emphasize on three things. One, given that we are aligned to fundamental sectors of the economy and demand for our products continues to remain strong and we should be able to capture the upside to the Indian economy going forward. Two, as the economy improves, we are confident that the higher acceptability and quality of our products will enable us to gradually improve margins as we pass on raw material price increases. Three, we are strongly targeting export markets, particularly in TAN and particularly those global markets where the mining sector is doing well. We should see the results of this in the next few quarters. Our fundamentals are strong and we are confident about the future. Thank you.

Moderator: Ladies and gentlemen on behalf of Edelweiss Securities that concludes this conference call. You may now disconnect your lines. Thank you.